

**FACTORS AFFECTING THE PERFORMANCE OF IMPORTING AND
EXPORTING SMALL AND MEDIUM ENTERPRISES IN MOMBASA COUNTY,
KENYA**

BY

LINET NYABOKE NYATWONGI

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DECLARATION

This Research Project Report is my original work and has not been submitted for any award in any University.

Signature _____ **Date** _____

Linet Nyaboke Nyatwongi

D61/70921/2007

This Research Report has been submitted for examination with my approval as the University of Nairobi supervisor:

Signature _____ **Date** _____

Dr. Joseph Mose Aranga

School of Business

University of Nairobi

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I thank the almighty God for seeing me through my entire Masters Degree Course. It is indeed Gods providence and unfailing mercy that has made this possible. I wish to acknowledge the University of Nairobi for the support accorded to me during the entire course.

DEDICATION

This research is dedicated to my daughter. Thank you for your love, patience and encouragement whilst I spent many nights away from home pursuing this degree and for your support and guidance, emotional and support throughout the time I was writing this paper. I am sincerely indebted to you for your constant encouragement in everything I do. I also dedicate this project to the Lord Almighty for seeing me through.

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ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic Product
GNP	Gross National Product
ICT:	Information Communication and Technology
ILO:	International Labour Organization
OECD:	Organization for Economic Co-operation and Development
SMEs:	Small Medium Enterprises
VAT:	Value Added Tax

ABSTRACT

The research study was to the factors affecting the performance of importing and exporting small and medium enterprises in Mombasa County, Kenya. The research looked at various factors cited as regulatory and policy framework, technology, marketing information, finances, high tax costs and management skills. The study was guided by the research objective: to determine the factors affecting the performance of importing and exporting small and medium enterprises in Mombasa County, Kenya. The research adopted descriptive survey design to collect quantitative by use of primary data questionnaires, this was preferred as it could enable the researcher to obtain complete and possible accurate information. The population was 50 firms and the response rate was 64% of the small and Medium Enterprises. The data collected was then analyzed by use of SPSS. The presentation of data was by tables with frequencies, mean and percentages to show the statement rate under study. The findings indicated factors affecting the performance of SMEs are policy and legal framework and market information are most influential, followed by high tax costs, technology, finances and management skills and will in the long run determine their survival and the firms cannot operate without since they affect the importing and exporting of the firms the this in effect the firms cannot operate without and they affect the importing and exporting of the Small and Medium Enterprises. The overall study recommendation should be that the firms should act fast and ensure the factors affecting performance are mitigated since there are potential factors to the performance of the firms.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

International trade is the performance of trade and investment activities across national boundaries (Voerman, 2011). Companies perform various activities in more than one country such as manufacturing, selling or even sourcing. They further argue that the main force behind the development of international trade is the concept of globalization. Technology has made it possible to access various markets in the globe within a very short time. This has largely influenced companies to expand their market share to other countries other than the parent country. Cavusgil (2010) further indicate that companies can do international trade through methods such as exporting, foreign direct investment, franchising or even licensing.

The study was anchored on the institutional theory, technological gap theory and market imperfection theory. Institutional theory was advanced by Meyer and Rowan (1977) who assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Technological gap theory was advanced by Posner (1961) who describes technology theory as advantage enjoyed by the country that introduces new goods in a market. As a consequence of research activity and entrepreneurship, new goods are produced and the innovating country enjoys a monopoly until the other countries learn to produce these goods, while market imperfection theory Market imperfection was advanced by several people including (Hymer, 1976). These researchers define market imperfection as anything that interferes with trade. Market imperfections include two dimensions of imperfection. First imperfections cause a rational market participant to deviate from holding the market portfolio. Second, imperfections cause a rational market participant to deviate from his preferred risk level. Market imperfections generate costs which interfere with trades that rational individuals make or would make in the absence of imperfections.

Small and Medium Enterprises (SMEs) are now viewed as important in even and equitable economic development. Rok, (2005) clearly show that the sector is not only a provider of goods and services but also a driver in promoting competition, innovation and enhancing the enterprise culture which is necessary for private sector development and industrialization. Small and medium enterprises (SMEs) play a major role in economic development in every country. Studies indicate that in both advanced economies and developing countries SMEs contribute on average 60 percent of total formal employment in the manufacturing sector. For African economies, the contribution of the SME sector to job opportunities is even more important. Taking into account the contribution of the informal sector, SMEs account for about three quarters of total employment in manufacturing (Ayyagari et al, 2007).

1.1.1 International Trade

International trade is the exchange of goods and services between countries (Heakal 2011). This type of trade gives rise to the world economy, in which prices, or supply and demand, affect and are affected by global events. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewelry, wine, stocks, currencies and water. Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import.

According to Husted (2007), all countries participate in international trade, meaning some goods and services produced within every country are sold to economic agents (industries, firms, governments etc.) in other countries, these products are known as exports. Some goods and services consumed within a country have been purchased from economic agents in other countries; these goods are known as imports. Countries differ in how much they participate in international trade. A measure of this participation (crude measure) is given by the ratio of exports to Gross Domestic Product (GDP) (Gross National Product) multiplied by 100. This measure is known as the index of openness. Generally this number will vary between 0 – 100. Sometimes it will go higher though very rare to more than 100. Countries with high values of this index trade a lot with the rest of the world and are said to be relatively open, those

with low values are said to be relatively closed because international trade is only a small part of their economic activity (Husted, 2007). The extent of economic activity in a country can be measured in many ways. The two most common measures are GNP and GDP of a country. GNP, this is the value of final goods and services by domestic faction of production. No matter where they are located, be it locally or abroad. And, GDP which is the value of final goods and services produced within a country no matter whether the factors of production are domestic or foreign (McDaniel, 2008). International Trade occurs when a firm imports and or exports goods or services to consumers in another country. International business is thus the cornerstone of international trade, as it allows international trade to come about. International trade facilitates the buying and selling of goods and services across borders

1.1.2 Firm Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Organizational performance is the concept of measuring the output of a particular process or procedure, then modifying the process or procedure to increase the output, increase efficiency, or increase the effectiveness of the process or procedure. The concept of organizational performance can be applied to either individual performance such as an athlete or organizational performance such as a racing team or a commercial enterprise. In performance improvement Organizational performance, is the concept of organizational change in which the managers and governing body of an organization put into place and manage a programme which measures the current level of performance of the organization and then generates ideas for modifying organizational behavior and infrastructure which were put in place to achieve higher output (Barsky, 1999).

A performance measurement system is a set of performance measures that provides useful information to help managing, controlling, planning and realizing the company's operations. Information gathered from a performance measurement system must be complete, relevant, timely and easily accessible by users. Moreover, these measures must be designated so that they reflect the important factors affecting the productivity of different processes (Tangen, 2005). Firm performance has become an

important component of empirical research in the field of business policy. Researchers frequently take the performance of organization's into account when investigating any organizational structure, strategy and planning. Organizations use performance measures for evaluating, controlling and improving their processes, as they move toward realizing their goals and targets (Ghalayini and Noble, 1996).

Tangen (2005) reviewed many academic and professional journals of the past 30 years for publications on organisational performance. He came to the conclusion that performance is a compound variable embodying competitive advantage or excellence, profitability and productivity. The assessment of performance variables depends on the position and interests of the various stakeholders and is therefore affected by context variables such as legislation, market developments, social trends or demographic developments. Profitability is defined as the difference between benefits and costs. Competitive advantage has been defined as the (developments in) market share, and productivity as the ratio of output/input. Productivity is the most difficult to quantify, especially if the organization concerned is a centre of expertise, a service provider or an educational institute.

1.1.3 Small and Medium Enterprises in Kenya

Definition for SMEs is often considered to be an obstacle for business studies and market research. Definitions in use today define thresholds in terms of employment, turnover and assets. They also incorporate a reasonable amount of flexibility around year-to-year changes in these measures so that a business qualifying as an SME in one year can have a reasonable expectation of remaining an SME in the next. The thresholds themselves, however, vary substantially between countries. As the SME thresholds dictate to some extent the provision of government support, countries in which manufacturing and labour intensive industries are prioritised politically tend to opt for more relaxed thresholds. Breaking down the SME definition, Kenya defines a small business as one that has fewer than 50 employees or revenue less than 50 million Kenya shillings. A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a medium sized business.

In Kenya, the Small and medium Enterprises (SMEs) sector plays a pivotal role in the overall industrial economy of the country. Further, in recent years the SME sector has

consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 11 million persons spread over 2.2 million enterprises and the labour intensity in the SME sector is estimated to be almost 4 times higher than the large enterprises . (Strategic business advisors africa ltd-SME banking sector report 2007)

The SME sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2001). SMEs are the driving force for economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved. Furthermore SMEs have been recognized as a feeder service to large- scale industries. While the contributions of SMEs to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long term survival and development. Scholars have indicated that starting a business is a risky venture and warn that the chances of small-business owners making it past the five-year mark are very slim (ILO, 2005).

1.2 Research Problem

International trade is the exchange of capital, goods, and services across international borders or territories, which could involve the activities of the government and individual. In most countries, such trade represents a significant share of gross domestic product (GDP). It is the presupposition of international trade that a sufficient level of geopolitical peace and stability are prevailing in order to allow for the peaceful exchange of trade and commerce to take place between nations, while performance is a measure of how well a mechanism/process achieves its purpose. In enterprise management, Moullin (2003) defines an organization's performance as "how well the organization is managed" and "the value the organization delivers for customers and other stakeholders."

SMEs have now embraced international trade despite the stiff competition from established firms. Wignaraja (2003) observes that SMEs have played an increasingly role in the process of export-led industrialization in the developing world. This has

been as a result of progressive globalization over the last two decades or so creating a new international environment for SMEs exports for developing countries. In addition, the process of world economic integration has involved a broadening and deepening inter-relationship between international trade and foreign investment flows. Several influences – falling trade barriers, increasing technological progress, migration of technical and professional manpower and highly mobile multinational corporations seeking out new investments – have combined to drive globalization. The end result is an international market place for goods and services that seems indifferent to national borders and state regulation.

Related studies have been done on performance in small and medium enterprises. Rajesh (2008) on a study of Strategic development by SME's for competitiveness found out that Small and medium enterprises are considered backbone of economic growth in all countries. They contribute in providing job opportunities, act as supplier of goods and services to large organizations. Felix (2010) on a study of factors affecting the performance of Small and Medium Scale Poultry farming Enterprises in Karuri, Kenya established that, small and medium poultry enterprises interact with the business environment which affect their growth and profitability and hence, overall performance as an organization. Some of the environmental factors impacting on the performance of these enterprises are: entrepreneurial training and experience, access to credit facilities, national policy and regulatory environment, technological change, country infrastructure and markets information. While the issue of performance on Small and medium Enterprises has been examined, the literature is scarce and therefore the need to explore the SMEs within Mombasa County. This study sought to answer the following research question: What are the factors affecting performance of small and Medium Enterprises within Mombasa County?

1.3 Research Objective

- i. To determine the factors affecting the performance of importing and exporting small and Medium Enterprises in Mombasa County, Kenya.

1.4 Value of the Study

Performance of small and Medium Enterprises in Kenya contributes to the economic development in the country and the world at large, The study results will document

the factors that affect the performance by SMEs involved in international trade in Kenya today. This will provide a source of information and largely contribute to the theoretical view of performance of SMEs in Mombasa County.

The study findings will provide the policy makers in the government of Kenya with insights on the critical factors they need to be considered when formulating policies meant to enhance implementation of strategies that will enable SMEs perform effectively in the international market.

The academic fraternity will find the report important in helping them understand the factors affecting performance of importing and exporting small and Medium Enterprises. In effect it will open up research and study opportunities in areas not adequately covered in the report. The study will be a source of reference material for future researchers on other related topics. It will also help other academicians who undertake the same topics in their studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature and theories existing related to the studies and reviews on performance of SMEs in the international marketing Mombasa County. This is in line with giving the study and problem in question a theoretical perspective and conceptualization that would aid in carrying out the study. The study also develops a comprehensive conceptual framework to help in understanding of the variables under study.

2.2 Theoretical Foundation

This study is anchored on three organizational theories: Institutional Theory, Technological gap theory and Market imperfection Theory. This is because theories explain the factors affecting the performance of Small and Medium Scale enterprises. These theories are as discussed below:

2.2.1 Institutional Theory

This theory was advanced by Meyer and Rowan (1977) who assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Ultimately these innovations reach a level of legitimization where failure to adopt them is seen as "irrational and negligent" (or they become legal mandates). At this point new and existing organizations will adopt the structural form even if the form doesn't improve efficiency.

Meyer and Rowan argue that often these "institutional myths" are merely accepted ceremoniously in order for the organization to gain or maintain legitimacy in the institutional environment. Organizations adopt the "vocabularies of structure" prevalent in their environment such as specific job titles, procedures, and organizational roles. The adoption and prominent display of these institutionally-acceptable "trappings of legitimacy" help preserve an aura of organizational action based on "good faith". Legitimacy in the institutional environment helps ensure organizational survival.

However, these formal structures of legitimacy can reduce efficiency and hinder the organization's competitive position in their technical environment. To reduce this negative effect, organizations often will decouple their technical core from these legitimizing structures. Organizations will minimize or ceremonialism evaluation and neglect program implementation to maintain external (and internal) confidence in formal structures while reducing their efficiency impact. In the context of this study, institutions are the rules of the game in a society or, more formally, are the humanly devised constraints such as rules that human beings devise and informal constraints such as conceptions and codes of behavior. The humanly devised constraints in this study include government policies and regulations imposed upon small and medium enterprises which hinder them from operating effectively in the international market. The argument is that if the regulatory and policy framework was not too stringent, small and medium enterprises could be able to trade effectively in the international market.

2.2.2 Technological Gap Theory

This theory was advanced by Posner (2000) who describes technology theory as advantage enjoyed by the country that introduces new goods in a market. As a consequence of research activity and entrepreneurship, new goods are produced and the innovating country enjoys a monopoly until the other countries learn to produce these goods: in the meantime they have to import them. In the context of this study, this theory can be related to small and medium sized enterprises inability to produce goods that are competitive in the market due to lack of appropriate technology. This implies that the SMEs are unable to export such kind of goods and thus other countries continue to enjoy internal trade at the expense of small firms in Kenya.

The technology gap approach, following Schumpeter (1947), analyses economic growth as the combined result of two conflicting forces; innovation which tends to increase technological gaps, and imitation or diffusion which tends to reduce them. Countries on a comparatively low economic and technological level may realize higher growth rates than other countries by exploiting the potential for imitation. But this is certainly no "law". It depends both on their own efforts and the innovative efforts of the more advanced countries in increasing the "gap".

Under the label of 'technology gap theory' Posner (1961) introduced the idea that temporary monopoly profits can be appropriated, based on a technological lead, in an international trade context. Given the assumption that technology is not a free and universally available good, Posner argued that while technology might be important for trade in some sectors, and not in others, innovations made in one country (in technology intensive sectors) would benefit that country as long as the lead could be kept. That is, a country will have ample first-mover advantages in a given sector, until other countries have imitated the innovation. Hence, in the original formulation of Posner, once imitation has taken place, more traditional factors of adjustment and specialisation would take over and determine trade flows. However, as argued by Dosi and Soete (1988), there is not necessarily anything impermanent about the importance of technology in determining trade flows, since static and dynamic scale economies flowing from the initial break through act to prolong the lead. Coupled with new product innovations, these scale economies might well secure a continuous trade flow.

A formalised neoclassical treatment of aspects of the idea is found in Krugman (1985). Metcalfe and Soete (1984) also observe that trade can be due to the difference between national rates of diffusion of demand and capacity growth and to time lags in technology transfer with respect both to demand and production. While this type of trade should be transitory, it is possible that different diffusion patterns may result in different patterns of development within a technology, thus affecting countries' long-run comparative advantages. Overall studies using the technology gap approach to trade emphasise inter-country differences in technical change as the basis of international trade flows. In this framework it is variation across countries in innovation capabilities within each sector, rather than inter-industry differences in endowments, which matters in explaining the direction of trade.

2.2.3 Market Imperfection Theory

Market imperfection was advanced by several people including (Hymer, 1976). These researchers define market imperfection as anything that interferes with trade. Market imperfections include two dimensions of imperfection. First imperfections cause a rational market participant to deviate from holding the market portfolio. Second, imperfections cause a rational market participant to deviate from his preferred risk

level. Market imperfections generate costs which interfere with trades that rational individuals make or would make in the absence of imperfections.

These researchers argue that market imperfections are structural, arising from structural deviations from perfect competition in the final product market due to exclusive and permanent control of proprietary technology, privileged access to inputs, scale economies, control distribution systems, and product differentiation, but in their absence markets are perfectly efficient. The argument developed in this study is that the success or failure of importing and exporting small and medium enterprises in Kenya is pegged on the factors that influence its performance. These factors are discussed at length below.

2.4 Factors affecting the Performance of Small and Medium Enterprises

Performance can be defined as the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. Belso-Martinez (2006) observes that SMEs involved in internal trade have continued to perform badly due to various factors. Theoretical and empirical research findings published in the last 10 to 20 years on the factors that explain SMEs involvement in exporting all agree on one point: the limited ability to acquire information and knowledge about foreign markets and to manage foreign activities is largely responsible for their relatively low level of exporting commitment and poor performance (Julien & Ramangalahy, 2003).

Most SMEs in the country lack the capacity in terms of qualified personnel to manage their activities. As a result, they are unable to publish the same quality of financial information as those big firms and as such are not able to provide audited financial statement, which is one of the essential requirements in accessing credit from the financial institution. This is buttressed by the statement that privately held firms do not publish the same quantity or quality of financial information that publicly held firms are required to produce. As a result, information on their financial condition, earnings, and earnings prospect may be incomplete or inaccurate. Faced with this type of uncertainty, a lender may deny credit, sometimes to the firms that are credit worthy but unable to report their results (Coleman, 2000).

Another issue has to do with the inadequate capital base of most SMEs in the country to meet the collateral requirement by the banks before credit is given out. In the

situation where some SMEs are able to provide collateral, they often end up being inadequate for the amount they needed to embark on their projects as SMEs assets backed collateral are usually rated at 'carcass value' to ensure that the loan is realistically covered in the case of default due to the uncertainty surrounding the survival and growth of SMEs (Binks et al., 1992).

In relation to developing countries, the lacks of access to investment capital, technology know how and commercial linkages are among the broader challenges facing established SMEs. Also, local firms that remain privately held may still resist raising the functional importance of finance (Martin, 2008). In fact, some countries have turned to higher education to solve most of these barriers. Swift and Lawrence (2003) showed that foreign language skills and lack of cultural understanding have become one of the main problems to solve, and how the SMEs have turned to higher education to overcome these difficulties. As Martin (2008) observes that the secret of success for winning in the new economy is to manage cultural diversity with information, intelligence, a critical and demanding attitude, patience and, above all, with much respect for and understanding of the culture of others. However despite this growth in Microfinance, recent studies like that of Bowen and Makarius (2009) shows that over 50% SMEs continue to have a deteriorating performance with 3 in every 5 SMEs falling within the months of establishment.

2.4.1 Regulatory and Policy Framework

According to Siringoringo, Prihandoka, Tintri and Kowanda (2009) in a study on problems faced by small and medium businesses in exporting products in India, it was found that one of the most cited obstacles with regard to exporting concerned the time and paperwork required to comply with foreign and domestic market regulations. The government did not solely impose those procedures as independent organizations such as banks, shipping organizations, and insurance companies, also had their own procedures. A firm that wished to enter the export market or intended to increase its export activities had to acquire the knowledge and skills to deal with administrative procedures which many small and medium sized enterprises lacked. The upshot was that the mere perception of inability to process the paperwork, either because of cumbersomeness or due to lack of time, constituted a barrier to exporting for these

enterprises. Often, the documents were not properly completed, causing delay in payments and thus creating cash flow problems for the exporter.

Ekpenyong and Nyong (1920) in a study on the characteristics, problems and sources of finance of small and medium enterprises involved in export and imports in Nigeria found that government policies seemed to have constituted a serious problem area for the enterprises. He observed that since 1982, the government of Nigeria had began harsh government policies towards the small and medium enterprises. The government introduced 'stabilization measures' which resulted in import controls and drastic budget cuts for SMEs. These, in turn, have adversely affected the subvention to the financial institutions established to provide financial assistance to the SMEs. In addition, with the implementation of the strategy of liberalization and deregulation of interest rates, the interests rates have continued to rise gradually, and SMEs have had great difficulties obtaining credit. In conclusion, the study found that all the enterprises that failed blamed their failure on one government policy or another.

In Mozambique, Nathan Associates (2002) in a study on mainstream trade observed that export procedures for SMEs are very cumbersome. For example, exporters needed to obtain a certificate of origin, a certificate of quality, a sanitary and phytosanitary certificate and an export license, which was needed for each transaction, before exporting. The certificate for sanitary and phytosanitary both required inspections. These cumbersome procedures hinder many SMEs from carrying out effective internal trade give their minimal capacity capability and some end up collapsing.

In a study on promoting SME exports from developing countries, Wignaraja (2003) observed that the most constraining factor hindering SMEs from effectively carrying out international trade was the application of government policies, regulations and procedures relating to macroeconomic conditions, international trade, domestic competition, taxes, bureaucratic procedures and labour. He observed that lengthy and cumbersome procedures to process imports and exports through customs were a disincentive to business and exporting.

2.4.2 Technology

According to Wignaraja (2002) in a study on firm size, technological capabilities and market-oriented policies in Mauritius, a study that was based on a sample 40 Mauritian garment enterprises including 19 SMEs and 21 large firms, it was found that firm-level export performance was closely associated with the acquisition of firm-level technological capabilities. The data suggested that average technological capabilities in large firms were significantly higher than in SMEs. In part, this reflected the fact that large firms had much better quality management capabilities. Furthermore, more large firms than SMEs had moved into modern quality management systems by adopting ISO 9000 standards four large firms had been certified to ISO 9000 standards and another four were in the process of being certified while no SME had been certified and only SMEs were being certified. Large firms also had better maintenance capabilities than SMEs.

Nearly all the large firms had a regular routine for equipment maintenance and a maintenance shop with specialized maintenance manpower. Some large firms also brought in foreign maintenance staff where required (for instance, for major repair work on computer-aided design systems). With a few exceptions, the SMEs did not do regular maintenance and tended to only undertake repairs when equipment broke down. SMEs also tended to rely on contract maintenance staff and lacked in-house maintenance shops and specialized manpower. This implied that SMEs were not in a position to compete internationally with large firms in terms of production of quality goods to the export market.

Research work on low and middle income countries in Europe and Asia had shown that manufacturing enterprises that were connected to the internet exported more than those non connected enterprises (Clarke, 2005). According to Clarke (2005), a similar relationship appeared to hold for the African enterprises where enterprises that used the internet to communicate with customers and suppliers were considerably more likely to export than other enterprises. The point estimate of the coefficient suggested that average enterprises would export about 11 percentage points more of its output if it had an internet connection than if it did not.

According to Ngahu (1992) in his study on choice of technology in small and medium industries observed that small and medium enterprises faced unique constraints that

hindered the effective choice of technology. Many small scale enterprises owners or managers lacked managerial training and experience. The typical owner or managers of small businesses developed their own approach to management, through a process of trial and error. Lack of information was a key problem affecting small scale enterprises in developing countries because their choice of technology was based on insufficient information and ineffective evaluation. Ignorance was cited as a key constraint affecting the choice of technology by small scale enterprises. In addition, lack of access to credit was almost universally indicated as a key problem for small businesses. This affected technology by limiting the number of alternatives that could be considered. Many small scale businesses used an inappropriate technology because it was the only one they could afford. In some cases, even where credit was available, the entrepreneur might lack freedom of choice because the lending conditions may force the purchase of heavy, immovable equipment that could serve as collateral loan.

2.4.3 Marketing Information

According to Siringoringo (2010) in a study on problems faced by small and medium businesses in exporting products in India, enterprise problems indentified in research concerned, primarily, the organizational capacity of the enterprise to execute marketing function. Product problems were related to quality and technical requirements of the targeted export market segment, such as export product design, style, quality, packaging and labeling requirements and product adaptation or modification. Marketing knowledge and information were two export problems which revolved around lack of knowledge of foreign markets, business practices, and competition; and lack of management to generate foreign sales. Lack of knowledge to locate foreign opportunities and promising markets was perceived to be a major barrier in exporting of SMEs in India.

2.4.4. Finances

Nothard, Ortmann & Meyer, (2004) revealed that small and medium enterprises operators had limited access to medium-term finance. This is because formal lending institutions viewed them as temporary entities. This was because there was no guarantee that the businesses would be in operation for long. In addition, cash flow problems due to payment delays amplified an already precarious monetary problem. Wiseman (2003) stated that the entrepreneurs might have to wait up to two months to

receive payment for their services. This affected their quality of goods and services they offer and thus were not able to compete effectively in the market place.

Holland (2004) in his analysis of Chinese SMEs and their access to credit facilities found that as much as 56% of the companies funds were from personal savings/sources while 20% came from the banks and a mere 1% from equity. State banks in China traditionally preferred lending to large state owned enterprises, however, with the economic restructuring in place, private small scale businesses were finding their access to credit increasingly limited as a result of new credit restrictions. Analysts in China estimate that a majority of small businesses owners in China were now forced to resort to the underground market in order to gain access to much needed finances. A shortage of capital affects small scale businesses in particular, as they do not have the ability to absorb the risk of experimenting in new markets.

In a study carried out by ECA (2001) on enhancing the competitiveness of small and medium enterprises in Africa, the mission found out that shortage and inadequacy of financial institutions for small businesses support was a major obstacle for small scale business development, especially in the international market. For example, the Senegalese private sector was found to remain handicapped by the fact that most financial institutions were ill equipped to serve the small business enterprises. Such institutions appeared to have serious internal managerial weaknesses and unqualified staff, which explained poor quality of the service provided.

The mission further reported that commercial banks often discriminated against SMEs because they were considered high risk clients with little or no resources to provide collateral. They quoted Gabon and Cameroon where they found out that interest rates could go up to 25%, and although development banks existed, they operated like commercial banks with the same loan conditions. In countries like Nigeria, it was observed that small enterprises access to capital was in the form of short-term loans and overdraft facilities were highly limited. Banks and other financial institutions had no confidence in SMEs as they were perceived as high-risk ventures with high rate of failure. They also established prohibitive collateral conditions that most small scale enterprises could not afford (ECA, 2001).

A study carried out by OECD (2005) on challenges facing SMEs in Kenya established that limited access to financing was a problem that was experienced across the board. In spite of Kenya's relatively large financial services sector, only about 10 per cent of the population was estimated to have access to banking services. The bulk of the poor had no access to formal financial services. Consequently, small entrepreneurs' start their business by investing their own savings and/or using funds obtained from relatives or friends and supplemented by loans from informal lenders or by credit from suppliers. The report indicated that the main reason why commercial banks were reluctant to lend to the small scale enterprises was that this type of business seldom had any credit history or marketable assets to use as collateral.

2.4.5 High Tax Costs

According to the Bureau of Economic Energy and Business Affairs (2011) Kenyan SMEs carry the heaviest taxation burden in East Africa. Despite East African Community states levying a uniform 30 percent corporation income tax across the region, Kenyan firms have to contend with other levies whose ultimate impact raises the overall tax burden. Tax experts at Price Waterhouse Coopers say the total corporate tax burden in Kenya is currently standing at 49.7 per cent compared to Tanzania's 45 percent, Uganda's 32 percent, and Rwanda's 31 percent. This additional burden has raised the cost of doing business in the region's biggest economy and reduced the competitiveness of its firms. Kenyan SMEs have to contend with 41 different tax payments cutting across 16 tax regimes, which take 417 man-hours to file as compared to the world's average of 31 tax payments and 286 hours, thus placing Kenya as one of the countries with the most complicated tax system in this part of the world. For this reason, most of the SMEs find themselves at a disadvantaged position when it comes to transacting business across the region.

According to Mwapachu (2009) the cost of doing business in the EAC region is 'unnecessarily too high' which undermines competitiveness of the region. He observed that the partner states after joining EAC customs union experienced some inevitable loss as a result of adopting the EAC external tariff. Though he argues that this was a necessarily cost of integration and that the benefits in the medium term would be more than the short term costs, he contended that there were challenges over harmonizing domestic taxes, a move that was intended to create a level playing field

for intra regional trade in goods. As a result of the above, he observes, some partners have to rely more on VAT based import taxes and exercise duties for exchequers revenues.

In a study by Abire and Doussy (2006) it was revealed that tax compliance swallows up resources that could be devoted to a more effective running of SMEs. The majority of SMEs experience their tax liability as an increasing burden; they do not have enough skilled staff to handle tax compliance issues and often have to incur 'extra' tax costs as a result. SMEs are also often unaware of the tax incentives and services available to them. In addition, they noted that changes in tax policies sometimes result in an even more complex tax system. It was found out that SMEs (and probably other taxpayers as well) would prefer simple cuts in tax rates and penalties rather than elaborate tax incentive schemes which require sophisticated systems and skilled staff and often result in increasing compliance costs rather than provide real tax relief.

2.4.6 Management Skills

According to Fjeldstad, Kilstad, Nygaard (2006) in a study on bribes, taxes and regulations as business constraints for SMEs in Tanzania, the education attainment of SMEs could determine the type of business that an enterprise was in. In the survey established that more than 50% of the respondents observed that the education level of the owners of the SMEs was a major constraint to the performance of the SMEs. For example, it was observed that import and export regulations matters were easier to owners of SMEs with higher education than those with primary and secondary levels of education. Siringoringo et al. (2009) observed that the success of the SMEs export marketing activities depended on the attitudes and characteristics of the managers. Export marketing knowledge would be attributed to a large extent to the lack of trained and experienced human resource.

According to Clarke (2005) observed that human capital of management might affect whether enterprises are able to deal in internal trade effectively or not. For example, managers with university degrees might be more likely to have contacts abroad, especially if they obtained their degrees outside their home countries, or might be more willing to overcome bureaucratic barriers to exporting. According to Abdelrahim & Alasadi (2007) in a study on critical analysis and modeling of small business performance in Syria through regression and correlation analysis revealed

that there was a positive relationship between the manager's training and SMEs performance. This implied that successful enterprises tended to be managed by trained owner/managers indicating that managerial training played an important role in increasing the chance of success in small business sector.

Education and skills are needed to small and medium enterprises. Research shows that majority of the lot carrying out SMEs in Kenya were not quite well equipped in terms of education and skills. Study suggests that those with more education and training were more likely to be successful in the small scale business sector (King and McGrath 2002). As such, for small businesses to do well in Kenya, people need to be well informed in terms of skills and management.

2.5 Empirical Studies

Felix (2010) on a study of factors affecting the performance of small and Medium Scale Poultry Farming Enterprises in Karuri, Kenya examined that small and medium poultry enterprises interact with the business environment, which affect their growth and profitability and hence, overall performance as an organization. Some of the environmental factors impacting on the performance of these enterprises are: entrepreneurial training and experience, access to credit facilities, national policy and regulatory environment, technological change, country infrastructure and markets information and that there are various factors affecting the performance of small and medium scale poultry farming enterprises in Kenya such as market, technology, capital access entrepreneurial and social networking.

Donglin (2009) on a study of measuring performance in small and medium enterprises in ICT Industries In the new economy, small and medium sized enterprises (SMEs) play a critical role. For example, in Australia, SMEs represent 97 percent of all private sector businesses and provide 49 percent of all private sector employment (ABS 2002). Among SMEs, the fastest growth in the last several decades has occurred in the information and communication technology (ICT) industries.

Larsen and Lewis (2007) noted that the majority of failures in SMEs performance were due to multiple factors such as under capitalization, short-term liquidity problems, insufficient working capital insufficient start-up capital, and poor financial management. Based on Foley and Green (1995) research, developing overseas

markets is particularly difficult for SMEs with their limited financial and human resources. One option is to employ overseas agents to represent the company. However, according to Larsen and Lewis (2007), agents often work for a number of businesses in the same sector and may not be motivated to sell any particular SME's products in preference to those of another.

Research involving marketing techniques (Keh et al., 2007), noted that information on customers and competitors has significant effect on marketing decision-making and that there is a need to continuously gather information on customer needs and competitor capabilities in order to deliver consistently high quality products and services as well as to create superior customer value. After acquiring information, it is crucial that SMEs use the information to their advantage. Unless the collected information is used, it does not provide any tangible benefit.

2.6 Summary of Reviewed Literature

An important involvement of the external impact of small and medium enterprises is the fact that their contribution in the development is not limited to the sector of SMEs of the economy, but more than that, it is extended as impact on the enterprises not in this sector, with significant influences. The role of small and medium enterprises is worldwide acknowledged for their unique contribution to the economic development. Both the developed countries and the ones in course of development realise that the SMEs and the entrepreneurs play a vital role in the industrial development of a country. So there is no surprise that the political strategists have often thought that the SMEs can become the "seed" of economic revival. It is necessary that while the observance of thresholds regarding the average number of employees is compulsory, a SME can choose between observing either the threshold regarding the turnover in a year or the one regarding the total assets. It is not necessary to satisfy both criteria and one of them can be exceeded without losing the status of SME.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design used, population of study, sampling, data collection and analysis.

3.2 Research Design

A cross sectional descriptive survey was adopted in carrying out the study. It is used when the purpose of the study is descriptive, usually conducted to estimate the prevalence of the outcome of interest for a given population, this will be to determine factors affecting performance of importing and exporting Small and Medium Scale Enterprises in Mombasa County. The study was a descriptive as its focus was on finding out what, when and how much of phenomena.

The relevance of the cross sectional study, it allows a researcher to compare many different variables at the same time. The technique used is practical and can yield more comprehensive information; the survey makes possible the use of much larger and much more varied populations than would be possible for the same expenditure if one were making a complete enumeration.

3.3 Population of the Study

The population of the study comprised all Small scale Enterprises in Kenya as approved by the Kenya Chamber of Commerce (2015).The target population comprised 50 small and Medium Enterprises in Mombasa County (Appendix 2).

3.4 Sampling Technique and Sample Size

The sample size of the study was (50) respondents. The researcher used non probability sampling techniques (mainly purposive sampling) to select respondents for administration of questionnaires (Kothari 2004). This is supported by Sekaran (2003), who points out that purposive sampling technique allows the researcher to select respondents he believes has information to help resolve the field problem being studied.

Simple random sampling was used in collecting data from the SMEs whereby respondents were randomly picked. There are two types of simple random sampling: probability and the non-probability sampling methods. Of the two sampling methods mentioned, this study adopted the later (i.e. the non-probability sampling method), the reason for this choice being the limitation in resources available to conduct this research as the probability sampling method.

3.5 Data Collection

The main type of data used in the research was primary data which was collected by use of questionnaires. The questionnaires contained closed questions. The questionnaire was divided into three parts: part one, which gathered general and demographic data of the respondents while part two contained measures of SME performance and part three factors influencing performance of the firms.

Target respondents were the owners of management of SMEs in the study population whom are familiar with the aspect of performance of importing and exporting small and medium scale Enterprises in Mombasa County.

3.6 Data Analysis

After data collection, the questionnaires were edited and coded for completeness and accuracy to avoid errors. Descriptive statistics tools of analysis that was used include Tables, Frequencies, Mean and Standard Deviations, to represent the response rate and information on the variables under study.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of data findings on the factors affecting the performance of importing and exporting small and medium scale enterprises in Mombasa County.

4.2 Response Rate

The data collected was quantitative. Data was collected regarding position of respondent in the organisation, gender and age of respondent, level of education, type of industry the SME operates in and number of employees. This data was important because all the subsets of demographic data reflected on the views and opinions of export and import of SMEs performance. The respondents were a target of 50 SMEs. Out of the (50), (32) responded to the questionnaires. This was a response rate of 64% which was a good representative of the population. Biographical data was collected to establish the aspect of SME Performance. This was as stipulated in the table below:

4.2.1 Small Medium Enterprises Position

The study sought to find out the SME management level. The findings are as outlined in Table 4.2.

TABLE 4.2: Small Medium Position

	Frequency	Percent	Cumulative Percent
Business Owner	4	12.5	12.5
Top Management	20	62.5	75.0
Middle Management	8	25	100
Total	32	100	

Source: Primary Data

In Table 4.1, the respondents interviewed were business owners, top managers and middle level managers in forms and were able to give required information with ease.

4.2.2 Gender of Respondent

The respondents were requested to indicate their gender across all ranks and it was observed that both the female and male respondent as indicated in Table 4.3.

Table 4.3: Gender of Respondent

	Frequency	Percent	Cumulative Percent
Male	10	31.3	31.3
Female	22	68.8	100
Total	32	100	

Source: Primary Data

The results in Table 4.3 shows that female population was represented by 68.8% while male constituted of 31.3% of the entire respondents that returned their questionnaires'. According to this data the researcher felt that both genders represent a trending scenario of gender involvement in Export and Import business in Mombasa County. The main reason attributed to the higher number of women involvement in SMEs in either Export or Import is due to the trending credit access programs availed by the government for women compared to men.

4.2.3 Age of Respondent

The respondents were asked to state their age and the results are indicated in Table 4.4.

Table 4.4: Age of Respondent

	Frequency	Percent	Cumulative Percent
21 – 30 Years	4	12.5	12.5
32 -40 Years	8	15.0	37.5
41 – 59 Years	14	43.8	81.3
Above 60 Years	6	18.8	100
Total	32	100	

Source: Primary Data

The results in Table 4.4 revealed that majority of the respondents were in the age between 41-50 with a rate of 43.8% .These were followed by those in the age between 31-40 years with a rate of 25%. Those above 60 years had a rate of 18.8%. Finally the

age with least rate of response was between 21-30 years with 12.5% this implies that the management and staff in the firms are young Entrepreneurs in the industry.

4.2.4 Level of Education

The respondents were requested to give a brief background of their education level in the study. The respondent results are contained in Table 4.5.

Table 4.5 Level of Education

	Frequency	Percent	Cumulative Percent
Diploma	8	25.0	25.0
Undergraduate	16	50.0	75.0
Postgraduate	6	18.8	93.8
PHD holders	2	6.3	100
Total	32	100	

Source: Primary Data

In Table 4.5, the results indicate respondents with education qualification of Diploma level were 8 with a percentage of 25%. The Undergraduate made up the highest with 16 respondents which represented 50%. Postgraduates were represented by 6 respondents and constituted of 18.8%. The least of the respondents were PHD qualification which were 2 and had 6.3%. From these results it can be inferred that the bulk of respondents had undergraduate qualification and the post graduate and diploma were fairly represented therefore all respondents were better placed to give the required information.

4.2.5 Age of Organisation

The respondents were requested to give a range of their age group in the study. The respondent results are contained in Table 4.6.

Table 4.6: Age of Organisation

	Frequency	Percent	Cumulative Percent
1 – 3 Years	18	56.3	56.3
4 – 5 Years	10	31.3	87.5
More than 5 years	4	12.5	100
Total	32	100	

Source: Primary Data

The results indicated in Table 4.6 show that out of the 32 respondents 18 have been in existence between 1-3 years and this constituted a rate of 56.3 %. This was followed by 10 of the respondents firms that had been in existent for between 4-5 years with a rate of 31.3 %. Those that had been in existence in the Import and Export business for more than 5 years were only two. Therefore this implies the maturity rate of SMEs in the industry. Those that had existence for less than three years constituted the majority. This indicated the rate of entrance and exit of new players in the industry due to their performance. The least representation of the categories was those that have been in existence for the past 5 years. These were only 4 out of the 32 respondents. These represented SMEs that had survived the Growth stage and become established. However period of existence in the Industry was not a clear cut indicator of good performance since new and upcoming SMEs equally proved high performance in the other Performance indicator factors.

4.2.6 Small Medium Enterprise Industry

The study sought to find out the category the SME fall under, the results are as shown in Table 4.7.

Table 4.7: Small Medium Enterprise Industry

	Frequency	Percent	Cumulative Percent
Manufacturing	10	31.3	31.3
Service	14	43.8	75.0
Production	8	25.0	100
Total	32	100	

Source: Primary Data

According to the results shown in Table 4.7 above, majority of the respondents firms were from the Service industry with a representation of 14 firms that gave a rate of 43.8%. This was followed by 10 SMEs in manufacturing industry which gave a rate of 31.3%. The least of the respondents were 8 SMEs from the production industry with 25%. This indicated that most of the SMEs were from the Service sector.

4.2.7 Type of Employee

The study sought to determine the type of employee engaged in the job. The study found the following findings as shown in the Table 4.8.

Table 4.8: Type of Employee

	Frequency	Percent	Cumulative Percent
Permanent	20	62.5	62.5
Casual	12	37.5	100
Total	32	100	

Source: Primary Data

According to Table 4.7 above out of the 32 respondents 20 were permanently employed. Those in permanent employment constituted 62.5%. The other category was those in casual employment. They gave a rate of 37.5%. This categorisation was

important to reflect the impact of labour force of SMEs in the market. The study established that majority of employees were permanently employed.

4.3 Measure of Small Medium Enterprise Performance

The researcher sought to determine how the respondents measure the performance of the Business. Different variables were used and were: Satisfaction of SME Annual Revenue, Business Growth, Market Share in the Industry and adequacy of firm's resources. Business performance can be measured using different yardsticks. Market share represent the amount customer base that the organization has been able to satisfy for generation of revenue.

Table 4.9: Measure of SME Performance

	Mean	Standard Deviation
Annual Revenue	2.25	1.27
Business growth	1.81	0.931
Market Share	2.22	1.362
Adequate Firm resources	2.13	1.338

Source: Primary Data

According to the Table 4.9 above, in the organizations the small medium enterprises key factor that influence performance is the annual revenue of the firm with a mean of 2.25 hence the key successful businesses in the market have to report an increase in profits yearly to indicate the growth of the firm, Market share at mean 2.22 is the second attribute, this is an important indicator that reflects the SME level of growth in customer base, the third attribute is adequate firm resources at mean 2.13 most of the firms have resources that affect their performance in terms of import and export and lastly business growth 1.81 this is attributed to the growth of the firm in terms of opening up branches in the market.

4.4 Factors Influencing Performance of the firms

The study sought to establish the factors influencing performance of SMEs in Mombasa County using the following measurements 1= Very adequately 2=adequately 3= Neutral 4 =inadequately 5=very inadequately as indicated in Table 4.4.1 below. The factors were divided into six main factors: Finance, Technology, tax, legal framework, marketing information and management skill

Table 4.10 Factors Influencing Performance of the Firms

Statement	Mean	Standard Deviation
Access to credit	1.44	0.504
Adequate finance for Effective operation	1.50	0.803
Often engaged in Ecommerce	1.44	0.504
Technologically Equipped	1.31	0.471
Tax Costs Effect on SME	1.69	0.471
Government Review on Tax System	1.38	0.492
Policy and Legal Framework Effects	2.34	0.428
Effect of Market information on SME Performance	1.97	0.897
Access to Market Information	2.34	1.428
Effect of management Skill on performance	1.38	0.492
Level of Training	1.81	0.965
Effect on increase on Level of education	1.61	0.751

Source: Primary Data

In Table 4.10 results indicate that most of the respondents, agreed that the policy and legal framework of Kenya affected performance with a mean of 2.34. The same rate of response was found for access to Market information. This factor was followed by

level of training with a mean of 1.81. There were those that agreed that increase to the level of education would affect the performance of SMEs. This was an important element because the study focused on a level of study between Diploma and PHD holders of the business owner, top management or middle level management of the respondent firms. Some of the respondents also agreed that the Kenya Tax cost was burdensome and required review. These responses had a mean of 1.69 and 1.38 respectively. The other factor of importance to performance was adequate finance and Access to credit with a mean of 1.50 and 1.33. Frequent engagement in ecommerce also had a mean of 1.44. Finally the response that had the lowest response was technologically equipped with a mean of 1.31. on the standard deviation since they are more concentrated on the mean it is in this indication that they are smaller to the mean meaning the factors are key in affecting the performance of the Small and Medium Enterprises.

4.5 Trends in Performance of SMEs

The study sought to find out trend in performance of the firms from 2010- 2014. Findings are as outlined in Table 4.11.

Table 4.11 Trends in Performance

	Mean	Standard Deviation
Annual growth	4.06	1.343
Market Share	4.00	1.24
Annual Sale	4.56	0.801

Source: Primary Data

In table 4.11 the results reveal, the factors affecting the trends in performance of SME's in the industry are in order of annual sale 4.56, annual growth 4.06 and lastly market share 4.

4.6 Discussion

In the small and medium Enterprises in Kenya top managers are the key decision makers in the organization since they understand the aspect of importing and exporting to performance of the firms and they are run by female, while the major age bracket is between 41- 59 years. In terms of education the managers have at least a Bachelors degree as compared to postgraduate and PHD level and are on a permanent contract base. Most of the organizations have been in operation for more than five years and fall in the service industry. The four key factors that measure performance in the organization are in order of annual revenue 2.25, market share mean at 2.22, adequate firm resources 2.13 and business growth 1.81.

Small and Medium Enterprises key factor that influence performance is the annual revenue with, hence the key successful businesses in the market have to report an increase in profits yearly to indicate the growth of the firm, Market share, this is an important indicator that reflects the SME level of growth in customer base, adequate firm resources most of the firms have resources that affect their performance in terms of import, export and business growth this is attributed to the growth of the firm in terms of opening up branches in the market.

SMEs have been identified the world over as the stepping stones for industrialization. Robust economies like the United States of America and the United Kingdom trace their development from growth and development of their SMEs. Studies by Hatega (2007), Kauffmann (2005) attest that SMEs cover more than 95% of all firms in Sub-Saharan Africa and their importance cannot be overestimated. Small and Medium Scale Enterprises are mostly found in the service sector of various economies which in most countries account for two -thirds of employment levels. Therefore there has been a growing concern and interest by the government and development agencies for the improved performance and growth of the small and medium enterprises.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the research findings and also presents conclusions and recommendations of the study. The conclusions are drawn from the findings of the study which sought to find out the factors affecting performance of Importing and Exporting SMEs in Mombasa County. Data was collected through questionnaires which were dropped to the respondents and picked later. The data was sorted, coded and analysed.

5.1 Summary of the Findings

The study found out that there are various factors that affect Performance of SMEs in Mombasa. Those interviewed were from job category of business owner, top management and middle level management. It was important to establish three important issues: demographical information of the respondents where 10 of respondents were male and 22 were female translating to 31.3% and 68.8% respectively. Out of the 32 respondents 25% were diploma, under graduate were 50%, post graduates 18.8% and PHD holders, 6.3%. These results reveal that Majority of the respondents were therefore under graduate level. The minority of the category constituted the PHD qualification which was only 2 out of the total. This inferred therefore that most of the respondents were under graduate education level and a few of them PHD holders.

The study was conducted along Manufacturing, service and production industry. It was confirmed that majority SMEs in the county were service oriented with a rate 43.8% On additional, most of these SME firms had employed their employees on permanent basis. The rate of 62.5% confirmed this. However, the age of most respondents confirmed that most business owners, top management and middle level management were in the age between 41-59 with a rate if 43.8%. This is because most people enter into business at a later age in life when they have acquired stable financial and social status.

Majority of the respondents confirmed that SMEs had an increase rate of their Growth, market share and sales volume. However despite this growth in SMEs recent studies like that of Bowen and Makarius (2009) shows that over 50% SMEs continue to have a deteriorating performance with 3 in every 5 SMEs falling within the months of establishment. This was established in the period of existence of the respondents firms since start of business. Most of the firms had been in existence for less than 3 years at a rate of 56.3%. Those that had been in existence for over 6 years were only 4 out of the total with 12.5%.

Import and Export Small and Medium Enterprises (SMEs) of Mombasa County have been creditably playing a vital and vibrant role in the economic growth and development of the County. This has been confirmed by the level of employment and GDP contribution. Currently, Kenyan SMEs responsible for about 80% of employment and contributes about 40% of the GDP. The study confirms a majority of permanently employed respondent at a rate of 62.5% compared to casual employment at a rate of 37.5%. However with the good performance also comes the challenging factor affecting SME performance. These include issues of policy and legal framework and access to Market information. This situation has been of great concern to the Government, citizenry, operators, practitioners and the organized private sector groups.

5.2 Conclusion

On the literature of the responses of the study, it is true of the way to increase productivity of the SMEs was to improve on the Government taxation, policy and legal framework both at the county and national level. Majority of the respondents agreed that time and paper work required complying with importation and exportation was cumbersome and bureaucratic. The other factor of importance was access to market information. This inferred that many firms lacked knowledge of foreign markets which affected their competitiveness.

5.3 Recommendations

The government should evaluate and modify that tax system. Often, the governments at various levels through budgetary allocations, policies and pronouncements have signified interest and acknowledgement of the crucial role of the SME sub-sector of the economy and hence made policies for energizing the same. While on the factors

affecting the performance of the firms should be adopted and maintained as they are the key factors affecting the performance of the firms. The institutional theory can strongly influence the development of formal structures in an organization more profoundly than market pressures hence the firms should efficiently adopt and legitimize in the environment. Technology adoption is an advantage as innovation reduces imitation making firms to realize higher growth rates. The SMEs should strive at ensuring the factors affecting the performance of the firms are implemented effectively and any challenge that will make the firms not to perform to be mitigated especially the fact that there are other international players in the industry.

5.4 Limitations of the Study

The study was only carried out at Mombasa County among many other counties in Kenya.. The findings of the study may not therefore be adequate enough for generalization, especially taking into account that SMEs performance is responsible for about 80% of employment and contributes about 40% of the GDP.

5.5 Suggestions for Further Research

Since this study was carried out in on the factors affecting performance of importing and exporting in small and Medium Enterprises it should be carried also on large enterprises in the country to determine the difference in the factors affecting the performance of the firms.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Please indicate your position in the SME

Business Owner..... []

Top Management..... []

Middle Management.....[]

2. Gender?

a) Male []

b) Female []

3. Age?

a) 21 – 30 []

b) 31 – 40 []

c) 41 – 50 []

d) 51 – 60 []

e) Above 60 []

4. Level of education?

a) Diploma []

b) Undergraduate []

c) Postgraduate []

d) PHD holder []

5. Age of organization?

a) Less than I year []

b) 1-3 years []

c) 4-5 years []

d) More than five years []

6. In which of the following industries is Your SME?

- a) Wholesale []
- b) Manufacturing []
- c) Service []
- d) Production (Agriculture, Mining, Extraction, Fishing) []

7. Type of employees in the SME

- i. Permanent _____
- ii. Casual _____

SECTION B: PERFORMANCE OF SME'S

1. Does the annual revenue earned reflect your company's performance?

Strongly agree [] Agree [] Neutral [] Disagree [] strongly disagree []

2. To what extent has your business grown since you started?

Very high extent [] High extent [] Low extent [] Very low extent []
Not at all []

3. Do you think that your enterprise market share in the industry reflects performance of the firm?

1= Very adequately 2=adequately 3= Neutral 4 =inadequately 5=very inadequately

4. Do you think that the firm's resources are adequate enough to be competitive in the market?

1= Very adequately 2=adequately 3= Neutral 4 =inadequately 5=very inadequately

SECTION C: Factors Influencing Performance of the firms

What is your view on the following factors affecting the performance of the organization?
 1= Very adequately 2=adequately 3= Neutral 4 =inadequately 5=very inadequately

Statements	1	2	3	4	5
Finance					
Are you satisfied with the level of access to credit enjoyed by your firm?					
According to you, does your business have adequate finance to enable it operate effectively in the market place?					
Technology					
How technologically equipped is your SME					
How often does your enterprise engage in e-commerce					
Are you satisfied with the level of access to credit by your firm					
Tax					
According to you, to what extent does tax costs affect the performance of your enterprise?					
In your own opinion, do you think its likely that the Kenyan tax system leads to tax burden to Kenyans compared to other countries involved in international trade ?					
I think that the government should review the tax system to make it favourable for SMEs involved in international trade					
Legal framework					
According to you, to what extent do you think policy and legal framework affects the performance of your enterprise?					
According to you, how satisfactory is the policy and framework governing SMEs trade in international trade?					

According to you, how satisfactory is the policy and framework governing SMEs trade in international trade?					
Marketing information					
According to you, to what extent do you think market information affects the performance of your SME?					
According to you, how easily are you able to access market information necessarily for international trade?					
Does lack of knowledge to locate foreign opportunities and promising markets affects SME performance?					
Management skills					
According to you, to what extent do you think that your managerial skills affect your enterprise performance in the international trade?					
Do you think you are adequately trained to handle your enterprises affairs?					
Do you think increasing your level of education would influences your capacity to make decisions and manage your business effectively?					

5. SECTION D: Trends in Performance of the firm 2009 - 2014

Kindly tick in the table below, how the trends of the following performance indicators has influenced your firm from 2010 to 2013

1: Highly decreased 2: Slightly decreased

3: No increase

4: Slight increase 5: Highly increased

Statements	1	2	3	4	5
Annual growth					
Market Share					
Annual sales					

Thank you for your time and co-operation

APPENDIX II: LIST OF FIRMS

1. Vehicle and Equipment Leasing Limited

2. Shade Systems E.A Ltd
3. North Star Cooling Systems Ltd
4. Lean Energy Solutions Ltd
- 5 .Pharmaken Limited
6. Synermedica (Kenya) Limited
7. Novel Technologies Ea Ltd
8. Aslan Adventure
9. Mega Pack K Ltd
10. East African Canvas Co Ltd
11. Pewin Cabs
12. Btb Insurance
13. Bluekey Software Solutions (K) Ltd
14. Ark Construction Digital City Ltd
- 15.Vivek Investments Ltd
- 16.Woodbridge Group Ltd
17. Onfon Media Ltd
18. Lanor Holdings Limited
19. Asl Credit
20. Spry Engineering Co. Ltd
21. Pwani Cellular Services Ltd
- 22.Pinnacle K Travel & Safaris
- 23.Powerpoint Systems Ea Ltd
24. Specicom Technologies Ltd
25. Allwin Packaging Intl Ltd
26. Africa Practice Ea Ltd
27. Cube Movers Limited
- 28.Machines Technologies (2006) Ltd

29. Charleston Travel Limited
30. Africa Biosystems Limited
31. Impax Business Solutions
32. Elite Tools Ltd