

**IMPACT OF HUMAN CAPACITY BUILDING ON THE
PERFORMANCE OF SMALL AND MICRO ENTERPRISES IN
KISUMU MUNICIPALITY**

BY

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**A Management Research Report Submitted in Partial Fulfillment of the
Requirements for the Degree of Master of Business Administration,
University of Nairobi, School of Business.**

OCTOBER 2010

DECLARATION

I declare that this research project report is my original work and has never been submitted anywhere for a degree or qualification of the same in any other university or institute of higher learning.

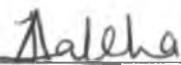
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DEDICATION

This project is dedicated to my mother, Jane Chepketer Keino . It is through you mum, that I came to see light. It is you who guided me through the challenges of this world and laid a strong foundation for me on which I stand today. May the Lord continue to bless you abundantly.

ACKNOWLEDGEMENTS

I wish to thank and acknowledge the contribution of several people who made the completion of this project possible. Special thanks goes to my Supervisor Mr. Alex Jaleha for his guidance, support, valuable suggestions and many hours spent in reading and offering advice special tribute also go to all my Lecturers in the School of Business, Nairobi University, Kisumu Campus who gave me their support.

To my family, for the encouragement and support they offered me even when I was getting discouraged, and friends for their love, patience and prayers. The small business customers in Kisumu for allowing me to access the required information for study.

I would be wrong not to mention Almighty God, without whose effort we would be nothing. I thank the Almighty God for having given me this opportunity to further broaden my knowledge and for seeing me this far. May he give me more wisdom and guidance in my life.

ABSTRACT

The importance and contribution made by small and micro-sized enterprises (SMEs) in an economy has attracted widespread attention from researchers from the time small business research gained significant momentum in the early. Proper management of a company's human resources is key to business survival in today's world. Human capacity building can be particularly important for small firms. The need for human capacity building for SMEs in Kenya is of great significance if we are to increase the performance and growth of SMEs and at the same time reduce inefficiency, low productivity and the rate of failures of small firm.

The overall objective of the study was to evaluate the impact of human capacity building on performance of Small and Medium Enterprises. The study was guided by the following specific objectives: (i) to establish the current human capacity building approaches used by SMEs in Kisumu; and (ii) to establish the impact of human capacity building on the performance of SMEs in Kisumu.

A survey was undertaken. The target population was drawn from the 7012 businesses that are licensed by the Municipal Council of Kisumu of which 80 percent are SME's (Kisumu Municipal Office, Sept, 2010). The sample consisted of 320 respondents selected from owners and staff of SMEs in Kisumu municipality. Primary data was collected from the proprietors/managers of the SMEs with the aid of semi-structured structured questionnaires. Data pertaining to the objectives of the study was analyzed using descriptive statistics, which includes measures of central tendency, measures of variability and measures of frequency

among others. In order to determine the relationship between human capacity building and SMEs performance, correlation and regression analyses were undertaken. In addition, bar charts, pie charts and graphs were used. The information was presented and discussed as per the objectives.

Findings of the study show that the main training approaches were used by the SMES include the following: formal training approaches only, on-the job-training approaches only; job-specific training approaches only; a combination of formal training approaches and on-the job-training approaches; and a combination of formal training approaches, on-the job-training approaches and job-specific training approaches.

Based on findings of the study, the following recommendations were made: Research, management, and policy development of training in the SME sector needs to be more open and flexible in order to address the idiosyncratic nature of SME requirements; research, management and policy instruments of training support will need to interact with, and be responsive to, the subtle distinctions of context that will moderate what is more appropriate, and more likely to be welcomed, in the small business sector; and if training is to be offered to SMEs it should encourage as little time away from the workplace; it should be flexible and inexpensive.

TABLE OF CONTENTS

Declaration.....	i
Dedication.....	ii
Acknowledgements.....	iii
Abstract.....	iv
List of Tables.....	viii
List of Figures.....	ix
Abbreviations and Acronyms.....	x
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Statement of the problem.....	7
1.3 Objectives of the study.....	9
1.4 Importance of the Study.....	9
CHAPTER TWO: LITERATURE REVIEW.....	11
2.1 Human capacity building needs and approaches for SMEs.....	11
2.2 Conceptual Framework.....	14
2.3 Impact of Human capacity building on the performance of SMEs.....	16
2.4 Conclusion.....	21
CHAPTER THREE: RESEARCH METHODOLOGY.....	23
3.1 Research design.....	23
3.2 Population	23
3.3 Sampling Design.....	23
3.5 Data collection.....	24
3.6 Data Analysis and presentation	25
CHAPTER FOUR: FINDINGS AND DISCUSSIONS.....	26
4.1 Introduction.....	26
4.2 Human capacity building for small and micro enterprises	26
4.3 Factors affecting human capacity building needs of SMEs	31
4.4 The impact of capacity building on the performance of SMEs	36

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS..... 40

5.1 Introduction..... 40

5.2 Conclusions..... 40

5.3 Limitations of the study..... 43

5.4 Recommendations of the study..... 43

REFERENCES..... 49

APPENDIX I: QUESTIONNAIRE..... 53

APPENDIX II: LIST OF TABLE FROM KISUMU MUNICIPALITY 59

LIST OF TABLES

Table 4.1: Barriers to performance of Small and Micro Enterprises.....	36
Table 4.2: Managerial problems that affect the operations of SMEs.....	38
Table 4.3: Managerial skills.....	40
Table 4.4: Human capacity building needs.....	41
Table 4.5: Impact of capacity building on the performance of SMEs.....	50

LIST OF FIGURES

Figure 1.1: Conceptual Framework.....	15
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ABBREVIATIONS AND ACCRONYMS

CBS	Central Bureau of Statistics
GDP	Gross Domestic Product
HRM	Human Resources Management
IIED	International Institute for Environment and Development
NGOs	Non Governmental Organizations
OECD	Organization for Economic Co-operation and Development
SMEs	Small and Micro-sized enterprises
SPSS	Statistical Package for Social Sciences
TQM	Total Quality Management
UNDP	United Nations Development Programme
OJT	On the Job Training

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The importance and contribution made by small and micro-sized enterprises (SMEs) in an economy has attracted widespread attention from researchers from the time small business research gained significant momentum in the early 1970's (Rutherford and Weller, 2002). Work undertaken by Birch (1979) and Storey (1994), which gathered together the evidence from a wide range of studies, has provided policy makers and commentators with evidence of the contribution that small firms make, the difficulties they experience and various attempts and reasoning for government intervention in the sector.

According to Beaver (2002), SMEs have an important role to play in a country's economy, and globally they contribute eighty per cent to a country's economic growth. For instance, "of the 3.7 million businesses in the UK, 99.2 per cent are defined as small businesses, employing fifty seven per cent of the workforce" (Denby, 2001). For many countries in Africa, SMEs and the informal sector represent over 90% of business and account for 60% of employment (International Institute for Environment and Development (IIED), 2005). For African countries to achieve long-term, sustainable growth, it is critical that they encourage and enable small and medium-sized entrepreneurs to launch and expand businesses, and enter the formal economy, thus helping SMEs to serve as an engine of growth.

The common definition in OECD (Organization for Economic Co-operation and Development) countries is based on employment figures; correspondingly an SME has less

than 500 employees (OECD, 1997A). In Kenya, "Micro-enterprises" are those with 10 or fewer workers, "small enterprises" have from 11 to 50 workers, and "medium enterprises" have from 51 to 100 workers. Censuses indicate that micro-enterprises comprise the lion's share of enterprises in Kenya while there are a few medium enterprises (Parker and Torres, 1994). Small enterprises are almost non-existent. As well, micro-enterprises are indigenous while the medium-scale and larger manufacturing enterprises are dominated by Asian (Indian) capital.

1.1.1 Human Capacity Building for SMEs

Human capacity building is the "process of equipping individuals with the understanding, skills, and access to information, knowledge, and training that enables them to perform effectively" (UNDP 1992) in a society. Berg (1993) elaborates on this definition to highlight three main activities: (i) Organization strengthening: the process of institutional development; (ii) Procedural improvements: general functional changes or system reforms; and (iii) Skill enhancement, general education, OJT, and professional deepening in crosscutting skills.

Following Argenti's (1976) argument, the authors claim that most problems affecting SMEs are related to lack of managerial capability in owner-managers of SMEs. Though it is difficult to determine what constitutes poor management, all problems of SMEs, be it marketing, operations, finance, personnel or distribution, are all essentially managerial problems. No matter what happened to these functions, managerial effectiveness could by definition have avoided or at least minimized their impact on the firm survival. Managers require basic skills to establish organizational goals and determine appropriate strategies to achieve these goals. The success of SMEs in today's turbulent markets depends largely on

their ability to engage in environmental scanning activities in order to understand the behavior of and trends in their environment (Temtime, 2001).

The processing, gathering and analysis of interoperating environmental data requires managerial competence and expertise. A previous study (Temtime, 2002) showed that most SMEs do not engage in actual strategic planning as they put too much emphasis on operational bits and pieces. Some prepare business plans just for external validation by banks and creditors rather than coordinating organizational activities. It is not uncommon that owner-managers often spend too much time fire-fighting rather than leading the firm. As the environment of SMEs is dynamic rather than static, turbulent rather than stable, and requires managerial agility and capability, SMEs should be assisted to think and act strategically.

Hitt *et al.* (1996) found that management decision-making and organizational structure in SMEs revolves around the preferences and interests of owner-managers, who take all the major decisions and monitor all activities. While such approaches and structures enable strong control over the firm, organizational success or failure in SMEs is seriously affected by the managerial competencies of owner-managers. Al-Madhoun and Analoui (2003) studied 106 managers in Palestine and found an important relationship between managerial skills and small business development. Enhancing capacity of SMEs has a very great potential to spur economic growth.

1.1.2 Performance and Human Capacity Building for SMEs

The relationship between HRM activities and performance, in some senses, is problematic. It has been argued that the relationship between HRM and firm performance remains fuzzy and results depend on the population samples and the measures used (Sels *et al.*, 2006). Notwithstanding this, there seems a general consensus that best practice HRM activities can enhance business profitability, life span, sales volumes and infrastructural improvement especially where the more sophisticated forms of HRM have been introduced (Way, 2002; Hayton, 2003). However, we would also argue that it is important to look at variations within the SME sector. Each of these variables may differ in their effects on firms of different sizes within the SME category. As Kieser and Ebers (2006) observe, the size of an organization is a critical influence on its internal structure. Motivating, communicating, provision of training and the development of skills present very different problems for the micro firm of two or three employees as compared with the medium sized firm with perhaps 200 employees.

Analyses of the links between management training and firm performance in smaller firms have certain methodological weaknesses: the influence of training falls when more “controls” are introduced or when other non-training managerial practices are included. These are shown to have a stronger link to performance than training; no link between training and productivity trends is apparent and, even if a positive correlation were to exist, the methodology is unable to disentangle whether small firms that train perform better or whether small firms that perform better can afford to train. Recent analysis in the United Kingdom found a positive association between current training measures and historic performance, but no clear association between current training and subsequent performance.

The implication is that prior performance may generate the resources to undertake training, but that it is difficult to assert that training expenditure enhances future performance (Cosh *et al.*, 1998). Further data and analysis are needed to confirm empirically the link between management training and enhanced performance of SMEs.

1.1.3 SME's in Kenya

In Kenya, SMEs are defined as businesses in both formal and informal sectors, classified into farm and non-farm categories employing 1-50 workers (Republic of Kenya, 2005). The sector is considered as one of the major contributors to the economy by providing income and employment to a significant proportion of the population (Moyi *et al.*, 2006). Since Independence, the Government has recognized the potential of the SME sector in employment creation and poverty reduction in its numerous policy documents. The *Sessional Paper No. 1 of 1986 on Economic Management for renewed growth* was the first to give explicit recognition of the sector's role in economic growth and development. Its recommendations led to the publication of *Sessional Paper No. 2 of 1992, Small Enterprises and Jua Kali Development in Kenya*, that identified the small-scale and Jua Kali enterprise sector for support to assist it to "graduate into the formal sector" and to become a major player in the creation of new jobs and economic growth. This was followed by *Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction*.

The Government of Kenya spelt out its policies towards the small and "Jua Kali" enterprises in two sessional papers and three development plans. In these documents, the government stressed the critical role of small enterprises in the national economy and outlined the policy

interventions needed to enhance their growth. The first Sessional paper, Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth, singled out the small enterprise sector and rural economy as future generators of employment (Republic of Kenya, 1992). Three years later, in 1989, the Government prepared a paper, "A Strategy for Small Enterprise Development in Kenya: Toward the Year 2000," in which it documented the major impediments to small enterprise development and enunciated policies for improving the performance of the sector. Critical barriers identified were: difficulty in raising capital; limited managerial skills; regulatory constraints; low marketing skills; limited extension services; and difficulty in getting access to technology.

1.1.4 SMEs in Kisumu Municipality

The performance and growth of SMEs in Kisumu city is rather low as compared to other SMEs in other towns in Kenya like Kericho and Eldoret (Abuodha and King, 1992). The average lifespan of SMEs in Kisumu city is six months (GOK, 1999, 2000); the averages of Kericho and Eldoret towns are 16 and 14 months respectively (GOK, 2000), in comparison this is very low and hence needs to be investigated. The average profits per annum for SMEs in Kisumu have remained at about 2 percent since 2005 (GOK, 2008; Otunga, Opata and Nafukho-Muhia, 2001) while the averages of the profits of SMEs in Kericho and Eldoret grew at 32 percent and 38 percent respectively over the same period (GOK, 2008). The sales volumes of SMEs in Kisumu town grew at 6 percent (GOK, 2008) while the growth rates in the sales volumes of SMEs in Kericho and Eldoret were 24 percent and 28 percent over the same period (GOK, 2008). The growth rates of SMEs in Kisumu is lower than the national figures of 61 percent and also lower than the rates of its neighboring towns such as Kericho and Eldoret (Kibas, 2004). These are evidence of low growth and development. There is

therefore need to understand the correlation of the different human capacity building approaches used by SMEs in Kisumu city with a view of identify the impact it has in improving the performance and growth of the SMEs in the city. Otherwise, the SMEs may not effectively play their role as alternative employment for majority of Kenyans. This will lead to unemployment and retard the overall development of the country.

1.1 Statement of the problem

Proper management of a company's human resources is key to business survival in today's world. Human capacity building can be particularly important for small firms (Marlow and Patton, 1993) since they tend to be so dependent on human capital. The need for human capacity building for SMEs in Kenya is of great significance if we are to increase the performance and growth of SME's and at the same time reduce inefficiency, low productivity (Mathis and Jackson, 1991) and the rate of failures of small firm (McEvoy, 1984).

In Kenya SMEs employ about 7.5 million people, or 80 percent of the country's total employment outside the small-scale agriculture. SMEs therefore are a crucial sector and an important player in national development (Kibas, 2004; King, 1991). The challenges they face which affect their growth and profitability and diminish their ability to contribute effectively to sustainable development need to be determined and addressed (ILO, 2003; Keats and Bracker, 1988). Unless this is done, success will continue to elude them and their growth will continue fall leading to loss of employment (Kibas, 2004).

SMEs have been recognized as the engine of economic growth and have been put in the development agenda and strategy of many developing African countries. Recognizing the

great contributions of SMEs to economic diversification, employment creation, income generation, and poverty alleviation, the government of Kenya has been putting much effort and resources to promote the development of entrepreneurship and SMEs. However, most business support policies and programmes focus on financial assistance for start-up firms and very little has been done to develop entrepreneurial and managerial capability of citizens who start business with little or no management skills. It is not only access to finance or the availability of capital that leads to competitiveness: it is how SMEs manage their scarce resources (financial, human and material), market complexities and changes, as well as opportunities and threats in the environment (Temtime, 2002). As argenti (1976) has argued, the most commonly cited cause of business failure is “poor management”. As every business operation or activity is directly or indirectly related to management, it is essential to identify and assess the critical managerial factors affecting the performance of SMEs.

With these studies in mind there is a need to determine how human capacity building will enhance the performance of SMEs in Kisumu city with a view of identify the strategies that will mitigate them and improve the growth of the SMEs in the city. SMEs will thus effectively play their role as alternative employment for majority of Kenyans and help reduce unemployment. This study thus focused on the human capacity building for SMEs in Kisumu with an attempt to bridge the existing gap from other studies by seeking answers to the following research questions: (i) (i) What are the current capacity building approaches used by SMEs in Kisumu?; and (ii) How does the human capacity building affect the performance of SMEs in Kisumu?

1.2 Objectives of the study

The overall objective of the study was to evaluate the impact of human capacity building on performance of Small and Medium Enterprises.

The study was guided by the following specific objectives:

- (i) To establish the current human capacity building approaches used by SMEs in Kisumu.
- (ii) To establish the impact of human capacity building on the performance of SMEs in Kisumu.

1.3 Importance of the Study

The current study seeks to raise ideas and issues in the hope that the various stakeholders and persons directly addressing issues related to human capacity building for small and micro enterprises in Kenya will continue the discussion. Specifically, the findings of this study, it is hoped, will be beneficial to various key stakeholders as discussed below:

The management of SME's in Kisumu and in Kenya will gain a better understanding of the current human capacity building approaches to support Small and Micro sized Enterprises and the impact it has on the performance of SMEs. On the basis of the findings of the study, the management of these small and micro enterprises will implement decisions on HRM from an informed position.

Policy Makers will acquire insight into the critical areas of support mechanisms for small and micro sized enterprises and accommodate them in their policies where applicable.

Academicians and scholars will use the findings from the study as a source of reference for other researches. In addition, academic researchers may need the study findings to stimulate further research and like any other research, it will yield new information and act as a resource material for other readers.

Financial institutions will use the information to offer human capacity building support for their customers so that they can service the credit extended by the bank and grow to be profitable and continue contributing to the economy.

The Municipality will find the data and information useful for proper planning and decision-making at the municipal council, and for institutionalization of a framework for the management and development of profitable SMEs in the town. The sustainability of SMEs should be an important area of economic policy. This study will yield data and information that will be useful in restructuring SMEs and making them more stable and better performers, thus enhancing the economic growth of the town and the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Human capacity building needs and approaches for SMEs

The organizational effectiveness of the firm (Perry, 1993; Huselid, 1995; Terpstra and Rozell, 1993) and its ability to create a sustainable competitive advantage (Prahalad, 1983; Pfeffer, 1994) can hinge on whether HRM practices are properly thought out and successfully implemented. The human potential in a company is generally much more difficult for competitors to duplicate than the plant, equipment or even products that a company produces (Flanagan and Despande, 1996). Consequently, the nature and well-being of a company's employees can become its main strength in carving out a profitable existence in the industry

SMEs tend not to have a strong record in providing training for their employees (see for example, Matlay, 1997). Indeed, there is strong evidence that the smaller the firm, the less the provision of structured training (Storey and Westhead, 1996). However, the lack of formalized training structures may, to some extent be compensated for by informal training activities. Nevertheless, the lack of formal training in SMEs has been highlighted by Johnston and Loader (2003) who provide a full discussion of why such provision is limited.

According to the Ministry of Trade and Industry (SME Barometer, 2/1998), the most important training needs of SMEs in 1998 were: Marketing and dissemination of information; Product development; Staff development and training; Management/leadership; Information technology; Taxation, legislation; Production and materials; Quality, quality

control; Financing, economy and accounting; Exports and internationalization; Sales; and Co-operation and networking.

The contribution of Small and Micro Enterprises (SMEs) to a healthy economy has long been recognized and capability development of small firms remains critical to economic prosperity (Matlay, 1999). This concern for SME development is not new. Since the early 1970s in the UK, both academics and policy makers alike have started to pay attention to the role played by SMEs in economic growth, employment, and technological change (see for example, Gibb and Scott, 1985; Storey, 1994). Despite this concern, and many initiatives to encourage small firms to grow, it is suggested that “one of the key reasons for low-levels of UK productivity is the “long-tail” of badly-managed and under-performing small firms” (Jones, 2003). Management skill shortages still exist in the SME sector and management development and training in the sector remains a policy priority.

Research has also shown that, because of the habit of promoting informal training over formal training, SMEs operating in the manufacturing sector are in a relatively disadvantaged position (Matlay, 1999). Both demand and supply factors provide explanations as to why SMEs are reluctant to invest in training. From the demand side, it is believed that one of the difficulties is the lack of quantifiable evidence that shows a link between training and performance (Marshall *et al.*, 1993, 1995; Patton *et al.*, 2000). It is suggested that by making such a link more explicit and informing managers of the benefits, demand and interest for training and management development within SMEs could be improved. It is also considered that the demand for training may be determined by the context of a business. Characteristics

such as age, size, ownership and main industrial activities may ultimately determine the nature and extent of training demand (Hendry *et al.*, 1991). Alternatively, from the supply side, training policy and delivery systems fail to understand and address the specific needs of SMEs. SME managers are thus making an informed choice and deciding not to invest in the training offered (Storey and Westhead, 1997).

Researchers in the field unanimously agree that SME training is essentially informal and reactive response to short-term issues (Hill and Stewart, 2000). To face external uncertainty, small firms prefer to take flexible routes (Westhead and Storey, 1996). Further, the Skill Assessment Report (2002) noted that resource-scarce SME managers believe informal approaches provide cost-effective solutions. Given the importance of informal training to the SME sector, it is perhaps surprising that existing research focuses almost exclusively on the effects and outcomes of formal training programmes.

While highlighting the critical need for proper measures for training constructs, Kitching and Blackburn (2002) noted that the mismatch between firm practice and research focus is something that needs immediate attention. A broad definition of training includes any attempt, within or outside the organization, to increase job-related knowledge and skills of either managers or employees (Kitching and Blackburn, 2002). Although this definition captures important parameters, the Skills Assessment Report (2002) also emphasizes specifically the need to distinguish between formal and informal training approaches. Training in itself is a difficult concept to quantify, but Westhead (1998) believes that the practice of providing sweeping generalizations to cover a variety of cases that are in many

ways dissimilar makes things even more confusing. Thus, unlike previous research, this study makes a clear distinction between formal and informal training practices.

SME training research often considers the provision of training at individual level with staff/employee education and training receiving attention over management training and development. O'Dwyer and Ryan (2000) argue that SME training researchers should focus on management training and education, as it is an area that is critical for firm success, but receives no special attention. Therefore, this study considers management training at the firm level. However, in contrast to other firm level studies, this study does not take the amount of time or money spent on training as measures for training commitment. Reflecting the need to identify actual patterns of behavior, we use the number and type of practical interventions undertaken by a firm as indicators for training investment.

2.2 The Conceptual Framework

The conceptual framework will help provide clear links from the literature to the research goals and questions. This will also help in contributing to the formulation of the research design.

Independent variable - X

Dependent variable – Y

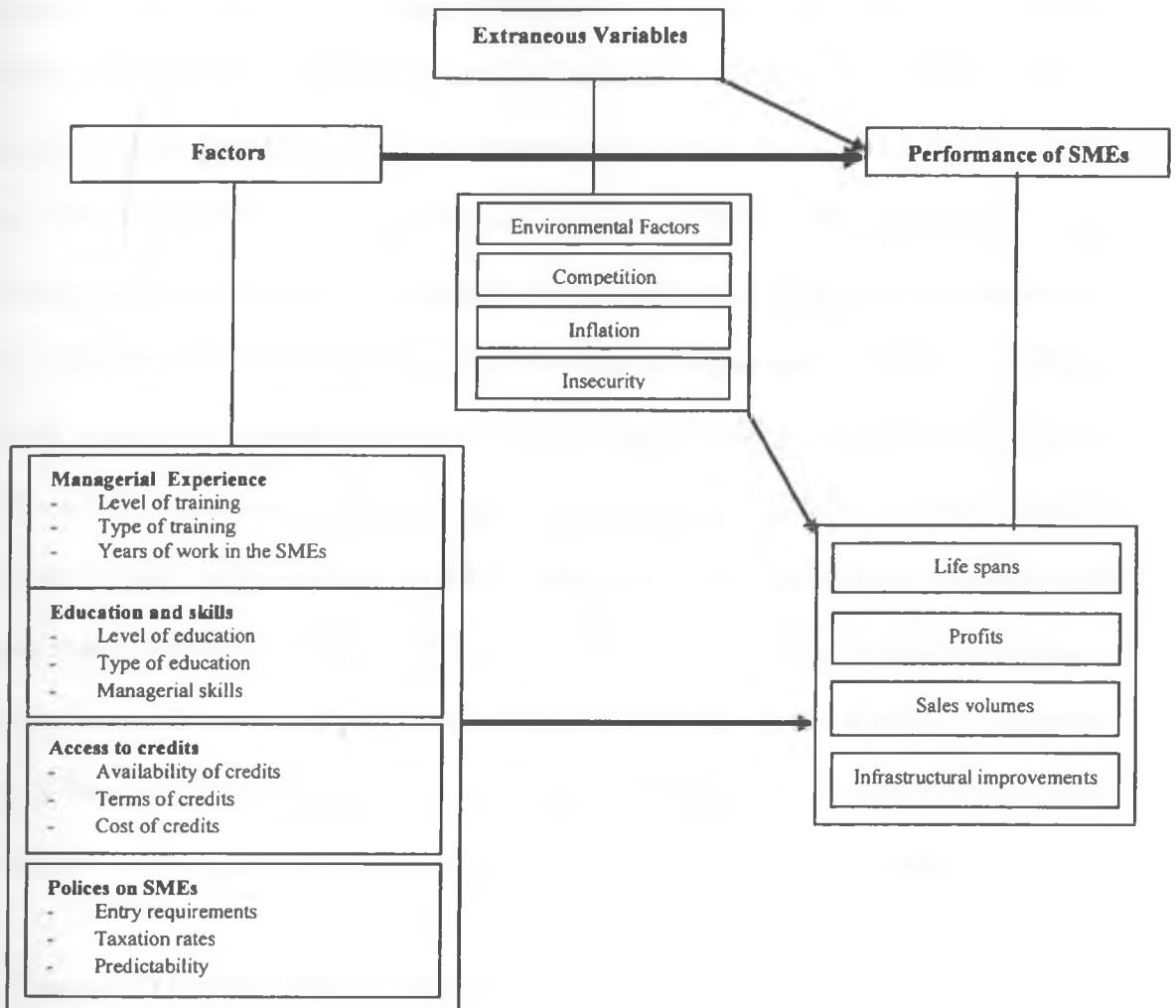


Figure 1.1: Conceptual Framework

Source: Adapted from A general guide to writing research proposal and report. A handbook for beginning researchers (2nd ed.), (72), By Oso, W. Y., and Onen, D. (2008). Kampala; Uganda: Makerere University Printery.

The arrows indicate cause – effect relationships, with the heads pointing at the effect from the cause. The sizes of the arrows indicate their strengths. A line indicates a division. Arrows of the same size have the same valence.

This framework postulates that managerial training and experience (and particularly the level of training, type of training undertaken and years of work in SMEs by the managers); education and skill (and specifically level of education of managers of SMES, type of education and managerial skills) of the managers of SMEs; access to credits (availability of credits, terms of credit and cost of credits) and policies on SMEs (and particularly the entry requirements, taxation rates and predictability of the policies) will affect the performance of SMEs. That if there is adequate managerial training and experience; if there is sufficient education and among managers of SMES; if there easy access to credits; and if there are policies on SMEs; then they will have long life spans, make profits, have large sales volumes and improve their infrastructure. In other words, life span, profits, sales volumes and infrastructural improvement are dependent on managerial training and experience, education and skills, access to credit and policies on SMEs for growth to occur. But this performance can be influence by environmental factors, unethical competition, inflation and insecurity, which may lower the performance levels even if other factors are all appropriate.

2.3 Impact of human capacity building on the performance of SMEs

According to Bacon *et al.* (1996), Human capacity building enhances an employee's productivity and reduce their probability of quitting (as increased wages and other benefits accrue from increased productivity) Thus the Ease of access to business skills by SMEs owners/managers. Booth and Snower (1996) argued that on-the-job training works for most small firms: employees learn in the context in which their skills are used and maintained. However, maintaining competitiveness relies not only on on-the-job or job-specific training, but also on a greater degree of formal training. The advantage of formal training is the gain of accredited experience and knowledge from sources out with their own organization.

Surveyed SMEs have called on training providers to offer bite-size training, tailoring courses to the needs of small businesses (Godfrey, 1997). Training providers will need to be more flexible if they wish SMEs to take formal training more seriously. Identifying and clarifying these barriers to skills development in SMEs in more detail is essential if their full productive potential is to be realized.

Studies of the impact of human resource management practices on firm performance in North America corroborate these findings. Huselid pioneered the US studies which found that the heavy use of a number of specified management practices was associated with an increase in company profits of nearly USD 4 000 per employee per year (Huselid, 1995). A study of formal training provision in Canadian workplaces also found positive outcomes for firms which trained:

“Organizations with training programmes had more favorable performance trends in a number of areas including revenues, profitability, employee relations, quality and productivity and their business viability and outlook.

However, there is a case for caution in hypothesizing a direct link between management training and firm performance. In the case of the Huselid analysis, this is based entirely on large firms which are known to be much more likely than small firms to provide training for their workers. Such firms are also unlikely to fail so the impact of training on survival cannot be assessed. The main Huselid result is that it is the combination of management measures which influences performance. These measures include not only training but also recruitment, employment security, use of self-managed teams, wages linked to performance

and information-sharing. Moreover, this combination of managerial practices which fosters enhanced performance in larger firms parallels the managerial approaches (e.g. flexibility, decentralization, teamwork) practiced in the majority of high-growth SMEs (OECD, 2000a).

Existing work rarely considers the factors that determine the level and provision of training. Hannon (1999) in a summary of the literature on training and management development processes in small businesses, refers to management within SMEs as situationally specific, and dependent on a variety of factors such as leadership roles, product or market conditions, business ownership and management structures. While much research in SME training has focused on claiming a relationship between training and firm performance, far less attention has been directed to understanding the association within the context of the organization, its operating infrastructure and target market. Studies do not explain why some firms are more likely than others to invest in training. Some of the studies establish that organizational characteristics influence the training performance relationship, but they fail to elucidate the contextual factors that influence the decision on training approach. The research studies that claim a mediating effect from sets of variables have not presented statistical interpretations of the significance of these moderating effects.

Whether the problem is in either supply or demand, the Labour Market Survey (2001) showed a clear relationship between business failure and a lack of planning or training by SMEs. Moreover, given that knowledge resources and their renewal are considered to be essential to the growth of firms (Penrose, 1959), it is clearly important to understand the links between training and performance. There are a multitude of other external and internal

variables that put weight into the training-performance relationship (Storey, 2004). In this paper we investigate the training-performance link by exploring theoretical gaps in the SME training-performance literature. Matlay and Hyland (1997) and Storey (2004) noted that the contribution of different approaches to training may be particularly relevant given the diversity in the sector, and the fact that smaller firms are considered to prefer informal rather than formal training approaches.

The general assumption is that those businesses that pay more attention to training and development will be more successful in the long run. This premise underpins a significant investment in SME training through European Social Funds (Devins and Johnson, 2003) and by national governments in many OECD countries (Storey, 2004). Although this claim is widely established, evidence to show that training and management development enhances SME performance is equivocal (Storey and Westhead, 1994; Storey, 2004). A large body of the SME training literature has attempted to address this issue by empirically testing the relationship between training investments – both in terms of resources and time – and firm performance through individual and firm level data. Several recent reviews, however, have shown that the empirical evidence for training influence on firm performance is generally inconsistent and inconclusive (see, for example, Storey, 1994; Morgan *et al.*, 2002; Heraty and Morley, 2003; Storey, 2004).

On the other hand, those who provide a more positive link to the relationship found that training could facilitate a firm's expansion (Cosh *et al.*, 1998), existence (Marshall *et al.*, 1995), profitability and productivity (Betcherman *et al.*, 1997) and competitive advantage (Huang, 2001; Smith and Whittaker, 1999). Jennings and Banfield (1993) claimed that

“training can, and should be a powerful agent of change, facilitating and enabling a company to grow, expand and develop its capabilities thus enhancing profitability”. Huang (2001) suggests that firms with sophisticated training systems and strong management support for training have effective training programmes and are more successful in delivering training. For Hallier and Butts (1999) “organizational performance can be held back through a neglect of training activity”.

In their impact assessment study, Marshall *et al.* (1993) found that government funded training investments in SMEs have significant influence in setting proactive strategies to combat recession; 50 per cent of receiving companies as compared to 12 per cent of the control group increased employment opportunities, increased investments and had a perception of resultant increased profit. Therefore, the SME training literature has provided contradictory evidence. Although there are some clear examples of how training influences firm success, it is suggested that this contradictory evidence discourages both policy makers and SME managers in their attempts to be more proactive within the area of management development and training (Marshall *et al.*, 1993; 1995; Patton *et al.*, 2000). Cushion (1995; 1996) link this problem to the lack of effective evaluation of management training in SMEs.

Issues such as short time horizons (Westhead and Storey, 1996), lack of appropriate and holistic measures for SMEs (Hannon, 1999; Cushion, 1995; 1996) and the difficulties in establishing causal links between training and performance (Storey, 1994) mitigate against effective evaluation of training outcomes. However, it is argued that checking correlations between key variables to establish patterns of behavior is more important than determining causal relationship between training and performance. One of the primary focuses of this

paper, therefore, is filling this gap through an in-depth analysis that uses practical measures to establish patterns of the training-performance relationship.

Studies have shown training to be important in enhancing competitive advantage, facilitating firm growth, and improving profitability (Bartel, 1994; Knoke and Kalleberg, 1994). In addition, training is seen as a useful means of coping with changes fostered by technological innovation, market competition, organizational structuring, and demographic shifts (Knoke and Kalleberg, 1994).

2.4 Conclusion

The literature review indicates that there will be times when formal training is appropriate for SMEs. Dependent on size, product, market and organizational structures, formal training will be both required and/or encouraged by SME management. It is possible that training is undertaken in these firms as a tactical solution to a problem (Hendry *et al.*, 1991; Cassell *et al.*, 2002) and the demand for training is explicitly related to improving the way the business is operated (Patton and Marlow, 2002). Nevertheless, formal training may still be appropriate to address specific skills or development needs. This will require an understanding of the unique problems that the SME managers face. Therefore, it is not only the type of training that will be important. Training support for SMEs requires targeted interventions that address specific problems that SME managers need to resolve, and will require an in-depth understanding of the organization's context and conditions (Cassell *et al.*, 2002; Patton and Marlow, 2002). Consequently, "when thinking about SMEs, addressing the pertinent HR issues that emerge from current business priorities should be a key theme" (Cassell *et al.*,

2002), particularly since different styles of learning may be appropriate in different situations and dependent on organizational conditions.

While it is increasingly acknowledged that flexible support systems are needed to meet the diverse needs of the small business sector (Small Business Skill Assessment, 2004), the nature of this diversity is not well understood. This study provides information that will allow a more targeted approach to the support of both formal and informal training in the SME sector, and will therefore be an important contribution to policy development.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A survey was undertaken. Surveys based on a carefully selected representative sample can produce results that are broad, credible and generalisable to the whole population. The researcher preferred the survey since it focus on data rather than theory. In this case, it was possible for the researcher to administer the data collection tools to the respondents in their business premises with relative ease, and this plated a great role in increasing the response rate.

3.2 Population

The target population was drawn from the 7012 businesses that are licensed by the Municipal Council of Kisumu of which 80 percent are SME's (Kisumu Municipal Office, Sept, 2010). They are distributed in different clusters: which include the Lake Market cluster, the Stage Market, KNA stalls Oile Market Cluster, the Oginga Odinga Road cluster, the Kibuye Market cluster, the Kondede cluster among others (Kisumu Municipal Office, 2010). These SMEs are involved in a variety of business ventures as listed in the Municipality Business Activity Description sheet and include: General traders, wholesalers, retailers, transporters, saloons, fruit vending, computer bureaus, restaurants and many others.

3.3 Sampling Design

The sample consisted of 320 respondents selected from owners and staff of SMEs in Kisumu municipality. The sample size was determined based on the recommendations of Kathuri and Palls (1993), who recommends a sample size of at least 150 for major strata. The study used

quota and convenience sampling techniques to select the sample. Quota sampling was used to determine the sizes of each cluster of SME to be included in the sample. Oso and Onen (2008) define quota sampling as sampling technique that identifies the clusters within the main population and then selects from each cluster - but not at random - to form the sample. Amin (2005) points out that in quota sampling, the sizes of each cluster are determined by non conventional methods. Each cluster was assigned a quota proportional to the size of the business customers to give a total of 320 SMEs from 7 clusters.

Convenience sampling technique was used to select the SMEs and the two staff from each SME. Oso and Onen (2008) define convenience sampling as a technique where a sample is selected from the subjects who happen to be available, on first-come-first-served basis, until the desired number is achieved. Amin (2005) points out that convenience sampling technique is used to simplify data collection procedures and to avoid the complications of simple random method since the researcher just picks on those who happen to be available and are willing, until the desired size is attained. This means that the researcher did not have to trace respondents from their abodes since anybody available can be selected to complete the questionnaires.

3.4 Data collection

Primary data was collected from the proprietors/managers of the SMEs with the aid of semi-structured structured questionnaires. The questionnaire was structured in two main parts. Part A captures the background information of the respondents and their respective organizations whereas part B captured information on pertinent issues touching on the objectives of the

study. The researcher administered the questionnaires by drop-and-pick method after explaining the purpose of the study and agreeing the time frame for the completion of the questionnaires.

3.5 Data Analysis and presentation

The Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis. The researcher preferred SPSS because of its ability to cover a wide range of the most common statistical and graphical data analysis. Data pertaining to the objectives of the study was analyzed using descriptive statistics, which includes measures of central tendency, measures of variability and measures of frequency among others. According to Mugenda and Mugenda (1999) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. In order to determine the relationship between human capacity building and SMEs performance, correlation and regression analyses were undertaken. In addition, bar charts, pie charts and graphs were used. The information was presented and discussed as per the objectives.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This study sought to evaluate the impact of human capacity building on performance of Small and Medium Enterprises in Kisumu Municipality. A combination of both quantitative and qualitative techniques was used in data collection. Out of the 320 questionnaires that distributed to the respondents, 307 of them, representing 95.94% of the questionnaires were returned completed. The high response rate could be attributed to the personal efforts of the researcher, who made a follow up of every questionnaire sent out. The data pertaining to the profile of respondents was analyzed by employing content analysis while descriptive statistics were used in analysis of data pertaining to the second objective of the study. Computation of frequencies and percentages, standard deviations and mean scores were used in data presentation. The information is presented and discussed as per the objectives and research objectives of the study.

4.2 Human capacity building for small and micro enterprises

In order to assess the barriers to performance of SMEs, respondents were asked to indicate the extent to which they agree/disagree to each of the listed factors. The responses are summarized and presented in table 4.1 below.

Table 4.1: Barriers to performance of Small and Micro Enterprises

Barriers to performance of Small and Micro Enterprises		Strongly agree	Agree	Somehow agree	Slightly agree	Disagree	Mean score	Standard deviation
Limited managerial skills	Percentage	47.2	25.1	15.6	6.5	5.5	1.98	1.18
	Frequency	145	77	48	20	17		
Low marketing skills	Percentage	44.3	29.6	13.7	8.1	4.2	1.98	1.14
	Frequency	136	91	42	25	13		
Limited marketing skills	Percentage	41.4	27.7	16.3	6.5	8.1	2.12	1.25
	Frequency	127	85	50	20	25		
Difficulty in getting access to technology	Percentage	45	26.4	11.1	9.1	8.5	2.10	1.30
	Frequency	138	81	34	28	26		
Regulatory constraints	Percentage	46.6	33.6	9.4	6.2	4.2	1.88	1.09
	Frequency	143	103	29	19	13		
Accessibility to affordable credit	Percentage	48.2	34.5	8.8	2.9	5.5	1.83	1.08
	Frequency	148	106	27	9	17		

4.2.1. Responses to Barriers of performance are as analyzed below:

With respect to limited managerial skills, majority of the respondents (47.2%) “strongly agreed”, (25.1%) of the respondents “agreed”, (15.6%) of the respondents “somehow agreed”, (6.5%) of the respondents “slightly agreed” and (5.5%) of the respondents “disagreed”.

With respect to low marketing skills, majority of the respondents (44.3%) “strongly agreed”, (29.6%) of the respondents “agreed”, (13.7%) of the respondents “somehow agreed”, (8.1%) of the respondents “slightly agreed” and (4.2%) of the respondents “disagreed”.

With respect to limited extension services, majority of the respondents (41.4%) “strongly agreed”, (27.7%) of the respondents “agreed”, (16.3%) of the respondents “somehow

With respect to difficulty in getting access to technology, majority of the respondents (45%) “strongly agreed”, (26.4%) of the respondents “agreed”, (11.1%) of the respondents “somehow agreed”, (9.1%) of the respondents “slightly agreed” and (8.5%) of the respondents “disagreed”.

With respect to regulatory constraints, majority of the respondents (46.6%) “strongly agreed”, (33.6%) of the respondents “agreed”, (9.4%) of the respondents “somehow agreed”, (6.2%) of the respondents “slightly agreed” and (4.2%) of the respondents “disagreed”.

With respect to accessibility to affordable credit, majority of the respondents (48.2%) “strongly agreed”, (34.5%) of the respondents “agreed”, (8.8%) of the respondents “somehow agreed”, (2.9%) of the respondents “slightly agreed” and (5.5%) of the respondents “disagreed”.

4.2.2 Managerial problems that affect the operations of SMEs

This section presents responses pertaining to managerial problems that affect the operations of small and micro enterprises. The respondents were asked to indicate the extent to which each of the listed factors has affected the operations of their SME. Responses are summarized and presented in the table 4.2 below.

Table 4.2: Managerial problems that affect the operations of SMEs

Managerial problems that affect the operations of SMEs		Very much	Much	Somehow	Slightly	Not at all	Mean score	Standard deviation
Marketing	Percentage	38.4	40.7	11.7	5.9	3.3	1.95	1.01
	Frequency	118	125	36	18	10		
Operations	Percentage	37.5	39.7	12.1	5.5	5.2	2.01	1.09
	Frequency	115	122	37	17	16		
Financial management	Percentage	57.7	27.7	6.8	4.9	2.9	1.68	1.00
	Frequency	177	85	21	15	9		
Human resources	Percentage	33.2	28.7	15.3	15.3	7.5	2.35	1.29
	Frequency	102	88	47	47	23		

management								
Distribution management	Percentage	28	37.5	16.9	11.1	6.5	2.31	1.18
	Frequency	86	115	52	34	20		
Information technology management	Percentage	34.2	26.7	12.4	15	11.7	2.43	1.39
	Frequency	105	82	38	46	36		
Materials management	Percentage	28.3	37.8	15.6	8.5	9.8	2.34	1.25
	Frequency	87	116	48	26	30		

4.2.3 Analysis of the different Managerial problems that affect the operations of SMEs

With respect to marketing, (40.7%) of the respondents indicated “much”, (38.4%) of the respondents indicated “very much”, (11.7%) of the respondents indicated “somehow”, (5.9%) of the respondents indicated “slightly” and (3.3%) of the respondents indicated “not at all”.

With respect to operations, (39.7%) of the respondents indicated “much”, (37.5%) of the respondents indicated “very much”, (12.1%) of the respondents indicated “somehow”, (5.5%) of the respondents indicated “slightly” and (5.2%) of the respondents indicated “not at all”.

With respect to financial management, majority of the respondents (57.7%) indicated “very much”, (27.7%) of the respondents indicated “much”, (6.8%) of the respondents indicated “somehow”, (4.9%) of the respondents indicated “slightly” and (2.9%) of the respondents indicated “not at all”.

With respect to human resources management, (33.2%) of the respondents indicated “very much”, (28.7%) of the respondents indicated “much”, (15.3%) of the respondents indicated “somehow”, another (15.3%) of the respondents indicated “slightly” and (7.5%) of the respondents indicated “not at all”.

With respect to distribution management, (37.5%) of the respondents indicated “much”, (28%) of the respondents indicated “very much”, (16.9%) of the respondents indicated “somehow”, (11.1%) of the respondents indicated “slightly” and (6.5%) of the respondents indicated “not at all”.

With respect to information technology management, (34.2%) of the respondents indicated “very much”, (26.7%) of the respondents indicated “very much”, (12.4%) of the respondents indicated “somehow”, (15%) of the respondents indicated “slightly” and (11.7%) of the respondents indicated “not at all”.

With respect to materials management, (37.8%) of the respondents indicated “much”, (28.3%) of the respondents indicated “very much”, (15.6%) of the respondents indicated “somehow”, (8.5%) of the respondents indicated “slightly” and (9.8%) of the respondents indicated “not at all”.

4.2.4 Managerial skills

Respondents were asked to indicate the extent to which they agreed/disagreed with the statement “Managers require basic skills to establish organizational goals and determine appropriate strategies to achieve these goals.” Responses are summarized and presented in table 4.3 below.

Table 4.3: Managerial skills

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Strongly agree	180	58.6	58.6		
Agree	104	33.9	92.5		
Somehow agree	17	5.5	98.0		
Slightly agree	6	2.0	100.0		
Total	307	100.0		1.4.1	0.68

Findings in table 4.3 above show that managers require basic skills to establish organizational goals and determine appropriate strategies to achieve these goals, as indicated by (58.6%) of the respondents who “strongly agreed”, (33.9%) of the respondents who “agreed” and (5.5%) of the respondents who “somehow agreed”.

4.3. Factors affecting human capacity building needs of SMEs

The respondents were asked to indicate the extent to which each of the listed factors has affected the human capacity building needs of their SME. Responses are summarized and presented in the table 4.4 below.

Table 4.4: Human capacity building needs

Human capacity building needs		Very much	much	Somehow	Slightly	Not at all	Mean	Std. dev.
Advanced vocational skills	Percentage	58.3	30.6	7.2	3.6	0.3	1.57	.80
	Frequency	179	94	22	11	1		
Basic vocational skills	Percentage	60.3	31.3	5.2	2.3	1.0	1.52	.78
	Frequency	185	96	16	7	3		
Co-operation and networking	Percentage	61.2	30	4.6	2	2.3	1.54	.86
	Frequency	188	92	14	6	7		
Creativity and innovation	Percentage	61.2	30.3	5.5	2	1	1.51	.77
	Frequency	188	93	17	6	3		
Customer service	Percentage	69.1	22.1	4.9	2.3	1.6	1.45	.82
	Frequency	212	68	15	7	5		
Efficiency, profitability and time management	Percentage	70.4	19.9	5.2	3.3	1.3	1.45	.84
	Frequency	216	61	16	10	4		
Exports and internationalization	Percentage	17.9	23.8	22.8	16.3	19.2	2.95	1.37
	Frequency	55	73	70	50	59		
Financial management	Percentage	63.8	24.1	6.5	2.9	2.6	1.56	.93
	Frequency	196	74	20	9	8		
Foreign languages	Percentage	18.2	23.1	21.5	16.3	20.8	2.98	1.40
	Frequency	56	71	66	50	64		
Human resources management	Percentage	33.6	37.5	12.4	11.4	5.2	2.17	1.17
	Frequency	103	115	38	35	16		
Information technology	Percentage	38.8	29.3	15.3	11.4	5.2	2.15	1.20
	Frequency	119	90	47	35	16		
Legal knowledge	Percentage	42.7	24.4	21.8	5.9	5.2	2.07	1.16
	Frequency	131	75	67	18	16		

Management and leadership skills	Percentage	39.1	47.2	8.5	2.6	2.6	1.82	.89
	Frequency	120	145	26	8	8		
Marketing and dissemination of information	Percentage	34.5	46.3	10.4	6.8	2.0	1.95	.95
	Frequency	106	142	32	21	6		
Process management	Percentage	29.3	44	15.6	7.8	3.3	2.12	1.02
	Frequency	90	135	48	24	10		
Product development	Percentage	33.2	43	12.1	6.5	5.2	2.07	1.09
	Frequency	102	132	37	20	16		
Production and materials management	Percentage	34.9	44	10.7	8.1	2.3	1.99	1.00
	Frequency	107	135	33	25	7		
Quality control	Percentage	40.4	39.7	12.4	5.2	2.3	1.89	.97
	Frequency	124	122	38	16	7		
Skills related to attitude: commitment, flexibility and responsibility	Percentage	50.2	35.8	10.7	2	1.3	1.68	.84
	Frequency	154	110	33	6	4		
Taxation	Percentage	30.9	41.7	14.3	4.6	8.5	2.18	1.17
	Frequency	95	128	44	14	26		
Team work	Percentage	52.1	24.8	15.3	4.2	3.6	1.82	1.07
	Frequency	160	76	47	13	11		

4.3.1 Analysis of the affecting the Human capacity building needs of SME's

With respect to advanced vocational skills, (58.3%) of the respondents indicated "very much", (30.6%) of the respondents indicated "much", (7.2%) of the respondents indicated "somehow", (3.6%) of the respondents indicated "slightly" and (0.3%) of the respondents indicated "not at all".

With respect to basic vocational skills, (60.3%) of the respondents indicated "very much", (31.3%) of the respondents indicated "much", (5.2%) of the respondents indicated "somehow", (2.3%) of the respondents indicated "slightly" and (1%) of the respondents indicated "not at all".

With respect to co-operation and networking, (61.2%) of the respondents indicated "very much", (30%) of the respondents indicated "much", (4.6%) of the respondents indicated "somehow", (2%) of the respondents indicated "slightly" and (2.3%) of the respondents indicated "not at all".

With respect to creativity and innovation, (61.2%) of the respondents indicated “very much”, (30.3%) of the respondents indicated “much”, (5.5%) of the respondents indicated “somehow”,(2%) of the respondents indicated “slightly” and (1%) of the respondents indicated “not at all”.

With respect to customer service, (69.1%) of the respondents indicated “very much”, (22.1%) of the respondents indicated “much”, (4.9%) of the respondents indicated “somehow”,(2.3%) of the respondents indicated “slightly” and (1.6%) of the respondents indicated “not at all”.

With respect to efficiency, profitability and time management, (70.4%) of the respondents indicated “very much”, (19.9%) of the respondents indicated “much”, (5.2%) of the respondents indicated “somehow”, (3.3%) of the respondents indicated “slightly” and (1.3%) of the respondents indicated “not at all”.

With respect to exports and internationalization, (23.8%) of the respondents indicated “much”, (22.8%) of the respondents indicated “somehow”, (19.2%) of the respondents indicated “not at all”, (17.9%) of the respondents indicated “very much” and (16.3%) of the respondents indicated “slightly”.

With respect to financial management, (63.8%) of the respondents indicated “very much”, (24.1%) of the respondents indicated “much”, (6.5%) of the respondents indicated “somehow”,(2.9%) of the respondents indicated “slightly” and (2.6%) of the respondents indicated “not at all”.

With respect to foreign languages, (23.1%) of the respondents indicated “much”, (21.5%) of the respondents indicated “somehow”, (20.8%) of the respondents indicated “not at all”, (18.2%) of the respondents indicated “very much” and (16.3%) of the respondents indicated “slightly”.

With respect to human resources management, (37.5%) of the respondents indicated “much”, (33.6%) of the respondents indicated “very much”, (12.4%) of the respondents indicated “somehow”,(11.4%) of the respondents indicated “slightly” and (5.2%) of the respondents indicated “not at all”.

With respect to information technology, (38.8%) of the respondents indicated “very much”, (29.3%) of the respondents indicated “much”, (15.3%) of the respondents indicated “somehow”,(11.4%) of the respondents indicated “slightly” and (5.2%) of the respondents indicated “not at all”.

With respect to legal knowledge (42.7%) of the respondents indicated “very much”, (24.4%) of the respondents indicated “much”, (21.8%) of the respondents indicated “somehow”, (5.9%) of the respondents indicated “slightly” and (5.2%) of the respondents indicated “not at all”.

With respect to management and leadership skills, (47.2%) of the respondents indicated “much”, (39.1%) of the respondents indicated “very much”, (8.5%) of the respondents indicated “somehow”, (2.6%) of the respondents indicated “slightly” and another (2.6%) of the respondents indicated “not at all”.

With respect to marketing and dissemination of information, (46.3%) of the respondents indicated “much”, (34.5%) of the respondents indicated “very much”, (10.4%) of the respondents indicated “somehow”, (6.8%) of the respondents indicated “slightly” and (2%) of the respondents indicated “not at all”.

With respect to process management, (44%) of the respondents indicated “much”, (29.3%) of the respondents indicated “very much”, (15.6%) of the respondents indicated

“somehow”,(7.8%) of the respondents indicated “slightly” and (3.3%) of the respondents indicated “not at all”.

With respect to product development, (43%) of the respondents indicated “much”, (33.2%) of the respondents indicated “very much”, (12.1%) of the respondents indicated “somehow”, (6.5%) of the respondents indicated “slightly” and (5.2%) of the respondents indicated “not at all”.

With respect to production and materials management (44%) of the respondents indicated “much”, (34.9%) of the respondents indicated “very much”, (10.7%) of the respondents indicated “somehow”, (8.1%) of the respondents indicated “slightly” and (2.3%) of the respondents indicated “not at all”.

With respect to quality control, (40.4%) of the respondents indicated “very much”, (39.7%) of the respondents indicated “much”, (12.4%) of the respondents indicated “somehow”, (5.2%) of the respondents indicated “slightly” and (2.3%) of the respondents indicated “not at all”.

With respect to skills related to attitude, (50.2%) of the respondents indicated “very much”, (35.8%) of the respondents indicated “much”, (10.7%) of the respondents indicated “somehow”, (2%) of the respondents indicated “slightly” and (1.3%) of the respondents indicated “not at all”.

With respect to taxation, (41.7%) of the respondents indicated “much”, (30.9%) of the respondents indicated “very much”, (14.3%) of the respondents indicated “somehow”,(4.6%) of the respondents indicated “slightly” and (8.5%) of the respondents indicated “not at all”.

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With respect to team work, (52.1%) of the respondents indicated “very much”, (24.8%) of the respondents indicated “much”, (15.3%) of the respondents indicated “somehow”,(4.2%) of the respondents indicated “slightly” and (3.6%) of the respondents indicated “not at all”.

4.4 The impact of Human capacity building on the performance of SMEs

In order to meet the second objective of the study, “to establish the impact of human capacity building on the performance of SMEs in Kisumu”, respondents were asked to indicate the extent to which they agree/disagree to the factors listed below. Responses are summarized and presented in table 4.5 below

Table 4.5: Impact of human capacity building on the performance of SMEs

Impact of human capacity building on the performance of SMEs		Strongly agree	Agree	Somehow agree	Slightly agree	Disagree	Mean	Std. dev.
Management practices determines increase in company profits	Percentage	73	25.7	1	0.3	0	1.29	0.49
	Frequency	224	79	3	1	0		
Organizations with training programs do better	Percentage	66.8	23.8	8.8	0.7	0	1.43	0.68
	Frequency	205	73	27	2	0		
Training enhances business performance	Percentage	64.8	28.7	4.6	1.3	0.7	1.44	0.70
	Frequency	199	88	14	4	2		
Training leads higher levels of sales	Percentage	59.9	28	8.5	2.9	0.7	1.56	0.82
	Frequency	184	86	26	9	2		
Formal training leads to higher levels of sales growth than informal training	Percentage	60.6	24.8	11.1	3.6	0	1.58	0.83
	Frequency	186	76	34	11	0		
Different organizational need different training approaches	Percentage	69.7	24.1	4.6	1.3	0.3	1.38	0.67
	Frequency	214	74	14	4	1		
Its assumed training and development will be more successful in the long run	Percentage	56	29.3	10.4	2	2.3	1.65	0.91
	Frequency	172	90	32	6	7		

Training facilitates a firms expansion	Percentage	61.2	29.3	8.1	1	0.3	1.50	0.72
	Frequency	188	90	25	3	1		
Training is a powerful agent of change	Percentage	61.6	28.7	7.8	2	0	1.50	0.72
	Frequency	189	88	24	6	0		
Firms with training systems and strong management support for training are more successful in delivering training	Percentage	62.2	26.4	9.1	2	0.3	1.52	0.77
	Frequency	191	81	28	6	1		
Organizational performance can be held back through a neglect of training activity	Percentage	60.3	29	6.8	2.9	1	1.55	0.82
	Frequency	185	89	21	9	3		
Government funded training investments	Percentage	57.7	28.3	8.8	3.3	2	1.64	0.92
	Frequency	177	87	27	10	6		
Training is important in enhancing competitive advantage	Percentage	58.6	33.9	5.5	2	0	1.51	0.69
	Frequency	180	104	17	6	0		
Training is seen as a useful means of coping with market competition	Percentage	61.2	31.6	5.5	1	0.7	1.48	0.71
	Frequency	188	97	17	3	2		

4.4.1 Responses on different aspects of human Impact of capacity building that affect the performance of SMEs

With respect to management practices determining increase in company profits, (73%) of the respondents “strongly agreed”, (25.7%) of the respondents “agreed”, (3%) of the respondents “slightly agreed” and (1%) of the respondents “somehow agreed”.

With respect to organizations with training programs doing better, (66.8%) of the respondents “strongly agreed”, (23.8%) of the respondents “agreed”, (8.8%) of the respondents “somehow agreed” and (0.7%) of the respondents “slightly agreed”

With respect to training enhancing business performance, (64.8%) of the respondents “strongly agreed”, (28.7%) of the respondents “agreed”, (4.6%) of the respondents

“somehow agreed” , (1.3%) of the respondents “slightly agreed” and (0.7%) of the respondents “disagreed”.

With respect to training leading to higher levels of sales, (59.9 %) of the respondents “strongly agreed”, (28%) of the respondents “agreed”, (8.5%) of the respondents “somehow agreed” , (2.9%) of the respondents “slightly agreed” and (0.7%) of the respondents “disagreed”.

With respect to formal training leading to higher levels of sales growth than informal training, (60.6%) of the respondents “strongly agreed”, (24.8%) of the respondents “agreed”, (11.1%) of the respondents “somehow agreed” and (3.6%) of the respondents “slightly agreed”

With respect to different organizations needing different training approaches, (69.7 %) of the respondents “strongly agreed”, (24.1%) of the respondents “agreed”, (4.6%) of the respondents “somehow agreed”, (1.3%) of the respondents “slightly agreed” and (0.3%) of the respondents “disagreed”.

With respect to training and development success in the long run, (56%) of the respondents “strongly agreed”, (29.3%) of the respondents “agreed”, (10.4%) of the respondents “somehow agreed” , (2%) of the respondents “slightly agreed” and (2.3%) of the respondents “disagreed”.

With respect to training facilitating a firm’s expansion, (61.2%) of the respondents “strongly agreed”, (29.3%) of the respondents “agreed”, (8.1%) of the respondents “somehow agreed”, (1%) of the respondents “slightly agreed” and (0.3%) of the respondents “disagreed”

With respect to formal training is a powerful agent of change, (61.6%) of the respondents “strongly agreed”, (28.7%) of the respondents “agreed”, (7.8%) of the respondents “somehow agreed” and (2%) of the respondents “slightly agreed”

With respect to firms with training systems being more successful in delivering training, (62.2%) of the respondents “strongly agreed”, (26.4%) of the respondents “agreed”, (9.1%) of the respondents “somehow agreed”, (2%) of the respondents “slightly agreed” and (0.3%) of the respondents “disagreed”

With respect to organizational performance, (60.3%) of the respondents “strongly agreed”, (29%) of the respondents “agreed”, (6.8%) of the respondents “somehow agreed”, (2.9%) of the respondents “slightly agreed” and (1%) of the respondents “disagreed”

With respect to government funded training, (57.7%) of the respondents “strongly agreed”, (28.3%) of the respondents “agreed”, (8.8%) of the respondents “somehow agreed”, (3.3%) of the respondents “slightly agreed” and (2%) of the respondents “disagreed”

With respect to training enhancing competitive advantage, (58.6%) of the respondents “strongly agreed”, (33.9%) of the respondents “agreed”, (5.5%) of the respondents “somehow agreed” and (2%) of the respondents “slightly agreed”

With respect to training being a useful means of coping with market competition, (61.2%) of the respondents “strongly agreed”, (31.6%) of the respondents “agreed”, (5.5%) of the respondents “somehow agreed”, (1.0 %) of the respondents “slightly agreed” and (0.7) of the respondents “disagreed”.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents conclusions drawn from the research findings and the recommendations for practice and for further studies.

5.2 Conclusions

Sessional Paper No.2 of 1992 on Small Enterprise and “Jua Kali” Development in Kenya, published in 1992 outlined the contributions of the small enterprise sector to the national economy, the key ones being the following: employment creation; enhancing the participation of indigenous Kenyans in the economy; promotion of local savings and investments; promoting the development of entrepreneurship and managerial skills among local Kenyans; and engendering the acquisition of skills among workers. Policies for improving the performance of the sector included measures geared towards the promotion of research, inter-firm linkages, technical training and technology extension. Most respondents in this survey named appropriate business training as very important contributing factors to growth. Lack of business management training facilities was also perceived as a major barrier to growth. One of the reasons for this could be the fact that the majority of respondents had not been formally trained in the skills needed to operate an enterprise professionally. This points to a need for the design and delivery of specific business and technical training programmes by national and regional institutions responsible for fostering the growth of women-owned businesses.

Findings of the study show that the main training approaches were used by the SMES include the following: formal training approaches only, as indicated by 23.1% of the respondents; on-the job-training approaches only, as indicated by 16.3% of the respondents; job-specific training approaches only, as indicated by 10.7% of the respondents; a combination of formal training approaches and on-the job-training approaches, as indicated by 13.4% of the respondents; and a combination of formal training approaches, on-the job-training approaches and job-specific training approaches, as indicated by 15.6% of the respondents.

Priorities are expressed for training related to innovation and opportunity recognition, business evaluation and business growth considerations, developing strategic customer care, networking skills, marketing management, selling skills and negotiation skills. These findings confirm that SME managers and owners are interested in growing their enterprises, and are aware that the aptitude for innovation is nothing less than a direct reflection of an organization's ability to change, to adapt to new and competent competitors, and to suit its products and services to the ever-evolving needs of customers (Burns, 2001).

The findings of this study suggest that there will be times when formal training is appropriate for SMEs. Dependent on size, product, market and organizational structures, formal training will be both required and/or encouraged by SME management. It is possible that training is undertaken in these firms as a tactical solution to a problem (Cassell *et al.*, 2002; Hendry *et al.*, 1991) and the demand for training is explicitly related to improving the way the business is operated (Patton and Marlow, 2002). Nevertheless, formal training may still be appropriate to address specific skills or development needs. This will require an understanding of the

unique problems that the SME managers face. Therefore, it is not only the type of training that will be important. Training support for SMEs requires targeted interventions that address specific problems that SME managers need to resolve, and will require an in-depth understanding of the organization's context and conditions (Perren *et al.*, 1999; Cassell *et al.*, 2002; Patton and Marlow, 2002). Consequently, "when thinking about SMEs, addressing the pertinent human resources issues that emerge from current business priorities should be a key theme" (Cassell *et al.*, 2002), particularly since different styles of learning may be appropriate in different situations and dependent on organizational conditions. While it is increasingly acknowledged that flexible support systems are needed to meet the diverse needs of the small business sector (Small Business Skill Assessment, 2004), the nature of this diversity is not well understood. This study provides information that will allow a more targeted approach to the support of both formal and informal training in the SME sector, and will therefore be an important contribution to policy development.

This study is a start and provides an important contribution towards an understanding of the complexities involved in developing and sustaining effective small business support that is more demand-led rather than supply driven. This is important not least because of the vast amount of money spent by Government on small business support, and the lack of convincing evidence that traditional formal approaches to development advocated by business support agencies provide performance improvements. The empirical analysis and the tentative conceptual framework, provide an important contribution towards a demand-led policy framework in the area of development and training support for SMEs.

5.3 Limitations of the study

Limitations include the study's restricted focus on SME businesses within one geographical area. The study focused on SMEs in Kisumu municipality only, and considering the diversity of the country, the findings may not be representative of the whole population of SMEs in Kenya. However, the sampling technique used ensured that each respondent had a non-zero chance of being selected to participate in the study. Though the researcher was determined to undertake the study to completion within the given time frame, various constraints were encountered as earlier envisaged. The time allocated for data collection may not have been sufficient to enable the respondents complete the questionnaires as accurately as possible, considering that they were at the same time carrying out their daily duties and priority is of essence. The researcher preferred to administer the data collection tools to only the sampled respondents, however, this was practically not possible as some of them delegated this request since they were either too busy or were away on official duties.

5.4 Recommendations of the study

Based on findings of the study, it is expected that the stakeholders, who include the Government, the SME owners and the agencies offering various support mechanisms to the SMEs will gain a better understanding of the impact of human capacity building on performance of Small and Medium Enterprises. The following measures are recommended in order to enhance capacity building of SMEs in Kenya:

This study identifies that the research, management, and policy development of training in the SME sector needs to be more open and flexible in order to address the idiosyncratic

nature of SME requirements. HRM practices in small firms vary greatly and using static models to define the management training and advice needs of small firms is not tenable.

Research, management and policy instruments of training support will need to interact with, and be responsive to, the subtle distinctions of context that will moderate what is more appropriate, and more likely to be welcomed, in the small business sector.

Factors such as difficulties in accessing training, difficulties in SMEs finding time for their employees to do enough training, rapid changes causing significant adjustments to training needs; cost of training prohibits some firms from engaging in training; and they can rarely afford to invest in formal off-site group training sessions. It is recommended that if training is to be offered to SMEs it should encourage as little time away from the workplace; it should be flexible and inexpensive.

5.4.1 Recommended areas of further research

The findings of this study, it is hoped, will contribute to the existing body of knowledge and form basis for future researchers. The following areas of further researcher are thus suggested: (i) Whereas the current study focused on responses from the management of the SMEs with respect to capacity building approaches used and the impact on their businesses, future studies should focus on the various organizations that support SMEs, with a view to establishing any variances; (ii) the present study did not allow for the exploration of employees perspectives of capacity building activities, considered to be crucial in the development of effective capacity building intervention strategies. Neither did it allow for

strategists nor do training institutions' perspectives of the difficulties they face in engaging with SME managers and in encouraging them to undertake capacity building activities. Given the importance of the views of employees, strategists and practitioners, an exploration of their experiences should be undertaken through further research studies, using the same conceptual framework, so that a more holistic understanding of capacity building can be established and a fully coordinated approach can be taken to policy, practice, education and training; and (iii) there is need to adjust the survey instruments to capture the much more basic and limited range of training present in SMEs; extending the survey to SMEs outside of urban centers, and conducting longitudinal and qualitative studies to explore how and why investment in training increases with SMEs growth over time and how it contributes to enterprise development.

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APPENDIX I: QUESTIONNAIRE

Questionnaires for Staff and Managers of SMEs in Kisumu City

Dear Sir/Madam;

My name is Anne Chepkorir Mbatha. I am a student in the University of Nairobi undertaking a Masters Degree in Business Administration at the School of Business. The purpose of this study is evaluate the impact of Human Capacity building on performance of SMEs in Kisumu city. I hope that this study will result into structural and operational changes that will enhance the growth of all SMES and improve their performance and the overall employment in the country.

This questionnaire has been designed to collect information from the Business Owners/Managers of selected registered Small and Micro Enterprises (SME) in Kisumu and is meant for academic purposes only. The questionnaire is divided into two sections. Please complete each section as instructed. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire will be treated in confidence.

SECTION I: BACKGROUND INFORMATION

1. Please indicate the name of your SME _____
2. Please indicate the type of business your SME is registered to operate _____
3. Please indicate the period of operation of your SME (Tick as appropriate)
 - (a) Less than 1 year []
 - (b) 1 to 5 years []
 - (c) 6 to 10 years []
 - (e) 16 years and above []
4. Please list the products/services you offer to your customers.

5. How many full time employees does the SME have (Pleas tick as appropriate)?
 - (a) Less than 25 []
 - (b) 26 to 50 []
 - (c) 51 to 75 []
 - (d) 76 to 100 []
 - (e) 101 years and above []
6. Indicate your gender (Tick as appropriate)
 - (a) Male []
 - (b) Female []

7. Indicate your age group (Tick as appropriate)

- (a) 18 – 27 years []
- (b) 28 – 37 years []
- (c) 38 – 45 years []
- (d) 46 – 55 years []
- (e) 55 years and above []

8. Indicate your highest academic qualification (Please tick as appropriate)

- (a) Primary school []
- (b) Secondary school []
- (c) College education []
- (d) University education []
- (e) Any other (Please

specify) _____

9. For how long have you managed the business? (Tick as appropriate)

- (a) Less than 1 year []
- (b) 1 and 5 years []
- (c) 6 and 10 years []
- (d) 11 and 15 years []
- (e) 16 years and above []

10. Please list your duties and responsibilities

SECTION II: HUMAN CAPACITY BUILDING FOR SMALL AND MICRO ENTERPRISES IN KISUMU

11. Listed below are some of the barriers to performance of SMEs. With respect to your organization, please indicate the extent to which you agree/disagree that each of the listed factors has negatively affected the performance. (Please tick as appropriate along a five-point scale). Where (Strongly agree = 5; Agree = 4; Somehow agree = 3; Disagree = 2; and Strongly disagree = 1)

Barriers to performance of Small and Micro Enterprises	Rating				
	Strongly agree	Agree	Somehow agree	Slightly agree	Disagree
Limited managerial skills					
Low marketing skills					
Limited extension services					
Difficulty in getting access to technology					
Regulatory constraints					
Accessibility to affordable credit					
Others (Specify)					

12. Please indicate the extent to which each of the listed managerial problems have affected the operations of your SME (Tick as appropriate along a five-point scale). Where Very much = 5; Much = 4; Somehow = 3; slightly = 2; and Not at all = 1).

Managerial problems that affect the operations of SMEs	Rating				
	Very much	Much	Somehow	Slightly	Not at all
Marketing					
Operations					
Financial management					
Human Resources management - inadequate and inefficient management of employees					
Distribution management					
Information technology management					
Materials management					
Others (Please Specify)					

13. Please indicate the extent to which you agree or disagree with the statement "Managers require basic skills to establish organizational goals and determine appropriate strategies to achieve these goals". (Please tick as appropriate along a five-point scale).

- (a) Strongly agree []
- (b) Agree []
- (c) Somehow agree []
- (d) Disagree []
- (e) Strongly disagree []

14(a) Human capacity building needs of SMEs

Listed below are some of the statements that show a positive relationship between capacity building and performance of SMEs. Please indicate the extent to which you agree or disagree that each of the statements is true with respect to your organization (Tick as appropriate along a five-point scale).

Where Very much = 5; Much = 4; Somehow = 3; Slightly = 2; and Not at all = 1).

Human capacity building needs of SMEs	Rating				
	Very much	Much	Somehow	Slightly	Not at all
Advanced vocational skills					
Basic vocational skills					
Co-operation and networking					
Creativity and innovation					
Customer service					
Efficiency, profitability and time management					
Exports and internationalization					
Financial management					
Foreign languages					
Human resources management					
Information technology					
Legal knowledge					
Management and leadership skills					
Marketing and dissemination of information					
Process management					
Product development					
Production and materials management					
Quality control					

Skills related to attitude: commitment, flexibility and responsibility.					
Taxation					
Teamwork					
Others (Specify)					

(b) Human Capacity building approaches for SMEs

Please indicate the training approaches your business uses in capacity building of employees

(Tick as approaches)

Capacity building needs of SMEs	Tick as appropriate
Formal training approaches	
Informal training approaches	
On-the-job training	
Job-specific training	

15. The impact of capacity building on the performance of SMEs in Kisumu.

Listed below are some of the statements that show a positive relationship between capacity building and performance of SMEs. Please indicate the extent to which you agree or disagree that each of the statements is true with respect to your organization (Tick as appropriate along a five-point scale).

Where (Strongly agree = 5; Agree = 4; Somehow agree= 3; Disagree = 2; and Strongly disagree = 1)

Impact of capacity building on the performance of SMEs	Rating				
	Strongly agree	Agree	Somehow agree	Slightly agree	Disagree
Management practices determines increase in company profits					
“Organizations with training programmes do better					
Training enhances business performance.					
Training leads higher levels of sales.					
Formal training leads to higher levels of sales growth than informal training.					
Different organizational need different training approaches.					
Its assumed training and development will be more successful in the long run.					
Training facilitates a firm’s expansion, existence, profitability and productivity and competitive advantage					

Training is a powerful agent of change, facilitating and enabling a company to grow, expand and develop its capabilities thus enhancing profitability.					
Firms with training systems and strong management support for training are more successful in delivering training.					
Organizational performance can be held back through a neglect of training activity.					
Government funded training investments in business have significant influence in setting proactive strategies to combat recession, ensure increased employment opportunities, increased investments and increased profits.					
Training is important in enhancing competitive advantage.					
Training is seen as a useful means of coping with market competition.					

THANK YOU

APPENDIX II

LIST FROM KISUMU MUNICIPALITY

LOCAL AUTHORITY INTEGRATED FINANCIAL OPERATIONS REPORT 2010
 SINGLE BUSINESS PERMIT COLLECTION PERFORMANCE

LA Name: - 296 / MUNICIPAL COUNCIL OF KISUMU

Year : 2010

Business Activity Description	Permit Fee (Ksh)	Reg Bsns	Revenue Potential	Permits Paid (Ksh)	Penalties Paid (Ksh)	Total Paid (Ksh)	% Compliance
Store, Hypermarket: Large	60,000	7	420,000	360,000	0	360,000	86%
Trader, Shop, Retail Store or	20,000	249	4,980,000	3,940,000	8,550	3,948,550	79%
Trader, Shop or Retail Service:	10,000	524	5,240,000	3,780,000	35,895	3,815,895	72%
Trader, Shop or Retail Service: Up to	5,000	1,110	5,550,000	2,775,000	48,160	2,823,160	50%
Light or Temporary Construction:	4,000	242	968,000	404,000	8,245	412,245	42%
Wholesale-Retail Traders, Stores,	4,000	2,316	9,264,000	4,968,000	88,940	5,056,940	54%
with Motor Vehicle: 1 person with	5,000	1	5,000	5,000	0	5,000	100%
Permanent Informal Sector Trader:	3,000	19	57,000	42,000	1,315	43,315	74%
Transportation Company: Over 30	80,000	43	3,440,000	2,320,000	9,820	2,329,820	67%
Transport Company: From 6 to 30	30,000	21	630,000	450,000	3,685	453,685	71%
Transport Company: From 2 to 5	10,000	71	710,000	400,000	8,100	408,100	56%
Independent Transport Operator: 1 vehicle.	5,000	19	95,000	40,000	0	40,000	42%
Petrol Filling Station: Over 6 pumps	20,000	28	560,000	340,000	600	340,600	61%
Petrol Filling Station: From 4 to 6	10,000	13	130,000	100,000	1,555	101,555	77%
Petrol Filling Station: Up to 3 pumps	7,000	17	119,000	77,000	1,535	78,535	65%
Cold Storage Facility: Between	25,000	1	25,000	0	0	0	0%
Cold Storage Facility: Up to 100 m2.	12,000	1	12,000	0	0	0	0%
Storage Facility: Over 5,000 m2.	50,000	18	900,000	850,000	0	850,000	94%
Storage Facility: From 1,000 to	20,000	44	880,000	620,000	0	620,000	70%
Storage Facility: Up to 1,000 m2.	10,000	75	750,000	590,000	610	590,610	79%
Communications Co.: Over 100	90,000	2	180,000	180,000	0	180,000	100%
Communications Co.: From 16 to	55,000	2	110,000	110,000	0	110,000	100%
Communications Co.: Up to 15	30,000	12	360,000	270,000	11,340	281,340	75%
Transport, Storage, and	7,000	13	91,000	49,000	430	49,430	54%
Agricultural	65,000	8	520,000	455,000	0	455,000	88%
Agricultural	25,000	6	150,000	125,000	0	125,000	83%
Agricultural	8,000	118	944,000	560,000	4,970	564,970	59%
Mining or Natural Resources	80,000	4	320,000	160,000	0	160,000	50%
Mining or Natural Resources	45,000	3	135,000	90,000	2,745	92,745	67%
Mining or Natural Resources	25,000	2	50,000	25,000	0	25,000	50%
Agricultural, Forestry, and Natural	8,000	4	32,000	16,000	240	16,240	50%
High Standard Lodging House /	70,000	6	420,000	350,000	0	350,000	83%
High Standard Lodging House/Hotel	50,000	3	150,000	100,000	0	100,000	67%
Lodging House with Restaurant and/	45,000	22	990,000	900,000	21,170	921,170	91%
Lodging House with Restaurant	35,000	17	595,000	525,000	4,235	529,235	88%
Lodging House with Restaurant and/	25,000	20	500,000	450,000	11,630	461,630	90%
Lodging House B / C Class: Basic	40,000	6	240,000	200,000	1,200	201,200	83%
Lodging House B / C Class: Basic	25,000	30	750,000	575,000	11,695	586,695	77%
Lodging House B/C Class: Basic	15,000	64	960,000	615,000	13,510	628,510	64%
Restaurant with Bar/Membership	30,000	14	420,000	360,000	4,780	364,780	86%
Restaurant with Bar/Membership	15,000	31	465,000	360,000	11,540	371,540	77%
Restaurant with Bar Up to 10	10,000	42	420,000	310,000	2,430	312,430	74%
Eating House; Snack Bar; Tea House	15,000	12	180,000	150,000	1,395	151,395	83%
Eating House; Snack Bar; Tea	10,000	38	380,000	250,000	1,840	251,840	66%
Eating House; Snack Bar; Tea House	7,000	85	595,000	301,000	5,430	306,430	51%
Bar/Traditional Beer Seller: Capacity	15,000	4	60,000	45,000	915	45,915	75%
Bar/Traditional Beer Seller:	12,000	9	108,000	36,000	1,115	37,115	33%
Bar/Traditional Beer Seller:	8,000	138	1,104,000	640,000	9,245	649,245	58%
Night Club / Casino: Over 500 m2	50,000	1	50,000	0	0	0	0%
Night Club/Casino: Up to 100 m2.	20,000	2	40,000	20,000	600	20,600	50%
Catering and Accommodation	7,000	4	28,000	21,000	1,995	22,995	75%
Professional Services Firm: Over 10	90,000	3	270,000	270,000	0	270,000	100%
Professional Services Firm: From	45,000	46	2,070,000	1,530,000	9,745	1,539,745	74%
Professional Services Firm: Up to 2	20,000	117	2,340,000	1,580,000	10,335	1,590,335	68%
Independent Technical Operator: One	7,000	36	252,000	63,000	1,740	64,740	25%

LOCAL AUTHORITY INTEGRATED FINANCIAL STATEMENTS
BUSINESS ACTIVITY CODE SUMMARY

LA Name : - 296 / MUNICIPAL COUNCIL OF KISUMU

Activity Code :	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
100	GENERAL TRADE, WHOLESALE, RETAIL, STORES,	4,456	26,488,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
Mega Store, Hypermarket	7	60,000	420,000
Large Trader, Shop, Retail Store or Personal Service	251	20,000	5,020,000
Medium Trader, Shop or Retail Service	524	10,000	5,240,000
Small Trader, Shop or Retail Service	1,112	5,000	5,560,000
Kiosk	243	4,000	972,000
Other Wholesale-Retail Traders, Stores, Shops and Services	2,319	4,000	9,276,000

Activity Code :	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
200	INFORMAL SECTOR	20	62,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
Hawker with Motor Vehicle (1 Person)	1	5,000	5,000
Semi Permanent Informal Sector Trader	19	3,000	57,000

Activity Code :	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
300	TRANSPORT, STORAGE, AND COMMUNICATIONS	380	8,992,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
Large Transportation Company	43	80,000	3,440,000
Medium Transport Company	21	30,000	630,000
Small Transport Company	71	10,000	710,000
Independent Transport Operator	19	5,000	95,000
Large Petrol Filling Station	28	20,000	560,000
Medium Petrol Filling Station	13	10,000	130,000
Small Petrol Filling Station	17	7,000	119,000
Medium Cold Storage Facility	1	25,000	25,000
Small Cold Storage Facility	1	12,000	12,000
Large Storage Facility	18	50,000	900,000
Medium Storage Facility	44	20,000	880,000
Small Storage Facility	75	10,000	750,000
Large Communications Co.	2	90,000	180,000
Medium Communications Co.	2	55,000	110,000
Small Communications Co.	12	30,000	360,000
Other Transport, Storage, and Communications	13	7,000	91,000

Activity Code :	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
400	AGRICULTURE, FORESTRY, AND NATURAL RESOURCES	145	2,151,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
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LOCAL AUTHORITY INTEGRATED FINANCIAL REPORTING SYSTEM
BUSINESS ACTIVITY CODE SUMMARY

LA Name : - 296 / MUNICIPAL COUNCIL OF KISUMU

Large Agricultural Producer/Processor/Dealer/Exporter	8	65,000	520,000
Medium Agricultural Producer/Processor/Dealer/Exporter	6	25,000	150,000
Small Agricultural Producer/Processor/Dealer	118	8,000	944,000
Large Mining or Natural Resources Extraction Operation	4	80,000	320,000
Medium Mining or Natural Resources Extraction Operation	3	45,000	135,000
Small Mining or Natural Resources Extraction Operation	2	25,000	50,000
Other Agricultural, Forestry, and Natural Resources	4	8,000	32,000

Activity Code : Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
500 ACCOMMODATION AND CATERING	550	8,565,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
Large-High Standard Lodging House/Hotel D Class	1	100,000	100,000
Medium-High Standard Lodging House/Hotel D Class	6	70,000	420,000
Small-High Standard Lodging House/Hotel D Class	3	50,000	150,000
Large Lodging House with Restaurant and/ or Bar B/C Class	22	45,000	990,000
Medium Lodging House with Restaurant and/ or Bar B/C Class	17	35,000	595,000
Small Lodging House with Restaurant and/ or Bar B/C Class	20	25,000	500,000
Large Lodging House B/C Class	6	40,000	240,000
Medium Lodging House B/C Class	30	25,000	750,000
Small Lodging House B/C Class	64	15,000	960,000
Large Restaurant with Bar/Membership Club	14	30,000	420,000
Medium Restaurant with Bar/Membership Club	31	15,000	465,000
Small Restaurant with Bar Up to 10 customers	43	10,000	430,000
Large Eating House; Snack Bar; Tea House "Hotel"	12	15,000	180,000
Medium Eating House; Snack Bar; Tea House "Hotel"	38	10,000	380,000
Small Eating House; Snack Bar; Tea House "Hotel"	85	7,000	595,000
Large Bar/Traditional Beer Seller	4	15,000	60,000
Medium Bar/Traditional Beer Seller	9	12,000	108,000
Small Bar/Traditional Beer Seller	138	8,000	1,104,000
Large Night Club/Casino	1	50,000	50,000
Small Night Club/Casino	2	20,000	40,000
Other Catering and Accommodation	4	7,000	28,000

Activity Code : Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
500 PROFESSIONAL & TECHNICAL SERVICES	765	11,984,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
Large Professional Services Firm	3	90,000	270,000
Medium Professional Services Firm	46	45,000	2,070,000
Small Professional Services Firm	118	20,000	2,360,000
Independent Technical Operator	36	7,000	252,000
Large Financial Services	7	95,000	665,000
Medium Financial Services	31	65,000	2,015,000
Small Financial Services	18	45,000	810,000

LA Name : - 296 / MUNICIPAL COUNCIL OF KISUMU

Other Professional & Technical Services	506	7,000	3,542,000
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Activity Code :	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
700	PRIVATE EDUCATION, HEALTH, AND ENTERTAINMENT	271	4,741,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
Private Higher Education Institution	6	45,000	270,000
Large Private Education Institution	48	30,000	1,440,000
Medium Private Education Institution	33	15,000	495,000
Small Private Educational Facility	77	10,000	770,000
Large Private Health Facility	2	70,000	140,000
Medium Private Health Facility	7	45,000	315,000
Small Private Health Facility	8	30,000	240,000
Health Clinic/Doctor's Surgery	30	10,000	300,000
Traditional Health Services, Herbalist, Traditional Healer, etc.	13	8,000	104,000
Large Entertainment Facility	5	45,000	225,000
Medium Entertainment Facility	5	25,000	125,000
Small Entertainment Facility	3	15,000	45,000
Other Education, Health, and Entertainment Services	34	8,000	272,000

Activity Code :	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
800	INDUSTRIAL PLANTS, FACTORIES, WORKSHOPS,	425	7,292,000.00

Business Registration Details

Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
Large Industrial Plant	13	100,000	1,300,000
Medium Industrial Plant	6	70,000	420,000
Small Industrial Plant	14	40,000	560,000
Large Workshop/Service-Repair Contractor	21	50,000	1,050,000
Medium Workshop/Service-Repair Contractor	105	20,000	2,100,000
Small Workshop/Service-Repair Contractor	239	7,000	1,673,000
Other Manufacturer, Workshop, Factory, Contractor	27	7,000	189,000

Total No. of Businesses	7,012	Total Potential	70,275,000
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SINGLE BUSINESS PERMIT FEE SCHEDULE, 2010

103	Mega Store, Hypermarket	Mega Store, Hypermarket: Large multi-department store, hypermarket over 100 employees or premises over 3,000 m2 in prime location	60,000
105	Large Trader, Shop, Retail Store or Personal Service	Large Trader, Shop, Retail Store or Personal Service: From 21 to 100 employees and/or Premises from 300 to 3000 m2 in fair location	20,000
110	Medium Trader, Shop or Retail Service	Medium Trader, Shop or Retail Service: From 5 to 20 employees and/or premises from 50 to 300 m2. Fair location	10,000
115	Small Trader, Shop or Retail Service	Small Trader, Shop or Retail Service: Up to 4 employees and/or premises less than 50 m2 in far away location.	5,000
120	Kiosk	Kiosk Light or Temporary Construction: Less than 5 m2.	4,000
195	Other Wholesale-Retail Traders, Stores, Shops and Services	Other Wholesale-Retail Traders, Stores, Shops and Services	4,000
205	Hawker with Motor Vehicle (1 Person)	Hawker with Motor Vehicle: 1 person with motor vehicle.	5,000
210	Hawker without Motor Vehicle (1 Person)	Hawker without Motor Vehicle: 1 person without motor vehicle.	4,000
215	Small Informal Sector Trader / Service Provider	Small Informal Sector Trader / Service Provider: Shoeshine, shoe repair, street vendor (newspapers, sweets, soda, cigarettes).	2,000
220	Semi Permanent Informal Sector Trader	Semi Permanent Informal Sector Trader: Up to 2 persons operating in verandah or temporary building.	3,000
295	Other Informal Sector Operation	Other Informal Sector Operation	2,000
305	Large Transportation Company	Large Transportation Company: Over 30 vehicles.	80,000
310	Medium Transport Company	Medium Transport Company: From 6 to 30 vehicles.	30,000
315	Small Transport Company	Small Transport Company: From 2 to 5 vehicles.	10,000
320	Independent Transport Operator	Independent Transport Operator: 1 vehicle.	5,000
325	Large Petrol Filling Station	Large Petrol Filling Station: Over 6 pumps or with garage-workshop & retail shop.	20,000
330	Medium Petrol Filling Station	Medium Petrol Filling Station: From 4 to 6 pumps or with garage-workshop or retail shop.	10,000

503	Large-High Standard Lodging House/Hotel D Class	Large-High Standard Lodging House/Hotel D Class: Over 100 rooms.	100,000
506	Medium-High Standard Lodging House/Hotel D Class	Medium-High Standard Lodging House / Hotel D Class: From 41 to 100 rooms.	70,000
509	Small-High Standard Lodging House/Hotel D Class	Small-High Standard Lodging House/Hotel D Class: Up to 40 rooms.	50,000
512	Large Lodging House with Restaurant and/ or Bar B/C Class	Large Lodging House with Restaurant and/ or Bar B / C Class: Basic standard over 15 rooms.	45,000
515	Medium Lodging House with Restaurant and/ or Bar B/C Class	Medium Lodging House with Restaurant and/ or Bar B / C Class: Basic standard from 6 to 15 rooms.	35,000
518	Small Lodging House with Restaurant and/ or Bar B/C Class	Small Lodging House with Restaurant and/ or Bar B / C Class: Basic standard up to 5 rooms.	25,000
521	Large Lodging House B/C Class	Large Lodging House B / C Class: Basic standard over 15 rooms.	40,000
524	Medium Lodging House B/C Class	Medium Lodging House B / C Class: Basic standard from 6 to 15 rooms.	25,000
527	Small Lodging House B/C Class	Small Lodging House B/C Class: Basic standard up to 5 rooms.	15,000
540	Large Restaurant with Bar/Membership Club	Large Restaurant with Bar/Membership Club: Capacity over 30 customers/members.	30,000
543	Medium Restaurant with Bar/Membership Club	Medium Restaurant with Bar/Membership Club: Capacity from 11 to 30 customers/members.	15,000
546	Small Restaurant with Bar Up to 10 customers	Small Restaurant with Bar Up to 10 customers	10,000
549	Large Eating House; Snack Bar; Tea House "Hotel"	Large Eating House; Snack Bar; Tea House "Hotel": No lodging and no alcohol served with capacity over 20 customers.	15,000
552	Medium Eating House; Snack Bar; Tea House "Hotel"	Medium Eating House; Snack Bar; Tea House "Hotel": No lodging and no alcohol served with capacity from 6 to 20 customers.	10,000
555	Small Eating House; Snack Bar; Tea House "Hotel"	Small Eating House; Snack Bar; Tea House "Hotel": No lodging and no alcohol served with capacity up to 5 customers.	7,000
558	Butchery with Roasted Meat and/or Soup Kitchen	Butchery with Roasted Meat and / or Soup Kitchen: Any size.	10,000
561	Large Bar/Traditional Beer Seller	Large Bar/Traditional Beer Seller: Capacity over 50 customers.	15,000
564	Medium Bar/Traditional Beer Seller	Medium Bar/Traditional Beer Seller:	12,000

		with capacity from 11 to 30 beds.	
735	Small Private Health Facility	Small Private Health Facility: Providing overnight accommodation with capacity up to 10 beds.	30,000
740	Health Clinic/Doctor's Surgery	Health Clinic/Doctor's Surgery: Doctor-Dentist-Physiotherapist- Psychologist-etc Consult Office with no overnight accommodation available.	10,000
745	Traditional Health Services, Herbalist, Traditional Healer, etc.	Traditional Health Services, Herbalist, Traditional Healer, etc.	8,000
750	Large Entertainment Facility	Large Entertainment Facility: Cinema-Theatre-Video Show (over 100 seats), Amusement-Juke Box- Games Machines Arcades (over 10 machines), Sports Club-Gym (Over 50 members).	45,000
755	Medium Entertainment Facility	Medium Entertainment Facility: From 50 to 100 seats; from 4 to 10 machines; from 16 to 50 members.	25,000
760	Small Entertainment Facility	Small Entertainment Facility: Up to 50 seats; up to 3 machines; up to 15 members.	15,000
795	Other Education, Health, and Entertainment Services	Other Education, Health, and Entertainment Services	8,000
805	Large Industrial Plant	Large Industrial Plant: Over 75 employees or premises over 2,500 m2.	100,000
810	Medium Industrial Plant	Medium Industrial Plant: From 16 to 75 employees or premises from 100 m2 to 2,500 m2.	70,000
815	Small Industrial Plant	Small Industrial Plant: Up to 15 employees or premises up to 100 m2.	40,000
820	Large Workshop/Service-Repair Contractor	Large Workshop/Service-Repair Contractor: Over 20 employees or premises over 500 m2.	50,000
825	Medium Workshop/Service-Repair Contractor	Medium Workshop/Service-Repair Contractor: From 6 to 20 employees or premises from 25 m2 to 500 m2.	20,000
830	Small Workshop/Service-Repair Contractor	Small Workshop/Service-Repair Contractor: Up to 5 employees or premises up to 25 m2.	7,000
895	Other Manufacturer, Workshop, Factory, Contractor	Other Manufacturer, Workshop, Factory, Contractor	7,000