

**COVID 19 GOVERNMENT STRATEGIC INTERVENTIONS AND PERFORMANCE  
OF THE SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY,  
KENYA**

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## DECLARATION

This research project is my original work, and it has not been submitted before to any university for examination.

Signature



Date **10 October 2021**

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This project has been presented for examination with my approval as the supervisor of the University of Nairobi.

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Date 18<sup>th</sup> Nov 2021

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## **DEDICATION**

I dedicate the project work to my loving husband Matthew Barake, for the support and especially encouragement and cheering me up throughout the period of study.

## **ACKNOWLEDGEMENT**

I wish to express my sincere gratitude to my supervisor, Prof. Justus Munyoki for his support and guidance he offered, for which this part of the study would not have been successful. I would also like to appreciate the support of my husband Matthew Barake, my family and friends have given me towards the completion of this project. Above all, I thank the Almighty God for His guidance and providence which has enabled me to successfully undertake this research.

## **ABSTRACT**

This study was aimed at looking into the effect of COVID 19 government strategic interventions on the performance of SMEs in Kenya, with a particular focus on Nairobi City County. The study provides early evidence of how the COVID 19 interventions put in place by the government have affected the performance of SMEs in Nairobi. The aim was to find out how entrepreneurial training, entrepreneurial financing, business licensing and taxation measures have affected the performance SMEs during the pandemic period. Using a descriptive research design, the researcher collected data from 100 SMEs in Nairobi using questionnaires. Data was analyzed using descriptive and inferential statistics. The study established statistically significant positive correlation between the dependent variable (SMEs performance) and the independent variable (government strategic intervention) which was represented by entrepreneurial training, entrepreneurial financing, licensing and taxation measures. All the independent variables had a significant p-value at the 0.05 level. The study concluded that entrepreneurial training, entrepreneurial financing, taxation, and company licensing, according to the study, have a significant impact on the success of SMEs and thus, for a better performance of SMEs during the pandemic period, the government strategic interventions ought to be well established and implemented in a manner that will prove to be supportive to the businesses.

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## **ABBREVIATIONS AND ACRONYMS**

GoK	- Government of Kenya
SMEs	- Small and Medium Enterprises
MSEs	- Micro and Small Enterprises

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of Study

Government intervention refers to an act of the government aimed at impacting economy to help curb any crisis arising (Eniola & Entebang, 2015). The main drive for the government intervention is to correct market failures and promote the standard living of its citizens. Currently, COVID 19 presents an alarming health and economic crisis that Kenya and the world at large has to grapple with, hence the Government of Kenya (GoK) came up with some interventions to ensure that the country is not in a health crisis and subsequently not in an economic crisis. The interventions include the amendment of tax laws through the amendment bill 2020, countrywide dusk to dawn curfew, cessation of movements in and out of hotspot areas, closure of the airspace and country borders, mandatory use of masks by citizens among others (UNDP, 2020). Mwai, Peter (2015) indicates that the government interventions have an influence on the organizational performance, their behavior and the future of the organizations. Additionally, he notes that the impact on the organizations maybe positive or negative depending on the business model and the interventions.

This study was guided by theories that connect government interventions to performance. The theories included the survival-based theory and resource-based theory. The survival-based theory focuses on the idea of organizations being on an adaptive continuum so as to cope with the competitive environment (Nteere, 2012). This constant adaptation helps them to survive. Secondly, the resource-based theory that states, the long-term success of any business innovation is based on the organization's internal resources and the organization's capabilities to utilize its resources (Alchian, 1950). SMEs, therefore, need to be able to survive in a competitive environment as all the decisions that take place the business are influenced by the internal and external forces during operations.

SMEs play a vital role in the economy as they are essential in creation of jobs, generation of revenue and generally for the development of the economy. This has led to most government in the world to prioritize on SMEs especially during crisis as they are the first to be affected. Patrick Njoroge the CBK governor, during the SMEs Financing Africa Forum held at the KICC Nairobi in 2018, indicated that approximately 46% of SMEs in Kenya close shop in their first year of

business and 15% do not get celebrate their second-year birthday (Wakiaga, 2018). This is due to the failure to provide solutions on the major problems affecting SMEs especially during an economic downturn. Given that the SMEs make notable contribution to the country's revenue and economy (RoK, 2015), there is a need to determine how the government is intervening to revamp businesses and ensure stability among the SMEs operations. Hence, this study will focus how the COVID 19 government interventions influenced the organizational performance of SMEs in Nairobi City County, Kenya.

### **1.1.1 Government Interventions**

Government intervention is an action by the government to, either directly or indirectly, influence the market economy with the aim of changing an economic trend (GoK, 2013). Based on the current framework as provided by the constitution, the MSEs Act of 2012 presents opportunity for the development of SMEs given the support and the right policy framework. Even so, the policy impact on the operations of and the development of SMEs is dependent on the manner in which the regulatory measures and institutional framework are structured in support of the SMEs in an economy. Mbugua and Moreonge (2016) hold that governments that take into account the development of SMEs ought to assess how various policies and program.

A study by Cardoza et al (2014) on operations of MSEs in Latin America indicate that a government with sound government policy frameworks, favorable environmental conditions, and well-designed assistance programs are more likely to help the MSEs to expand internationally. Zhu (2011) took note of the many institution-based limitations to innovation and improved performance and growth among small businesses in China. He noted that the barriers are access to funding, poor laws and regulations and a lack of proper support system and an unfair market competition and tax system. A similar study by Child and Lu (2012) small enterprises are faced with institutional limitations instigated by government interventions and other regulatory bodies, lack of proper information flow channels, and poor access to public funding. Despite the interventions and policies made to support growth of SMEs, they remain small and continue to struggle with the unfair market competition, high rates of transaction as compared to established large businesses, and a high rate of business failure (World Bank, 2008).

In Kenya, the government has been on the forefront in making notable efforts towards reforming the political, economic and structural systems with an aim of increasing social development as well as making sustainable political gains (World Bank, 2019). Despite these efforts, there is little positive impact being felt at the SMEs sector in the country. Many businesses are struggling to revamp their businesses, especially, after the stalling caused by Covid-19 effects. Despite the many interventions aimed at cushioning the businesses against the dire effects of the pandemic, the SMEs owners are still crying on the tough business environment that is causing them to close down. For this reason, the study is aimed at understanding how these strategic government interventions are affecting operations and growth of SMEs.

### **1.1.2 Organizational Performance**

Organizational performance is the ability of the organization to effectively come up with strategies and implement them with an aim of achieving the set objectives. Further, organizational performance is the achievements of a firm compared to its set goals and or the actual output; that is, the extent to which the real output compares to the intended result (Randeree & Al Youha, 2009). Richard et al. (2009) states that organizational performance can also be looked at from the financial perspective of the organization and how it is performing. It also touches on the product performance as well as the returns made to the shareholders.

According to Kauffmann (2006), SMEs are essential in an economy given that they have an ability to supply the market with goods that are reasonably priced, offer services at an affordable cost, generate income to a country as well as offering employment. Nabintu (2013) states that given the importance of performance in attaining development goals in SMEs, there are still many challenges and obstacles that face entrepreneurs, which impact, directly, on their long-term survival and development. These findings coincide with those of the Kenya National Bureau of Statistics (2012) report that state, three in every five businesses are prone to failure in the first few months of getting into business. Because of this high rate of failure, there is an increased concern drawn to the government strategies and policies aimed at leading interventions to support and grow the SMEs in the market.

Systems used in the measurement of performance give the foundation for the strategic plans development and assessment of the organization goals and objectives completion (Alderfer, 2003).

Although profitability is considered as the indicator of performance, it is not the real performance. Organizational leaders perform an essential role in achieving the goals and objectives set by a firm by creating a conducive environment that impacts employee behaviors, attitudes, and motivations.

### **1.1.3 Small and Medium Enterprise in Kenya**

According to the Government of Kenya [GoK] (2005), small and medium enterprises are businesses with a staff of between 10 to 99 persons and they can be found in almost all sectors of economy in the country. Further, the SMEs can operate either formally or informally, seasonally or even all year long. Most of these businesses are temporary and highly flexible. The SME sector in Kenya comprises of one of the largest contributors to the government revenue, innovation and creation of new markets (KNBS, 2018). The official statistics by the KNBS (2018), the SMEs in Kenya were estimated to have a value of KES 3,371.7 billion, in 2015, which is a third of the total national output of KES 9,971.4 billion. Further, the data from KNBS indicated that 49.2% of licensed SMEs had a less than KES 50,000 monthly turnover and 35.7% had a monthly turnover rate of between KES 50,000-1 million. SMEs that had a turnover of over KES 1 million were 0.2% (KNBS, 2018).

The African development bank (2019) economic outlook indicate that the real GDP was projected to grow by 6.1% in 2020. However, the COVID 19 pandemic and its associated confinement measures to slow the spread of the virus have led to the deteriorating of the economy. The global subdued demands, travel restrictions that have depressed exportation and importation of goods and services among other confinements, have led to the drop of the projected 2020 growth rate from 1.9% to 1.5%. As SMEs are the heartbeat of the economy it means they have been severely affected by this pandemic. (FocusEconomics, 2020)

## **1.2 Research Problem**

The government plays a very important role in implementing different interventions in a country's economy. These interventions have a great influence on the business environment and always need to create an enabling environment for businesses. Interventions can either have a good or bad impact on businesses hence the government and regulators need to weigh their actions and evaluate how their actions may affect the business environment (Mwai, 2019). In particular the SMEs have



played a very important role in developing economies, hence with appropriate government intervention during an economic crisis, SMEs can more effectively contribute to the economy by more job creation, generation of revenue to the government through taxation and reduce poverty (Mwai, 2019).

Various researches have been undertaken on government interventions and the influences on businesses. A research conducted in the US during the 2008 financial crises indicate that government depends on business for investments, production, employment and higher living standards for their citizens (Stephen, 2008). Hence, it calls for government and businesses to co-exist in a manner that contributes sustainability in economy. Further, government interventions in an economy may have disastrous consequences mainly due to failure to avoid past mistakes, to build on past successes, and to put in control mechanisms to minimize potential inefficiencies (Stephen, 2008). However, the study did not reveal how measures taken by the government in this period enhanced the performance of SMEs in investing, increasing production and offering more jobs to help boost individual and family income during the crisis.

The Organization for Economic Co-operation and Development [OECD] (2020) note that small and medium enterprises have been caught up at the center of the Covid-19 pandemic, with their businesses and operations being halted. Many of the businesses have had to close down. This impact exposes the vulnerability of SMEs to the supply chain and demand shocks with an estimation of over 50% of the SMEs in Nairobi facing a risk of not surviving the pandemic (OECD, 2020). A study by the Economic Policy Research Centre (EPRC) (2020) in Uganda indicates that the government measures to curb the spread of COVID 19 have been successful in reducing the spread but have severely affected the small and medium enterprises decline in business activity compared to the large companies. The study further indicates that most of the businesses particularly those that are service businesses halted operations due to the inability to meet the government set protective health measures. Nevertheless, there is no clear link on the measures that have been out in place by the government and the decline or improved performance of businesses.

In Kenya, a study by UNDP on the impact of COVID 19 in the Kenyan economy (2020), indicates that once COVID 19 kicked in, most investors sold off their stocks, the imports also reduced due to the lockdown effect. Kenya imports 21% of its total imports from China hence the supply of the

goods was significantly reduced. A survey by Kenya Private Sector Alliance (KePSA) (2020), indicates that 61% of businesses have been affected by COVID 19 in Kenya. Further the study indicates that most business lay off their employees, experienced low income due to delays in deliveries of stocks, increased cost of production due to the limited supply, reduced capital flows among others. The study has not given details of how the SMEs are performing after the interventions made by the government. Given that most SME owners are complaining of the current market conditions and regulations, the available studies have not shown how the current performance of the SMEs relate to the government interventions. Therefore, the study sought to answer the question; what are the effects of Covid-19 government strategic interventions on the performance of SMEs in Nairobi City County?

### **1.3 Research Objective**

The objective of this study was to establish the effect that the Covid-19 government strategic interventions on the performance of the Small and Medium Enterprises in Kenya.

### **1.4 Value of the Study**

To begin with, the study was to aid the SMEs owners in understanding areas where they can find support from the government. They will also understand how they are performing and the work they need to put in to attain the desired performance.

Secondly, the findings from this study would be beneficial to the employees in SMEs in that they will be able to know the performance of their company and what to expect in the future from the company. It can cause them to easily predict both the current and the future company performance.

Thirdly, the study findings aid the commercial banks to make right decisions in issuing loans and any other support to SMEs. The study can also benefit KRA on estimating its targets in revenue collection, given they know the expected performance from the SMEs. Also, knowing performance of SMES can help KRA to project its revenues from PAYE of employees in the SMEs.

Lastly, the study findings could be helpful to the policy makes in government since it will provide them with insightful knowledge on supporting SMEs. Further it will give a picture of performance of businesses in the period of Covid-19 pandemic and how the larger economy of the country has been affected.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter looks into the relevant literature concerning this study. It considers the theories and empirical studies related to the study. The chapter contains a theoretical framework, conceptual model, and the empirical literature on government policy and SMEs performance.

#### **2.2 Theoretical Review**

Theoretical review is essential for a study since it reveals the structure that informs the study ideologies. This study is anchored on two theories, Resource Based Firm theory and the Survival-Based theory.

##### **2.2.1 Resource Based Firm Theory**

The resource-based view emerged in the 1980s and 90s as a means of achieving a competitive advantage (Barney, 1991). The resource-based theory of the firm describes how the entrepreneurs structure their firms based on the resources they have or are able to access, to develop a competitive edge in the market (Nteere, 2012). Having the firm well organized to utilize all the available resources is basic to a good performance. Further, based on this theory, performance and growth in a business does not only come from the kind of industry one ventures into but based on the resources available and their utilization (Nteere, 2012). A combination of the business strategy and the available resource gives a business the basis of registering a good performance in its business. The theory has been critiqued by proponents who hold that different resource combinations can be used to achieve same results (Snchez, 2008). This eliminates competitive advantage of a business based on its resources. The theory does not look at the capabilities of businesses to use resource at their disposal as well as the knowledge about existence and use of given resources.

The resource-based theory is essential to this study since it explains the entrepreneurial training, tax measures by government and capital financing, which made during the Covid-19 period as a

measure to intervene and save the operations of small and medium enterprises in the country. Given the limited access to capital finances, human capital and access to markets, it is essential that interventions are made to help boost the operations and innovation witnessed in these small and medium-sized ventures (Bhyrovabhotla, 2016). Also, the SMEs rely on their profits for reinvesting and expanding their operations, hence, a disruption of their activities destabilizes their existence and performance (Mbugua & Moronge, 2016). Policy intervention by government that are not well tailored to the business needs like barring of importation of certain goods and increasing costs of operation and taxes affects, directly, the performance of a business. It leads to low profits and hence, limited resources to support running of a business.

### **2.2.2 The Survival-Based Theory**

The survival-based theory was derived from the idea of natural selection, first advanced by Schumpeter (1934), Marshall (1949), Harrod (1939) and Alchian (1950). These authors incorporated the Darwinian idea of evolution into economics, for them to develop the idea of natural selection in business. The theory focuses on the nature principles, which state that only the best and best fitted are best placed to survive the competition. The survival of the fittest will result in an improved society (Omalaja & Eruola, 2011). In this view, government and political interference on markets and business operation is taken into account as a process that leads to the natural selection of businesses. Many businesses are bound to readjust to fit into the new environment created as a result of the government intervention as well as market changes as a result of the crisis. The theory holds that firms ought to adopt to the environment lest they die off.

However, the theory fails to account for the business models and structures that are static and not easy to change. Further, the theory does not demonstrate how firms can recover from adverse effects of a crisis or even pandemic to survive the prevailing market situation.

The use of this theory in this study is key as it helps describe how business evolve to adopt to market changes and new government policies that either bar or seek to enhance business operations. Given the prevailing economic conditions in the country due to the Covid-19 pandemic, many businesses are facing problems from lack of customers to lack of capital, inability to import, which has resulted to poor profits and loss of key employees. These issues are evidence that SMEs in the country are not doing well, currently. Given the government intervention, the

SMEs, still, have a mandate of altering their strategies to respond to the interventions made for them to survive the competition and changing times. Through a process of natural selection, it is expected that businesses with best fitted strategies are going to survive this unprecedented period. The theory, further, explains the fitness of turn around strategies by the business in response to the market changes as well as in responding to the government interventions.

## **2.2 Empirical Review**

Chong (2008) carried out a study in Texas, USA that was aimed measuring the performance of the small and medium sized enterprises. The study collected data through semi-structured interviews. The findings obtained from the study revealed that the managers and owners of the SMEs use a hybrid approach that combines both financial and non-financial measures to gauge the performance of their organization against the set goals. The study also found out that focus of performance by owners is given to the internal abilities to achieve the stated goals. However, the study does not reveal how external intervention; government interventions at a time of crisis influence strategy and consequently, the performance of SMEs.

Kasiewicz and Kurklioski (2014) carried out a study on the problems that are facing SMEs due to government regulation in Poland. The study found out a need of reviewing the business regulations in the country or even establishing new ones to allow the SMEs to operate efficiently and without much hinderance to their operations. The researcher concluded that there is a need to change the procedure with which regulations for SMEs are made; proposed that the sector regulation procedures be carried out by the SMEs sector itself. The research looked at the problems concerning policy in the country but did not look into direct and specific interventions, which are aimed to ease the process of business and support performance and growth of businesses.

Tambunan (2019) carried out a study on the development of the micro, small and medium enterprises in Indonesia. The focus of the study was directed to three major issues; role of micro, small and medium enterprises (MSMEs), their constraints, and the importance of MSMEs for the creation of business opportunities for women. The study used descriptive analysis on secondary data for its findings and conclusion. Based on the study findings, the researcher recommended that MSEs owners ought to be trained on managerial skills and management to help improve the development of their enterprises.

Karlsson (2009) carried out a study in South Africa aimed at finding the impact of finances on the development of SMEs. Using a descriptive research design, the study found out that finances are the most common constraint to the performance of small businesses. Further, the study found out that other problems related to capital financing of SMEs were lack of information on available financial sources, restrictive lending by commercial banks, inability to access credit facilities, inadequate financing and lack of track records to help secure loans from banks and a lack of clear structure by financial institutions on engaging with small and medium businesses.

Oludele (2014) carried out a study in Cameroon that was aimed at determining the effect of regulations on growth and performance of SMEs in the manufacturing sector in Central and Littoral provinces. The findings of the study revealed that the regulation of trade and company law had a negative effect on the performance and growth of the small and medium-sized businesses. Adebisi and Gbegi (2013) carried out a study in Nigeria aiming to find the impact of multiple taxation on the performance of the SMEs. The study findings showed that multiple taxation impacts a negative effect on the performance of SMEs. The study also indicated that the size of an SMEs was critical to its ability to pay taxes.

In Kenya, a study by Talam (2014) looked into the effect of tax on the growth of SMEs sector in the country. Findings from the study indicated that the existing tax policies were unfriendly to the existence and operation of SMEs. Another similar study by Okong'o (2018) aimed at finding out the impact of taxation on financial performance of SMEs. The findings indicated that tax has the ability to both positively and negatively affect the financial performance of businesses.

Kamunge, Njeru & Tirimba (2014) conducted a study on the factors that affect the performance of SMEs in Limuru town. Their study objectives were, to determine the effect of taxation, licensing, training, and capital financing on the performance of SMEs. The researchers used a descriptive research design to carry out the study with a target population of 965 licensed SMEs in 2014 within Limuru town. Their sample size was 274 SMEs. Questionnaires were the main tool of data collection, which was distributed to the 274 SMEs. The researchers analyzed their data using the statistical package for social sciences (SPSS) software. They found out that managerial experience and access to financial credit were key to good performance of SMEs within Limuru Town.

A study by Njoroge & Gathungu (2013) looked into the impact of entrepreneurial education and training on the development of the SMEs in Githunguri District, in Kiambu County. The study adopted an explorative research design with a random sampling method used to collect data from 167 SMEs. Structured questionnaires were issued to the respondents. Findings from the study incubated that after training the SMEs increased marketing activities within the district, which saw them increase their sales and profits. The study concluded that a lack of training on management strategies, financial management and marketing, greatly, hinders the development and performance of SMEs.

Githae (2019) carried out a study to determine the impact of venture capital on the growth of SMEs operating in Nairobi County. The study findings indicated that venture capital had a notable effect on the performance of SMEs given that it affected the market size and profits of these ventures. Mwende, Muturi & Njeru (2019) looked into the effect of equity finance on the financial performance of SMEs in Kenya. The findings indicated that venture capital has a remarkable effect on the performance of businesses.

Kimuyu & Omiti (2010) carried out a study aimed at finding out the reasons of business failure in Machakos District. The findings indicated that the unfair regulations led to underperformance and consequent failure of the businesses. The research further, indicated that the retailers' and wholesalers underwent same licensing process, with wholesalers operating under same license as retailers. This act, financially, affects the performance of retailers who have to incur a high cost, compared to their business capital to get registration in relation to wholesalers who have access to more capital registering under the same license as retailers.

Many of the studies that have been conducted have focused on the sector specific intervention and the effect they exert on firms in that specific sector. The study aims at giving a deeper understanding of how intersectoral interventions by the government impact on the performance of SMEs. This will help determine the trade-offs between different economic sector and how to strike a balance in a case where there must be a trade-off between two sectors. It is assumed that intervention made by the government should be for the good of every sector in the economy unless the government is aiming at controlling a certain sector.



### **2.3 Knowledge Gaps**

Many of the studies that have been conducted have focused on the sector specific intervention and the effect they exert on firms in that specific sector. The study aims at giving a deeper understanding of how intersectoral interventions by the government impact on the performance of SMEs. This will help determine the trade-offs between different economic sector and how to strike a balance in a case where there must be a trade-off between two sectors. It is assumed that intervention made by the government should be for the good of every sector in the economy unless the government is aiming at controlling a certain sector.

The literature reviewed concerning factors that affect SMEs' performance has mainly looked into sector-specific SMEs as well as in limited areas. One of the main areas that the focus has been given to is on manufacturing, which may not be in a position to portray the factors that affect the performance of businesses in other sectors of economy like importation and farming. Further, the studies reviewed are averagely over five years old, which may not capture the current existing conditions of business operation like the Covid-19 pandemic.

Little has been researched on the interlinking of different economic sectors and how specific sector interventions can affect the operations in the other sector. For instance, in the present, the government has made numerous interventions in the health sector in bid to respond and combat Covid-19 pandemic effects. Some of the interventions made, though positive in the health sector, have negatively affected operations of some businesses. Hence, this study will explore how government interventions are interlinked within different sectors of economy and how SMEs are affected.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter delves into the procedures and techniques used to carry out this study. The chapter discusses the research design, target population, sampling techniques and sample size, data collection methods, pilot study, and the study's reliability and validity.

#### **3.2 Research Design**

Research design refers to the measurement guidelines of the research phenomenon, data collection techniques, data analysis and presentation. According to Saunders, Lewis & Thornhill (2016), research design points to the structure and plan that is applied in investigating the topic of study to obtain answers to the stated research questions. Further, Cooper & Schindler (2014) hold that research design helps in defining the structure of research, framework, defining the relationships of the research variables, and the plan that will be used to collect and analyze data on the study variables.

The study adopted a descriptive research design. A descriptive research design was best suited for this study since it is systematically and accurately, helps define the population of study based on the study topic. It helped in the answering of the questions; what, where, when and how. The only limitation to the design is that it does not tell why.

#### **3.3 Population of the Study**

Kothari (2018) states that a target population is a group of people, events or items that the researcher wishes to investigate. The population of target for this study was SMEs operating within Nairobi County. Given that Nairobi County is one of the hardest hit counties by the Covid-19 pandemic, carrying out this research helped provide detailed and reliable information about impact of government intervention on the performance of SMEs. The study focused on businesses that operate in the industrial area location of Nairobi. Businesses in this area range from the large industrialized firms to small artistic business that are categorized as to be operating in the informal

economic sector. Getting data from this are meant that the researcher is able to get data can describe the situation in the business sector within the county in the pandemic period.

### **3.4 Sampling and Sample Size**

According to Saunders et al. (2016), sampling is the process of obtaining a small population out of the target population, which formed a representation of the target population from which data will be collected. Given the limited budget of the researcher, convenient and purposive sampling methods were used to obtain the study respondents. From the target population, there were around 1000 registered businesses. The researcher chose a sample size of 100, which met the criteria set by Mugenda and Mugenda (2003) that states that in a descriptive study, a sample size of at least 10% is sufficient to use.

### **3.5 Data Collection**

Primary data was collected through the use of questionnaires and interviews. Questionnaires contained Likert scale questions, closed-ended questions and open-ended questions. The questionnaires were sent out to different SMEs in Nairobi and interviews conducted to get to understand how the COVID 19 interventions affected them.

### **3.6 Reliability and Validity of the Study**

Reliability in a research study points to the consistency of the study results in comparison to other similar studies as well as its accuracy in providing appropriate answers to the research questions (Namusonge, 2010). To determine the internal consistency of this study, the researcher did a Cronbach's alpha test. This test helped in identifying the average correlation of the study items in a data collection instrument, which helped indicate if the items are measuring the same aspect or not. According to Cronbach (1991) cited in Namusonge (2010), Cronbach's alpha is an index that displays reliability that can be accounted for by the true score of the intended construct that is to be measured (Cooper & Schindler, 2014).

On the other hand, validity points to the extent to which the measured and collected data represent the variable for which they were obtained from (Mugenda & Mugenda, 2003). Further, Mugenda & Mugenda (2003) state that to ensure validity in a study, one can use different methods of

collecting data; they propose a triangulation model where the researcher uses three methods (observation, questionnaires and interviews) of collecting data from the population. If the obtained data is similar, then there is validity. The questionnaire was examined for content validity by two experts chosen at random from the upper management of the ministries under study, as well as the study's academic supervisor. These experts looked over the questionnaire to make sure it was relevant, brief, concise, and clear, as well as having meaning and not being offensive. Before being used in the study field, the questionnaire was edited and adjusted in accordance with the recommendations of the two experts in order to improve the validity of its contents.

According to Nunes et al. (2010), pilot study is an important part of research as it helps in reviewing the effectiveness of a questionnaire as well as other tools of data collection to enhance their effectiveness in collecting data. The study's pilot was carried out on ten SMEs, which served as a representative sample of the study and was also acceptable as a pilot (Mugenda & Mugenda, 2014). Cronbach Alpha was used to assess the reliability and internal consistency of the system. Internal consistency is a measure of how well different variables in the same study relate to one another. According to Heale and Twycross (2015), a score of less than 0.9 indicates excellent consistency, less than 0.8 indicates good consistency, less than 0.7 indicates acceptable consistency, less than 0.6 indicates questionable consistency, and less than 0.5 indicates poor consistency. The minimum measure of reliability used in this study was 0.7. In view of this, all elements in the questionnaire were retained since they had a score of above 0.7.

### **3.7 Data Analysis**

Cooper and Schindler (2014) state that the analysis of data, often, follows the objectives of the study. Analysis of data for this study was carried out through descriptive analyses. Descriptive statistics such as percentages and frequency distribution were conducted. Further, inferential statistics like correlation and regression analysis will also be conducted on the data that was obtained from the field. ANOVA test will also be conducted. These tests helped in describing the kind of relationship between the independent variable (government intervention) and the dependent variable, business performance in Nairobi, as well as telling the significance in these relationships. The results of this analysis were presented on tabular format, on graphs and charts.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1 Introduction

This chapter presents the analysis of data collected, and presents the findings of the study. The analysis was carried out using the IBM SPSS version 21. The analysis helps determine the effect of strategic government intervention on the performance of SMEs in Nairobi County.

#### 4.2 Response Rate

For the study, the sample size was 100 but the research managed to get responses from 96 respondents out of which, 93 questionnaires were found to be complete and usable. This presents a response rate of 93%. This sample was sufficient for analysis and drawing of conclusions given Holbrook (2009) holds that a response rate of 50% is worthy of analysis, and can give rise to dependable results. Table 4.1 gives the response rate results.

**Table 4. 1: Response Rate**

Sample size	Number	Percent (%)
Questionnaires given out	100	100.00
Questionnaires Returned	96	93.00
Questionnaires Not returned	4	4.00
Incomplete and unusable questionnaires	3	3.00
Complete and Usable questionnaires	93	93.00

Source: Primary data (2020)

### 4.3 Demographic Information of Respondents

#### 4.3.1 Age of Respondents

The study to find out the age of the respondents. This would help tell if the respondents had attained a majority age to make an informed decision in taking part in the study. The obtained results are displayed in Table 4.2.

**Table 4.2: Age of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
18-30	19	20.4	20.4	20.4
31-40	22	23.7	23.7	44.1
41-50	22	23.7	23.7	67.7
Valid 51-60	14	15.1	15.1	82.8
61 and above	16	17.2	17.2	100.0
Total	93	100.0	100.0	

From table 4.2, majority of the respondents, 23.7% were from age groups of 31- 40 and 41-50. These were followed by respondents between the ages of 18-30 with 20.4%. The age group 51-60 were the least group among the respondents with 15.1%. From these findings, it was clear that the respondents were of a majority age and that they were able to make an informed decision on whether to answer the questionnaire or not.

#### 4.3.2 Type of Business

The study sought to find the type of business engaged in by the study respondents. The findings from the study are indicated in Table 4.3.

**Table 4. 3: Type of business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Service	17	18.3	18.3	18.3
Merchandising	23	24.7	24.7	43.0
Manufacturing	11	11.8	11.8	54.8
Hybrid	19	20.4	20.4	75.3
Partnership	23	24.7	24.7	100.0
Total	93	100.0	100.0	

From Table 4.3, most respondents were drawn from merchandising type of business with a total number of 23. This type of business tied with that of partnership businesses, which also had 23 respondents. Hybrid kind of business had 19 respondents, service businesses had 11 respondents and only 11 respondents were drawn from the service industry. This question shows that almost all sectors of businesses were well represented in the study and the findings can therefore be used to describe the state of businesses in the county and how they have been impacted by various government interventions during the pandemic period.

#### **4.3.3 Education Level of Respondents**

The study sought to find out the education level of the respondents. This could help show the level of understanding of the respondents and their comprehension of the prevailing states with regards to the conducting of business and the strategic interventions being made by the government. Table 4.4 indicates the obtained results.

Table 4. 4: Respondent’s education level fill in the table 4.4

	Frequency	Percent	Cumulative Percent
None	6	6.5	6.5
Primary	6	6.5	12.9
Secondary	16	17.2	30.1
Diploma	27	29.0	59.1
Degree	31	33.3	92.5
Postgraduate	7	7.5	100.0
Total	93	100.0	

From table 4.4, majority of respondents were degree holders, 33.3%. These were followed by the respondents with a diploma who formed 29.0%. Those with a secondary school certificate were 17.20%. This with primary level and no education credential had 6.5% each, they were the least group of the respondents in the study sample. These results indicate that the respondents were knowledgeable and able to comprehend the questionnaires. Hence, the responses provided can be relied on for further analysis and conclusions.

#### **4.3.4 Period of Business Operation**

The research sought to find out the period for which the businesses have been in operation. This could help tell if the respondents had been in business long enough to experience the different effects in relation to the government intervention strategies across different periods. The obtained results are displayed in Figure 4.5.



**Table 4.5: Period of Business Operation**

	Frequency	Percent	Cumulative Percent
1-5 years ago	7	7.5	7.5
6-10 years ago	21	22.6	30.1
11-20 years ago	39	41.9	72.0
Over 20 years ago	26	28.0	100.0
Total	93	100.0	

From table 4.5, majority of the businesses, 41.9% had lasted for between 11-20 years followed by those that were over 20 years, which comprised 28.0%. The least group was those of businesses that had lasted in a period of between 1-5 years with a 7.5%. This shows that the respondents were well versed with the business environment in Nairobi and could give valid information on government intervention on businesses.

#### **4.3.5 Government Intervention**

The researcher sought to find out the strategic interventions made by the government to help the businesses continue to operate despite the difficult times. Table 4.6 shows the obtained results.

**Table 4. 6: Government Intervention to Business**

	Frequency	Percent	Cumulative Percent
Entrepreneurial Training	5	5.4	5.4
Entrepreneurial Credit	7	7.5	12.9
Policy, legal and regulatory framework	4	4.3	17.2
Tax relief	70	75.3	92.5
None	4	4.3	96.8
Others	3	3.2	100.0
Total	93	100.0	

From table 4.6, majority of the respondents, 75.3%, had benefited from the tax relief intervention. These were followed by 7.5% who had received credit to help them revive their businesses. The least group was that that had received government interventions not mentioned by the questionnaire. This indicated that most businesses had benefited from the tax relief that the government gave to help cushion businesses and employees during the pandemic period in year 2020.

On the other hand, when the respondents were asked of the new pandemic measures by the government that had affected their businesses the most, they made the responses as shown in figure 4.7.

**Table 4.7: What government intervention had the greatest negative impact on your business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Restriction of Movement and night curfew	23	24.7	24.7	24.7
Closure of external flights	41	44.1	44.1	68.8
Policy, legal and regulatory framework	17	18.3	18.3	87.1
Lack of tax reliefs	9	9.7	9.7	96.8
None	3	3.2	3.2	100.0
Total	93	100.0	100.0	

From table 4.7, majority of the businesses had been affected by the closure of flights, 44.1%. This was followed by the restriction of movement and the partial lockdown, 24.7%. A small percentage of respondents, 3.2% indicated that their business had not been affected by the measures put in place to contain the pandemic.

#### **4.4 Entrepreneurial Training**

The study sought to find out the effect of entrepreneurial training on the performance of SMEs during the pandemic period. The results are displayed in table 4.8 below in percentage.

**Table 4. 8: Entrepreneurial Training**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Deviation
Entrepreneurial training is key to a better performance of a business.	5.4	3.2	8.6	36.6	46.2	4.15	1.073
The trainings on entrepreneurship have a significant effect on the preparedness of a business to face a pandemic	5.4	3.2	6.5	38.7	46.2	4.17	1.059
The entrepreneurial training can help the business to survive the pandemic	3.2	5.4	7.5	44.1	39.8	4.12	0.987
The entrepreneurial training topics are essential to good performance of business	3.2	4.3	9.7	46.2	36.6	4.09	0.963
The effect of entrepreneurial training helps in identifying more opportunities	3.2	4.3	6.5	40.9	45.2	4.20	0.973

From table 4.8 it can be seen that majority of respondents were agreed to the statement, the effect of entrepreneurial training helps in identifying more opportunities with a mean value of 4.20. This was followed by the statement; the trainings on entrepreneurship have a significant effect on the preparedness of a business to face a pandemic, which had a mean value of 4.17. This was followed by the statement, Entrepreneurial training is key to a better performance of a business, with a mean value of 4.15. Also, the respondents agreed to the statement, the entrepreneurial training can help the business to survive the pandemic with a mean value of 4.12. The statement with the least mean value, 4.09, was the entrepreneurial training topics are essential to good performance of business.

These findings indicate that that entrepreneurial training has a notable impact on the preparedness of a business to face a pandemic, and that entrepreneurial training has can help improve the performance of SMEs in Nairobi.

## 4.5 Entrepreneurial financing

The study sought to find out how entrepreneurial credit affects the operations of businesses during the pandemic period. Table 4.9 below shows the obtained results.

**Table 4. 9: Entrepreneurial credit**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Deviation
The entrepreneurial credit provides enough financing for a business operation.	3.2	2.2	25.8	37.6	31.2	3.91	0.974
The Interest rate was low, subsidized by GOK to promote faster growth of SMEs.	1.1	4.3	25.8	20.4	48.4	4.11	1.005
The effect of entrepreneurial credit on entrepreneurial orientation was excellent	2.2	2.2	26.9	37.6	31.2	3.94	0.930
Entrepreneurial credit helps revive business operations during hard times	1.1	4.3	25.8	46.2	22.6	3.85	0.859

From the results in table 4.9, majority of the respondents agreed to the statement that the low interest rates in government funding for businesses allows a business to grow and achieve a better performance in a short period. The statement had a mean value of 4.11. Further in this statement, majority of the respondents 48.4% strongly agreed to the statement followed by 25.8% who were neutral. 20.4% agreed to the statement. 1.1% strongly disagreed to the statement.

The researcher sought to also find the reaction of respondents to the statement, “The Effect of entrepreneurial credit on entrepreneurial orientation was excellent.” The statement had a mean value of 3.94, which means that majority were agreed to the statement. 37.6% agreed, 31.2%. 26.9% we neutral, 2.2% both disagreed and strongly disagreed.

The study also sought to find out if government funding through entrepreneurial credit was enough to help businesses to roll out the operations. The statement had a mean value of 3.91. Majority of the respondents, 37.6% agreed to the statement followed by 31.2% who strongly agreed. 25.8% were neutral while 2.2% disagreed and 3.2% strongly disagreed.

The respondents also showed a positive reaction to the statement “Entrepreneurial credit helps revive business operations during hard times” which had a mean value of 3.85. A majority, 46.2%, agreed to the statement and 22.6% strongly agreed. 25.8% were neutral, 4.3% disagreed and only 1.1% strongly disagreed.

#### 4.6 Business Licensing

The study sought to find out how business licensing aided resumption of business operations in after easing of pandemic measures. Table 4.10 shows the obtained results.

**Table 4. 10: Business licensing strategies**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
Return to business measures by government were clear and helpful to resumption of business operations	3.2	3.2	26.9	39.8	26.9	3.84	0.97
Government support is essential in restoration of operations of businesses	2.2	4.3	26.9	26.9	39.8	3.98	1.021
The rates for license application for the reopening of business were easily attainable.	3.2	4.3	28.0	36.6	28.0	3.82	0.999
The terms for business reopening were reasonable and attainable	2.2	3.2	29.0	41.9	23.7	3.82	0.908

From table 4.10, majority of the respondents agreed that government support is essential in restoration of operations of businesses. This statement had a mean value of 3.98. This was followed by the statement, “Return to business measures by government were clear and helpful to resumption of business operations” with a mean value of 3.84. The statements, “The rates for license application for the reopening of business were easily attainable” and “The terms for business reopening were reasonable and attainable” has a mean value of 3.82. This means that most respondents agreed to their propositions. Generally, the respondents agreed that business licensing terms had a notable influence on the performance of their businesses.

## 4.7 Taxation Measures

The researcher sought to find out how the strategic interventions through taxation measures helped revamp businesses. The obtained results are shown in table 4.11.

**Table 4. 11: Strategic taxation measures**

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	Mean	Std. Deviation
Business have survived the pandemic period due to the taxation measures put in place by government	4.3	3.2	7.5	60.2	24.7	3.98	0.921
Profits have increased due to the reduction of VAT from 16% to 14%	3.2	4.3	7.5	59.1	25.8	4.00	0.897
The decrease of resident corporate income tax from 30% to 25% has allowed the business to accumulate more capital	3.2	3.2	8.6	52.7	32.3	4.08	0.912
Purchasing power of customers has increased due to decrease of PAYE rate from 30% to 25%;	3.2	3.2	8.6	35.5	49.5	4.25	0.974

The results in table 4.11 indicate that tax reduction on PAYE gave more purchasing power to consumers. The mean value for the statement was 4.25. This was followed by the statement, the decrease of resident corporate income tax from 30% to 25% has allowed the business to accumulate more capital, which had a mean value of 4.08. The statement, profits have increased due to the reduction of VAT from 16% to 14% had a mean value of 4.00 and lastly, statement, Business have survived the pandemic period due to the taxation measures put in place by government had a mean value of 3.98. These mean values reveal that the respondents were agreed to these statements. It was clear from the findings that the strategic taxation measures taken by the government had a positive notable impact on the performance of businesses.

## 4.8 Business Performance

The researcher looked at business performance of SMEs within Nairobi County. The aim was to find out their performance during the difficult time of the pandemic that has been throughout year 2020. The obtained results are displayed in table 4.12.

**Table 4. 12: Business performance**

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	Mean	Std. Deviation
The business has not been able to pay its employees' salaries on time forcing it to consider a pay cut.	2.2	5.4	9.7	59.1	23.7	3.97	0.865
The business has been struggling to service its loan(s) amidst the Covid-19 pandemic.	1.1	7.5	8.6	48.4	34.4	4.08	0.912
Business operations have increased with the reopening of the business after closure period.	2.2	6.5	8.6	52.7	30.1	4.02	0.921
The business has had to lay off some of its employees due to Covid-19 pandemic.	1.1	5.4	10.8	37.6	45.2	4.20	0.916

From table 4.12, the findings indicated that majority of the respondents agreed to the statement, the business has had to lay off some of its employees due to Covid-19 pandemic., with a mean value of 4.20. This was followed by the statement, the business has been struggling to service its loan(s) amidst the Covid-19 pandemic, with a mean value of 4.08. Business operations have increased with the reopening of the business after closure period had a mean value of 4.02 and the statement, business has not been able to pay its employees' salaries on time forcing it to consider a pay cut, had the least mean value of 3.97. From these findings, it can be noted that businesses have experienced difficult times during the Covid-19 period, with many having to retrench their workers, default on loan payment, and impose pay cuts on employees.



## 4.9 Inferential Statistics

### 4.9.1 Correlation Analysis

The study sought to find out how government strategy intervention was linked to performance of SMEs in Nairobi. Pearson correlation was used to determine the relationship. The results are shown in table 4.13.

**Table 4. 13: Correlation Analysis**

Correlations						
		Entrepreneurial Training	Entrepreneurial Credit	Business Licensing	Taxation Measures	Business Performance
Entrepreneurial Training	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	93				
Entrepreneurial Credit	Pearson Correlation	.572**	1			
	Sig. (2-tailed)	.000				
	N	93	93			
Business Licensing	Pearson Correlation	.213*	.325**	1		
	Sig. (2-tailed)	.041	.001			
	N	93	93	93		
Taxation Measures	Pearson Correlation	.175	.255*	.116	1	
	Sig. (2-tailed)	.093	.014	.267		
	N	93	93	93	93	
	Pearson Correlation	.562*	.793*	.331*	.759*	1

Business Performance	Sig. (2-tailed)	.011	.004	.001	.002	
	N	93	93	93	93	93
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

A Pearson correlation test was preferred as the variables were transformed from categorical to continuous data using natural logarithms. As such, they were linear and following a normal distribution, thus satisfying the conditions for a parametric correlation test. The study established, as shown in table 4.13, that there was a statistically significant correlations between the dependent variable and all the four independent variables as they all had significant p-values at the 0.05 level (2-tailed). Both Entrepreneurial credit and taxation measures had the strongest correlation ( $r = .793$ ,  $p < .05$ ) and ( $r = .759$ ,  $p < .05$ ) respectively, followed by entrepreneurial training ( $r = .562$ ,  $p < .05$ ) and business licensing ( $r = .331$ ,  $p < .05$ ).

#### 4.10 Regression Analysis

The researcher used a regression analysis to find out the predictive ability of the independent variable, government intervention on the dependent variable, performance of SMEs in Nairobi County.

##### 4.10.1 Model Summary

**Table 4. 14: Regression Analysis**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.406 <sup>a</sup>	.165	.127	.81093

a. Predictors: (Constant), Taxation Measures, Business Licensing, Entrepreneurial Training, Entrepreneurial Credit

ANOVA
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Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.398	4	2.850	4.333	.003 <sup>b</sup>
	Residual	57.869	88	.658		
	Total	69.267	92			
a. Dependent Variable: Business Performance						
b. Predictors: (Constant), Taxation Measures, Business Licensing, Entrepreneurial Training, Entrepreneurial Credit						
<b>Coefficients</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.940	.560		3.464	.001
	Entrepreneurial Training	.114	.107	.126	1.062	.003
	Entrepreneurial Credit	.111	.118	.117	.939	.034
	Business Licensing	.235	.095	.257	2.488	.004
	Taxation Measures	.076	.098	.078	.769	.021
a. Dependent Variable: Business Performance						

The findings in table 4.14 show the results of multiple linear regression model summary of government strategic intervention and performance of SMEs in Nairobi during the pandemic period. In this model,  $R^2$  value was 0.165 which can be interpreted as 16.5% of SME performance is determined by entrepreneurial training, entrepreneurial credit, business licensing and taxation measures taken by the government to cushion business from adverse effects of the pandemic. This implies that better government strategic intervention on the business environment will result in a better performance of SMEs in Nairobi.

ANOVA was used to determine the fitness of the linear regression model in modeling the collected data as compared to use of the mean. The results were presented in Table 4.14. The test for the goodness of fit test results revealed  $F = 4.33$  and is significant since  $p = 0.003 < 0.05$ . This therefore means that the model was fit to predict employee performance. The data relating to Taxation Measures, Business Licensing, Entrepreneurial Training, and Entrepreneurial Financing was therefore appropriate to use for regression analysis.

On coefficients, the study findings revealed that Entrepreneurial Training had ( $\beta = 0.126$ ;  $p = 0.000 < 0.05$ ), HRIS logistic had ( $\beta = 0.210$ ;  $p = 0.000 < 0.05$ ), HRIS operations had ( $\beta = 0.258$ ;  $p = 0.000 < 0.05$ ) and HRIS planning had ( $\beta = 0.202$ ;  $p = 0.000 < 0.05$ ), implying that a unit increase in human resource information system had a significant effect of 0.202, 0.210, 0.258 and 283 units in employee performance in the civil service.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter summarizes the study's findings, conclusions drawn from the data, limitations encountered or observed during the study, and research recommendations for the future.

#### 5.2 Summary

By acting as both an employer and a provider of goods and services, SMEs help to improve people's lives while also helping to create and sustain a country's economy (Child & Lu, 2012). In this context, the Kenyan government has launched a number of measures aimed at promoting and growing SMEs in the country. However, this is insufficient on its own. Small businesses operate in circumstances where they are under pressure from competitors, consumers, suppliers, replacement products, new market entrants, and the government. Because three out of every five enterprises fail within the first three years of existence, according to the Kenya National Bureau of Statistics (2007), enterprises must do things better and differently. As a result, innovation has become more popular as a strategy for competing and growing.

The study's goal was to see how government training affected the performance of Nairobi's small and medium businesses. According to the report, the majority of SME owners received no government-funded training during the epidemic. With a mean value of 4.14, the study found that entrepreneurship training has a significant impact on SMEs' performance. As a result, training has a big impact on SMEs' performance, and it could have been crucial in helping them recover from the pandemic's effects. The study also found that entrepreneurship training had a substantial impact on a company's preparedness to deal with a pandemic. The study also discovered that entrepreneurship training and the topics covered can assist businesses in surviving the epidemic. Furthermore, the study discovered that in business trainings, workers are taught about various company environments, allowing them to better understand their own firm. The study also discovered that business management training improves firm performance. Training, as well as general management training, improves staff capabilities, according to the study. Furthermore, training assists SME owners in dealing with the most up-to-date accounting

systems, information technology, management principles, and manufacturing procedures.

Munene (2013) discovered that SMEs engaged in e-business activities have a positive relationship between training, competence, and performance in his research. Training, he claims, explains differences in e-business capabilities and performance in terms of efficiency, complementarities, lock-in, and novelty, allowing entrepreneurs to recognize their own strengths and weaknesses. This enables them to implement the appropriate strategies to improve their performance. Furthermore, Rosnani et al. (2011) discovered that training and entrepreneurial education help to develop the knowledge, skill, and experience needed to make organizations more resilient and competitive. They claim that it is the responsibility of the government and its agencies to provide suitable entrepreneurship training in order to achieve their goals. Bowen, Morara, & Mureithi (2009) found that 49.5 percent of respondents who had received business training said their businesses were doing well in their study. According to the findings, 60.8 percent of those who were not trained said their businesses were performing poorly, while 39.2% said their businesses were performing well without training. This demonstrates the need of entrepreneurial training for SMEs. This might have aided SMEs in improving their performance during the pandemic by providing them with the necessary knowledge on how to rearrange their businesses in order to cope with the altered business climate.

The study also sought to determine how entrepreneurial finance influenced the success of Nairobi's small and medium businesses. According to the findings, respondents were split on whether government lending could provide enough cash to meet a company's demands. The study also discovered that low interest rates from government loans were crucial in allowing the company to grow and profit without having to worry about repaying the loan. Given the lax terms of loans, the respondents also stated that government credit could have been critical in recovering their enterprises during the pandemic.

It is obvious from this conclusion that finance has a significant impact on the success of SMEs. This result is comparable to that of Khan et al. (202) who discovered a favorable association between entrepreneurial SMEs performance and commercial loans, trade credit, and retain earnings. However, because the respondents stated that the government never provided them with any financial credit, it was impossible for them to restore operations and resume normal operations.

The study also looked at the impact of business licensing on the resumption and performance of small and medium businesses in Nairobi once the containment measures were eased. Because the statements in this area had a moderate mean value, the survey respondents were deemed to have reserved opinions concerning the licensing measures for the return of business. This could be due to the government's lack of financial assistance to SMEs in satisfying the requirements. When it comes to corporate performance, licensing is crucial. According to Mbugua & Moronge (2016), licensing has a significant impact on business performance because it contributes to capital demands and spending.

The study also looked at the government's tax intervention policies and their effects on SMEs' performance. According to the study's findings, businesses profited from the VAT rate reduction from 16 percent to 14 percent and the corporate tax cut from 30 percent to 25 percent. This enabled SMEs to generate money by reducing tax remittances, thereby improving their performance and financial reserves. According to Mbugua and Moronge (2016), taxes reduces business profits and weakens enterprises as a result of higher tax rates, resulting in reduced business growth.

### **5.3 Conclusion**

Entrepreneurial training, financing, taxation, and company licensing, according to the study, have a significant impact on the success of SMEs, Training is an important part of doing business. Given the changing business environment and manner of operation as a result of the Covid-19 pandemic, the government should act by providing training to SMEs on how to restructure their operations to suit the pandemic measures that have been given. The intervention measures that the government came up with did not benefit the business as expected since a number of them could resume operations due to lack of knowledge and capital that could help them cope with the effects of the pandemic containment measures. In this sense, training can help the SMEs know how to utilize other available opportunities like the online space to maintain their market share and reach out to their customers. This will help them maintain their sales and even increase them, which will see them better their performance.

The study also found that SMEs' performance was influenced by their access to capital. It had a significant impact on performance because it restricted entrepreneurs' ability to seize

opportunities as they arose. Given the uncertainty of the business environment, the capital sources for the SMEs were limited. This meant that the businesses could not get enough funding to resume and restructure their organizations. The government could have been a good source of financing for the businesses that could not obtain a bank loan easily. This could have helped the businesses to better their performance.

Finally, by providing training and tax relief, SMEs may have profited even more if they had access to funds to expand their operations, allowing them to take advantage of the cheap taxes and amass more earnings, which could have helped them withstand the pandemic's impact.

#### **5.4 Recommendations**

Based on the study findings and conclusions on the specific aspects affecting the performance of SMEs in Nairobi, the study makes the following recommendations. All market participants should have access to business information services. Although the entrepreneurs had access to critical business information, it was limited and only available to a small number of entrepreneurs. As a result, this study suggests that infrastructure be put in place to facilitate information exchange among entrepreneurs in order to boost their growth and performance.

Regarding access to finance, the report recommends that the Kenyan government develop procedures for financing SMEs. Many funds, such as the Youth Development Fund and the Women Development Fund, have helped to encourage this in some ways. This would make it easier for Kenyan SMEs to obtain the necessary financing to grow and thrive.

Finally, the study recommends that government policies and regulations affecting business performance be scrutinized to ensure that they do not have a negative impact on corporate performance.

#### **5.5 Limitations of the Study**

The researcher was confined by the amount of time he had to complete the investigation and the financial resources he had. She was, nonetheless, able to conduct sufficient research to produce a reliable study. Respondents that struggled to read and understand the questionnaire were encountered by the researcher. The researcher led them through the process by reading and



explaining things to them in a variety of languages and with graphics to ensure that they were able to offer all of the information they needed. Respondents who were not comfortable giving material they regarded sensitive or trade secrets were also encountered by the researcher. However, the researcher was able to persuade the majority of the respondents that their data would be handled secretly, and they proceeded to reveal information

### **5.6 Suggestions for Further Research**

The focus of this research was on government strategic intervention in the business environment as a means of improving SMEs' performance in Nairobi. More research should be done on the government's innovative intervention in SMEs operations in other Kenyan regions. Because SMEs are intimately associated with their owners/managers, research should be performed to determine if there is a link, if any, between the features and features of SME owners/managers and the performance of their individual businesses. In addition, research should be conducted to identify success factors for government intervention measures as well as issues impeding SME performance. These will help Kenyans have a better grasp of innovation in small and medium businesses.

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## APPENDICES

### Appendix 1: Questionnaire

#### PART 1: Background Information

1. Location of enterprise: provide choices of likely locations
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2. Age of owner/manager/ in years

18-30

31-40

41-50

51-60

61 and above

3. What type of business are you doing?

1. Service

2. Merchandising

3. Manufacturing

4. Hybrid

5. Business

6. Partnership

7. Any other, Specify:

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4. Respondent's education level fill in the table below

(1) None

- (2) Primary ( )
- (3) Secondary ( )
- (4) University ( )

5. When was your current business founded?

1-5 years ago ( )

6-10 years ago ( )

1-20 years ago ( )

Over 20 years ago ( )

6. Have you received any economic relief support from the government during this period of Covid-19 pandemic?

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7. What form of Government intervention did you receive? (Tick where appropriate)

Entrepreneurial Training ( )

Entrepreneurial Credit ( )

Policy, legal and regulatory framework ( )



Tax relief ( )

Other (Specify): ( )

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**PART II: Entrepreneurial training**

8. To what extent do you agree with the following statements regarding entrepreneurial training by the government? Use the scale (1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree).

Statement	1	2	3	4	5
1. Entrepreneurial training is essential for business growth in Nairobi					
2. The trainings on entrepreneurship have had a significant effect the sales and profit of the business					
3. The entrepreneurial training course was very relevant					
4. The entrepreneurial training course was very adequate.					
5. The effect of entrepreneurial training course on skills was significant					

9. Have you obtained any entrepreneurial credit support from any Government institution between March and August 2020?

(i) No

(ii) Yes.

Part III: Entrepreneurial Financing

10. On a Likert scale of 1 to 5 (where 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), to what extent do you agree with the following statements regarding entrepreneurial credit by the government?

Statement	1	2	3	4	5
1. The amount received as the entrepreneurial financing was adequate for my enterprise					
2. The Interest rate was low, subsidized by GOK to promote faster growth of SMEs.					
3. The Effect of entrepreneurial financing on entrepreneurial orientation was excellent					
4. The Effect of the entrepreneurial financing on sales and profitability was excellent					

PART (IV) Business Licensing

11. On a Likert scale of 1 to 5 (where 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), to what extent do you agree with the following statements regarding business licensing?

Statement	1	2	3	4	5
1. Regulations laid by government to contain spread of business facilitated quick recovery of businesses.					
2. Then government has been supportive in helping the busines reopen after the closure due to Covid-19 pandemic.					
3. The rates for license application for the reopening of business were affordable.					
4. The terms for business reopening were reasonable and attainable					

PART V: Taxation Measures

12. On a Likert scale of 1 to 5 (where 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), to what extent do you agree with the following statements regarding taxation measures by the government?

Statement	1	2	3	4	5
1. Business have survived the pandemic period due to the taxation measures put in place by government					
2. Profits have increased due to the reduction of VAT from 16% to 14%					
3. The decrease of resident corporate income tax from 30% to 25% has allowed the business to accumulate more capital					
4. Purchasing power of customers has increased due to decrease of PAYE rate from 30% to 25%;					

**PART VI: Business performance**

13. On a Likert scale of 1 to 5 (where 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), To what extent do you agree with the following statements regarding business performance?

Statement	1	2	3	4	5
1) The business has not been able to pay its employees' salaries on time forcing it to consider a pay cut.					

2) The business has been struggling to service its loan(s) amidst the Covid-19 pandemic.					
3) Business operations have increased with the reopening of the business after closure period.					
4) The business has had to lay off some of its employees due to Covid-19 pandemic.					

14. What is your take on the general government interventions during this period and the effect they have produced on business operations within Nairobi?

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