FACTORS INFLUENCING GROWTH OF SMALL MICRO-ENTERPRISES IN NGURUBANI TOWN, KIRINYAGA COUNTY KENYA

BY

IMMACULATE WANGUI MUREITHI

A Research Project Report Submitted in Partial Fulfilment For The Requirements of Award of Degree of Master of Arts in Project Planning and Management of The University of Nairobi

2015

DECLARATION

This research project report is my original work and has not been presented for a degree in any other University

Signed____________________ Date__________________

Immaculate Wangui Mureithi

Reg. No. L50/83233/2012

This research project report has been submitted for examination with my approval as the University supervisor.

Signed_____________________ Date_________________

Catherine Wainaina

Lecturer

Department of Extra Mural Studies

University of Nairobi

DEDICATION

This project report is dedicated to my parents, William Mureithi and Nancy Mureithi for giving their best towards my education, to my Husband Edwin for his support and guidance and to my daughter Jael for being a motivation to finishing this project.

ACKNOWLEDGEMENT

First, I highly appreciate my supervisor Catherine Wainaina for her guidance, support and encouragement during this project research. I would also like to thank my lecturers at the School of Continuing and Distance Education of the University of Nairobi who took me through the coursework in my studies that have equipped me with knowledge that I will apply for many years to come. I also extend my gratitude to The University of Nairobi Department of Extra Mural for giving me the chance and space to study and my colleagues for all the healthy discussions we had during our course work.

TABLE OF CONTENT

LIST OF FIGURES

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

SME Small Micro Enterprise

IFC International Finance Corporation

GDP Gross Domestic Product

ABSTRACT

Small and medium enterprises (SMEs) play a vital role in Kenya's economy and are considered the backbone of industrial development in the country. However, few studies have examined their development, challenges and future prospects. In Kenya the SME sector has contributed over 50% of new jobs but despite their significance, SMEs are faced with the threat of failure with past statistics indicating that three out five fail within the first few months. The sustainable growth of the Kenyan economy is directly related to the rate of enterprise creation and development.The study therefore sought to examine the factors affecting growth of SME's in Ngurubani Town, Kirinyaga County, Kenya. The study reviewed literature based on availability of finances, use of entrepreneurial skills ,knowledge and use of marketing as a tool of enhancing growth and the level of use of technology in running the businesses. The study employed a descriptive survey research design on a target population of 200 SME's which was aimed at identifying the factors affecting their growth. The study was done in Ngurubani Town in Kirinyaga County, Kenya. The data for this research was collected using structured questionnaires. The data was analysed using Statistical Package for Social Scientists (SPSS) version 17 and chi-square test was used to determine the relationship between the different variables. The study established that most of the SME's borrowed loans from Banks as a source of financing but there were problems associated with interest rates, time taken to access the funds and the minimum requirements to qualify for the loans.Most Managers were not willing to employ people with entrepreneurial skills which could be associated with cost. Most managers accepted that marketing was important for the growth of their business but few had invested in it. All the managers agreed that technology would be an integral part of their business to grow but most had not invested in computers and internet. The study concludes that availability of finances,application of entrepreneurial skills, use of marketing and technology had influence on the growth of SME's . The study recommends; for the Government to explore on the best way to support financing of SME's. Also for managers to be encouraged to carry out marketing and adopt technology in running of their businesses.

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

The definition or classification of small and medium enterprises differs from country to country. There is no generally accepted definition or classification of SMEs. Different authors, scholars and schools have different ideas as to differences in terms of capital out lay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development (Kamau Murigu, 2009).

In Kenya, the MSME bill 2009 has used 2 criteria to define SMEs in general: Number of people/employees and the company's annual turnover. For enterprises in the manufacturing sector, the definition takes into account the investment in plant and machinery as well as the registered capital. This SME definition is therefore as follows number of employee between 50 – 100 and an annual turnover of between 5 – 800 million Kenya Shillings (Mirmulstein & Ramalho, 2010).

There are 125 million formal MSMEs in this set of economies, including 89 million in emerging markets. Descriptive statistical analysis is presented on the relationship between formal MSME density (number of formally registered MSMEs per 1,000 people) and key obstacles for MSMEs, such as access to finance and informality (Kushnir, Mirmulstein, & Ramalho, 2010). This analysis shows that formal MSMEs are more common in high-income economies, but that in low and middle-income economies, MSME density is rising at a faster pace. Although there is significant variance in the countries' definitions of MSMEs, around a third of the countries covered define MSMEs as having up to 250 employees. Formal MSMEs employ more than one-third of the world’s labor force, but the percentage drops significantly with income level. MSMEs are more likely to identify access to finance as their biggest obstacle than are large firms. Globally, the number of MSMEs per 1,000 people grew by 6 percent per year from 2000 to 2009. Europe and Central Asia experienced the biggest boom, with 15 percent growth. Such a fast pace may have resulted from the continuation of post-Soviet privatization in these economies. Another possible contributing factor may be the accession of the Eastern European economies to the European Union (EU) (Kushnir, Mirmulstein, & Ramalho, 2010).

In results published by IFC and McKinsey & Company in 2010 states that In the 132 economies covered, there are 125 million formal MSMEs of which 89 million operate in emerging markets it also found that there are between 80 and 100 million formal MSMEs in emerging markets.In OECD countries, the last two decades have seen a marked increase in the international activities in firms of all sizes. Facilitated by continuing developments in transportation, information technology, financial systems and other factors, both large firms and SMEs have increasingly become involved in international operations in order to exploit new markets and new sources of supply (OECD, 2000). This is supported by evidence showing the percentage of US based small companies operating in international markets increasing from 20% in the early 1990s to more than 50% (Hitt and Barkhus, 1997). More generally, the OECD (1997) report that internationalised SMEs account for approximately 25-30% of the world’s manufacturing exports, with their export contribution to GDP representing 4-6% for OECD countries and 12% for Asian economies

Results from a study done by Kushnir, Mirmulstein, & Ramalho, 2010 revealed that on average, there are 31 MSMEs per 1,000 people across the 132 economies covered. The five countries with the highest formal MSME density are as follows: Brunei Darussalam (122), Indonesia (100), Paraguay (95), the Czech Republic (85), and Ecuador (84). Overall, economies with higher income per capita tend to have more formal MSMEs per 1,000 people.

In middle-income countries, formal SMEs contribute about 20% more to employment and GDP than the informal enterprises. Thus, in these countries, eliminating factors that discourage informal enterprises from entering the formal SME sector would also bring about gains in economic terms. This is evidenced by the fact that SMEs contribute over 3 times as much as the informal sector in both total employment (~65%) and GDP (~55%) in high-income countries, and that these countries are also taking initiative to bring as many informal enterprises as possible into the formal sector (OECD, 2004)

SMEs possess great potential for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large scale industries (CBN, 2011). Financing of SMEs is very critical if they are to perform the growth and developmental role in the nation’s economy. Proper financing of SMEs is an essential tool for promoting and leveraging small and medium enterprises development in Kenya.

1.2 Statement of the Problem

In general the industrial sector in Kenya is characterized by thousands of Jua Kali micro enterprises on the one hand, and fewer, often foreign owned, large scale manufacturing and processing firms on the other. The SME's are not contributing to the GDP as expected and we seek to find the factors that influence their growth. If SME’s in Kenya were growing at a fast pace and if they could have sustained contribution to the economy then they would contribute to the GDP as expected. What is missing is locally owned medium sized industrial enterprises (Fisher, 1999). For many countries, garment manufacturers that include tailoring, dressmaking and small clothing workshops have been the starting point for export-led industrialization (Kamau and Munandi, 2009; McCormick, 1992). However, in Kenya, despite the garments sub sector being a key vehicle for economic growth, having the potential to provide employment opportunities to the locals and having the capacity to contribute to Gross Domestic Product (GPD) as well as poverty reduction, the sector is still dogged by non-growth of its enterprises.MC Cormick (1993) observed that instead of these enterprises growing in size they have been growing numerically.

According to K‟Obonyo (1999) enterprises‟ size and failure are inversely related, with smaller enterprises facing higher risks of failure than larger ones. Stokes (1995) found that the smallest firms were most vulnerable and that those that grew were less likely to fail than those that did not. If growth and largeness reduce failure, then there is need for concerted efforts in finding the root cause of stagnation. This will in turn help in curbing high mortality rate and therefore enhance survival. What factors influence growth of SME’s? The current study aims at answering this perturbing question. The study looks into influence of availability of finance, use of entrepreneurial skills in management, level of marketing that an SME carries out and use of technology on the growth of an SME

1.3 Purpose of the study

This study sought to investigate on the factors influencing growth of small micro-enterprises in Ngurubani Town, Kirinyaga County,Kenya

1.4 Specific objectives of the study

The study was guided by the following specific objectives-:

1. To determine influence of availability of finances on growth of Small Micro-Enterprises in Ngurubani Town, Kirinyaga County, Kenya

2. To investigate the influence of application of entrepreneurial skills on the growth of Small Micro-Enterprises in Ngurubani Town, Kirinyaga County, Kenya

3. To investigate the influence of Marketing on growth of Small Micro-Enterprises in Ngurubani Town, Kirinyaga County , Kenya

4. To establish the influence of use of technology on growth of Small Micro-Enterprises in Ngurubani Town, Kirinyaga County Kenya.

1.5 Research Questions

The study sought to answer the following research questions

1. How does availability of finance for an SME influence its growth?
2. In what way does use of entrepreneurial skills in management of SME's influence their growth?
3. To what extent does use of marketing affect the growth of an SME ?

4. How does use of technology in the operations of an SME determine their growth?

1.6 Significance of the study

The outcome of this study may be of great importance as it might make a contribution on what other researchers have on SMEs and bring a new insight to this field. The study may provide information on the factors influencing growth of SMEs. As such we will try get solutions so as to ensure they play their role to contributing to the GDP and sustained development .Further the study may serve as a guide to economic policy makers in making the necessary restructuring of the programme if the need be. It may be used as reference to future researchers who might want to work on aspects of this topic.

1.7 Limitations of the study.

The limitation of the study was hesitance by the businessmen/ women to fill in the questionnaires as most were actively involved in the running of their businesses. To mitigate this challenge the researcher engaged research assistants to help in data collection.

1.8 Delimitation of the study

The study was conducted at Ngurubani Town, Kirinyaga County, the respondents were the managerial staff from the various SMEs in that town. The study was delimited to Ngurubani Town only and therefore the results cannot be generalized since all the factors influencing growth of SME's were not looked at. The study only looked at availability of finances, use of entrepreneurial skills, use of marketing and use of technology and their effect on the growth of SME's

1.9 Definition of Significant terms

Entrepreneurial skills This refers to the ability to create new ideas, adapt existing ideas to local context to ensure effective running of the business. These skills include customer care skills, accounting skills and reporting skills

Finance This refers to the availability of capital for an SME to start up and run while it is able to expand its business operations, the accessibility to loans from different financiers and the ability to utilize its profits to grow the business.

Growth Refers to a positive change in size, often over a period of time. Growth can occur as a stage of maturation or a process toward fullness or fulfilment. It can also perpetuate endlessly

Marketing Refers to an all profitable human activities undertaken by the firm towards creation of goods and services, creating awareness of the goods and services hence increasing the number of customers and

Technology Is the making, modification, usage, and knowledge of tools, machines, techniques, crafts, systems, and methods of organization, in order to solve a problem, improve a pre-existing solution to a problem, achieve a goal, handle an applied input/output relation or perform a specific function.

1.10 Organization of study

The study is organized into five chapters. Chapter one contains the introduction, background of the study, statement of the problem, purpose of the study, Objectives of the study, research

Questions, significance of the Study, limitations of the study, delimitation of the study, definition of significant terms and the organization of the study. Chapter Two reviews relevant literature on factors influencing growth of SME's. It outlines the concept of growth of SME's, Theoretical framework, Conceptual framework and Summary of the literature review.. Chapter Three reviews the methodology, research design, target population, sample size and sampling procedure, data collection methods, validity of data collection instruments, data analysis technique and finally the operationalization of variables. Chapter Four consists of data analysis, presentation and interpretation of data collected. Chapter Five consists of summary of findings, discussion, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews several literatures that have written in regard to the objectives of the study from different parts of the world on factors that influence the growth of Small Micro-Enterprises. The theories related to the literature have been reviewed and a conceptual framework identified

2.2 Concept of Growth of Small Micro Enterprises

SMEs are the main source SMEs are the main source of economic growth in developed and developing countries alike. In the US for example, the SME sector is said to provide 67% employment and 61% manufacturing sector output, respectively. In Korea, there are over 30 million SMEs constituting about 99.9% of the enterprises and employing over 88.1% of the labour force. Similarly, in Kenya SMEs are responsible for about 80% of employment and contributes about 40% to GDP. These examples demonstrate that SMEs are an integral part of the economy critical in spurring socioeconomic development (Mwarari, 2013).

In most economies, Kenya included, SMEs comprise approximately 99% of all firms and employ between them about 60% of the people In many sectors, SMEs are responsible for driving innovation and competition. Globally SMEs account for 99% of business numbers and 40% to 50% of GDP. FSD Kenya (Financial Sector Deepening) strongly believes that in Kenya, SMEs have the potential to contribute significantly to economic growth and poverty reduction through increased production and employment (Mwarari, 2013).

2.3 Finances and its influence on growth of Small Micro-Enterprises

Human capital is the prerequisite for development, hence raising its quality and productivity is a critical factor for increasing economic growth and reducing poverty levels (Msoka, 2013).
Even where microfinance institutions have come in to address the issue of access to credit, their focus has largely been poverty reduction, rather than MSME development and growth. Their loan sizes have therefore tended to be too small to support growth (Stevenson & St-Onge 2005b)

On the subject of supporting and investing in innovation, in addition to the challenges aforementioned, MSMEs are starved for finance to support innovation even when they have sound business and expansion plans worthy of investment, as they are considered risky because their innovative business ideas have not been "tried and tested". The MSMEs therefore find themselves in a vicious cycle of providing what is already in the market and not able to grow and expand to realize their full potential as they lack both funding and business support services to venture into unexplored business ideas (Aikaeli,2007). Sources of finance and other forms of support are needed not only for existing MSMEs but also for those budding entrepreneurs who will build the MSMEs of today and develop them into the largest businesses of tomorrow. These budding entrepreneurs will succeed, not by replicating the business models of the past, but by innovating new ways, products and services to reach an increasingly demanding market (Kiraka, 2013)

The World Bank's most recent *Global Financial Development Report* (World Bank 2013) has once again stressed lack of both financial capital and business-related knowledge as key impediments to firm growth in developing countries. Yet, the most popular instruments to relax these constraints are largely unsuccessful in spurring firm growth. Access to credit is not a major constraint for microenterprise start-ups because the majority of interventions directed at credit facilitation are in the area of microfinance. However, lack of access to medium or long-term credit is a major constraint for those enterprises that wish to expand their activities. The reasons for this are well known, particularly the fact that SMEs present a high risk to the lender because many of them have insufficient assets and suffer from low capitalization. In addition, poor accounting records and the lack of other financial records make it difficult for banks to assess the creditworthiness of potential SME borrowers. Moreover, the relatively high cost of processing small loans means that lending to SMEs is generally not for banks (Matfobhi & Ruffing, 2002).

Micro, small and medium-sized enterprises are also constrained by a lack of collateral. Banks favour urban housing permits (PUH) for concrete structures or a sizeable deposit as collateral. The majority of micro, small and medium-sized enterprises consequently rely on informal sources of credit: 85 per cent of SMEs rely on personal savings, family or friends for finance (Llelart, 1995). Grimm & Paffhausen, (2014) report states that programmatic interventions targeting MSMEs may include interventions to improve access to finance through the provision of (micro-) credit, advisory services and business skills training, while policy interventions focus on improving the framework conditions for MSMEs and may entail labour market regulations, the instauration and enforcement of property rights, or credit information systems, to mention just a few. Interventions, however, may also target the (potential) labour force through programmatic interventions such as technical vocational education and training (TVET) or employment services.

SME, in Kenya have difficulties in growth due to lack of finance. They hardly grow beyond start-up stage. Others go out of business at a very early stage (Bronwyn, 1995). The study undertaken by Hallberg (1998), and Mead & Liedholm (1998) reveals that access to finance is an important ingredient to development of SME. They have few alternatives of accessing finance other than relying on their retained earnings to finance their investments. Notwithstanding the financial difficulties faced by SME presently in Kenya, alternative sources of funds have to be sought to sustain this important sector (Memba, 2012)

A large part of the world's poor has only insufficient access to formal sources of finance, and the prevalence of capital market imperfections and resulting lack of access to financial capital has been frequently stressed as a major (if not the main) impediment to firm growth in developing countries. For example, the World Bank informal enterprise surveys reveal that lack of access to finance is perceived to be the most pressing obstacle that small firms in developing countries face (World Bank 2013)A couple of academic studies report high returns on grants of cash or in-kind capital among microenterprise owners in developing countries that are typically well above prevailing market interest rates (Prediger & Gut, 2014).

2.4 Entrepreneurial skills and its influence on the growth of Small Micro-Enterprises

Shaw (2012) explains that some products or services require specialist skills to produce and for a Micro scale and small enterprises to be successful, owner manager must possess appropriate skills and abilities to run the business. It is therefore, very important for entrepreneurs develop all necessary skills required for setting and effective running of the enterprises. To be successful in today's competitive market as an entrepreneur, one needs a broad array of entrepreneurial skills (Okpara and Wynn, 2007).Entrepreneurship plays a fundamental role in economic development. Entrepreneurs create jobs and implement new ideas, or adapt existing ideas to local contexts, and hence crucially contribute to productivity enhancement and overall economic growth (Prediger & Gut, 2014). This manifests itself in the level of skilled labour the SMEs acquire during the recruitment of its staff.

Terry (2005) argued that business owner needs to possess basic skills necessary to start, develop, finance and market own business. Entrepreneurial skills compares favourably with the basic skills required for starting, developing, financing, financing and marketing business enterprise as opined by Lyve (2005). Furthering this, Akande, (2011) described entrepreneurial skills as qualities or attributes required for an entrepreneur to start and successfully manage a business in a competitive environment. Akintoye (2008) argues that accounting skill is necessary for successful entrepreneurial and small business development. This is because the inability to install a proper accounting system would disallow business monitoring, reporting, and performance evaluation that are essential to the business survival. Small business has failed in the past for ignoring this vital measurement apparatus. Accounting skills are the totality of skills ranging from record keeping, attention directing, financial management and reporting skills that are expected to promote effective decision, performance evaluation and business reporting of any business enterprise (Akande, 2011).

Customer care skills are important in the performance of enterprises. Tsvetanka (2010) outlines ways to treat clients. She indicates that there is need to treat the clients with the utmost respect.

Clients whether they consciously do it or not, know the value of their money. And they always want to know that they are being treated with the dignity they deserve as a client. Clients expect to have undivided attention. Delivering full attention and also on top of that showing the clients that you are attentively listening to what they are saying, you set yourself up for a repeated business and possibly referrals. Listening carefully and having all attention on the clients, absolutely flatters them. The clients will want to go back where they are treated with respect (Msoka, 2013).

The International Finance Corporation (IFC) (2011) has identified various challenges faced by MSMEs including lack of innovative capacity, lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure, scanty market information and lack of access to credit. The lack of guidance and business skills needed to move a company forward is a major handicap for many proprietors (Mambula & Sawyer 2004).

Small and medium-sized enterprises find existing support services difficult to access and costly. In many cases, they judge the services as unsuited to their needs or not meeting their expectations. According to the World Bank (1990), only accounting and auditing companies appear to have sufficient qualified personnel. Companies providing other services, particularly those dealing with advertising and marketing (one field where enterprises are particularly weak), are understaffed (Matfobhi & Ruffing, 2002).In effect MSMEs contribution to the economy and employment is significant as they provide the stimulus to economic growth, fosters backward and forward linkages, develops human assets and develops entrepreneurial skills in the society (Agyapong, 2010).

Several authors argue that managerial skills can improve the productivity of other firm and can thus play an important role in firm development. Better managerial skills could encourage the implementation of better business practices, such as regular maintenance of machinery to reduce the failure probability, which would improve the productivity of physical capital (Prediger & Gut, 2014).

Entrepreneurs with strong managerial skills may also be better able to motivate their workers (Bruhn et al. 2010) and more efficiently coordinate working tasks, which may increase labour productivity. A study conducted among Kenyan retailers found that many of them forgo substantial profits due to daily stock outs and missed opportunities to receive discounts for purchasing in bulk, which could have been avoided if the owners had engaged in inventory planning (Kremer et al. 2013). This would largely be avoided if the entrepreneur had relevant entrepreneurial skills

The lack of implementation of basic business practices can also aggravate other binding constraints. A Zambian business survey from 2010, for example, revealed that 73 percent of Zambian MSEs have no access to formal credit due to insufficient business records. There is also ample evidence that many MSE owners have only poor financial knowledge, and often do not properly understand or are unfamiliar with the range of existing financial products and services principally available to them. Yet, a proper understanding of financial products is arguably crucial for selecting the most appropriate investment alternative and minimizing the risk of misinvestment or over-indebtedness (Prediger & Gut, 2014).

Entrepreneurs are constantly initiating change through creativity and innovativeness in order to stay ahead of others (Drucker, 1986). According to Morris A (1998), entrepreneurship is "the innovatively process involved in the creation of an economic enterprise based on a new product or service which differs significantly from other products or services in the way its production is organized, or in its marketing" therefore entrepreneurial skills are highly required to meet the objectives SMEs and business at large (P. Kithae et la. 2013).

Entrepreneurial skills also include book keeping and as defined by Bigg and Perrins (1995) book keeping is "the art of recording all money transactions so that financial position of an undertaking and its relationship to proprietors and outside persons can be readily ascertained". Every enterprise, however simple requires written records. These are used by managers as guides to routine action, taking of decisions, formulation of general rules and maintaining relationships with other organizations or with individuals (P. P. Kithae et al. 2013).

2.5 Marketing influence on growth of Small Micro-Enterprises

Marketing skills is another important and essential skill, which depends on the very success of failure of a business. Marketing consists of all profitable human activities undertaken by the firm towards the creation of goods and services. Sales and marketing skills will keep the entrepreneur informed, knowledgeable and confident as to determine the most efficient method of physical distribution of goods and services (Msoka, 2013).Important sales and marketing skills, which the entrepreneur should possess to include: knowledge of seasonal fluctuation of goods; ability to determine the extent to which products will sell; ability to determine current trends in sales of products, ability to determine what customers need and shortage of such goods; knowledge of advertising; ability to determine and interpret factors which indicate extent of and strength of competition; and ability to determine and interpret factors which indicate extent of and strength of competition; and ability to determine availability of goods/raw materials for product and shortage of finished goods (Ezeani, 2012).

In a typical argument, Hogarth-Scott et al. (1996) considered most marketing theories to be inappropriate for SMEs and not helpful in the understanding of their markets. However, in the same article, the authors found that the marketing function contributed positively to small business success and the ability to think strategically. Clearly, marketing department exert influence in SMEs, especially in SMEs that succeed. Larger firms achieve better competitive positions than smaller firms when they have greater marketing capabilities (Grimes et al., 2007), so SMEs must maintain strong marketing departments to effectively compete. Evidence has shown that although marketing activities in SMEs may be different, marketing departments are still critical to firms' success. Many firms carry out business via highly informal, unstructured, reactive mechanisms, whereas others develop, over time, a proactive and skilled approach where innovation and identification of opportunities gives them a competitive advantage (Fillis, 2007).

Walsh & Lipinski, (2009) in there study observed that "small firms face marketing challenges which can and will ultimately determine their future." Furthermore, SMEs still engage in many traditional marketing functions, especially marketing planning. A widely cited marketing activity for SMEs is networking. Siu (2001) found that SMEs rely heavily on their personal contact network in marketing their firms. Traditional economic structures favour size (large firms).

However, today's economy is earmarked by relationships, network, and information, which play to some of the characteristics of SMEs.

Narver & Slater, (1990) state that a business that increases its market orientation will improve its market performance. This proclamation has been issued continuously by both marketing and academicians and marketing managers for more than 30 year.Urbonavičius, Dikčius, & Kasnauskienė (2007) in a report on importance of marketing state that results of the company are better, when top level management realizes importance and role of marketing within a company. It is even more significant in the context of changes, when the role of marketing is rapidly transforming.A seller, any seller, has numerous alternative opportunities for creating addition al buyer value through increasing a buyer's benefit and/or decreasing a buyer's total acquisition and use costs (Forbis and Mehta, 1981). It is understood that characteristics of a company play an important role in setting priorities for all types of activities, including activities that are related with certain types of marketing functions. The most important determinants here are associated either with characteristics of a company or specifics of its markets (Couto, Vieira, Borges-Tiago, 2005).As McKenna (1991) notes, "Marketing is everything and everything is marketing," or as Haeckel (1997) states, "Marketing's future is not *a* function of business, but is *the* function of business."

Specifically, what role should the marketing function play, if any, in a firm that is market-oriented? Reflecting this concern, the Marketing Science Institute's 1996–1998 research priorities included investigations into "Marketing as a function (big M) in relation to marketing as a process and a vision (little m) in the future" (*Marketing Science Institute Research Priorities* 1996).

2.6 Technology and its influence on growth of Small Micro-Enterprises

SMEs generally adopt technologies more slowly than the average firm, and this also applies to the adoption of Internet technologies. This may be because of remaining internal barriers to SME adoption of e-commerce, including limited understanding of the complexity of electronic operations, inadequate skills and high initial investment required to develop available e-commerce strategy (OECD, 2000)

The advent of Internet-based electronic commerce offers considerable opportunities to SMEs to expand their customer base, enter new product markets and rationalise their businesses. Smaller firms can use e-commerce to customise products and services, manage supply processes and inventories, and reduce the time between order and delivery (OECD, 2000).

2.7 Theoretical Framework

This work is grounded by these theories, the new growth theory, the Theory of Coordination Failure and the Conceptual framework

2.7.1 New Growth Theory

This is a theory by Paul Romer. It linked the technological change to the production of knowledge The new growth theory emphasizes that economic growth results from increasing returns to the use of knowledge rather than labour and capital. The theory argues that the higher rate of returns as expected in the Solow model is greatly eroded by lower levels of complementary investments in human capital (education), infrastructure, or research and development (R&D) (Dang & Sui Pheng, 2015).

This theory emphasizes the need for investment in human capital by growing their skills. As such an investor should aim at growing the entrepreneurial skills of their staff for better results and growth of their business. Staff whose skills have been developed, can adopt new technologies easier and would be willing to research on the new technologies more.

2.7.1 Theory of Coordination Failure

This is a theory by Peter Howitt. The foundation of the theory of coordination failure is the idea that the market may fail to achieve coordination among complementary activities. When complementariness exist, that is when returns of one investment depend on the presence or extent of other investments, there exist two scenarios. On the one hand, optimally, all investors as a whole are better off with all investments to be achieved at the same time. On the other hand, it would not make sense for an investor to take similar actions when he believes that others may not do the same as well. The market is said to have failed to coordinate investors' actions in this way. Coordination failure therefore leads the market to an (equilibrium) outcome inferior to a potential situation in which resources would be optimally allocated and all agents would be better off. As a result, underdevelopment equilibrium is possible (Dang & Sui Pheng, 2015)

This theory emphasizes the need to co-ordinate the factors of increasing growth and development of the business. The investors must be willing to pull efforts together to co-ordinate the factors affecting the growth and development of their business for them to obtain optimal results.

2.8 Conceptual Framework

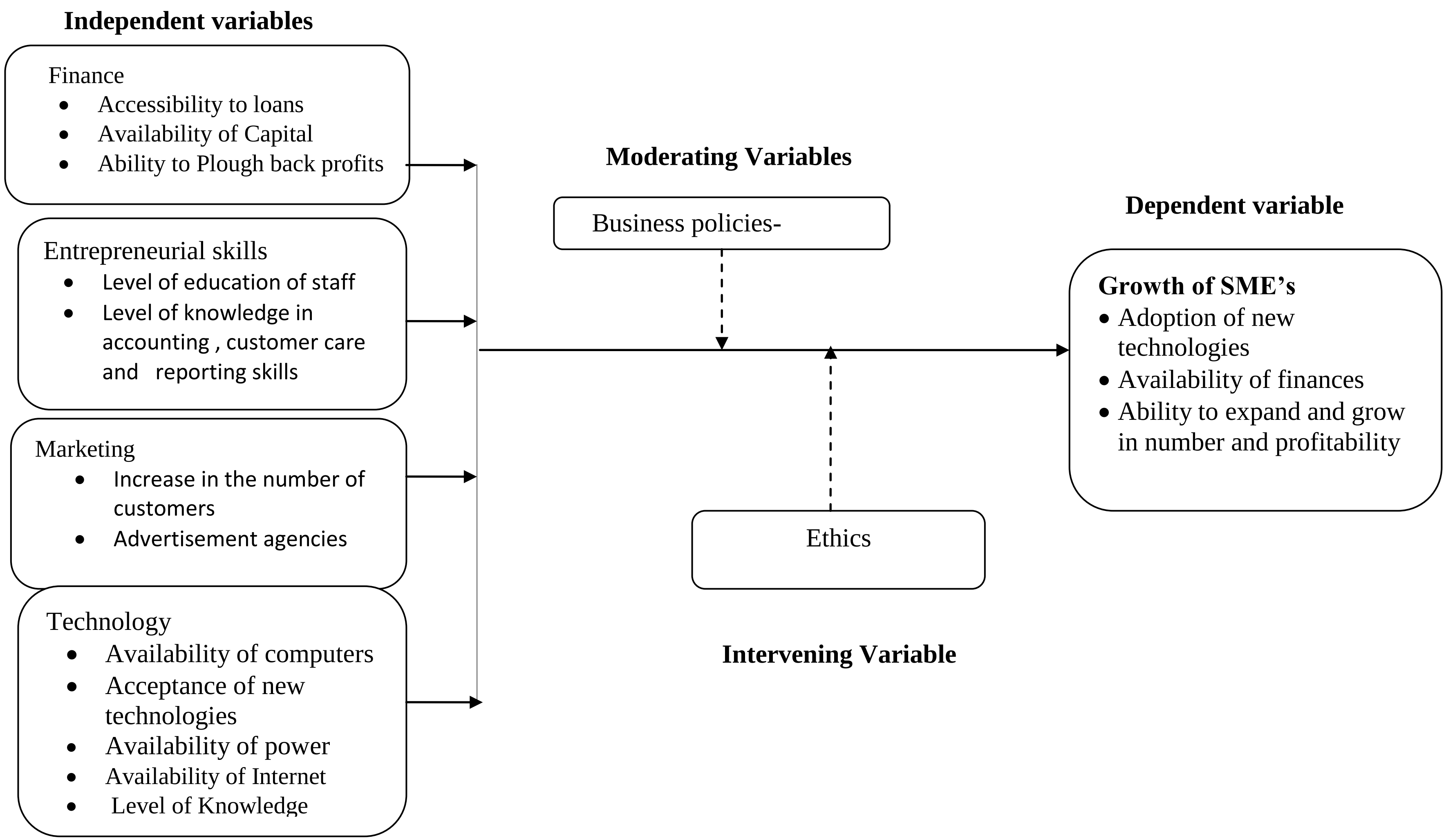

Figure 1 Conceptual Framework

2.9 Study Gap

The SMEs possess great potential for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large scale industries (CBN, 2011). No research has been carried out regarding the SMEs in this region and the factors that influence their growth. Ngurubani town is in the heart of one of Kenya's largest rice plantation. Due to this fact, many SMEs are coming up because of increased settlement in that region. This research paper therefore looks at the various factors that may influence the growth of the SMEs these include; entrepreneurial skills, finance, technology and marketing. Bronwyn (1995) states that SMEs hardly grow beyond start-up stage and others go out of business at a very early stage.

The research paper will try determine the best means to develop and maintain SMEs within these four factors, it will also try and encourage the managers who have already established their businesses what they need to look out for and what has been found vital in establishing a vibrant SME in that region.

2.10 Summary of the Literature Review

In Kenya, market failures have constrained MSME innovation, as in many developing countries, by limiting the necessary access to information, finance, labour skills, and business development services (BDS) to increase competitiveness and productivity. Lack of information and negative past experience with transactions is a common factor that limits the willingness of potential suppliers to take risks (or calculate them reliably) to adapt products to MSMEs (World Bank 2004).

Ngurubani Town has the capacity to grow SMEs. This is due to the positioning and population of the town. The literature review shows that various SMEs have adopted modern methods of doing business this include financing, entrepreneurial skills, marketing and adaption of the use of technologies. Since the factors influencing growth of small micro-enterprises in Ngurubani town has not been researched on this is a good opportunity to document these factors, their availability and its importance in the growth of SMEs. It will also try to get the views of the various SME management staff on the improvement the availability of the factors towards their growth.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research design applied; target population, sampling procedure, data collection procedure, research instrument, validity and reliability was adopted in the study. It also discusses the operation definition of the variables data analysis procedures and ethical consideration.

3.2 Research Design

The study adopted a descriptive survey research design aimed at examining the factors that affected growth of SME's in Ngurubani Town, Kirinyaga County. According to coopers (2004), descriptive studies are typically structured with clearly stated hypothesis. It serves a variety of research objectives such as descriptions of phenomena or characteristics associated with a subject population, estimates of proportions of a population that have these characteristics and discovery of associations among different variables.

3.3 Target Population

According to Kothari(2004) , a target population is a well -defined set of people, services , elements, event and group of things or households that are being investigated. According to Mugenda and Mugenda(2008), a target population is the population to which the researcher would like to generate his/her results. In conducting a research study, the researcher ideally investigated all the individuals to whom they wish to generalize their findings. In this study, the target population was 200 SME's from Ngurubani Town, Kirinyaga County, Kenya,

3.4 Sample Size and Sampling Procedures

Sample size according to Mugenda (2008) determines the precision with which population values can be estimated. The total number of SME's in Ngurubani Town is was 200. Therefore, census was be used to collect All the respondents was be approached through census method. Mugenda and Mugenda (2003) states that when the census is small there is no point of sampling if time and resources allow and this increases reliability. The term Census implies that each individual and each set of individual characters are enumerated separately and that the characteristics thereof separately recorded (Vijayaraj & DineshKumar, 2010). Kothari (2004) also describes census as a complete enumeration of all the items in a population.

3.5 Research Instruments

3.5.1. Pilot Testing

The data for this research was collected using questionnaires. The questionnaire is a convenient tool especially where there are large numbers of subjects to be handled. The questionnaire was be structured and designed for SMEs owners' data collection was be based on both primary and secondary sources. Close-ended questions were designed to elicit responses from a sample population. The questions have the following components: name, gender, age, marital status, educational status, particulars of businesses, business financing details of investment, employment, records of the business, impact of financial support and challenges of the entrepreneur.

Document analysis was involved reviewing the contents of target documents with the aim of adducing some relevant secondary data (Oso and Omen 2005). In terms of secondary data there has been so much written work SMEs in Kenya and a desk research was be done to review the sources relevant to the topic. The sources included were materials from the SME institution in the county and finally the quarterly report on the activities of SMEs from the county was help the researcher in data collection.

3.5.2. Validity of Instruments

Validity is the accuracy or meaningfulness and technical soundness of the research. It is the degree to which a test purports to measure what it ought to measure (Mugenda & Mugenda, 1999). To ascertain validity of the instrument, the researcher addressed content. The same was established through 2 steps. The first step was consulting the supervisor (an expert in the field of research) as well as discussing with some of the managers on whether the questions addressed the most of the issues they were experiencing in their area of work.

3.5.3. Reliability of data collection instrument

Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered reliable.

A reliability test was done using Cronbach's Alpha. The results obtained were sufficient for the study to be carried out using the research tool (questionnaire). Table 4.2 in chapter 4 shows reliability of the questionnaire as follows; the influence of finance 0.725, the influence of entrepreneurial skills 0.730, the influence of Marketing 0.747 and the influence of technology 0.780. All the results obtained were above 0.7 which according to W. George and Mallery (2003) is acceptable.

3.6 Data presentation and analysis

Data was analysed using descriptive statistics that include Chi square and cross tabulation. Mugenda and Mugenda (2003) states that chi-square us a statistical techniques that attempts to establish relationship between two variables both which are categorical in nature. Chi-square was be used to compare the relationship between the dependent and independent variables in the growth of SME in Ngurubani Town. The data was analysed using Statistical Package for Social Sciences (SPSS) and presented in percentages and tables.

3.7 Data collection procedure

A selected number of individuals in Ngurubani Town distributed the questionnaires. They were in charge of the distribution and collection of the questionnaires within a given time period.

3.8 Ethical considerations

This study was approached with utmost observation of ethical standards. The researcher sought respondents consent when presenting the questionnaire. Besides, the researcher assured the respondent of utmost confidentiality of the data collected. The respondents were informed that the data collected would be used for academic purposes only and the copy of the final report can be obtained from the university library.

3.9 Operationalization of variables

Objective	**Variable**	**Indicators**	**Measurement scale**	**Analysis**	**Unit of measurement**
Determine the availability of financing to SME	Finances	Number and amount of Loans The Capital base of the business Ability to plough back proceeds from the business Availability of capital Accessibility to loans	Ordinal	Descriptive Statistics Chi – Square	Amount of loans obtained by SMEs
Determine the use of technology in SMEs as a growth tool	Technology	Availability of Computers Availability of power Acceptance of new technologies	Ordinal	Descriptive Statistics Chi – Square	Extent of use
To investigate application of entrepreneurial skills in management of SMEs	Entrepreneurial skills	Level of education of staff Types of entrepreneurial skills	Ordinal	Descriptive Statistics Chi – Square	Understanding of entrepreneurship
To investigate use of marketing as a survival tool for SMEs	Marketing	Increase in number of customers Advertising Agencies	Ordinal	Descriptive statistics Chi – Square	Customer base

CHAPTER FOUR:DATA ANALYSIS PRESENTATION AND INTERPRETATIONS OF RESULTS

This chapter presents the findings of the research from the field. The chapter presents response rate, socio-demographic characteristics, field of study, factors influencing growth of Small Micro-Enterprises in Ngurubani Town, Kirinyaga County, Kenya. The results of the relationship between the independent variables and dependent variable are also presented in this chapter.

4.1 The response rate

The study targeted a sample size of 200 respondents from which 129 responded which constituted 64.5%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to excellent as shown in Table 4.1

Table 4. 1 Response rate

	Response rate	
	Frequency	**Percentage**
Responded	129	64.50%
Non-respondents	71	35.5%
Total	**200**	**100%**

4.1 Reliability analysis- numbering

W. George and Mallery (2003) provide the following rules of thumb: "_ > .9 – Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor, and _ < .5 – Unacceptable" The coefficients were all greater than 0.7. A conclusion was therefore drawn that the instruments had an acceptable reliability coefficient and were appropriate.

Cronbach's Alpha is a general form of the Kunder–Richardson (K-R) 20 formula

$KR_{20} = \frac{(K)(S^2 - \sum_S 2}{(S^2)(K-1)}$. Where: KR_{20} = Reliability coefficient of internal consistency

K = Number of items used to measure the concept

S^2 = Variance of all the scores

s^2 = Variance of individual items

Table 4. 2 Reliability test Analysis for the questionnaire

Variable	Cronbach's Alpha	Number of Items
The influence of Finance	0.725	9
The influence of Entrepreneurial skills	0.730	6
The influence of Marketing	0.747	7
The influence of technology	0.780	7

Table 4.2 show reliability of the questionnaire as follows Section A the influence of finance 0.725, the influence of entrepreneurial skills 0.730, the influence of Marketing 0.747 and the influence of technology 0.780.

4.2 The Socio demographic characteristics of the respondents

Table 4.3 Distribution of respondents by Gender

Gender		
	Frequency	**Percent**
Male	85	65.9
Female	44	34.1
Total	**129**	**100.0**

The study sought to determine the gender of the respondents. The findings were that there were more male 85 (65.9%) as compared to female 44 (34.1%) managers in Ngurubani Town Table 4.3.

Table 4.4 Distribution of respondents by age

	Age	
	Frequency	**Percent**
20-30	20	15.5
31-40	54	41.9
41-50	33	25.6
51-60	22	17.1
Total	**129**	**100.0**

On respondent's age category, the study revealed that the age of the respondents varied between of 20 and 60 years of which most of them were between the ages of 31 – 40 years 54 (41.9%) of age Table 4.4.

Table 4.5 Level of Academic Qualification of the managers

	Academic Qualification	
	Frequency	**Percent**
Graduate	53	41.1
Post Graduate	11	8.5
Form 4 Leaver	11	8.5
Diploma	54	41.9
Total	**129**	**100.0**

The study sought to determine the highest academic qualification of the respondents. Table 4.5 shows that most of the business owners had received tertiary education i.e. graduates 53 (41.1%) and those with diploma 54 (41.9%) accounting for 83% of the total population of the respondents.

Table 4.6 Distribution of business by industry sector

	Type of Business	
	Frequency	**Percent**
Manufacturing	21	16.3
Construction	33	25.6
Agriculture	53	41.1
Service Provision	22	\7.1
Total	**129**	**100.0**

The respondents were requested to indicate the sector under which their business operated in, from the research findings, the study revealed that 53 (41.1%) were in agriculture sector, 21 (16.3%) in manufacturing sector, 33 (25.6%) in construction sector and 22 (17.1%) in service provision sector as shown in Table 4.6.

Table 4.7 The number of employees to run the business

Number of Employees		
	Frequency	**Percent**
1-9 (Micro)	76	58.9
10-49 (Small)	53	41.1
Total	**129**	**100.0**

The study sought to determine the number of employees they had in their organizations. Most of the managers had between 1-9 employees accounting for (76) 58.9% of the organizations in the survey.

Table 4.8 Legal status of the business

Legal Status of the business		
	Frequency	**Percent**
Sole Proprietorship	86	66.7
Partnership	43	33.3
Total	**129**	**100.0**

The study sought to determine the legal status of the businesses. Most of the organizations were owned by a single individual 86 (66.7%) of the respondents the other 43 (33.3%) were under partnership as shown in Table 4.8.

Table 4.9 Number of Years running the business

Number of years running the Business		
	Frequency	**Percent**
Less than one year	11	8.5
1 - 5 years	74	57.4
6 - 10 years	33	25.6
21 years and above	11	8.5
Total	**129**	**100.0**

The study sought to determine the number of years the company had been in operation. Most business were less than 5 years 85 (62.9%) and only 11 (8.5%) of the companies were above the age of 21 years as shown in Table 4.9.

4.3 Finances and growth of Small Micro-Enterprises

The respondents were asked the different aspects of finance they had used and other factors related to finance in setting up their businesses.

Table 4. 10 Sources of finances

Source of finance		
	Frequency	**Percent**
Relatives	42	32.6
Banks	87	67.4
Total	**129**	**100.0**

The study sought to determine the source of finances that the managers used to start up and grow their businesses. Most of the managers 87 (67.4%) had acquired loans from the bank as compared to 42 (32.6%) received money from their relatives Table 4.10.

Table 4. 11 Crosstabulation Academic Qualification*Financial methods

Academic Qualification * Financial Methods Crosstabulation					
			Financial Methods		**Total**
			Relatives	**Banks**	
Academic Qualification	Graduate	Count	20	33	53
		% within Academic Qualification	37.7%	62.3%	100.0%
	Post Graduate	Count	0	11	11
		% within Academic Qualification	.0%	100.0%	100.0%
	Form 4 Leaver	Count	11	0	11
		% within Academic Qualification	100.0%	.0%	100.0%
	Diploma	Count	11	43	54
		% within Academic Qualification	20.4%	79.6%	100.0%
Total		**Count**	**42**	**87**	**129**
		% within Academic Qualification	**32.6%**	**67.4%**	**100.0%**

The study sought to determine the different managers' education level and the type of finance they preferred for their businesses. The managers with Graduate 33(62.3%), Diploma 43(79.6%) and post-graduate 11(100%) level of education borrow from the bank. The Form 4 leaver managers 11(100%) borrowed from their relatives.

Table 4. 12 Chi square Academic qualification*Finacial method

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	32.396[a]	3	.000
Likelihood Ratio	37.954	3	.000
Linear-by-Linear Association	.588	1	.443

The study sought to determine the relationship between the academic qualification of the managers and choice in financing their business. There was a significant relationship between the level of education of the managers and method of borrowing they used $X^2(3)=32.396$, $p \leq 0.05$. The more educated managers tend to borrow from the banks while the less educated from relatives.

Table 4.13 Problems associated with bank loans

Problems associated with Bank Loans		
	Frequency	**Percent**
Interest Rates	43	33.3
Paper work required	11	8.5
Time taken to extend the loan	54	41.9
N/A	21	16.3
Total	**129**	**100.0**

The study sought to determine the various problems faced by the managers when applying for loans. 108 (83.7%) of the managers had problems obtaining loans from different banks for their business as shown in Table 4.13.

Table 4. 14 Crosstabulation Age* Difficulty in obtaining finance

The respondents were asked if at any time they had received loans from the bank.

			Crosstab				
			Difficulty in Obtaining Finance				Total
			Yes' was unable to obtain finance	Yes, obtaining some but not all of the finance	Yes, obtaining all the finance required but with some problems	None	
Age	20-30	Count	11	10	0	0	21
		% within Difficulty in Obtaining Finance	34.4%	13.3%	.0%	.0%	16.3%
	31-40	Count	10	32	11	0	53
		% within Difficulty in Obtaining Finance	31.3%	42.7%	100.0%	.0%	41.1%
	41-50	Count	0	33	0	0	33
		% within Difficulty in Obtaining Finance	.0%	44.0%	.0%	.0%	25.6%
	51-60	Count	11	0	0	11	22
		% within Difficulty in Obtaining Finance	34.4%	.0%	.0%	100.0%	17.1%
Total		**Count**	**32**	**75**	**11**	**11**	**129**
		% within Difficulty in Obtaining Finance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The study sought to show distribution of the managers' by age and the difficulties they had in obtaining finance. The managers between the age of 31-40 years 11(100%) were able to obtain all the finance they had asked for. The managers who obtained some of their finance were between the ages of 31-40 years 32 (42.7) and 41-50 years 33(44.0%). The managers between the age of 20-30 years 11(34.4%) and 51-60 years 11 (34.4%) applied for finance but were unable to get any Table 4.14

.

Table 4. 15 Chi square age*difficulty in obtaining finance

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	113.461[a]	9	.000
Likelihood Ratio	119.092	9	.000
Linear-by-Linear Association	19.138	1	.000
N of Valid Cases	129		

The study sought to determine the relationship between the age of the managers and the difficulty they experience in obtaining/trying to obtain loans. There was a significant relationship between the age or the managers and difficulty in obtaining finance. The managers between the ages of 31 – 50 years were more likely to receive loans with minimal or no difficulties as compared to their counterparts younger or older $\chi^2(9)=113.461$, $p\leq0.05$ Table 4.15.

Table 4. 16 Crosstabulation Type of business*Difficulty in obtaining finance

Crosstab

			Difficulty in Obtaining Finance				**Total**
			Yes' was unable to obtain finance	**Yes, obtaining some but not all of the finance**	**Yes, obtaining all the finance required but with some problems**	**None**	
Type of Business	Manufacturing	Count	11	11	0	0	22
		% within Difficulty in Obtaining Finance	34.4%	14.7%	.0%	.0%	17.1%
	Construction	Count	0	22	11	0	33
		% within Difficulty in Obtaining Finance	.0%	29.3%	100.0%	.0%	25.6%
	Agriculture	Count	21	31	0	0	52
		% within Difficulty in Obtaining Finance	65.6%	41.3%	.0%	.0%	40.3%
	Service Provision	Count	0	11	0	11	22
		% within Difficulty in Obtaining Finance	.0%	14.7%	.0%	100.0%	17.1%
Total		**Count**	**32**	**75**	**11**	**11**	**129**
		% within Difficulty in Obtaining Finance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The study sought to determine the type of businesses and the difficulty they had in obtaining finances. Table 4.16 shows that managers of agriculture business 21 (65.6%) had asked for loans from the banks but were unable to obtain. The construction managers 11 (100%) were more likely to receive all the funds with little problems.

Table 4. 17 Type of business*difficulty in obtaining finance

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	110.794[a]	9	.000
Likelihood Ratio	105.735	9	.000
Linear-by-Linear Association	18.334	1	.000

The study sought to determine the relationship between type of business and the difficulty in obtaining finance Table 4.17 shows that there was a direct link between the type of business as ability to obtain loans from institutions $\chi^2(9)=110.794$, $p\leq0.05$

Table 4. 18 Amount of business proceeds ploughed back

Plough Back		
	Frequency	**Percent**
Half	96	74.4
Whole	33	25.6
Total	**129**	**100.0**

The study sought to determine how much of profits made by the mangers was ploughed back into the business. The managers had different plough back; 96 (74.4%) of them ploughed back half the total amount and 33 (25.6%) ploughed back the whole amount as shown in Table 4.21.

4.4 Entrepreneurial skills and growth of Small Micro-Enterprises

The respondents were asked the kind of entrepreneurial skills and trainings they had exposed their staff and the level of skills they expected their staff to have

Table 4.19 Formal or informal training of staff

Formal or Informal Training of Staff		
	Frequency	**Percent**
Yes, informal on the job	33	25.6
Yes, Both	55	42.6
No	41	31.8
Total	**129**	**100.0**

The study sought to determine which kind of training was more likely to be given in the different companies. The managers responded to have taken 33 (25.6%) of their employees to informal on the job training while 55(42.6%) of them took their employees to both informal and formal trainings while 41 (31.8%) never took their employees to any trainings as shown in table 4.19.

Table 4. 20 Crosstabulation Academic Qualification * Formal or Informal Training of Staff

			Formal or Informal Training of Staff			
			Yes, informal on the job	**Yes, Both**	**No**	**Total**
Academic Qualification	Graduate	Count	0	33	20	53
		% within Academic Qualification	.0%	62.3%	37.7%	100.0%
	Post Graduate	Count	0	11	0	11
		% within Academic Qualification	.0%	100.0%	.0%	100.0%
	Form 4 Leaver	Count	0	0	11	11
		% within Academic Qualification	.0%	.0%	100.0%	100.0%
	Diploma	Count	32	11	11	54
		% within Academic Qualification	59.3%	20.4%	20.4%	100.0%
	Total	**Count**	**32**	**55**	**42**	**129**
		% within Academic Qualification	**24.8%**	**42.6%**	**32.6%**	**100.0%**

The study sought to determine the distribution of the type of trainings offered by the managers with different levels of education. Table 4.20 shows that managers with Diploma 32 (59.3%), preferred informal training, most of the managers with graduate degree 33(62.3%), post graduate 11 (100%) and Diploma 11(20.4%) took their staff to both informal and formal trainings. All the form 4 leaver managers never took their staff for any training.

Table 4. 21 Chi Square Academic Qualification * Formal or Informal Training of Staff

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	90.541[a]	6	.000
Likelihood Ratio	103.506	6	.000
Linear-by-Linear Association	19.669	1	.000
N of Valid Cases	129		

The study seek to determine the relationship between the type of training the managers took their staff to and the level of education of the managers. Table 4.21 shows that there is a significant relationship between the education level of the managers and the type of training they were taken to or not $\chi^2(6)=90.541$, $p\leq0.05$

Table 4.22 Specific training disciplines

Specific training disciplines		
	Frequency	**Percent**
Leadership and management skills	66	51.2
Accounting skills	10	7.8
Technical, practical or job specific skills	33	25.6
None	20	15.5
Total	**129**	**100.0**

The study sought to determine the specific training disciplines the managers preferred to give their staff. Table 4.22 shows that most of the managers took their employees for leadership and management skills 66 (51.2%) training as compared to 20 (15.5%) who did not take them for any form of training and 33 (25.6%) were taken for Technical, practical or job specific skills training.

Table 4.23 How training of staff was funded

How training of staff was funded		
	Frequency	**Percent**
The Business	76	58.9
Managers themselves	33	25.6
None	20	15.5
Total	**129**	**100.0**

The study sought to determine the means of funding the managers used in training the staff. The trainings done by the staff were mainly paid for by the business 76 (58.9%) and 33 (25.6%) was sponsored by the managers themselves Table 4.23.

Table 4. 24 Crosstabulation Gender*funding training

			Funding Training			
			The Business	**Managers themselves**	**None**	**Total**
Gender	Male	Count	31	33	21	85
		% within Gender	36.5%	38.8%	24.7%	100.0%
	Female	Count	44	0	0	44
		% within Gender	100.0%	.0%	.0%	100.0%
	Total	**Count**	**75**	**33**	**21**	**129**
		% within Gender	**58.1%**	**25.6%**	**16.3%**	**100.0%**

The study sought to determine the distribution by gender of the managers to the type of funding they preferred. Table 4.27 shows that all the female 44(100%) funded the trainings from their businesses as compared to 31(36.5%) female. 21(24.7%) of the male managers never funded the training of their staff while 33(38.8%) funded the trainings of their staff themselves.

Table 4. 25 Chi square Gender*funding training

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	48.079[a]	2	.000
Likelihood Ratio	63.865	2	.000
Linear-by-Linear Association	31.441	1	.000
N of Valid Cases	129		

The study sought to determine if there was a significant relationship between the gender of the managers and method of funding they used in training. There is a significant relationship between the gender of the manager and the method of funding they used in training their staff $\chi2(2)=48.079$, $p\leq0.05$ Table 4.25.

Table 4.26 Employee education level acceptance

Employee education level acceptance		
	Frequency	**Percent**
Undergraduate	11	8.5
Certificate/Diploma	33	25.6
Form four leavers	85	65.9
Total	**129**	**100.0**

The study sought to determine the level of education the managers preferred when looking for employees. The managers responded to have preferred employing form four leavers 85 (65.9%) rather than those who had received some form of tertiary education 44 (34.1%) Table 4.26.

4.5 Marketing and growth of Small Micro-Enterprises

The respondents were asked if they marketed their business, what they thought about marketing in general and if they thought that marketing improve their businesses. The study sought to determine if the mangers understood the concept of marketing only 86(66.7%) of the managers understood, what marketing was.

Table 4. 27 Crosstabulation Gender * Do you understand marketing

Crosstab					
			Do you understand marketing		
			Yes	No	Total
Gender	Male	Count	64	21	85
		% within Gender	75.3%	24.7%	100.0%
	Female	Count	22	22	44
		% within Gender	50.0%	50.0%	100.0%
	Total	**Count**	**86**	**43**	**129**
		% within Gender	**66.7%**	**33.3%**	**100.0%**

The study sought to determine the distribution of the managers by gender and their understanding of marketing. Table 4.28 show that 64(75.3%) of the male managers understand marketing as compared to 22 (50.0%) of the female managers. A total of 43(33.3%) of all the manages did not know what marketing is.

Table 4. 28 Chi square gender*understand marketing

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	8.347[a]	1	.004
Continuity Correction	7.248	1	.007
Likelihood Ratio	8.180	1	.004
Fisher's Exact Test			

The study sought to determine if there was a significant relationship between the gender of the manager and their understanding of marketing. There is a significant relationship between the gender and knowledge of marketing $\chi^2(1)=8.347$, $p\leq0.05$ Table 4.29.

Table 4.29 Effect of Marketing on business

Marketing Improve Business		
	Frequency	Percent
Yes	129	100.0

The study sought to determine whether the managers thought that marketing could improve their businesses. All the managers 129 (100%) agreed that marketing improved their businesses Table 4.30.The study sought to determine which businesses carried out marketing. Of all the managers only 97 (75.2%) responded to have carried out some form of marketing, while 32 (24.8%) responded not to have marketed their business Table 4.31.

Table 4.30 Customers as a result of marketting

Customers who come as a result of references		
	Frequency	**Percent**
Seldom	11	8.5
Often	108	83.7
Daily	10	7.8
Total	**129**	**100.0**

The study sought to determine if the businesses got customers because of references. A total of 108 (83.7%) of the managers often, 10 (7.8%) Daily and 11 (8.5%) seldom received customers as a result of reference Table 4.32.

Table 4. 31 Crosstabulation years trading*marketing and growth

			Marketing made your business grow		
			Yes	**No**	**Total**
Years Trading	Less than one year	Count	11	0	11
		% within Years Trading	100.0%	.0%	100.0%
	1 - 5 years	Count	43	32	75
		% within Years Trading	57.3%	42.7%	100.0%
	6 - 10 years	Count	32	0	32
		% within Years Trading	100.0%	.0%	100.0%
	21 years and above	Count	11	0	11
		% within Years Trading	100.0%	.0%	100.0%
	Total	**Count**	**97**	**32**	**129**
		% within Years Trading	**75.2%**	**24.8%**	**100.0%**

The study sought to determine the distribution of the number of years the companies had been in operation and if marketing had improved their growth. Table 4.34 shows that 97(75.2%) of all the managers had experienced growth in their businesses only those managers who had operated between 1-5 years 32 (42.7%) had not experienced growth during that period even though they had market their products

Table 4. 32 Chi square years in operation*growth as a result of marketing

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	30.641[a]	3	.000
Likelihood Ratio	42.178	3	.000
Linear-by-Linear Association	7.426	1	.006
N of Valid Cases	129		

The study sought to determine the relationship between the years the businesses have been in operation and the growth of the business because of marketing. There was a significant relationship between the years in operation and growth of business as a result of marketing $\chi^2(3)=30.641$, $p \leq 0.05$ Table 4.39.

Table 4. 33 Crosstabulation Type of Business * Marketing made your business grow

Type of Business * Marketing made your business grow Crosstabulation					
			Marketing made your business grow		**Total**
			Yes	**No**	
Type of Business	Manufacturing	Count	22	0	22
		% within Type of Business	100.0%	.0%	100.0%
	Construction	Count	22	11	33
		% within Type of Business	66.7%	33.3%	100.0%
	Agriculture	Count	31	21	52
		% within Type of Business	59.6%	40.4%	100.0%
	Service Provision	Count	22	0	22
		% within Type of Business	100.0%	.0%	100.0%
Total		**Count**	**97**	**32**	**129**
		% within Type of Business	**75.2%**	**24.8%**	**100.0%**

The study sought to determine the distribution of the type of business and if marketing made their business grow. All the manufacturing 22(100%) and service provision 22(100%) managers agreed that marketing improved their businesses more as compared to 11(33.3%) construction and 21(40.4%) who did not agree to it as shown in table 4.36.

Table 4. 34 Chi square Type of Business * Marketing made your business grow

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	22.567[a]	3	.000
Likelihood Ratio	32.368	3	.000
Linear-by-Linear Association	.311	1	.577

The study sought to determine the relationship between the type of business and if marketing improved their growth. There was a significant relationship between the type of business and growth related to the marketing of the business $X^2(3)=22.567$, $p \leq 0.05$ Table 4.37.

4.6 Technology and growth of Small Micro-Enterprises

The respondents if they had power in their premises to enable them use different types of technology, if they were computer literate and computers were an important tool in their business.

Table 4.35 Connection to power

Connection to power		
	Frequency	**Percent**
Yes	108	83.7
No	21	16.3
Total	**129**	**100.0**

The study sought to determine how many business premises were connected to power. Table 4.38 shows that most of the businesses 108 (83.7%) had power connection as compared to 21 (16.3%) who had no power connection.

Table 4.36 Internet access for business purposes

Internet Access for business purposes		
	Frequency	Percent
Yes	88	68.2
No	41	31.8
Total	**129**	**100.0**

The study sought to determine how many businesses had internet for business purposes in their premises. Table 4.39 show that 88 (68.2%) of the managers interviewed had internet connection and 41 (31.8%) did not.

Table 4.37 Do you consider technology as important

Do you consider technology as important		
	Frequency	**Percent**
Yes	129	100.0

The Study sought to determine if the managers considered technology to be of importance to their businesses. All 129 (100%) the managers considered technology to be an important factor for growth and existence of their business Table 4.40.

Table 4. 38 Crosstabulation marketing made business grow*computer in the premises

			Computer for the premises		Total
			Yes	No	
Marketing made your business grow	Yes	Count	64	33	97
		% within Computer for the premises	74.4%	76.7%	75.2%
	No	Count	22	10	32
		% within Computer for the premises	25.6%	23.3%	24.8%
Total		**Count**	**86**	**43**	**129**
		% within Computer for the premises	**100.0%**	**100.0%**	**100.0%**

The study sought to determine the distribution of those who thought marketing made their business grow and those who had computes in their premises. The managers who had computers in their premises 64(74.4%) and also had said that they experienced business growth while 22(25.6%) had computers and did not experience business growth. 33(76.7%) of the managers with computers did not experience business growth Table 4.41.

Table 4. 39 Chi square business growth*Availability of computers in premises

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	.083[a]	1	.773
Continuity Correction[b]	.005	1	.943
Likelihood Ratio	.084	1	.772
Fisher's Exact Test			

The study sought to determine if there was a significant relationship between those who thought marketing made their business grow and those who had computes in their premises. There was no significant relationship between the availability of computers and growth of the businesses $\chi^2(1)=0.083$, $p\leq0.773$ Table 4.42.

Table 4. 40 Crosstabulation Formal or Informal Training of Staff * Computer for the premises Crosstabulation

			Computer for the premises		Total
			Yes	No	
Formal or Informal Training of Staff	Yes, informal on the job	Count	21	11	32
		% within Computer for the premises	24.4%	25.6%	24.8%
	Yes, Both	Count	55	0	55
		% within Computer for the premises	64.0%	.0%	42.6%
	No	Count	10	32	42
		% within Computer for the premises	11.6%	74.4%	32.6%
Total		**Count**	**86**	**43**	**129**
		% within Computer for the premises	**100.0%**	**100.0%**	**100.0%**

The study sought to determine the distribution of those who had Formal or Informal Training of Staff and those who had Computers in their premises. Table 4.43 shows that the managers who took their staff for informal 21(24.4%) and both formal and informal 55 (64.0%) training had computers in their premises. Most of the managers who did not 32(74.4%) had neither trained their staff nor do they have computers in their premises.

Table 4. 41 Chi square Formal or Informal Training of Staff * Computer for the premises

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	62.230[a]	2	.000
Likelihood Ratio	76.932	2	.000
Linear-by-Linear Association	19.032	1	.000

The study sought to determine if there was a significant relationship between those who had Formal or Informal Training of Staff and those with Computers in their premises. There is a significant relationship between the managers who gave Formal or Informal Training of Staff and availability of Computer for the premises $\chi^2(2)=62.230$, $p\leq0.05$ Table 4.47.

CHAPTER FIVE

SUMMARY OF FINDINGS,DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the data analysis and data collected, the following summary, discussions , conclusion and recommendations were made. The responses were based on the objectives of the study which sought to determine the factors influencing growth of small micro enterprises in Ngurubani Town, Kirinyaga County. The summary of the analysis of each research indicator is featured and from the study analysis, associated recommendations and suggestions for further research are made.

5.2 Summary of findings

The study sought to find out the Factors Influencing Growth of Small Micro-Enterprises in Ngurubani Town, Kirinyaga County, Kenya. The study mainly focused on the managers of the various business projects establishments. The factors that were looked into were finance, entrepreneurial skills, marketing and technology its use.

5.2.1. Summary of findings Finance

The results obtained showed that the managers with some form of tertiary education 87 (67.4%) had more confidence in attaining finance from banks and most had problem with time taken to extend the loans 54 (41.9%) as opposed to form 4 leavers 11(100%) who preferred to attain funds from relatives and complained about interest rates.. The managers between the age of 31-

40 years 11(100%) were able to obtain all the finance they had asked for. The managers who obtained some of their finance were between the ages of 31-40 years 32 (42.7) and 41-50 years 33(44.0%). The managers between the age of 20-30 years 11(34.4%) and 51-60 years 11 (34.4%) applied for finance but were unable to get any. The middle aged managers were more likely to get their loans with minimal or no difficulties i.e. 65 (86.7%) of all the managers within (31-50 years) that age group were able to receive loans $\chi2(9)=113.461$, $p\leq0.05$.

From the study the banks were more likely to give most of the construction workers all of the funding they required 11(100%) as compared to the other types of businesses

$\chi2(9)=110.794$, $p\leq0.05$.

Most of the managers ploughed back only half 96 (74.4%)their profits back to business. This could be attributed to requirements of collateral for most banks for loan advance.

5.2.2. Summary of findings entrepreneurial skills

The higher the level of education of the manager the better the chances they would take their staff for training i.e. those taken for informal training managers with Diploma 32 (59.3%), most of the managers with graduate degree 33(62.3%), post graduate 11 (100%) and Diploma 11(20.4%) took their staff to both informal and formal trainings. The form 4 leaver managers never took their staff for any training $\chi2(6)=90.541$, $p\leq0.05$. Most managers valued their staff acquiring leadership and management skills as opposed to technical practical or job specific training. They also preferred employing form 4 leavers as opposed to those having received some form of tertiary education can be attributed to cost implication.

The method by which the managers financed their training was inclined to their gender. The female 44(100%) funded the trainings from their businesses as compared to 31(36.5%) male.

21(24.7%) of the male managers never funded the training of their staff while 33(38.8%) funded the trainings of their staff themselves. The male were more likely not to train and use their personal finance to train the staff $\chi2(2)=48.079$, $p\leq0.05$.

5.2.3. Summary of findings Marketing

The male managers were more likely to know about marketing 64(75.3%) as compared to 22 (50.0%) of the female managers $\chi2(1)=8.347$, $p\leq0.05$.

97(75.2%) of all the managers had experienced growth in their businesses only those managers who had operated between 1-5 years 32 (42.7%) had not experienced growth during that period even though they had marketed their products. The data showed that there was a significant relationship between the number of years in operation of the managers and experience in growth of the business as a result of marketing. The managers who had stayed longer in the business had experienced growth in their business through marketing $\chi2(3)=30.641$, $p\leq0.05$

All the manufacturing 21(100%) and service 22 (100%) provision business agreed that the marketing improved their business more as compared to construction 22 (66.7%) and Agriculture 31 (59.6%.)

5.2.4. Summary of findings technology

The managers who had computers in their premises 64(74.4%) and also had said that they experienced business growth while 22(25.6%) had computers and did not experience business growth. 33(76.7%) of the managers with computers did not experience business growth. This showed that there was no relationship between the managers who had computers and their experience in business growth $\chi2(1)=0.083$, $p\geq0.05$.

The managers who took their staff for training were more likely to have computers in their premises $\chi2(2)=62.230$, $p\leq0.05$ i.e. the managers who took their staff for informal 21(24.4%) and both formal and informal 55 (64.0%) training had computers in their premises.

All the managers 129 (100%) considered technology to an important factor for growth of their business.

5.3 Discussion of findings

From the 200 questionnaires issued, only 129 were successfully filled and returned. This translated to a response rate of 64.5%. According to Mugenda (2003), a response rate above 50% can be used in establishing the research objectives and answering research questions. There were 44(34.1%) female and 85(65.9%) male respondents in the study. Most of the respondents were between the age of 31-40 years and they ranged between 20-60 years and only 11 (8.5%) of the managers were form 4 leavers. 57.4% (74) of the business premises were between the 1-5 years of age.

Micro, small and medium-sized enterprises are constrained by a lack of collateral. Banks favour urban housing permits (PUH) for concrete structures or a sizeable deposit as collateral. The majority of micro, small and medium-sized enterprises consequently rely on informal sources of credit: 85 per cent of SMEs rely on personal savings, family or friends for finance (Llelart, 1995). 32.6% (42) of the respondents admitted to have borrowed money from their relatives, all of them were in the agricultural industry. The level of education of the managers could be linked to the method of financing they received for their business $X^2(3)=32.396$, $p\leq0.05$ i.e. all the form 4 leavers 11(8.5%) asked for start-up capital from their relatives as compared to other managers with different education levels. Most of the managers had trouble in obtaining finance i.e. 32

(24.8%) of the managers who applied for loan at one point did not receive any and 75(58.1%) obtained loans but not all the loans applied for while only 11(8.5%) of the remaining managers received all the funds they had applied for from the banks.

Terry (2005) argued that business owner needs to possess basic skills necessary to start, develop, finance and market own business. Entrepreneurial skills compares favourably with the basic skills required for starting, developing, financing, financing and marketing business enterprise as opined by Lyve (2005). Furthering this, Akande, (2011) described entrepreneurial skills as qualities or attributes required an entrepreneur to start and successfully manage a business in a competitive environment. 87(67.4%) of the managers trained their staff either formally or informally the other 42(32.6%) never took their staff for training. The study showed that the managers who had higher education level were more likely to take their staff for training as compared to the less educated managers $\chi^2(6)=90.541$, $p \leq 0.05$

It is understood that characteristics of a company play an important role in setting priorities for all types of activities, including activities that are related with certain types of marketing functions. The most important determinants here are associated either with characteristics of a company or specifics of its markets (Couto, Vieira, Borges-Tiago, 2005). All the managers who operated manufacturing 22(100%) and service providing 22(100%) businesses were more likely to advertise as copared to those who were involved in agriculture 21(40.4%) and construction 11(33.3%) the study showed that the type of business would direct the managers in whether to advertise or not $X^2(3)=22.567$, $p \leq 0.0597$(75.2%). The managers had experienced growth in their businesses only those managers who had operated between 1-5 years 32 (42.7%) had not experienced growth during that period even though they had market their products. This shows that those managers who had marketed and been in operation for a longer period were more likely to succeed in their businesses $\chi^2(3)=30.641$, $p\leq 0.05$.

OECD, 2000 report show that the SMEs generally adopt technologies more slowly than the average firm and this also applies to the adoption of Internet technologies. This may be because of remaining internal barriers to SME adoption of e-commerce, including limited understanding of the complexity of electronic operations, inadequate skills and high initial investment required to develop available e-commerce strategy. Most of the managers who did not take their staff for training 32(74.4%) had neither trained their staff nor did they have computers in their premises. 108 (83.7%) managers responded to have power in their premises, therefore 21 (16.3%) managers were assumed to have limited access and use of technology.

5.4 Conclusion of the study

Finance for SME's was mainly obtained from the banks. This was however with some difficulties especially with high interest rates, time taken to advance the loans and eh need for banks to have some concrete collateral for loans advanced. Most businesses were not able to plough back a large amount of their proceeds back to the business to enhance the business growth and expansion. Most managers do not consider entrepreneurial skills as a key asset for their staff, they tend to prefer form 4 leavers as employees, and this could be attributed to the cost implication of acquiring these skills. This is further characterised by the few number of managers taking their staff for training.

Marketing is key in the growth of a business and even though most managers agreed to this, they are not willing to invest in the same. Most businesses are yet to adopt changes in technology and yet to reap the benefits that come with its adoption in running of the businesses. There is a need for exposure on what technology can do for business and hence exploration of the benefits associated with adoption of the same.

5.5 Recommendation of the study

1 The government should devise mechanisms to subsidise interest rates for loans available to SME owners and develop different loan products for them.

2 Managers should be trained on what entrepreneurial skills entail and its importance in running of the business.

3 SME owners should be encouraged to employ people with entrepreneurial and technical skills and need to invest in continuous training of their staff to equip them with necessary skills as need may arise.

4 SMEs need to adopt use of technology at a faster rate in the running of their business, that could contribute largely to their growth

5 SMEs need to be made aware of the benefits that investing in marketing bring to the business in-terms of increased sales and customers

There is lots of potential in growth of SME that is yet to be tapped in Ngurubani Town and hence there is need for county government to explore ways of improving the contribution of this sector to the GDP

5.6 Suggestion for further research

The following are areas for further research:

1 Factors That Influence The Adoption Of Technology In Small Micro-Enterprises In Ngurubani Town, Kirinyaga County Kenya

2 Factors That Influence The Adoption Of Marketing Strategies In Small Micro-Enterprises In Ngurubani Town, Kirinyaga County Kenya

REFERENCES

Agyapong, D. (2010). Micro, Small and Medium Enterprises' Activities, Income Level and Poverty Reduction in Ghana–A Synthesis of Related Literature. International Journal of Business and Management, 5(12), 196–205. Retrieved from http://www.ccsenet.org/journal/index.php/ijbm/article/viewFile/8507/6351

Aikaeli, J. (2007) Improving Competitiveness for SMEs to Harness Available Trade and Investment Opportunities: The Case of Tanzania. Paper presented at the International Conference on SMEs and International Trade, Dar-es-Salaam, 27th – 28th September.

"Aligning the Organization to the Market," in *Reflections on the Futures of Marketing (1996* Donald R. Lehmann and Katherine E. Jocz, eds. Cambridge, MA: Marketing Science Institute, 67–96.

Akande, O. O. (2011). Accounting Skill as a Performance Factor for Small Businesses in Nigeria. Journal of Emerging Trends in Economics and Management Sciences (JETEMS) 2 (5): 372-378. Scholar link Research Institute Journals, 2011 (ISSN: 2141-7024) jetems.scholarlinkresearch.org.

Akintoye, YR. & Oladejo M.O (2008): "Theory of micro enterprises: The Nigeria experience", International journal of social sciences, of Uyo, Nigeria, Vol.3, No 7.

Bronwyn, A. (1995). Venture Capital Funding. Paper prepared for Presentation at the Presidential Conference on Small Businesses. South Africa, July, 1995

Biggs, T. et al. (1995) *Technological capability and learning in African enterprises, technical paper no. 288,* Washington DC, World Bank

Bruhn, Miriam, Dean Karlan, and Antoinette Schoar (2010), What Capital is Missing in Developing Countries? in: American Economic Review:Papers & Proceedings, 100, 629-633.

Couto, J. P. Determinants of the establishment of marketing activi-ties by subsidiaries of MNCs / J. P. Couto, J. C. Vieira, M. T.Borges-Tiago // The Journal of American Academy of Business, 2005, No. 2, p. 305-313.

Dang, G., & Sui Pheng, L. (2015). Infrastructure Investments in Developing Economies. *Springer, XIV*, 11–27. doi:10.1007/978-981-287-248-7

Drucker(1986)*Innovation and entrepreneurship* Heinemann publishers,London

Ezeani, N. S., Osita, I & Ezemoyih C. M. (2012). Entrepreneurial Skills Required by Business Related Graduates for Successful Operation of a Business Enterprise in Enugu Commercial Centre and Enivirons. Kuwait Chapter of Arabian Journal of Business and Management Review Vol. 1, No.8; April 2012

Fillis, I. (2007), "A methodology for researching international entrepreneurship in SMEs", Journal of Small Business and Enterprise Development, Vol. 14 No. 1, pp. 118-35.

Fisher, J. (1999). MSE Growth : The importance of Market Analysis and Technologies Development. Approtech. Nairobi.

George, D., & Mallery, P. (2003). *SPSS for Windows step by step: A simple guide and reference. 11.0 update* (4th ed.). Boston: Allyn & Bacon.

Grimes, A., Doole, I. and Kitchen, P.J. (2007), "Profiling the capabilities of SMEs to compete internationally", Journal of Small Business and Enterprise Development, Vol. 14 No. 1, pp. 64-80.

Grimm, M., & Paffhausen, A. L. (2014). Interventions for employment creation in micro , small and medium sized enterprises in low and middle income countries – A systematic review. University of Passau Innstr. 29, 18–19. Retrieved from http://www.wiwi.uni-passau.de/fileadmin/dokumente/lehrstuehle/grimm/PDF/Review_Report_May_FINAL.pd

Forbis, John L. and Nitin T. Mehta (1981), "Value-Based Strategies for Industrial Products," Business Horizons, 24 (3)

Haeckel, Stephan H. (1997), "Preface," in *Reflections on the Futures of Marketing,* Donald R. Lehmann and Katherine Jocz, eds. Cambridge, MA: Marketing Science Institute, ix–xvi.

Hallberg, K. (2001). A market-oriented strategy for small and medium-scale enterprises. *Discussion Paper* No. 48, International Finance Corporation.

Hitt M.A. and Barkhus B.R. (1997), "International Entrepreneurship", In Katz J.A. (Ed) Advances In Entrepreneurship, Firm Emergence and Growth, vol. 3 Greenwich, CN: JAI Press, pp7-30.

Hogarth-Scott, S., Watson, K. and Wilson, N. (1996), "Do small business have to practice marketing to survive and grow?", Marketing Intelligence and Planning, Vol. 14 No. 1, pp. 6-18.

Joppe, M. (2000). *The Research Process.* Retrieved February 25, 1998, from http://www.ryerson.ca/~mjoppe/rp.htm

Kamau, P and Munandi, I (2009). Innovation in the Kenyan clothing sector and its impact on employment and poverty reduction. Available on line: acfrn.uonbi.ac.ke/…/innovation%20in%20Kenya.

Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2nd Ed.). New Delhi: New Age International limited

Kremer, Michael, Jean N. Lee, Jonathan Robinson, and Olga Rostapshova (2013), The Return to Capital for Small Retailers in Kenya: Evidence from Inventories, Mimeo, Harvard

University, online: <http://www.cid.harvard.edu/neudc07/docs/neudc07_s5_p09_kremer.pdf> (11 May 2014).f

Kushnir, K., Mirmulstein, M., & Ramalho, R. (2010). Micro, small, and medium enterprises around the world: how many are there, and what affects the count. *Washington: World Bank/IFC MSME Country* …. Retrieved from http://www.ifc.org/wps/wcm/connect/9ae1dd80495860d6a482b519583b6d16/MSME-CI-AnalysisNote.pdf?MOD=AJPERES

Lyve A. P. (2005): “Most-have skills for entrepreneurs” Senior Staff Writer. Power HomeBiz.com.

International Finance Corporation (IFC) (2011) SMEs: Telling our Story, Geneva, IFC.

Mambula, C.J. & Sawyer, F.E. (2004) Acts of Entrepreneurial Creativity for Business Growth and Survival in a Constrained Economy: The case of a small manufacturing firm, International Journal of Social Economics, Vol. 31, no.1/2, pp.30-55.

Matfobhi, R., & Ruffing, L. (2002). GROWING MICRO AND SMALL ENTERPRISES IN LDCs, The “ missing middle ” in LDCs : why micro and small enterprises are not growing. *Enterprise Development Series*, 106.

McKenna, Regis (1991), “Marketing Is Everything,” *Harvard Business Review,* 69 (January/February), 65–79.

Mead, C. & Liedholm, C. (1998). The Dynamic of Developing Countries. Micro &Small Enterprises in Developing Countries. World Development Group Publishing.

Morrison, A, (1998) *Entrepreneurship – an International Perspective* Butter worth Heinemann

Msoka, M. E. (2013). Do Entrepreneurship Skills Have an Influence on the Performance of Women Owned Enterprises in Africa ? Case of Micro and Small Enterprises in Dar es Salaam , Tanzania Institute of Development Studies, *3*(3), 53–62.

Mugenda Abel (2008), Social Science Research; Standards for Project Management, Guide, (4th edition)

Mugenda, O. M and Mugenda A. G (2003) Research Methods, Qualitative and Qualitative Approaches, Acts Press, Nairobi.

Mugenda, O. M. (1999). *Research methods: Quantitative and qualitative approaches*. African Centre for Technology Studies. Retrieved from http://ir-library.ku.ac.ke/handle/

123456789/8328

Mwarari, M. M. (2013). Factors influencing listing of Kenyan SMEs in the securities market for capital raising opportunities. *European Journal of Management Sciences and Economics*, *I,* 99–115.

Narver, J. C., & Slater, S. F. (1990). The Effect of a Market Orientation on Business Profitability. Journal of Marketing.

OECD. (2000). Small and Medium-sized Enterprises: Local Strength, Global Reach. Policy Brief, 1–8. Retrieved from http://www.oecd.org/dataoecd/3/30/1918307.pdf

OECD. (2004). *Promoting SMEs For Development*. *Organisation For Economic Co-Operation And Development*. Retrieved From Http://Www.Unido.Org/Fileadmin/Import/24271_Promotingsmesfordevelopmentbackgroundpaperworkshop4dgsworkshop.Pdf

Okpara, J. O. and Wynn, P. (2007): Determinants of Small Business Growth Constraints in a Sub-Saharan African Economy. SAM Advanced Management Journal pp 76 – 94.

P. P. Kithae, R. M. & L. K. (2013). Impact Of Entrepreneurship Training On Performance Of Micro And Small Enterprises (Mses) In Kenya: A Case Study Of Embu Municipality. *International Journal of Business and Management Review*, *1*(2), 1–17. Retrieved from http://www.eajournals.org/wp-content/uploads/IMPACT-OF-ENTREPRENEURSHIP-TRAINING-ON-PERFORMANCE.pdf

Prediger, S., & Gut, G. (2014). Microcredit and Business-Training Programs: Effective Strategies for Micro- and Small Enterprise Growth? German Institute of GLobal Area Studies, (3).

S.F. Memba, W.R. Gakure, K. K. (2012). Ventur e C apital (VC): Its Impact on Growth of Small and Medium Enterprises in Kenya. *International Journal of Business and Social Science, 3*(V C), 32–38.

Shaw, M. (2012). Skills for running a Small Business. http://youngentrepreneur.com

Stevenson, L. & St-Onge, A. (2005b) Support for Growth-oriented Women Entrepreneurs in Ethiopia, Kenya and Tanzania: An Overview Report. Geneva: ILO.

Siu, W. (2001), “Small firm marketing in China”, Small Business Economics, Vol. 16 No. 4, pp. 279-92.

Terry, L., (2009). Practical Financial Management for NGOs; Course Hand Book. Oxford: Mango

Tsvetanka,P. (2010). Unbreakable Rules of Good Client Service http://EzineArticles.com/?expe=

Urbonavičius, S., Dikčius, V., & Kasnauskienė, G. (2007). Importance of Marketing Functions in a Company. ENGINEERING ECONOMICS, 3(3), 71–77.

WCPERO. (2005). Small, Medium and Micro Enterprises and the Informal Sector. In Western Cape Provincial Economic Review & Outlook 2007 (pp. 151–174). Retrieved from http://www.westerncape.gov.za/sites/www.westerncape.gov.za/files/documents/2007/8/chapter_6_smme_%26_informal_sector_masterfile.pdf

World Bank (1990). Projet d'Appui au Secteur Privé, Ouagadougou. Report. World Bank, Washington DC.

World Bank, (2004) Project Appraisal Document for A Micro, Small and Medium Enterprise Competitiveness Project for Kenya, Washington, World Bank

World Bank (2013), Global Financial Development Report 2014. Financial Inclusion, Washington D.C.: The World Bank.

Walsh, M. F., & Lipinski, J. (2009). The role of the marketing function in small and medium sized enterprises. Journal of Small Business and Enterprise Development, 16(4), 569–585. doi:10.1108/14626000911000929

APPENDICES

Appendix 1: Introduction letter.

Nairobi University

School of

Dear respondent,

I am a student at the Univeristy of Nairobi pursuing a Master of Arts Degree in Project Planning and Management Student in Project Planning and Management undertaking a research on ***factors influencing growth of SMEs in Ngurubani Town, Kirinyaga County,Kenya***.I am requesting for your assistance by filling in the questionnaires that will enable me accomplish my research objectives.

Your name need not appear in the questinnaire unless you so wish. The information you provide is confidential and will be used for academic research purposes only. Should the findings of this research project be of interest to you or your business, a copy will be available at the University of Nairobi Library.

Your Co-operation will be greatly appreciated. Thank you in advance.

Yours sincerely,

Immaculate Wangui.

L50/83233/2012

Appendix II Questionnaire

FACTORS INFLUENCING GROWTH OF SMALL MICRO-ENTERPRISES IN NGURUBANI TOWN, KIRINYAGA COUNTY KENYA

QUESTIONNAIRE

SECTION A: ABOUT THE BUSINESS

1. Gender Male (__)

   Female (__)

2. Age (__________)
3. Level of education

   Post graduate (___)

   Degree (___)

   Diploma (___)

   Others (___)

4. Type of business

   Agriculture (___)

   Manufacturing (___)

   Construction (___)

   Service provider (___)

5. How many employees does your business currently employ across all sites, excluding owners and partners?

None	(_)
1-9 employees (Micro)	(_)
10-49 employees (Small)	(_)
50-250 employees (Medium)	(_)

6. What is the legal status of your organisation?

Sole proprietorship	(_)
Partnership	(_)
A Co-operative	(_)
Other (SPECIFY)	(_)

7. How many years has this firm been trading?

Less than one year	(_)
1 – 5 years	(_)
6 – 10 years	(_)
11 – 15 years	(_)
16 – 20 years	(_)
21 years and above	(_)

SECTION B: FINANCE

1. What are the different financing methodologies that you are using to finance your business?

Relatives	(_)
Banks	(_)
Deposits	(_)
Others	(_)

2. Do you have a loan from the bank?

   Yes ☐ No ☐

   If yes, what are the problems that you are facing with the loan?

   a) Interest Rate

   b) Paper work required

   c) Time taken to extend the loan

   d) Payments conditions

3. Have you tried to obtain finance for your business in the past 12 months?

Yes, once only	(_)
Yes, more than once	(_)
No	(_)

4. What did you try to obtain finance for?

Working capital, cash flow	(_)
Buying land or buildings	(_)
Improving buildings	(_)
Acquiring capital equipment or vehicles	(_)
Research & Development	(_)
Training/staff development	(_)

5. Have you ever tried obtaining loans from the bank? Yes (__) No (__)

   If yes did you have any difficulties in obtaining this finance from the first source you approached?

Yes, was unable to obtain any finance	(_)
Yes, obtained some but not all of the finance	(_)
Yes, obtained all the finance required but with some problems	(_)
No, had no difficulties in obtaining finance	(_)

6. How much of your proceeds do you use to grow your business

Half	
Quarter	
Whole	

SECTION C: ENTREPRENEURIAL SKILLS

1. Over the past 12 months have you arranged or funded any formal off-the-job, or informal on-the-job, training or development for employees? By off-the-job training we mean training away from the individual's immediate work position, whether on your premises or elsewhere

Yes – formal off the job	(_)
Yes – informal on the job	(_)
Yes - Both	(_)

No	(_)

2. And was any of this training and development designed to lead to a formal qualification, regardless of whether this has been achieved or not?

Yes, most	(_)
Yes, some	(_)
No	(_)

3. Thinking now about the training or development that managers in the business have received in the last 12 months, what subjects or disciplines did that training or development cover?

Leadership and management skills	(_)
Accounting Skills	(_)
Reporting Skills	(_)
Technical, practical or job-specific skills	(_)
Team working skills	(_)
Customer care Skills	(_)

4. Which of the following external providers, if any, have you used to deliver training to managers?

Private training consultant or company	(_)
Further education college	(_)
University	(_)
Other (SPECIFY)	(_)

5. Which of the following were involved in funding that training?

The business	(_)
Managers themselves	(_)
An external fund or grant	(_)
Other (SPECIFY)	(_)

6. What level of education do you require your employees to have

Undergraduate	(_)
Certificate/ Diploma	(_)
Form Four Leavers	(_)
None	(_)

S SECTION D: MARKETING

1. Do you Understand what marketing is?

   Understand (_)

   I have a partial understanding (_)

   I have no idea (_)

2. Is marketing a favourable way of improving your business?

   Yes (_)
   No (_)

3. Does your business carry out any form of marketing?

   Yes (_)
   No (_)

4. Which are the main challenges faced during marketing

Acceptance of the product/service	(_)
Willingness of the customer to offer their time	(_)
Financial constraints	(_)
Population of the town	(_)

5. Have you considered advertisement as a means of marketing

   Yes (_)
   No (_)

   If so how much do you spend on marketing ___________________

6. What is the frequency of customers who come as a result of reference by other customers.

Never	(_)
Seldom	(_)
Often	(_)
Daily	(_)

7. How does your organization work on the retention of customers?

After sales services	(_)
Diversification of products	(_)
Rewards	(_)

SECTION E: TECHNOLOGY

1. Do you have connection to power for all your premises?

   Yes (_)
   No (_)

2. Do you have computers for all your premises?

   Yes (_)
   No (_)

3. Does the members of staff have knowledge on operation of computer?

   Yes (_)
   No (_)

4. Does your business have its own website?

   Yes (_)
   No (_)

5. Do you have internet access that you use for business purposes? IF YES:

   Is this broadband?

Yes - broadband	(_)
Yes – but not broadband	(_)
None	(_)

6. Do you consider technology of importance for the growth of your business

   Yes (_)
   No (_)