FACTORS INFLUENCING THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KENYA: A CASE STUDY OF NAIROBI COUNTY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SPRING 2017
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MONG’ARE CYNTHIA MUGURE

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SPRING 2017
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University - Africa in Nairobi for academic credit.

Signed: ________________________ Date: ________________

Cynthia Mugure Mong’are (ID No. 630636)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________ Date: __________________

Prof. George O. K’Aol

Signed: ________________________ Date: __________________

Dean, Chandaria School of Business
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ABSTRACT

The purpose of this study was to investigate the factors influencing the growth of Small and Medium Enterprises in Nairobi County. The study was guided by three research questions which included: How does strategic positioning influence the growth of SMEs in Kenya? How does entrepreneurial competencies influence the growth of SMEs in Kenya? And lastly, how does access to finance influence the growth of SMEs in Kenya?

The study adopted a descriptive correlational research design. The population comprised of one thousand five hundred and thirty nine (1539) owner managers of SMEs in different trade areas that had been operating for the last five years in Nairobi County at the time of the study. A stratified random sampling technique was used to select a sample of three hundred and eighteen (318) SMEs from the total population. The data collection instrument used in this study was a structured questionnaire. The study analyzed data using descriptive and inferential statistics. The descriptive statistical analysis included frequencies and percentage distributions, mean and standard deviation while the inferential statistical analysis included Pearson Correlation, One Way Analysis of Variance (ANOVA) and Regression analysis. Statistical Package for Social Sciences (SPSS) was used as a tool for statistical analysis and the results and were presented in figures and tables.

On the first research question regarding the influence of strategic positioning on the growth of SMEs, the male respondents who felt that strategic positioning had extremely influenced the growth of SMEs accounted for 32% while female respondents accounted for 25%. Findings from Pearson Correlation test indicated that there was a statistically significant positive correlation between strategic positioning and the growth of SMEs; $r(264) = .75, p < .05$. One Way ANOVA results revealed that there was a statistically significant difference by gender $F(1, 262) = 7.03, p < .05$; nature of business $F(2, 261) = 5.46, p < .05$ and the years of business operation $F(1, 262) = 6.59, p < .05$. Linear regression analysis indicated that strategic positioning explained 81.5% of the variability in the growth of SMEs, $R^2 = .815$ and statistically significantly predicted the growth of SMEs, $F(1, 262) = 16.18, p < .05$.

On the second research question concerning the influence of entrepreneurial competencies on the growth of SMEs, the proportion of female respondents who felt that entrepreneurial competencies influenced the growth of SMEs moderately accounted for 24% while male respondents were 15%. Pearson Correlation test results indicated that entrepreneurial
competencies was strongly correlated to the growth of SMEs; \( r(264) = .84, p < .05 \). One Way ANOVA test showed that there was a statistically significant difference by gender \( F(1, 262) = 7.77, p < .05 \) and the nature of business \( F(2, 261) = 12.15, p < .05 \). The linear regression analysis revealed that entrepreneurial competencies explained 64.2% of the variability in the growth of SMEs, \( R^2 = 0.642 \) and statistically significantly predicted the growth of SMEs, \( F(1, 262) = 8.63, p < .05 \).

Regarding the third research question, with respect to access to finance and its influence of the growth of SMEs, the proportion of female respondents who felt that access to finance influenced the growth of SMEs slightly accounted for 14% while male respondents was 13%. Pearson Correlation test showed that access to finance was statistically significantly correlated to the growth of SMEs; \( r(264) = .80, p < .05 \). The results from One Way ANOVA revealed that there was a significant difference by gender \( F(1, 262) = 15.47, p < .05 \); nature of business \( F(2, 261) = 14.62, p < .05 \) and years of business operation \( F(1, 262) = 5.16, p < .05 \). The linear regression analysis indicated that access to finance explained 62.6% of the variability in the growth of SMEs, \( R^2 = 0.626 \) and statistically significantly predicted the growth of SMEs, \( F(1, 262) = 3.41, p < .05 \).

Strategic positioning based on product innovation, product promotion and market niche significantly influenced the growth of SMEs in terms of profit margin while the business was operational. Entrepreneurial competencies based on networking and marketing skills significantly influenced the growth of SMEs in terms of sales turnover. The study concluded that access to finance played a critical role and significantly influenced the growth of SMEs especially flexibility in credit access from financial institutions. The study recommends the need for government to develop policies that enhance credit guarantee services for SMEs to access financing in Kenya. The study also recommends that further studies should be conducted on the impact of access to credit information on the growth of SMEs in other areas in Kenya other than Nairobi County.
ACKNOWLEDGEMENT

First of all, I would like to thank God Almighty for the gift of life and His grace was sufficient throughout the period of this study.

Secondly, my sincere gratitude goes to my supervisor, Prof. George K’Aol whose intellectual contribution in advising, correcting and mentoring helped me overcome many crisis situations and finish this project on time. It is worth mentioning that his insightful comments and constructive criticisms at different stages of my research were thought-provoking and helped me focus my ideas. I am especially grateful to him for holding me to a high research standard and enforcing strict validations for each research result, and thus teaching me how to do research.

Lastly, my gratitude extends to my family for understanding when I was away from them as I attended classes and mostly burnt the midnight oil studying. Your understanding throughout my academic journey is well appreciated.
DEDICATION

I dedicate this dissertation to my Mum, Jayne Wahu and my Dad, John Speke who gave everything to ensure that I had a solid educational foundation coveted by many as well as their encouragement and continuous support throughout my studies. Folks we made it!! 😊

To my pillar of strength, Andrew Mburu for his unwavering support, proof-reading my work severally and encouraging me to soldier on when things would get thick during the preparation of this research paper.
# TABLE OF CONTENTS

STUDENT'S DECLARATION ......................................................................................... ii
COPYRIGHT ........................................................................................................... iii
ABSTRACT .............................................................................................................. iv
ACKNOWLEDGEMENT .......................................................................................... vi
DEDICATION ......................................................................................................... vii
LIST OF ABBREVIATIONS .................................................................................. x
LIST OF TABLES .................................................................................................. xi
LIST OF FIGURES ............................................................................................... xii

<table>
<thead>
<tr>
<th>CHAPTER ONE</th>
<th>........................................................</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 INTRODUCTION</td>
<td>........................................................</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>........................................................</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>........................................................</td>
<td>5</td>
</tr>
<tr>
<td>1.3 General Objective</td>
<td>........................................................</td>
<td>7</td>
</tr>
<tr>
<td>1.4 Specific Objectives</td>
<td>........................................................</td>
<td>7</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>........................................................</td>
<td>7</td>
</tr>
<tr>
<td>1.6 Scope of the Study</td>
<td>........................................................</td>
<td>8</td>
</tr>
<tr>
<td>1.7 Definition of Terms</td>
<td>........................................................</td>
<td>9</td>
</tr>
<tr>
<td>1.8 Chapter Summary</td>
<td>........................................................</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER TWO</th>
<th>........................................................</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0 LITERATURE REVIEW</td>
<td>........................................................</td>
<td>11</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>........................................................</td>
<td>11</td>
</tr>
<tr>
<td>2.2 Influence of Strategic Positioning on the Growth of Small and Medium Enterprises</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>2.3 Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises</td>
<td>........................................................</td>
<td>17</td>
</tr>
<tr>
<td>2.4 Access to Finance and its Influence on the Growth of Small and Medium Enterprises</td>
<td>........................................................</td>
<td>22</td>
</tr>
<tr>
<td>2.5 Chapter Summary</td>
<td>........................................................</td>
<td>27</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER THREE</th>
<th>........................................................</th>
<th>28</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0 RESEARCH METHODOLOGY</td>
<td>........................................................</td>
<td>28</td>
</tr>
<tr>
<td>3.1 Introduction</td>
<td>........................................................</td>
<td>28</td>
</tr>
</tbody>
</table>
3.2 Research Design ............................................................................................................. 28
3.3 Population and Sampling Design .................................................................................. 29
3.4 Data Collection Methods .............................................................................................. 31
3.5 Research Procedures .................................................................................................... 32
3.6 Data Analysis Methods ................................................................................................. 32
3.7 Chapter Summary .......................................................................................................... 33

CHAPTER FOUR .................................................................................................................. 34
4.0 RESULTS AND FINDINGS .............................................................................................. 34
4.1 Introduction ...................................................................................................................... 34
4.2 Demographic Information ............................................................................................... 34
4.3 Influence of Strategic Positioning on the Growth of Small and Medium Enterprises ......... 37
4.4 Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises ..............................................................................................................................................42
4.5 Access to Finance and its Influence on the Growth of Small and Medium Enterprises ..............................................................................................................................................47
4.6 Chapter Summary .......................................................................................................... 52

CHAPTER FIVE .................................................................................................................... 53
5.0 SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATION ....................... 53
5.1 Introduction ...................................................................................................................... 53
5.2 Summary .......................................................................................................................... 53
5.3 Discussion ....................................................................................................................... 54
5.4 Conclusions ..................................................................................................................... 58
5.5 Recommendations .......................................................................................................... 59

REFERENCES ..................................................................................................................... 62

APPENDICES ...................................................................................................................... 71
Appendix I: Cover Letter ..................................................................................................... 71
Appendix II: Questionnaire .................................................................................................. 72
LIST OF ABBREVIATIONS

BBL: Biashara Boresha Loan
CBD: Central Business District
ILO: Internal Labour Organizational
SMEs: Small and Medium-sized Enterprises
UHP: Urban Housing Permits
LIST OF TABLES

Table 3.1: Population Distribution.................................................................................29
Table 3.2: Sample Size Distribution.................................................................................31
Table 4.1: Descriptive Statistics for the Influence of Strategic Positioning on the Growth of SMEs........................................................................................................38
Table 4.2: Cross Tabulation of the Influence of Strategic Positioning on the Growth of SMEs by Gender ........................................................................................................39
Table 4.3: Correlation between Strategic Positioning and the Growth of SMEs ..........40
Table 4.4: ANOVA between Influence of Strategic Positioning and the Growth of SMEs by Gender, Nature of business and Years of business operation ..........40
Table 4.5 (a): Model Summary.......................................................................................41
Table 4.5 (b): ANOVA ....................................................................................................41
Table 4.5 (c): Coefficient.................................................................................................42
Table 4.6: Descriptive Statistics for the Influence of Entrepreneurial Competencies on the Growth of SMEs........................................................................................................43
Table 4.7: Cross Tabulation of the Influence of Entrepreneurial Competencies on the Growth of SMEs by Gender ........................................................................................................44
Table 4.8: Correlation between Entrepreneurial Competencies and the Growth of SMEs .................................................................................................................................45
Table 4.9: ANOVA between Influence of Entrepreneurial Competencies and the Growth of SMEs by Gender, Nature of business and Years of business operation ..45
Table 4.10 (a): Model Summary ....................................................................................46
Table 4.10 (b): ANOVA ..................................................................................................46
Table 4.10 (c): Coefficient...............................................................................................47
Table 4.11: Descriptive Statistics for Access to Finance and its Influence on the Growth of SMEs.........................................................................................................................48
Table 4.12: Cross Tabulation for Access to Finance and its Influence on the Growth of SMEs by Gender.........................................................................................................................49
Table 4.13: Correlation between Access to Finance and the Growth of SMEs ........50
Table 4.14: ANOVA between Access to Finance and its Influence on the Growth of SMEs by Gender, Nature of business and Years of business operation ......50
Table 4.15 (a): Model Summary ....................................................................................51
Table 4.15 (b): ANOVA ..................................................................................................51
Table 4.15 (c): Coefficient...............................................................................................51
LIST OF FIGURES

Figure 4.1: Response Rate .................................................................34
Figure 4.2: Classification of Respondents by Gender ................................35
Figure 4.3: Classification of Respondents by Age Bracket .........................35
Figure 4.4: Classification of Respondents by Highest Level of Education ........36
Figure 4.5: Classification of Respondents by Nature of Business ................36
Figure 4.6: Classification of Respondents by Years of Business Operation ......37
Figure 4.7: Cross Tabulation for the Influence of Strategic Positioning by Gender ...39
Figure 4.8: Cross Tabulation for the Influence of Entrepreneurial Competencies by Gender .................................................................44
Figure 4.9: Cross Tabulation for Access to Finance by Gender .......................49
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Throughout the world, shifts in population demographics, technological changes, fluctuating economies and other dynamic powers have changed social orders as at no other time, bringing new challenges, opportunities, and growth to the forefront. Among the responses to these moving strengths is an expanded accentuation on business growth by governments, public and private organizations (Baron, 2013). Small and Medium Enterprises (SMEs) are increasingly recognized as important drivers of economic growth, productivity, innovation and employment, and are widely accepted as a key aspect of economic dynamism (Hisrich, 2014). Transforming ideas into economic opportunities is the decisive issue of entrepreneurship in the SME environment. These opportunities affect growth of these SMEs influenced majorly by how they are positioned strategically, accessibility to financing by financial institutions and competencies exhibited by the entrepreneurs. History shows that economic growth has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks (Fabayo, 2014).

Visser (2013), argued that SMEs form the backbone of emerging economies and are a key source of income for most people in urban and rural communities. The rapid growth of SMEs in any economy indicates a positive progress for a nation especially indicated by profitability, market share, asset vale and even sales turn over. Furthermore, Hamel and Sapienza (2014) reveal that in current business conditions, where product and business model life cycles have a short lifespan, such qualities are emphatically positively connected with better development and growth of enterprises. According to Rose, Kumar, and Yen (2013), a small business is a business which is privately owned and operated, with a small number of employees and low volume of sales.

Small businesses are common in many countries, depending on the economic system in operation. Typical examples include convenience stores, bakery shops, hairdressers, tradesmen, lawyers, accountants, restaurants, photographers, etc. A common definition provided by the small and medium industries development corporation (SMIDEC) which defines SMEs according to two main factors, annual sales turnover and a number of full-
time workers (SMIDEC, 2014). SMEs mostly consolidate the businesses from the informal sector into the formalized economy, hence a driving force not only for economic growth but also poverty reduction through job creation (Wolfenson, 2013). In most parts of the world, industrialization and economic growth started as SMEs that eventually grew to become big industries (Harris & Gibson, 2014).

Entrepreneurship has been seen as the procedure and decision making activities used by owner managers of SMEs that lead to the passage and support of business growth (Kropp, 2011); and as the strategy making processes that provide organizations with a basis for entrepreneurial decisions, actions and growth (Wiklund & Delmar, 2013). Further, entrepreneurship has been conceptualized as comprising three dimensions namely; innovativeness, risk-taking, and pro-activeness (Frank, 2014). Thus, entrepreneurship is generally considered as a key ingredient for the growth of a firm. Frank, Kessler and Fink (2013) define entrepreneurship as a firm’s strategic orientation, one which captures the specific entrepreneurial aspects of decision-making styles, methods, and practices. Their analysis indicates a positive connection between entrepreneurship and business growth, only in cases in which a dynamic environment is combined with high access to financial capital and when a stable environment is combined with low access to financial capital.

Other research studies have established that significant associations do exist between profitability and market share as predictors of business growth, with respect to earnings and continuance satisfaction (Churchil & Lewis, 2013). While a firm’s entrepreneurial processes might help the chase of new entry opportunities that enhance its growth, the adoption of a strong entrepreneurial competencies is considered necessary but insufficient for wealth creation by new ventures (Jantunen, 2014). Entrepreneurship has long been viewed as a power house that propels technological advancement and contributes to the growth of an economy. In today’s intensifying global competition, increasing interdependence, rapid technology development, unstable environments, and many other factors have highlighted the need for organizations to become more entrepreneurial in order to survive and prosper. An organization’s survival and prosperity is driven by daily organizational development, innovative ideas and pro-activeness success require continuous organizational renewal, innovation, risk-taking, and pro-activeness as the ingredients of business growth (Rauch, 2014).
Business growth among SMEs is the strategy making practice that firms use to identify and launch ventures. According to Lumpkin (2013), it represents a frame of mind and an entrepreneurial mindset that are mirrored in an organization’s continuous operational processes and a strong corporate culture. Knight (2013) cited in Rauch et al. (2014) that firms which operate within a dynamic regime, which does not have the right frame of mind and perspective, encounter difficulties in enhancing their growth and competitiveness. SMEs are encouraged to embrace business growth strategies to succeed and overcome competition from other businesses operating within the same environment. According to Esbach (2013) citing Stevenson and Jarillo (2014), the elements of business growth are considered to be bounded by three questions: “why”, the “how” and the “what” of are considered to be bounded by three dimensions of growth that relate to the questions: the “why”, the “how” and the “what” of entrepreneurship; these strongly associate to the psychology and sociology of the management of economics in a business enterprise.

Elements of the growth in business construct are considered to be developed according to these dimensions and related to how to succeed entrepreneurially. It is argued that this dimension includes components that could be developed or learned in the same manner envisioned by Stevenson and Jarillo (2014) as relating to the domain of management. It is argued that certain contextual factors and entrepreneurial growth dimensions contribute to the growth of SMEs, and that entrepreneurial growth is shaped by contextual factors. Entrepreneurial competencies, as represented by entrepreneurial orientation, is taken to constitute a potential source of competitive advantage (Jantunen, 2014). Entrepreneurial competencies contributes to the growth of a business differentially along the dimensions of proactiveness, innovativeness and risk-taking propensity according to a specific context (Lumpkin, 2013).

Research in the less developed countries has clearly shown that small enterprises both in the formal and informal sectors have failed to evolve into medium sized firms (Ferrand, 2013). Slightly more than 10% of businesses ceased operations in less than one year, 25% stopped business between one and two years, while another 20% closed their doors between their third and fifth anniversaries (Hamel & Sapienza, 2014). However, the perception by owner managers of SMEs regading the growth of enterprises from developed countries in the rest of Europe and USA is remarkable (Madsen, 2013).
In America for instance, entrepreneurs are respected for their role in creating new jobs, providing new competition to existing businesses, improving product quality, reducing prices, introducing new goods and services through innovation and technology advancement. A good example is Bill gates, who has immensely revolutionized information technology worldwide through the invention of Microsoft. Suffice it to say entrepreneurship has formed the basis for advancement in technology through the creation of new job-markets (Aloulou & Fayolle, 2014). Small enterprises started at family level have grown to contribute to national coffers by way of revenue through taxes. The SMEs in South East Asian countries like China, Japan, India and Korea among others have grown in terms of market share, asset value, profitability and even sales turn over based on the production of quality goods and services (Maragia, 2013).

Some of the contrasting challenges of SMEs growth are presented by the research done by Aremu and Adeyemi (2015) in Nigeria, where despite government support through incentive programs, most SMEs in Nigeria still struggle to access credit or even attain enterprise growth performance. He argued that in Nigeria the socio-economic obstacles within the business regulation systems do affect SMEs growth performance. In as much as systems were put in place to fast-track access to financial resources, lack of business experience, management, poor SME location, and incoherent laws and regulations hinder the growth and assimilation of SMEs.

In Africa, and more so in Kenya, though SMEs contribution to the economy, and to poverty reduction, owners, and business men in the field of SMEs have continually faced many obstacles either financial credit, viable market or support from the government. According to ILO (2015), most financial institutions do not consider SMEs assistable venture or credit work. It is for this reasons that SMEs suffer due to lack of capital and credit to grow their businesses. Most SMEs close shop within the first five years of start-up (Marlow, 2014).

The SMEs sector in Kenya has occupied an instrumental space towards the development and growth of the economy. The SMEs sector is a key source of job opportunities for both the skilled and unskilled workers as well as a source of revenue for the country. This SME sector gradually increased employment opportunities from 3.7 million people in the year 2005 upto 5.1 million people in the year 2012 (GoK, 2014). Research has shown that the SMEs growth pattern has made a good track record since 1972 when the ILO introduced it and the government of Kenya campaigned for it as from 1992. The role of SMEs in Kenya’s
development process is significant, particularly in the context of generating employment, wealth creation and income opportunities to thousands of people across the country (KIPPRRA, 2014).

Kenya has not been unique to SME challenges faced by business ownership and growth. In Kenya, the SMEs have thrived over decades but still do face challenges of financing, markets, access to loans among others. Vision 2030 incorporates SMEs at the heart of Kenya’s economic growth projections. It envisages that if SME financing mechanisms are enhanced and sustainable, SMEs in Kenya have the potential of growing into viable and vibrant businesses that can compete with multinational firms in products and services (Ministry of Planning, National Development & Vision 2030, 2013). The challenge of accessing credit facilities, poor working conditions, high taxation, and lack of business training continue to hinder the growth of SMEs in Kenya (Marlow, 2014). As a result business owners within Kenya find it difficult to grow their businesses. Government interventions through tax incentives, market creation for SMEs have gone a long way in establishing a thriving business condition, SMEs still experienced problems in establishing a foot hold for sustainable growth (Kimuyu, 2014).

1.2 Statement of the Problem

Problems associated with the growth of SMEs are diverse. As a result, owner managers are increasingly venturing into SMEs as sole proprietors or as partners to diversify risk, consolidate business synergies, and form associations that can champion and lobby government for the better business environment (ILO, 2015). In Kenya, SMEs are continually encumbered by the lack of easily accessible credit, limited access to competitive markets, lack of value addition to their products, and lack of entrepreneurial skills to grow their businesses profitably. As a result, SMEs in Kenya have been reduced to be operational in the informal sector. According to Ramsden (2013), SMEs thrive in an environment that supports business growth, where the regulatory regime is transparent and decisions are made consistently to favor growth.

According to Kenya National Bureau of Statistics (2013), three out of every five SME businesses in Kenya close down within the first two years of operation. The government together with other private and public organizations, realized that economic growth of the country is paramount on investing in the SME sector. As a result, these bodies have repeatedly encouraged citizens to be innovative and establish small enterprises in a move
to create job opportunities. This will curb the rapid unemployment rates and will also nurture innovative and creative owner managers of SMEs.

In order to combat the situation, research studies have been conducted with main focus on the growth of SMEs. Lerner, Brush and Hisrich (2014) conducted a study to determine the individual factors that influence performance of women owned micro and small-sized enterprises (MSEs). The study categorized factors that affect the performance of MSEs into five perspectives. They include: motivations and goals, entrepreneurial socialization, network affiliation, human capital and environmental factors. The results of this study presented very little connection between individual factors and the performance of MSEs. The research recommended the need for a broad study to be undertaken in future on the influence of financial access, entrepreneurial competencies, and strategic positioning as the ideal growth factors of SMEs instead of MSEs.

Kinyua (2014) conducted another study to establish factors that affect the performance of micro, small and medium-sized enterprises (MSMEs) on the Jua Kali sector in Nakuru town. The findings on that study was based on performance and included factors such as management skills, macro-environment and access to business information. The study did not focus on SMEs instead focused on MSEs. The study did not dwell on growth and instead dwelt on performance. The researcher recommended that there is need for further studies to be carried out on the growth of SMEs instead of MSEs. The researcher challenged future scholars to dwell their research on growth factors influencing SMEs such as financial resources access, entrepreneurial competence and positioning as a strategy in order to obtain credible and conclusive findings.

Another study was conducted by Mugo (2014) to investigate the factors affecting women entrepreneurs’ on the growth of small and medium-sized enterprises (SMEs) growth in the city of Nairobi. The study revealed variables such as lack of entrepreneurial training and education, outdated technology, lack of finances, lack of proper resource management and lack of proper management skills. The study outlined lack of finance as the key challenge that affects women entrepreneurs’ on the growth of SMEs. The study was centered on women-owned enterprises instead of looking at all entrepreneurs collectively regardless of gender. The study greatly recommended the need for future researchers and academicians to conduct further studies on critical factors influencing the growth of SMEs in Kenya such
as positioning, credit access, entrepreneurial competencies in order to obtain conclusive findings.

From the existing literature discussed, there is remarkably little or no research studies conducted on the relationship between the influence of entrepreneurial competencies, influence of strategic positioning and influence of access to finance on the growth of SMEs. There is scarcity of literature touching on other crucial factors influencing growth of small and medium business enterprises (Zahra & Covin, 2013). This study therefore sought to determine the influence of strategic positioning, influence of entrepreneurial competencies and influence of access to finance on the growth of SMEs in Kenya case in point being the Nairobi County.

1.3 General Objective
The general objective of this study was to investigate the factors influencing the growth of Small and Medium Enterprises in Nairobi County.

1.4 Specific Objectives
This study was guided by the following specific objectives;

1.4.1 To determine the influence of strategic positioning on the growth of Small and Medium Enterprises in Nairobi County.
1.4.2 To examine the influence of entrepreneurial competencies on the growth of Small and Medium Enterprises in Nairobi County.
1.4.3 To assess the influence of access to finance on the growth of Small and Medium Enterprises in Nairobi County.

1.5 Significance of the Study
This study was expected to be of significance importance to the following stakeholders:

1.5.1 Small and Medium Enterprises
SMEs in Nairobi would benefit from this study by getting an understanding of the factors that affect their operations and how they can use this understanding to improve their growth prospects. It was hoped that the outcome of this study would give them insight on how to position their enterprises strategically to spur growth in their businesses. The study would contribute to address the major challenges that prevent the growth of SMEs and providing possible measures to mitigate those issues.
1.5.2 Banking Institutions
The study results would enable banks and other financial institutions to improve access to finance of small and medium businesses through offering of better lending terms and conditions and collateral requirements; focus on acquiring appropriate management skills such as financial, marketing and entrepreneurial skills and effectively strengthen the SME environment in order to increase their performance and growth in their businesses.

1.5.3 Researchers and Academia
The study findings would be of significance to universities and other institutions that conduct research, towards contribution to the pool of additional literature and new topic idea generation. These findings would further provoke research in the area of entrepreneurial issues while contributing to the knowledge gap of entrepreneurship literature. It would open an avenue for exploration of other viable sources of information by focusing on the type of firms that are the centre of entrepreneurship research, that is, SMEs.

1.5.4 Government of Kenya
The study findings would provide the government with vital information that can be used to develop regulatory policies that would guide the planning for and location of SMEs within Nairobi County. The Nairobi County government would be interested in creation of awareness and development of conducive business environment that facilitates growth and income generation through taxation and licensing. The factors influencing the growth of SMEs would be greatly enhanced by developing a template and road map in economic growth of the country.

1.6 Scope of the Study
The study targeted owner managers of SMEs trading within the Central Business District within Nairobi County and are registered with the Nairobi County Government. The records obtained from the Nairobi County Council indicated that one thousand five hundred and thirty-nine (1539) SMEs operated within the Nairobi CBD. This study was limited to only SMEs that have been in operation within Nairobi County for the last five years. The study was carried out in a period of five months; January 2017 to May 2017.
1.7 Definition of Terms

1.7.1 Small and Medium Enterprises (SMEs)

These are businesses whose personnel numbers fall below certain limits. In the Kenyan definition, there are three broad parameters which define SMEs; Micro firms are rated as firms’ that employ 1 to 10 employees; Small firms are classified as firms employing 11 to 50 employees; while Medium firms are classified as those employing 51 to 100 employees. MSMEs include both MSEs and SMEs (SME Act, 2015). The term ‘SME’ is used in this research to mean those firms with less than 100 employees.

1.7.2 Strategic Positioning

This is an organization’s specific niche within its sphere of influence that aims to effectively distinguish the organization from other service providers (Jantunen, 2014).

1.7.3 Entrepreneurial Competencies

This can be used interchangeably with entrepreneurial skills, qualities, expertise, acumen and refers to the quality of an entrepreneurs actions and broader personal characteristics such as a mix of specific knowledge, skills, attitudes, motives, traits, self-images and social roles that result in business formation, survival, expansion and/or growth. (Hamel & Sapienza, 2014).

1.7.4 Factors of Growth

Nichter (2015) defines factors of growth as the mitigating factors that influence how business entities grow. This includes conducive business environment, infrastructure, and accessibility to clients and markets for business products and services.

1.7.5 Growth

Growth involves the changes that must take place as the business moves from being small to medium size and is measured in different ways such as the number of employees, turnover or sales, profitability, number of new products introduced, number of customers, return on investment, total assets, market share, productivity and organizational structure. Depending on the business, a combination of these may be more significant (Holt, 2015).

1.8 Chapter Summary

This chapter presented the background information of the study, statement of the problem as well as the gap, objectives of the study, purpose of the study, the significance of the study outlining different stakeholders that benefit from the study and lastly the definition of terms used in the study. Chapter two of this study describes the literature review on
studies carried out in the past based on the specific objectives related to factors influencing the growth of Small and Medium Enterprises. Chapter three outlines the research methodology that was used during the study. Chapter four describes the results and findings obtained from the study. Chapter five provides the summary of the findings for each research question.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter presents literature review on the factors influencing the growth of small and medium enterprises in Kenya. This chapter is divided into three sections: Section one presents literature review on the influence of strategic positioning on the growth of SMEs, section two presents literature on the influence of entrepreneurial competencies on the growth of SMEs and the third section presents literature on access to finance and its influence on the growth of SMEs.

2.2 Influence of Strategic Positioning on the Growth of Small and Medium Enterprises
This section addresses the influence of strategic positioning on the growth of SMEs and analyzes what other scholars have done. The elements constituting strategic positioning in this section entails; positioning by corporate identity, target user positioning, features and attribute positioning and lastly positioning by competitor. The term strategic position has appeared in many academic publications since the 1970s, although mainly in the product, marketing, and strategic management areas. There are, however, only a small number of papers that consider this concept within the scope of SMEs. Study findings by Kleinhans et al (2013) revealed strategic positioning as the company’s boundary and its activity on the supply chain in order to expand vertically or, conversely, to retire from some activities. Johansen and Riis (2014) present the strategic positioning of a company by proposing a framework which comprises three inter-related levels, considering a position of a company in supply chain together with production and its roles.

2.2.1 Positioning by Corporate Identity
The position of a firm on the basis of the activities it carries out or does not carry out is considered as positioning according to a study by Watson (2013). Another study finding defined ‘strategic positioning’ as being concerned with the process of choosing those production-centred activities that an organization should carry out internally, and those that should be external and under the ownership and control of suppliers, partners, distributors, and even customers (Baines, 2013). Corporate identity has been defined as a mix of mission, vision and principle values of every firm that communicates through the delivery of the products and services of a business (Klopper & North, 2011).
In order to attain a strategic position through corporate identity, owner managers of SMEs need to ensure that the principle values of a business are communicated both internally and externally. An organization is able to communicate to the market it operates in the importance of a brand to which both internal stakeholders and the target market can relate through corporate identity (Abratt & Kleyn, 2013). The corporate identity of a business needs to be defined before positioning can be achieved. Corporate identity is formed by the mission, vision and principle values of a business enterprise.

Ideally, when an SME wants to achieve growth and positive perceptions both internally and externally, corporate identity is essentially what the business needs to stand for. Corporate identity can also be extended to the name and the brand of a business enterprise because a good image of the business cannot be extensively achieved without the integration of both (Gambetti & Martin, 2014). It is pivotal for every owner manager of an SME to decide on the desired position of the market and stakeholders perception before deciding on the desired corporate identity because an SME may have a particular perception pertaining the corporate image (Beck et al, 2014). It is important for business enterprises to be aware that there exists different forms of corporate identity to manage the process. SMEs should also strive to identify the different forms of corporate identities, especially since in most instances the businesses are defined in such a way that they become extensions of the business owners (Essoussi, 2013).

It is important for SMEs to understand that the formation of corporate identity is inherent in nature as opposed to the creation of a wholistic image in nature (Melewar, 2014). Therefore, a need arises to ensure that SMEs are able to incorporate strategic thinking when composing a corporate identity for their enterprises which is not only significant to the owner of the business but to all the relevant stakeholders as well. The owner managers of SMEs need awareness that there are different forms of corporate identity which determine how the business is supposed to be positioned strategically in order to increase its market share and grow in profits (Abimbola, 2013). Understanding and being knowledgeable about the different forms of corporate identity also allows the SMEs to ensure proper management of their corporate identity and be in a position to positively counter any other factors which may have an impact on the corporate identity. Having a well positioned corporate identity is not only beneficial towards the image portrayed but it also builds a good reputation and a favorable image towards the customers (Essoussi, 2013). Therefore, it is important for a business to understand the positioning of their corporate identity in the market in order to
generate sales revenue as well as to ensure the brand resonates directly with the market that is being targeted.

2.2.2 Target User Positioning

It is not only important to build a good image for the business enterprise but also ensuring that its has an impact on the market being targeted. The process of target user positioning is based on marketing activities and programs that are geared towards determining the target market’s perceptions, behavior and buying processes (Sengupta, 2013; Temporal, 2014). Furthermore, the target user positioning process ensures that the product is well positioned, known and relevant to the market that is being targeted, that as a result generates increased profit margins during business operations (Klopper & North, 2011). Positioning by target user is usually achieved through a process known as the segmentation targeting and positioning (STP) process. The process allows for identification of the untapped market environment which can be explored in depth by understanding the patterns of behavior or a certain group of consumers (Helms, 2015).

The STP process also assists in having a more profound understanding of the nature of the target market and creates an opportunity to build long-term affiliations between the target market and a brand of a business (Hamel & Sapienza, 2014). It is important for an SME to undergo the segmentation process before it can make any decision in terms of the target market. Segmentation refers to a process of strategically dividing the market that exists into categories of potential markets where the target market will be extrapolated (Dibb & Simkin, 2014; Weinstein, 2013). This is a very important process that enables a business enterprise to identify potential target markets which its can approach and devise ways of attracting the market.

The process of segmentation enables business enterprises to identify potential markets that may possess similar characteristics and expectations towards a particular brand (Basu, 2015). Therefore, this positions the SMEs to have the ability to categorize people who might positively respond to the products and services they offer. Apart from that, segmentation strongly advocates business enterprises to consider different population characteristics, such as demographics, behavior, geographic and psychographics. Segmentation by demographics involves the analysis of demography characteristics like gender, age and race (Klopper & North, 2011). Individuals with similar demographics tend to behave and consume similarly so and share similar habits.
Segmentation by geography involves a process where marketers analyze the habits that people consume products and services in different geographical locations like cities and towns. According to studies by Abimbola (2013), analysis and segmentation through the geographical area are vital when determining the location for a business and may assist in identifying an area that has a high concentrated market for a business which can drive profitability and sales. Segmentation also needs to be analyzed from a behavioral perspective that looks at the consumption patterns of the target market not only products but also media consumption (Klopper & North, 2011). Undergoing the segmentation process generates valuable insight regarding the market that is being targeted resulting to the process that defines the products and services which consumers may prefer, based on their current behavior. The last form of segmentation is psychographic segmentation which examines the perceptions towards a particular product category, and the potential customers’ opinions, attitudes and lifestyle patterns (Dibb & Simkin, 2014).

The last stage of the process of STP is known as positioning. As previously defined, the positioning process takes a portion in the consumer mind in order to remain relevant within the competitive landscape (Keller & Lehmann, 2013). Every product and service should be positioned in a strategic way that meets the needs and wants of a particular target market who consider the comparable analysis of present marketing strategy the consumers of a particular product. Dibb and Weinstein (2013) have argued that attaining a favorable positioning status is not what one does to the physical product, but it is the perceptions and the benefits that are communicated to the target market in such a way that they occupy a relevant space in the minds of the target market.

SMEs are combated with difficulty when appealing to the markets they target. Most SMEs tend to cater for the same market, especially in the African context, minimizing the potential of SMEs being financially viable (Hodson, 2014). This is also a sign of the lack of understanding of how businesses’ target market should be defined due to lack of knowledge regarding the effectiveness of the target user positioning as essential to determining a target market for a particular SME (Marjanova, 2013).

2.2.3 Features and Attribute Positioning
The schools of thought pertaining to this technique are two. Some scholars believe that this strategy is most effective for the development of a new products and services (Hassan & Craft, 2013), while other scholars tend to think that such a strategy needs to be applied to
existing products in changing and enhancing the existing product. Therefore, features and attributes’ positioning element should be examined constantly to ensure that the product is well positioned within the market and it is relatable to the values of the customers through the continuous satisfaction of their wants and needs (Newberry, 2015). This strategy should not only focus on the features of the product in terms of profitability for the business, but it is also important to determine an approach that will incorporate both the customer and the perception of the business regarding benefits and attributes (Berger & Udell, 2014).

Features and attribute positioning has been compared to product positioning and in most instances, studies have utilized the two concepts interchangeably (Fuchs & Diamantopoulos, 2013). The principles of product positioning are similar, as product positioning is also defined as the ways in which a product uses salient product characteristics and features to promote the product against competitors (Hassan & Craft, 2013). The benefits of product positioning have also been labeled as ensuring that psychological connections and emotional connotations exist between the customers and that of the product. Positioning by features and attributes has been defined as using attributes of the products as a means of communicating to the target market that the product is different or better than that of the competitors (Klopper & North, 2011; Sengupta, 2013).

The element of features and attribute positioning has been likened to brand positioning instrument which promotes innovation in positioning the product, service and the brand of an organization (Kotler, 2012). The basis of this marketing strategy is using tangible and intangible benefits to promote a psychological and emotional connotation to the product by attracting customers and maintaining a favorable brand (Hassan & Craft, 2013). Customers should be able to answer the reason why they need to consume the product, as they need to determine what they will gain by consuming the product and whether their needs and wants will be satisfied through the consumption of a particular product (Sengupta, 2013).

2.2.4 Positioning by Competitor
This is one of the most aggressive positioning strategies that is employed by every competitor in business. In order to have an effective strategy, a brand is compared with that of the competitor to ensure it gains a substantive market share (Bigne, Vila-Lopez & Kuster-Boluda, 2013; Burke, 2014). SMEs need to be aware of the existence of competitors in the market in terms of what the competitor does, who the competitor is and what makes the brand of the business better compared to that of the competitor. By being able to
implement this positioning strategy, SMEs have every reason to ensure consumers of their products are able to purchase one brand over that of the competitors. Burke (2014) and Prasad (2013) echoes a weakness of organizations in defining their competitive landscape in a narrow fashion, which may pose a threat to a business.

Businesses that face rivalry and competition should be able to see beyond direct competitors because indirect competitors also pose a threat to the success of a business. Having a clearly defined competitive positioning strategy eliminates the possibility of an SME but rather a unique value proposition which is different from that of the competitors (Etemad, 2014). To implement an effective strategy, a business needs to match its resources and capabilities with the needs and desires of consumers. This ensures that the business enterprise has the ability to meet customer needs and demands as well as lead from the front in terms of competition. Markets that are high in profits stand a good chance to attract new competitors in the business environment (Porter, 2011). If the levels of new competitors getting into a new market are substantially high, the profitability of SMEs are affected thereby the market share shrinks.

The impact of this threat can be reduced by creating high barriers of entry through innovative product and brand development, patents and creating a product or brand that is not easy to copy (Burke, 2014; Prasad, 2013). A big threat is posed to the growth of a business due to the presence of substitute products (Porter, 2011). This type of threat occurs when consumers have vast access to a wide range of alternatives which appear similar to another product or service and even have similar benefits compared to those on offer by competitors. Therefore, it is imperative for businesses to develop products that are distinctively positioned and have favorable perceptions by the target market to increase the level of loyalty that customers possess towards a particular product (Msoka, 2013).

Van de Ven (2013) revealed that consumers have a bargaining power which is considered as a competitive threat because consumers have knowledge about products and services which gives the ability to lower prices. In most cases, this threat applies when the consumer possesses a huge impact on the profit margins of a business enterprise. In the 21st Century, social platforms have contributed immensely to the increase in the consumers buying power whereby a slight negative perception about a particular brand of a product or service is able to go viral on social platforms that may in most cases damage a brand irreparably. SMEs
are required to be in a position of managing their consumer base as well as safeguarding the image of the business against consequences of this particular threat (Hart et al., 2014).

Achievement of these measures enables SMEs to develop and grow profitably as it prepared to anticipate any changes in the market through the understanding and implementation of the devised market. It has been argued that SMEs tend to fail due to the lack of understanding of the competitive landscape (Cant, 2014) and that SMEs tend to enter into markets that they are unfamiliar with, which may also be highly competitive, thereby diminishing the chances that SMEs have of being progressive (Lee et al., 2013). SMEs need to increase their level of competitiveness to survive the tough market and strategies need to be implemented to empower SMEs regarding information and knowledge on competition and building brands that can survive in the market.

2.3 Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises

This section addresses the influence of entrepreneurial competencies on the growth of SMEs and analyzes what other scholars have done. There are numerous definitions of entrepreneurial competencies (Hoffmann, 2013). Entrepreneurial competencies are defined as fundamental characteristics, namely traits, self-image, motives, social roles, skills and knowledge that drive the growth of the organization (Bird, 2011). This is in line with Kiggundu’s (2014) definition of entrepreneurial competencies as the total sum of entrepreneurs attributes such as attitudes, beliefs, knowledge, skills, abilities, personality, expertise and behavioral tendencies needed for successful and growth of entrepreneurship.

2.3.1 Entrepreneurial Competencies

According to Boyatzis (2013), entrepreneurial competencies could also involve self-image, individual motives, entrepreneurial traits, behavioral skills, attitude and knowledge. Burns and Grove (2012) defined entrepreneurial competencies as individual characteristics such as knowledge, skills, and/or abilities that are required to carry out a specific job. Man and Lau (2013) stated that entrepreneurial competencies can be segmented into two parts. The first part entails the features that relate to the background of an entrepreneur for instance traits, personality, attitudes, self-image, and social roles. The second part entails the features which can be learnt from theory and practice for example skills, experience, and knowledge. The abilities of an entrepreneur to to attain business success and growth is
defined by entrepreneurial competencies. The characteristics of the owner managers plays a pivotal role in ensuring the success and growth of SMEs (Okpara, 2014).

Iandoli et al (2014) defined entrepreneurial competencies as the capability of entrepreneurs to face effectively a critical situation by making sense of environmental constraints and by activating relational and internal specific resources. Man and Lau (2013) have classified the competencies portrayed by entrepreneurs into six key areas: opportunity competencies, organizing competencies, strategic competencies, relationship competencies, conceptual competencies and lastly commitment competencies.

2.3.2 Opportunity Competencies
This is one of the most outstanding competencies for owner managers of SMEs. Seeking and taking the necessary action on viable opportunities is a crucial competency for successful owner managers of SMEs in ensuring the growth of a business (McClelland, 2014). The ability of recognizing and taking advantage of viable opportunities is critical for successful owner managers of SMEs. It involves two main areas that entails identifying the opportunities and developing the opportunities (Chandler & Jansen, 2013). The opportunity competencies are related to identifying, assessing and seeking market opportunities. These opportunities greatly take part towards the growth of SMEs as well as improve their performance in the long run.

2.3.3 Organizing Competencies
The concept of organizing competencies somehow overlaps with that of managerial competencies as both involve the ability to lead, control, monitor, organize, and develop the external and internal resources to ensure the firm’s capabilities (Boyatzis, 2013). According to McClelland (2014), the ability to keep an SME operating efficiently requires competencies in monitoring and managing various functional areas within the management of the enterprise. When a business enterprise exhibits operational capabilities, then substantial growth is highly likely to be noticed and this implies a good indication of business growth.

2.3.4 Strategic Competencies
Owner managers of SMEs have a key responsibility of setting the direction for the whole business using the entrepreneurial competencies they possess. These competencies are pivotal for every owner manager to enable them to set objectives and goals for their businesses from a broader and long-term business perspective (Henry, 2014). Strategic
competencies entail the ability to set vision, mission, goals and objectives pertaining to the operations of a business enterprise. Other main elements of strategic competencies entail implementation and evaluation elements. These actions are generally taken and made actionable by owner managers for the sole reason of ensuring the growth of SMEs (McClelland, 2014).

2.3.5 Relationship Competencies
These refer to the competencies that relate to communication skills, person-to-person and individual-to-group interactions. Man et al (2012) mentions that this group of competencies consists of building trust and cooperation as well as ability to use business networks effectively in order to grow a business. Persuasive ability and interpersonal skills are the key instruments of relationship competencies (Lau, 2013). Research shows that the success of SMEs is dependant on the network associations of a business (Ramsden & Bennett, 2015). Owner managers who portray networking skills through creation of contacts with customers and other businesses is important in the market share increase both inside and outside of the business. These networks are important in creating a positive relationship that would favor the business in the long run. When networks are created, confidence in business activities and operations build up and this helps in fostering the growth of the enterprise. It improves sales strategies and profits that the enterprise achieves (Henry, 2014).

2.3.6 Conceptual Competencies
This entails the ability of owner managers to posses cognitive skills, analytical thinking skills, learning skills, decision making skills, problem solving skills, tension sustainance skills, innovative skills and coping with risk and uncertainty while operating in the business environment (McClelland, 2014). Conceptual competencies can be defined as a high level of conceptual activities in relation to entrepreneur’s behaviors such as a short-term perspective, resolving instant events, or requiring intuitive responses (Man, 2013). These competencies contribute greatly in improving the consumer preference and their confidence in associating with the enterprise. Likewise, these competencies enable the entrepreneur to improve products and services in the operating enterprise and thereby gather a wide market segment. Furthermore, it enables the entrepreneur to foresee situations and events that can hinder abrupt losses. When sure unforeseen risks and situations are countered well, the enterprise substantially improves its performance in terms of growth and scales higher in the immediate business environment profitably (Meng & Liang, 2014).
2.3.7 Commitment Competencies

The basic characteristics of successful entrepreneurs are diligence, commitment, dedication, initiative, proactive orientation and determination (Mohd, 2015). Generally, commitment competencies entail the elements which give owner managers of SMEs the ability to propel business operations. Chandler and Jansen (2013) defined external factors as the determinants that constitute to the success or failure of SMEs as well as the owner managers themselves. In other words, the outside factors that affect the growth of business enterprises are referred to as environmental factors. External factors have a strong impact on the entrepreneurial competencies as well as the performance of the business enterprise in terms of growth (Kuratko & Hodgetts, 2014). The situations encountered by owner managers of SMEs in any economy can be termed as external environment. The ability of a business enterprise to survive and grow profitably as well as the likelihood of additional venture start ups all depends on conditions of the the external environment (Covin, 2014).

The external environment has been widely identified as a crucial element that contributes to the growth of a business enterprise. The attitude, personality and motivation traits of owner managers are also dependent on the environment (Gartner, 2015). In a competitive and turbulent market environment, these external factors are to an extent considered to determine the growth and survival of SMEs. Van deVen (2013) suggested that every research in the field of entrepreneurship should take account of the external circumstances to be able to explain the entrepreneurial process in a more appropriate way. Kuratko and Hodgetts (2014) also argued that decisions that are made by owner managers are influenced primarily directly or indirectly by external factors and consequently affect the growth of a business. According to Kader (2015), the multiple dimensions of external factors cannot be fully covered feasibly in a single study. Therefore, to ensure a fruitful outcome, it is necessary to stick to a few dimensions such as the economic and environmental components rather than group everything into one single factor.

The management and experience of SMEs in terms of the years of business operation has been acknowledged as a challenge that has proved difficult to overcome (OECD, 2014). According to Uhlaner and Thurik (2013), SME owners are often managers of their enterprises and in most cases these owner managers lack formal educational qualifications to manage and lead the enterprises as required to facilitate growth. Pansiri (2015) observed that although most of them understand the concepts that revolve around the goals and objectives of their business, it is not an assurance that they make good managers. The owner
managers adopt a particular management approach that is dependent on the goals and personal expectations that they have set for themselves (Collins, 2014). It is worth noting that in most cases, owner managers of SMEs fail to see growth beyond a certain level. They aim to achieve their personal objectives with no effort put toward expansion (Garcia, 2014). The challenges faced in encouraging professionalism and distinguishing between ownership and management have hindered efficient management of SMEs (Beaver & Hutchings, 2013).

Al-Madhoun and Analoui (2014) observed that owner managers resist to advance their management skills through training programs which aim to inform them on the benefits of management skills in an enterprise. Some are also reluctant to hire qualified and skilled or independent enterprise managers, which prevents the ability of SMEs to grow or even survive at times (Devines & Johnson, 2013). Furthermore, Johnston and Loader (2014) found that lack of appropriate financial management skills in terms of book keeping and record keeping prevents proper financial planning that may lead to bankruptcy of an enterprise. Most owner managers do not have the required experience in the management of SMEs therefore, they acquire the skills and experiences on how to run the enterprise through educations as well as through training programs (Garcia, 2014). Many at times, SMEs experience growth which is unplanned and that can be attributed to failures due to poor planning on the part of owner managers. The owner managers are normally found unaware of situations and as a result end up feeling overwhelmed in the management of a larger enterprise (OECD, 2014).

In order for SMEs to grow, owner managers are required to possess marketing skills. These skills enable the enterprise to grow in terms of sales turnover (Pansiri, 2015). It is worth noting that an enterprise needs to offer quality products and services that appeal to the target market whereby the marketing skills can be used to promote the products and services (Mohd, 2015). Marketing skills can be acquired through education whereby owner managers can enroll for short marketing programs or they can attend training programs which can enhance their marketing skills and enable them to become aggressive over their competitors during the promotion of a product in the target market (Hoffmann, 2013).

It is essential for owner managers of SMEs to recognize that proper marketing skills creates a wider awareness to consumers of their product and services and it also enables consumers to offer suggestions and opinions regarding the product on offer (Covin, 2014). As a result,
the owner managers are able to improve the product further through innovative measures to meet target market perceptions and this will result to more sales thereby growing the enterprise. Lack of adequate marketing skills prevents the owner managers to meet the enterprise goals and objectives in terms of long term expansion thereby hindering growth of the enterprise. Another critical element in entrepreneurial competencies is the ability of owner managers to possess customer relationship skills (Gartner, 2015).

2.4 Access to Finance and its Influence on the Growth of Small and Medium Enterprises

This section addresses the access to finance and its influence on the growth of SMEs. Family, friends and close business associates have been one of the primary sources of capital. They have played a vital role in ensuring entrepreneurs are able to launch their business and even grow them. This is the main source of finance in Kenya and other developing countries (Mwarari, 2014). The range of capital raising options from family and friends stretches from the founders of a business tapping their own credit worthiness or resources (savings, home equity, or credit cards) to relatives or a trusted business associate stepping up with the needed seed money to launch the enterprise. Generally, this type of capital tends to be for lower financial value in terms of and usually taken in form of equity or part ownership rather than a debt due to the uncertainty of growth of the business (Wolf, 2015).

2.4.1 Access to Business Capital

Business capital is the prerequisite for development, hence raising its quality and productivity is a critical factor for ensuring SMEs growth and reducing poverty levels (Msoka, 2013). Even where microfinance institutions have come in to address the issue of credit access, they have focused greatly on reducing poverty, instead of the development and growth of SMEs. Their loan sizes have therefore tended to be too small to support growth (Stevenson & St-Online, 2015). On the subject of supporting and investing in innovation, in addition to the challenges mentioned, SMEs are starved for finance to support innovation even when they have sound business and expansion plans worthy of investment, as they are considered risky because their innovative business ideas have not been tried and tested (Rogerson, 2014).

The SMEs, therefore, find themselves in a vicious cycle of providing what is already in the market and not able to grow and expand to realize their full potential as they lack both
funding and business support services to venture into unexplored business ideas (Aikaeli, 2014). Various financial sources as well as other forms of support are required for upcoming owner managers who will build and grow the start up SMEs not just the existing SMEs to develop them into the largest businesses of tomorrow (Nieman, 2015). These budding entrepreneurs will thrive in the business environment by coming up with innovative ideas to improve products and services to reach an increasingly demanding market instead of relicating past business models (Kiraka, 2014).

The World Bank’s most recent Global Financial Development Report (World Bank, 2015) has once again stressed the lack of both financial capital and business-related knowledge as key impediments to firm growth in developing countries. However, lack of access to long term credit is a major challenge to those SMEs that would like to expand their operational activities (Collins, 2014). The reasons for this are well known, most especially considering the fact that enterprises are viewed as highly risky to credit lenders since many of these SMEs lack adequate collateral for credit and also suffer from low capitalization. In addition, poor accounting records and the lack of other financial records make it difficult for banks to assess the credit worthiness of potential SME borrowers (Pansiri, 2015).

2.4.2 Access to the Cost of Credit

A large part of the world’s poor has only insufficient access to formal sources of finance, and the prevalence of capital market imperfections and resulting lack of access to financial capital has been frequently stressed as a major impediment to firm growth in developing countries. For example, the World Bank informal enterprise surveys reveal that lack of access to finance is perceived to be the most pressing obstacle that small firms in developing countries face (World Bank, 2015). A couple of academic studies report high returns on grants of cash or in-kind capital among small enterprise owners in developing countries that are typically well above prevailing market interest rates (Prediger & Gut, 2014).

Furthermore, the relatively increased costs of processing credit by financial institutions implies that lending to SMEs is not generally for banks (Matfobhi & Ruffing, 2013). Majority of SMEs face the challenge of providing adequate security in terms of assets for credit access. Banks favor urban housing permits (UHP) to support structures that are concrete or deposit which is sizeable as collateral for credit. Llelart (2015) states that the majority of SMEs mostly rely on informal credit sources for financial support. About 82
per cent of SMEs rely on family, personal savings, and even friends for financial assistance to grow their enterprises. Grimm and Paffhausen (2014) state that programmatic interventions targeting SMEs may include interventions to improve access to finance through the provision of micro-credit, advisory services and business skills training, while policy interventions focus on improving the framework conditions for SMEs and may entail labour market regulations and enforcement of property rights, or credit information systems, to mention just a few.

Reid (2013) argues that the strategies of SMEs for accessing finance are fundamental in explaining the growth patterns, and this can be prevented through subjecting enterprises to necessary financial restrictions. (Drever, 2015) argued that financial problems (lack of funds) constrained the development and growth of small enterprises, as many of them are unable to access the same kinds of growth funding often available to large enterprises (Watson, 2013). Empirical evidence reveals the importance of internal finance for SME growth, pointing towards a positive relationship between growth and internal finance, in different economies, namely Germany (Audretsch & Elston, 2013), United States (Carpenter & Petersen, 2013), Portugal (Cabral & Mata, 2013) and Spain (Moreno & Casillas, 2014). In situations of inadequate internal finance, it is important for external finance to be made accessible in order to encourage enterprise investment and consequently growth (Meyer, 2013). However, insufficiency of internal finance can be a problem, given the greater difficulties faced by SMEs in accessing external finance (Becchetti & Trovato, 2014).

Interventions, however, may also target the (potential) labor force through programmes for instance the technical vocational education and training (TVET) or the employment service. It is worth noting that SMEs in Kenya encounter difficulty to grow their enterprises as a result of lack of financial access. They hardly thrive in terms of growth beyond the start up stage and some of them fall out of business at the initial stages (Bronwn, 2015). The study undertaken by Hallberg (2014) and Mead and Liedholm (2013) reveals that financial accessibility is instrumental to the development and growth of SMEs. These SMEs have little or no alternatives of financial accessibility in terms of credit other than ability to rely on their retained earnings in order to finance their investments in business. Notwithstanding the financial difficulties faced by SME operately in Kenya currently, these SMEs seek alternative sources of funds in order to sustain themselves in the SME sector (Memba & Gakure, 2013).
Various studies have been conducted in Kenya based on the growth of SMEs. Namusonge (2013) examined the elements of growth oriented SMEs in Nairobi. The key determinants in the study entailed management experience, training and education as well as the psychology of owner managers of SMEs. The study concluded that the availability and the type of finance are crucial elements that contribute to the growth of SMEs. The attributes of owner managers also have an effect on the growth of SMEs. According to this study, the researcher failed to highlight the specific measures of SME growth.

Another study by Wanjau (2013) on the role of quality on the growth of SMEs explained that adoption of quality influences the growth of SMEs. Mungah (2014) further mentioned that determinants of growth of manufacturing SMEs in Kenya pointed that interest rate, fuel cost, business skills and political instability were major factors found to influence SMEs growth into large business enterprises. The subject achieves acknowledged relevance, most importantly due to the fact that it is a global phenomenon that small businesses encounter credit access restrictions by financial institutions (Baas & Schrooten, 2015).

Small enterprises are more opaque in terms of information and therefore have less accessibility to external funding compared to large enterprises which are more informational transparent; financial institutions are unable to solve problems of asymmetric information and to adequately fund small business expansion (Hartarska & GonzalezVega, 2016). The availability of appropriate economic resources is important for business development (Ronainen, 2013). This enables SMEs to secure the necessary expertise and resources in order to implement their entrepreneurial ideas into operation, to become competitive and to gain survival tactics during unfavorable conditions as well as to grow (Wickham, 2014). The results obtained by Cooley and Quadrini (2014), and Cabral and Mata (2013) show that the growth of new small companies is hindered by restrictions concerning finance and by the shortage of resources of diverse nature.

### 2.4.3 Advancing Credit through Financial Institutions

About 45 percent of lending institutions such as banks tend to be very rigid and risk averse as a result avoiding SMEs which are considered highly risky without collateral or with dependable and substantive track record (Mughan, 2013). Majority of SMEs which have the ability to secure financing usually find the cost of capital to be too high (Rwigema, 2014). Availability of finance determines the capacity of an enterprise in a number of ways,
especially in the choice of technology, access to markets, and access to essential resources which in turn greatly influence the viability and success of a business (Wole, 2013). He further states that securing capital for business startup or operations of a business appears to be one of the crucial challenges that is encountered by every owner manager within the SME sector. According to Wickham (2014) the inability to access credit for long term growth is considered to be one of the major difficulties that prevents development and growth of SMEs.

A study was carried out by Banerjee and Duflo (2014) concerning loan information that is detailed obtained from 253 SME borrowers from a bank in India both before and after they became newly eligible for the program. Specifically, the size definition of the program was changed in 1998 which gave the ability to obtain loans at subsidized interest rates to a new group of medium sized enterprises. Naturally, these firms began to borrow under this favored program, but instead of simply substituting subsidized credit for more costly finance, they expanded their sales proportionately to the additional loan sources which suggest that these firms must have previously been credit constrained (Reid, 2013). Therefore, SMEs are not able to secure credit loans from other alternative financial sources. This reveals that inability to credit access is a crucial problem to the development and growth of SMEs in developing countries. In reference to the vast challenges that are associated with accessing alternative loan facilities, a large number of SMEs in Kenya tend to rely on self financing in terms of their retained earnings. The study conducted by Hallberg (2014) explains that accessibility to credit is cardinal to the development and growth of SMEs. The implication, therefore, is conclusive that a large number of SMEs are not able to meet the operational needs of their enterprise due to inadequate credit accessibility from financial institutions. This indicates that there exists a financial gap for SMEs starting up or wishing to expand (Drever, 2015).

Tracy and Tracy (2014) state that debt capital sources including banks, leasing companies, government-backed programs (microfinance in our country’s context), asset-based lenders, factoring companies. For almost any debt-based need, some type of lender is readily available in the market. These groups, similar to private sources, tend to look for a common set of characteristics when extending capital in the form of debt: Security of some sort - an asset or personal guarantee, for example - must be present and debt providers tend to look
for more stable business environments where a company has been in business for an extended period of time and has a proven track record.

However, most of the SMEs in Kenya have difficulty in getting credit from the formal financial institutions because they lack proper financial records. Most of the businesses often keep multiple sets of books and do not have audited financial statements based on reliable accounting standards (Storey, 2014). On the other hand, these firms end up getting loans at higher interest rates because banks considered them as high-risk borrowers. Asymmetric information problems may be more pronounced for small firms (Wanjohi, 2013). Monitoring SMEs is more difficult and expensive as information on them is less easily available, they have less credit history, are subject to less rigorous reporting requirements and the quality of their financial statements may vary (Pettit & Singer, 2014). All these elements result in SMEs often facing difficulties in signaling their creditworthiness.

2.5 Chapter Summary

This chapter has described the literature review on studies carried out based on the specific objectives related to factors influencing the growth of Small and Medium Enterprises. It has looked at influence of strategic positioning on the growth of SMEs including positioning by corporate identity, target user positioning, features and attribute positioning and positioning by competitor. The chapter has also discussed the influence of entrepreneurial competencies on the growth of SMEs which entailed opportunity competencies, organizing competencies, strategic competencies, relationship competencies, conceptual competencies and commitment competencies. The chapter further discussed access to finance and its influence on the growth of SMEs including business capital access, cost of credit access and financial institutions in advancing credit.

Chapter three outlines the research methodology that was used during the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the research methodology that was used in carrying out the study. The chapter provides the research design, the target population and sampling design, data collection methods, the research procedures and the data analysis methods.

3.2 Research Design
Research design refers to the plan and structure of investigation in order to obtain answers to research questions. The plan is the overall scheme or program of the research and it covers an outline of what the researcher will carry out from hypotheses writing and operational implications to the final analysis of data. It is the ability to achieve objectives pertaining to the research purpose through empirical evidence that is required economically (Cooper & Schindler, 2014).

According to Collins and Hussey (2015), there exists a number of research designs which include descriptive (correlational, survey, evaluative, meta-analysis), exploratory and causal-comparative. This study adopted a descriptive correlational research design. Descriptive research obtains information that concerns the current status of phenomena and describes what exists with respect to variable or conditions in a particular situation while correlational research is used to identify relationships that are predictive using correlations or statistical techniques (Creswell, 2014).

A descriptive correlational approach was adopted in this study in order to cover a wide range of variables and their interrelations to show the extent to which conditions in a situation are connected (Tavakoli, 2015). This approach was preferred for this study because it obtained in depth information from a sample size of 318 SMEs on the factors influencing the growth of SMEs in Nairobi. This research design was deemed suitable by the researcher because of the need to identify and describe what factors influence the growth of SMEs to a larger population and to gain an understanding of the relationship between dependent and independent variables that were being studied. The dependent variable for the study was the growth of SMEs while the independent variables were:
influence of strategic positioning, influence of entrepreneurial competencies and access to finance and its influence.

3.3 Population and Sampling Design

3.3.1 Population

Population is described as the total collection of elements which have common observable characteristics or patterns that the researcher wishes to make some inferences (Cooper & Schindler, 2014). Population is the universe of all members of a real or hypothetical set of people, events or objects to which an investigator wishes to generalize the results (Borg & Gall, 2013). The target population of interest in this study consisted of owner managers of SMEs in Nairobi County.

According to records from the Nairobi County Council, there were 8259 registered SMEs (Nairobi County Council, 2015) with 1539 SMEs found within the Nairobi’s Central Business District. The researcher obtained this data from an official who works in the Nairobi County Council business licensing office. The study targeted the owner managers of SMEs that had been in operation for more than one year at the time of the study. The target population consisted of SMEs from different sectors including general trade, transport and communication, agriculture, hospitality, professional and technical, education and entertainment and manufacturing. The population distribution that shows classification of SMEs is presented in Table 3.1 below.

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Classification of SMEs</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Trade</td>
<td>247</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>231</td>
</tr>
<tr>
<td>Agriculture</td>
<td>211</td>
</tr>
<tr>
<td>Hospitality</td>
<td>205</td>
</tr>
<tr>
<td>Professional and Technical</td>
<td>217</td>
</tr>
<tr>
<td>Education and Entertainment</td>
<td>207</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>221</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1539</strong></td>
</tr>
</tbody>
</table>

Source: Nairobi County Council, 2015
3.3.2 Sampling Design
The sampling design refers to the sampling frame, sampling technique and the sample size that was used in the study.

3.3.2.1 Sampling Frame
Sampling frame describes a complete list of all the cases in the target population from which the researcher draws a sample (Saunders et al., 2016). In this study, the list consisted of 1539 owner managers of SMEs obtained from Nairobi County. The list of SMEs were those that had been operating within the Nairobi CBD from 2012 to 2016.

3.3.2.2 Sampling Technique
Cooper and Schindler (2014) describe sampling techniques as the methods in which the sample will be selected. According to Sekaran and Bougie (2015), there exists various types of sampling techniques which include; the probability and the non-probability techniques. Probability sampling techniques are used for quantitative studies where subjects of the sample are chosen based on known probabilities. Probability sampling techniques include simple random, stratified random, cluster random and systematic random sampling technique. Non-probability sampling techniques are used for qualitative studies to develop theories where subjects of the sample are not based on random sampling methods and include convenience, judgemental, quota and snowball sampling technique.

The study adopted stratified random sampling technique. This technique takes into consideration the different subgroups of people in the population to guarantee that the sample fairly represents the population on specific characteristics (Saunders et al., 2016). This was achieved by dividing the population into categories according to some common characteristic otherwise referred to as strata. In this case, it involved the classification of SMEs according to the different trade areas which were general trade, transport and communication, agriculture, hospitality, professional and technical, education and entertainment and lastly manufacturing. Within each strata or trade area, individual owner managers were picked using simple random sampling.

Stratified random sampling method was used to ensure that a representative sample from the different trade areas was used to conduct the study.

3.3.2.3 Sample Size
According to Cooper and Schindler (2014), a smaller set of the larger population is referred to as a sample size. The researcher adopted Yamane (1973) statistical formula to select an
appropriate sample size from a finite population. This formula was used to determine the representative sample size from the owner managers of SMEs operating within Nairobi CBD as follows:
\[ n = \frac{N}{1 + N e^2} \]

Where:
- \( n \) = required sample size
- \( N \) = size of the population
- \( e \) = alpha level, that is, allowable error \( e = 0.05 \) at 95% confidence interval
\[ n = \frac{1539}{1 + 1539 (0.05*0.05)} = 1539 / 4.8475 \approx 318 \]

The study utilized a sample size of 318 owner managers of SMEs drawn from Nairobi County and operating in the CBD. This was proportionately allocated based on the population size of each strata as shown in Table 3.2.

**Table 3.2: Sample Size Distribution**

<table>
<thead>
<tr>
<th>SME Classification</th>
<th>Population</th>
<th>% Sample Size</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Trade</td>
<td>247</td>
<td>247/1539 × 100% =16</td>
<td>51</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>231</td>
<td>231/1539 × 100% =15</td>
<td>48</td>
</tr>
<tr>
<td>Agriculture</td>
<td>211</td>
<td>211/1539 × 100% =14</td>
<td>43</td>
</tr>
<tr>
<td>Hospitality</td>
<td>205</td>
<td>205/1539 × 100% =13</td>
<td>42</td>
</tr>
<tr>
<td>Professional and Technical</td>
<td>217</td>
<td>217/1539 × 100% =14</td>
<td>45</td>
</tr>
<tr>
<td>Education and Entertainment</td>
<td>207</td>
<td>207/1539 × 100% =13</td>
<td>43</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>221</td>
<td>221/1539 × 100% =14</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1539</strong></td>
<td><strong>100</strong></td>
<td><strong>318</strong></td>
</tr>
</tbody>
</table>

*Source: Nairobi County Council, 2015*

**3.4 Data Collection Methods**

According to Cooper and Schindler (2014), data collection method is the gathering of data for purposes of analyzing so as to make inferences from the data. Structured questionnaire were adopted in this study as a method of collecting primary data. According to Saunders et al., 2016, a questionnaire is generally a good tool for collecting structured data or information. The questionnaires were based on both open and closed ended questions which were written in tandem with the research questions of this study. The closed ended questions incorporated a five point Likert scale. The questionnaire consisted of four sections. The first section comprised of general questions seeking to establish respondents’ demographic data
such as gender, age, and level of education. Second section dealt with the first research question concerning influence of strategic positioning on the growth of SMEs in Kenya. The third section dealt with the second research question regarding the influence of entrepreneurial competencies on the growth of SMEs in Kenya, while the fourth section dealt with the third research question regarding access to finance and its influence on the growth of SMEs in Kenya.

3.5 Research Procedures
The researcher first developed a draft questionnaire that comprised of both open and closed ended questions in line with influence of strategic position, influence of entrepreneurial competencies and access to finance and its influence on the growth of SMEs in Kenya. The researcher sought permission from the University to carry out the research on the given research topic by obtaining an introductory letter from the university in this case, United States International University-Africa. The researcher also sought permission from the Nairobi County Council to carry out the research. A pilot study was carried out using a sample of 21 respondents with 3 respondents per sector to test the reliability and validity of the questionnaire. The sample consisted of owner managers of SMEs drawn from different trade areas such as in general trade, transport and communication, professional and technical areas, hospitality, health and entertainment, manufacturing and agricultural sector located within Nairobi CBD. This was done to determine the validity of the instrument and establish whether the instrument was reliable. The researcher amended the questionnaire based on the pilot study results to ensure its effectiveness. This was done using Cronbach’s alpha and construct validity where a Cronbach’s alpha of above 0.7 was deemed acceptable.

The researcher then administered the final instrument by visiting the business premises and hand delivered the questionnaire to each owner manager. Each respondent was briefed about the purpose of the study and the need for voluntary participation. The time required by each respondent to complete the questionnaire was about fifteen minutes. Follow ups were made through phone calls to each participant in order to increase the response rate. Data collection process took one week from April 15th to 21st 2017.

3.6 Data Analysis Methods
Data analysis method involved data preparation, descriptive analysis and inferential analysis.
3.6.1 Data Preparation

Questionnaires collected from respondents were reviewed carefully and checked for completeness and consistencies. Each item in the questionnaire was assigned a numerical representation and the responses from each respondent were coded using a defined coding scheme. After completion of coding, data was entered into the Statistical Package for Social Sciences (SPSS) tool for analysis.

3.6.2 Descriptive Analysis

Descriptive statistics was used to analyze the data that was collected. Descriptive analysis was carried out to determine frequency and percentage distributions, mean and standard deviation. Cross tabulations were also used to analyze categorical data such as gender of the respondents.

3.6.3 Inferential Analysis

This study used inferential statistics to analyze data that was collected. Correlation, One-Way ANOVA and regression models were used to analyze data. Pearson Correlation was used to measure the relationship between the influence of strategic positioning, entrepreneurial competencies and access to finance on the growth of SMEs. One-Way Analysis of Variance (ANOVA) was used to determine the significant differences between the mean scores by gender, nature of business and years of business operation. Linear regression analysis was used to test the statistical significance on the relationship that existed between the independent variables (the influence of strategic positioning, influence of entrepreneurial competencies and influence of access to finance) and the dependent variable (the growth of SMEs).

3.7 Chapter Summary

This chapter has described the methodology used to conduct the study. The chapter has discussed the research design, population and sampling design, data collection instrument, the research procedure as well as the data analysis methods that were used. Chapter four outlines the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the study based on the three specific objectives. The first section presents the descriptive analysis of respondents’ demographic information. The second section presents findings on the influence of strategic positioning on the growth of SMEs. The third section presents the findings on the influence of entrepreneurial competencies on the growth of SMEs. The fourth section presents the findings on access to finance and its influence on the growth of SMEs. At the end of this chapter, summary of the major findings is presented.

A total of 318 questionnaires were administered to owner managers of SMEs in Nairobi County. Out of the 318 questionnaires administered, 264 were filled and returned. This indicates a response rate of 83% as presented in Figure 4.1.

![Response Rate](image)

**Figure 4.1: Response Rate**

4.2 Demographic Information

In this section, results of the demographic information sought from the respondents are presented. The demographic information included gender of the respondents, the age bracket, the level of education, the nature of the business and the years of business operation.
4.2.1 Classification of Respondents by Gender
The distribution of respondents by gender is shown in Figure 4.2. The figure shows that male respondents accounted for 69% of the respondents, whereas 31% of the respondents were female.

Figure 4.2: Classification of Respondents by Gender

4.2.2 Classification of Respondents by Age
Figure 4.3 shows the distribution of respondents by age bracket. Out of the 264 respondents, 27% was within the age bracket of 38 – 45 years, followed by 24% of respondents who were aged between 28 – 38 years and 19% of the respondents were aged between 46 – 55 years.

Figure 4.3: Classification of Respondents by Age Bracket
4.2.3 Classification of Respondents by Highest Level of Education

Figure 4.4 shows the distribution of the respondents by highest level of education. The figure reveals that 39% of the respondents had graduate degrees while 31% of the respondents had diploma or certificate qualification. The respondents with post-graduate degree accounted 19%.

![Figure 4.4: Classification of Respondents by Highest Level of Education](image)

4.2.4 Classification of Respondents by Nature of Business

Figure 4.5 shows the distribution of the respondents by the nature of business. The figure shows that general trade accounted for 36% while hospitality accounted for 14%. Agriculture and transport accounted for 12% and 11% respectively.

![Figure 4.5: Classification of Respondents by Nature of Business](image)
4.2.5 Classification of Respondents by Years of Business Operation
Figure 4.6 shows the distribution of the respondents by the years of business operation. The figure shows that 37% of the respondents had operated their business between 4 to 5 years while 33% of the respondents had operated their business between 2 to 3 years. The respondents who had operated their business for a period of 5 years and above accounted for 5%.

![Years of Business Operation (%)](image)

Figure 4.6: Classification of Respondents by Years of Business Operation

4.3 Influence of Strategic Positioning on the Growth of Small and Medium Enterprises
This section sought to establish the relationship between strategic positioning and the growth of SMEs from the respondents. Strategic positioning was measured by seven items namely; perceived product or service quality, individualized customer attention, competitive pricing, product innovation, product or service promotion, cost production and market niche. These items measured how strategic positioning had influenced growth in terms of profit margin, sales turnover, market share, and asset value in the respondents businesses.

4.3.1 Descriptive Statistics for the Influence of Strategic Positioning on the Growth of SMEs
Table 4.1 presents the frequency distribution of the respondents’ level of agreement or disagreement for the influence of strategic positioning on the growth of their business. The respondents were asked to answer the questions by indicating their opinion on given statements using a 5-point Likert scale of 1-5, where 1 = Not at all (0% Growth), 2 = Very Slightly (1-5% Growth), 3 = Slightly (6-10% Growth), 4 = Moderately (11-20% Growth), 5 = High (21-25% Growth).
and 5 = Extremely (More than 20% Growth). The frequencies and percentages were computed and the mean scores ranked. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$).

The results in Table 4.1 indicates that 25% of the respondents felt that strategic positioning based on product or service promotion had extremely influenced the growth of sales turnover in their business while 10% of the respondents felt that it had not at all influenced growth ($M= 3.97, SD= 0.68$). The respondents who felt that strategic positioning based on low cost production had influenced the growth of profit margin in their business very slightly accounted for 12% while 27% of respondents agreed moderately with the statement ($M= 3.50, SD= 0.95$).

**Table 4.1: Descriptive Statistics for the Influence of Strategic Positioning on the Growth of SMEs**

<table>
<thead>
<tr>
<th>Influence of Strategic Positioning on the Growth of Small and Medium Enterprises (SMEs)</th>
<th>%f</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic positioning based on product or service promotion has influenced the growth of profit margin in my business</td>
<td>%</td>
<td>13.3%</td>
<td>16.3%</td>
<td>26.8%</td>
<td>19.7%</td>
<td>23.9%</td>
<td>100%</td>
<td>3.83</td>
<td>.648</td>
</tr>
<tr>
<td>Strategic positioning based on providing individualized customer attention has influenced the growth of sales turnover in my business</td>
<td>%</td>
<td>21.2%</td>
<td>22.8%</td>
<td>25.8%</td>
<td>22.3%</td>
<td>7.9%</td>
<td>100%</td>
<td>3.86</td>
<td>.787</td>
</tr>
<tr>
<td>Strategic positioning based on competitive pricing has influenced the growth of market share in my business</td>
<td>%</td>
<td>14.0%</td>
<td>15.9%</td>
<td>28.8%</td>
<td>20.5%</td>
<td>20.8%</td>
<td>100%</td>
<td>3.63</td>
<td>.864</td>
</tr>
<tr>
<td>Strategic positioning based on product innovation has influenced the growth of asset value in my business</td>
<td>%</td>
<td>19.7%</td>
<td>13.3%</td>
<td>21.2%</td>
<td>24.2%</td>
<td>21.6%</td>
<td>100%</td>
<td>3.75</td>
<td>1.02</td>
</tr>
<tr>
<td>Strategic positioning based on product or service promotion has influenced the growth of sales turnover in my business</td>
<td>%</td>
<td>9.8%</td>
<td>17.0%</td>
<td>30.7%</td>
<td>17.8%</td>
<td>24.6%</td>
<td>100%</td>
<td>3.97</td>
<td>.683</td>
</tr>
<tr>
<td>Strategic positioning based on low cost production has influenced the growth of profit margin in my business</td>
<td>%</td>
<td>27.3%</td>
<td>11.7%</td>
<td>24.6%</td>
<td>26.8%</td>
<td>9.4%</td>
<td>100%</td>
<td>3.50</td>
<td>.948</td>
</tr>
<tr>
<td>Strategic positioning based on a segment of the market niche has influenced the growth of sales turnover in my business</td>
<td>%</td>
<td>25.8%</td>
<td>10.2%</td>
<td>26.1%</td>
<td>24.6%</td>
<td>13.3%</td>
<td>100%</td>
<td>3.53</td>
<td>.762</td>
</tr>
</tbody>
</table>
4.3.2 Cross Tabulation of the Influence of Strategic Positioning on the Growth of SMEs by Gender

Table 4.2 and Figure 4.7 present the cross tabulation results that compares the male and female respondents views on the effects of strategic positioning on the growth of SMEs. The findings presented in Table 4.2 indicates that the proportion of male respondents who felt that strategic positioning influenced the growth of SMEs slightly and extremely accounted for 21% and 32% respectively compared to that of female respondents which accounted for 15% and 25% respectively.

Table 4.2: Cross Tabulation of the Influence of Strategic Positioning on the Growth of SMEs by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>f/%</th>
<th>Influence of Strategic Positioning on the Growth of SMEs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
<td>Not at all (0% growth)</td>
<td>Very Slightly (1-5% growth)</td>
</tr>
<tr>
<td>Male</td>
<td>18</td>
<td>42</td>
<td>38</td>
</tr>
<tr>
<td>%</td>
<td>9.8%</td>
<td>23.0%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>19</td>
<td>12</td>
</tr>
<tr>
<td>%</td>
<td>17.3%</td>
<td>23.5%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>61</td>
<td>50</td>
</tr>
<tr>
<td>%</td>
<td>12.1%</td>
<td>23.1%</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

Figure 4.7: Cross Tabulation for the Influence of Strategic Positioning by Gender
4.3.3 Correlation between Strategic Positioning and the Growth of SMEs

Pearson Correlation test was used to test the relationship between strategic positioning and the growth of SMEs. The results in Table 4.3 indicates that there was a statistically significant strong positive correlation between strategic positioning and the growth of SMEs, \( r(264) = .75, p < .05 \).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Correlation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of SMEs</td>
<td>( .752^* )</td>
<td>264</td>
</tr>
<tr>
<td>Strategic Positioning</td>
<td>1</td>
<td>264</td>
</tr>
</tbody>
</table>

*.Correlation is significant at the 0.05 level (2-tailed).

4.3.4 A One Way Analysis of Variance (ANOVA) between Influence of Strategic Positioning and the Growth of SMEs

One Way Analysis of Variance (ANOVA) test was carried out to establish if there were significant differences between means in respondents’ perception on the influence of strategic positioning on the growth of SMEs by gender, nature of business and years of business operation. The ANOVA findings presented in Table 4.4 indicates that there was a statistically significant effect by gender \( F(1, 262) = 7.03, p < .05 \), the nature of business \( F(2, 261) = 5.46, p < .05 \) and the years of business operation \( F(1, 262) = 6.59, p < .05 \).

<table>
<thead>
<tr>
<th>Influence of Strategic Positioning</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Between Groups</td>
<td>3.887</td>
<td>1</td>
<td>3.887</td>
<td>7.029</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>144.875</td>
<td>262</td>
<td>.553</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>148.762</td>
<td>263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of business</td>
<td>Between Groups</td>
<td>6.524</td>
<td>2</td>
<td>3.262</td>
<td>5.455</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>153.597</td>
<td>261</td>
<td>.584</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>160.121</td>
<td>263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of business operation</td>
<td>Between Groups</td>
<td>4.778</td>
<td>1</td>
<td>4.778</td>
<td>6.590</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>175.142</td>
<td>262</td>
<td>.668</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>179.920</td>
<td>263</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < .05
4.3.5 Regression analysis between Strategic Positioning and the Growth of SMEs

A simple linear regression was conducted to establish the extent to which strategic positioning influenced the growth of SMEs. The findings of the model summary presented in Table 4.5 (a) indicates that strategic positioning explained about 81.5% of the variability in the growth of SMEs ($R^2 = .815$, $F(1, 262) = 16.17$, $p < .05$) and the strength of the relationship ($r = .903$).

**Table 4.5 (a): Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.903&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.815</td>
<td>0.063</td>
<td>1.72684</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Strategic Positioning

*p < .05

The linear regression ANOVA results presented in Table 4.5 (b) indicates that strategic positioning statistically significantly predicted the growth of SMEs $F(1, 262) = 16.18$, $p < .05$.

**Table 4.5 (b): ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>18.323</td>
<td>1</td>
<td>18.323</td>
<td>16.186</td>
<td>0.014*</td>
</tr>
<tr>
<td>Residual</td>
<td>297.875</td>
<td>262</td>
<td>1.132</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>316.208</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Strategic Positioning

*p < .05

The regressions coefficient findings presented in Table 4.5 (c) indicates that strategic positioning predicted the growth of SMEs ($B = .264$, $p < .05$). This means that one unit of increase in strategic positioning would lead to an increase in the growth of SMEs by a unit of 0.264. From the coefficients, the general form of the linear regression model equation that was established was as follows; Growth of SMEs = 1.528 + 0.264 Strategic positioning.
Table 4.5 (c): Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.528</td>
<td>1.244</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Positioning</td>
<td>.264</td>
<td>.073</td>
<td>.244</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.808</td>
<td>.003*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of SMEs
*p < .05

4.4 Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises

This section sought to establish the relationship between entrepreneurial competencies and the growth of SMEs from the respondents. Entrepreneurial competencies was measured by seven items namely; interpersonal skill competencies, leadership skill competencies, customer relationship skills, financial management skills, creative and innovative competencies, marketing skills and networking skills. These items measured how entrepreneurial competencies had influenced growth in terms of profit margin, sales turnover, market share, asset value and number of employees in the respondents businesses.

4.4.1 Descriptive Statistics for the Influence of Entrepreneurial Competencies on the Growth of SMEs

Table 4.6 presents the frequency distribution of the respondents’ level of agreement or disagreement for the influence of entrepreneurial competencies on the growth of their business. The respondents were asked to answer the questions by indicating their opinion on given statements using a 5-point Likert scale of 1-5, where 1 = Not at all (0% Growth), 2 = Very Slightly (1-5% Growth), 3 = Slightly (6-10% Growth), 4 = Moderately (11-20% Growth) and 5 = Extremely (More than 20% Growth). The frequencies and percentages were computed and the mean scores ranked. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$).

The results in Table 4.6 indicates that 66% of the respondents felt that lack of adequate financial management skills had extremely influenced the growth of asset value in their business while 6% of the respondents felt that it had not at all influenced growth ($M= 3.86$, $SD= 0.32$). The respondents who felt that lack of creative and innovative competencies had
slightly influenced the growth of market share in their business accounted 17% while 48% of the respondents agreed moderately with the statement ($M = 3.50$, $SD = 0.55$).

**Table 4.6: Descriptive Statistics for the Influence of Entrepreneurial Competencies on the Growth of SMEs**

<table>
<thead>
<tr>
<th>Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises (SMEs)</th>
<th>%</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of interpersonal skill competencies has influenced the growth of number of employees in my business</td>
<td>%</td>
<td>76.1%</td>
<td>10.2%</td>
<td>6.8%</td>
<td>1.5%</td>
<td>5.3%</td>
<td>100%</td>
<td>3.76</td>
<td>.134</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>201</td>
<td>27</td>
<td>18</td>
<td>4</td>
<td>14</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of leadership skill competencies has influenced the growth of number of employees in my business</td>
<td>%</td>
<td>5.3%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>11.7%</td>
<td>73.9%</td>
<td>100%</td>
<td>3.66</td>
<td>1.044</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>31</td>
<td>195</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of customer relationship skills has influenced the growth of sales turn over in my business</td>
<td>%</td>
<td>6.1%</td>
<td>14.0%</td>
<td>61.4%</td>
<td>8.7%</td>
<td>9.9%</td>
<td>100%</td>
<td>3.51</td>
<td>.112</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>16</td>
<td>37</td>
<td>162</td>
<td>23</td>
<td>26</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of adequate financial management skills has influenced the growth of asset value in my business</td>
<td>%</td>
<td>5.7%</td>
<td>6.8%</td>
<td>4.2%</td>
<td>17.1%</td>
<td>66.2%</td>
<td>100%</td>
<td>3.86</td>
<td>.322</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>15</td>
<td>18</td>
<td>11</td>
<td>45</td>
<td>175</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of creative and innovative competencies has influenced the growth of market share in my business</td>
<td>%</td>
<td>1.8%</td>
<td>8.3%</td>
<td>16.7%</td>
<td>47.7%</td>
<td>25.4%</td>
<td>100%</td>
<td>3.50</td>
<td>.553</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>5</td>
<td>22</td>
<td>44</td>
<td>126</td>
<td>67</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of adequate marketing skills has influenced the growth of sales turnover in my business</td>
<td>%</td>
<td>4.2%</td>
<td>6.8%</td>
<td>10.2%</td>
<td>19.7%</td>
<td>59.1%</td>
<td>100%</td>
<td>3.79</td>
<td>1.891</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>11</td>
<td>18</td>
<td>27</td>
<td>52</td>
<td>156</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of networking skills has influenced the growth of profit margin in my business</td>
<td>%</td>
<td>6.4%</td>
<td>3.4%</td>
<td>51.9%</td>
<td>25.8%</td>
<td>12.5%</td>
<td>100%</td>
<td>3.75</td>
<td>.132</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>17</td>
<td>9</td>
<td>137</td>
<td>68</td>
<td>33</td>
<td>264</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**4.4.2 Cross Tabulation of the Influence of Entrepreneurial Competencies on the Growth of SMEs by Gender**

Table 4.7 and Figure 4.8 present the cross tabulation results that compares the male and female respondents views on the effects of entrepreneurial competencies on the growth of SMEs. The findings presented in Table 4.7 indicates that the proportion of female respondents who felt that entrepreneurial competencies influenced the growth of SMEs slightly and moderately accounted for 18% and 24% respectively compared to that of male respondents which accounted for 10% and 15% respectively.
Table 4.7: Cross Tabulation of the Influence of Entrepreneurial Competencies on the Growth of SMEs by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>f</th>
<th>%</th>
<th>Influence of Entrepreneurial Competencies on the Growth of SMEs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not at all (0% growth)</td>
<td>Very Slightly (1-5% growth)</td>
<td>Slightly (6-10% growth)</td>
<td>Moderately (11-20% growth)</td>
</tr>
<tr>
<td>Male</td>
<td>f 38</td>
<td>58</td>
<td>18</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>% 20.8%</td>
<td>31.7%</td>
<td>9.8%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Female</td>
<td>f 20</td>
<td>12</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>% 24.7%</td>
<td>14.8%</td>
<td>17.3%</td>
<td>23.5%</td>
</tr>
<tr>
<td>Total</td>
<td>f 58</td>
<td>70</td>
<td>32</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>% 22.0%</td>
<td>26.5%</td>
<td>12.1%</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

Figure 4.8: Cross Tab for the Influence of Entrepreneurial Competencies by Gender

4.4.3 Correlation between Entrepreneurial Competencies and the Growth of SMEs

Pearson Correlation test was used to test the relationship between entrepreneurial competencies and the growth of SMEs. The results in Table 4.8 indicates that there was a statistically significant strong positive correlation between entrepreneurial competencies and the growth of SMEs, $r(264) = .84, p < .05$. 
Table 4.8: Correlation between Entrepreneurial Competencies and the Growth of SMEs

<table>
<thead>
<tr>
<th>Variables</th>
<th>Entrepreneurial Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>1 Growth of SMEs</td>
<td>.841*</td>
</tr>
<tr>
<td></td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>264</td>
</tr>
<tr>
<td>2 Entrepreneurial Competencies</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*.Correlation is significant at the 0.05 level (2-tailed).

4.4.4 A One Way Analysis of Variance (ANOVA) between Influence of Entrepreneurial Competencies and the Growth of SMEs

One Way Analysis of Variance (ANOVA) test was carried out to establish if there were significant differences between means in respondents’ perception on the influence of entrepreneurial competencies on the growth of SMEs by gender, nature of business and years of business operation. The ANOVA findings presented in Table 4.9 indicates that there were statistically significant differences by gender $F(1, 262) = 7.77, p < .05$ and the nature of business $F(2, 261) = 12.15, p < .05$. However, there was no statistically significant effect by the years of business operation $F(1, 262) = 0.32, p > .05$.

Table 4.9: ANOVA between Influence of Entrepreneurial Competencies and the Growth of SMEs by Gender, Nature of business and Years of business operation

<table>
<thead>
<tr>
<th>Influence of Entrepreneurial Competencies</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>4.895</td>
<td>1</td>
<td>4.895</td>
<td>7.769</td>
<td>.001*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>165.118</td>
<td>262</td>
<td>.630</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>170.013</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>12.224</td>
<td>2</td>
<td>6.112</td>
<td>12.151</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>131.263</td>
<td>261</td>
<td>.503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>143.487</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of business operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>0.225</td>
<td>1</td>
<td>0.225</td>
<td>0.321</td>
<td>.261*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>183.377</td>
<td>262</td>
<td>.699</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>183.602</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < .05

4.4.5 Regression analysis between Entrepreneurial Competencies and the Growth of SMEs

A simple linear regression was conducted to establish the extent to which entrepreneurial competencies influenced the growth of SMEs. The findings of the model summary

45
presented in Table 4.10 (a) indicates that entrepreneurial competencies explained about 64.2% of the variability in the growth of SMEs ($R^2 = .642$, $F(1, 262) = 8.63$, $p < .05$) and the strength of the relationship ($r = .801$).

**Table 4.10 (a): Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.801a</td>
<td>0.642</td>
<td>0.043</td>
<td>1.33468</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), Entrepreneurial Competencies
*p < .05*

The linear regression ANOVA results presented in Table 4.10 (b) indicates that entrepreneurial competencies statistically significantly predicted the growth of SMEs $F(1, 262) = 8.63$, $p < .05$.

**Table 4.10 (b): ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.545</td>
<td>1</td>
<td>3.545</td>
<td>8.625</td>
<td>0.024b*</td>
</tr>
<tr>
<td>Residual</td>
<td>107.689</td>
<td>262</td>
<td>0.411</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>111.234</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Growth of SMEs
b. Predictors: (Constant), Entrepreneurial Competencies
*p < .05*

The regressions coefficient findings presented in Table 4.10 (c) indicates that entrepreneurial competencies predicted the growth of SMEs ($B = .397$, $p < .05$). This means that one unit of increase in entrepreneurial competencies would lead to an increase in the growth of SMEs by a unit of 0.397. From the coefficients, the general form of the linear regression model equation that was established was as follows; Growth of SMEs = 1.528 + 0.397 Entrepreneurial competencies.
Table 4.10 (c): Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.528</td>
<td>1.244</td>
<td>1.228</td>
<td>.000</td>
</tr>
<tr>
<td>Entrepreneurial Competencies</td>
<td>.397</td>
<td>.092</td>
<td>.377</td>
<td>4.353</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of SMEs

*p < .05

4.5 Access to Finance and its Influence on the Growth of Small and Medium Enterprises

This section sought to establish the relationship between access to finance and the growth of SMEs from the respondents. Access to finance was measured by seven items namely; flexible terms of credit, high cost of credit, lack of credit history, lack of collateral, lack of audited financial statements, access to long term credit with affordable interest rates and lack of awareness of funding opportunities. These items measured how access to finance had influenced growth in terms of profit margin, sales turnover, market share and asset value in the respondents businesses.

4.5.1 Descriptive Statistics for Access to Finance and its Influence on the Growth of SMEs

Table 4.11 presents the frequency distribution of the respondents’ level of agreement or disagreement on access to finance and its influence on the growth of their business. The respondents were asked to answer the questions by indicating their opinion on given statements using a 5-point Likert scale of 1-5, where 1 = Not at all (0% Growth), 2 = Very Slightly (1-5% Growth), 3 = Slightly (6-10% Growth), 4 = Moderately (11-20% Growth) and 5 = Extremely (More than 20% Growth). The frequencies and percentages were computed and the mean scores ranked. Effectiveness was denoted by mean scores of 3.5 and above (M > 3.5).

The results in Table 4.11 indicates that 75% of the respondents felt that flexible terms of credit from financial institutions had not at all influenced the growth of sales turnover in their business while 2% of the respondents felt that it had extremely influenced growth (M = 3.61, SD = 0.72). The respondents who felt that lack of awareness of funding opportunities
for long term credit by financial institutions had slightly influenced the growth of asset value in their business accounted for 71% while 10% of the respondents agreed very slightly with the statement \( M = 3.55, \ SD = 0.86 \).

Table 4.11: Descriptive Statistics for Access to Finance and its Influence on the Growth of SMEs

<table>
<thead>
<tr>
<th>Access to Finance and its Influence on the Growth of Small and Medium Enterprises (SMEs)</th>
<th>%</th>
<th>f</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible terms of credit from financial institutions has influenced the growth of sales turnover in my business</td>
<td>%</td>
<td>74.6%</td>
<td>20.1%</td>
<td>1.1%</td>
<td>1.9%</td>
<td>2.3%</td>
<td>100%</td>
<td>197</td>
<td>53</td>
<td>3</td>
</tr>
<tr>
<td>High cost of credit from financial institutions has influenced the growth of profit margin in my business</td>
<td>%</td>
<td>58.7%</td>
<td>23.5%</td>
<td>1.1%</td>
<td>5.3%</td>
<td>11.4%</td>
<td>100%</td>
<td>155</td>
<td>62</td>
<td>3</td>
</tr>
<tr>
<td>Lack of credit history for long term credit from financial institutions has influenced the growth of asset value in my business</td>
<td>%</td>
<td>66.3%</td>
<td>5.3%</td>
<td>17.8%</td>
<td>1.9%</td>
<td>8.7%</td>
<td>100%</td>
<td>175</td>
<td>14</td>
<td>47</td>
</tr>
<tr>
<td>Lack or inadequate collateral for long term credit from financial institutions has influenced the growth of asset value in my business</td>
<td>%</td>
<td>61.4%</td>
<td>23.1%</td>
<td>5.7%</td>
<td>4.2%</td>
<td>5.7%</td>
<td>100%</td>
<td>162</td>
<td>61</td>
<td>15</td>
</tr>
<tr>
<td>Lack of audited financial statements for long term credit from financial institutions has influenced the growth of profit margin in my business</td>
<td>%</td>
<td>21.2%</td>
<td>55.7%</td>
<td>10.6%</td>
<td>8.3%</td>
<td>4.2%</td>
<td>100%</td>
<td>56</td>
<td>147</td>
<td>28</td>
</tr>
<tr>
<td>Access to long term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business</td>
<td>%</td>
<td>53.4%</td>
<td>28.4%</td>
<td>6.1%</td>
<td>7.5%</td>
<td>4.5%</td>
<td>100%</td>
<td>141</td>
<td>75</td>
<td>16</td>
</tr>
<tr>
<td>Lack of awareness of funding opportunities for long term credit by financial institutions has influenced the growth of asset value in my business</td>
<td>%</td>
<td>12.1%</td>
<td>9.9%</td>
<td>71.2%</td>
<td>5.3%</td>
<td>1.5%</td>
<td>100%</td>
<td>32</td>
<td>26</td>
<td>188</td>
</tr>
</tbody>
</table>

4.5.2 Cross Tabulation for Access to Finance and its Influence on the Growth of SMEs by Gender

Table 4.12 and Figure 4.9 present the cross tabulation results that compares the male and female respondents views on the effects of access to finance on the growth of SMEs. The findings presented in Table 4.12 indicates that the proportion of female respondents who felt that access to finance influenced the growth of SMEs very slightly and slightly accounted for 27% and 14% respectively compared to that of male respondents which accounted for 15% and 13% respectively.
Table 4.12: Cross Tabulation for Access to Finance and its Influence on the Growth of SMEs by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>f/%</th>
<th>Access to Finance and its Influence on the Growth of SMEs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Not at all (0% growth)</td>
<td>Very Slightly (1-5% growth)</td>
</tr>
<tr>
<td>Male</td>
<td>f</td>
<td>31</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>16.9%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Female</td>
<td>f</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>19.8%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Total</td>
<td>f</td>
<td>47</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>17.8%</td>
<td>18.6%</td>
</tr>
</tbody>
</table>

Figure 4.9: Cross Tabulation for Access to Finance by Gender

4.5.3 Correlation between Access to Finance and the Growth of SMEs

Pearson Correlation test was used to test the relationship between access to finance and the growth of SMEs. The results in Table 4.13 indicates that there was a statistically significant strong positive correlation between access to finance and the growth of SMEs, $r(264) = .80$, $p < .05$. 

49
Table 4.13: Correlation between Access to Finance and the Growth of SMEs

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Growth of SMEs</td>
<td>.804*</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>Access to Finance</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

4.5.4 A One Way Analysis of Variance (ANOVA) between Access to Finance and the Growth of SMEs

One Way Analysis of Variance (ANOVA) test was carried out to establish if there were significant differences between means in respondents’ perception on access to finance and its influence on the growth of SMEs by gender, nature of business and the years of business operation. The ANOVA findings presented in Table 4.14 indicates that there was a statistically significant effect by gender $F(1, 262) = 15.47, p < .05$ and the nature of business $F(2, 261) = 14.62, p < .05$. There was also a statistically significant effect by the years of business operation, $F(1, 262) = 5.16, p < .05$.

Table 4.14: ANOVA between Access to Finance and its Influence on the Growth of SMEs by Gender, Nature of business and Years of business operation

<table>
<thead>
<tr>
<th>Influence of Access to Finance</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>8.492</td>
<td>1</td>
<td>8.492</td>
<td>15.468</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>143.964</td>
<td>262</td>
<td>.549</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>152.456</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>18.953</td>
<td>2</td>
<td>9.476</td>
<td>14.623</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>169.135</td>
<td>261</td>
<td>.648</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>188.088</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of business operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>3.512</td>
<td>1</td>
<td>3.512</td>
<td>5.164</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>178.377</td>
<td>262</td>
<td>.680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>183.602</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < .05

4.5.5 Regression analysis between Access to Finance and the Growth of SMEs

A simple linear regression was conducted to establish the extent to which access to finance influenced the growth of SMEs. The findings of the model summary presented in Table 4.15 (a) indicates that access to finance explained about 62.6% of the variability in the
growth of SMEs ($R^2 = .626$, $F(1, 262) = 3.41, p < .05$) and the strength of the relationship ($r = .791$).

**Table 4.15 (a): Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.791&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.626</td>
<td>0.033</td>
<td>1.01258</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Access to Finance

*<sup>p</sup> < .05

The linear regression ANOVA results presented in Table 4.15 (b) indicates that access to finance statistically significantly predicted the growth of SMEs $F(1, 262) = 3.41, p < .05$.

**Table 4.15 (b): ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.452</td>
<td>1</td>
<td>3.452</td>
<td>3.411</td>
<td>0.032&lt;sup&gt;*&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>265.356</td>
<td>262</td>
<td>1.012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>268.808</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Growth of SMEs

<sup>b</sup> Predictors: (Constant), Access to Finance

*<sup>p</sup> < .05

The regressions coefficient findings presented in Table 4.15 (c) indicates that access to finance predicted the growth of SMEs ($B = .484$, $p < .05$). This means that one unit of increase in access to finance would lead to an increase in the growth of SMEs by a unit of 0.484. From the coefficients, the general form of the linear regression model equation that was established was as follows; Growth of SMEs = 1.528 + 0.484 Access to finance.

**Table 4.15 (c): Coefficient**

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
<td>1.528</td>
<td>1.244</td>
<td></td>
<td>1.228</td>
</tr>
<tr>
<td>Access to Finance</td>
<td></td>
<td>.484</td>
<td>.102</td>
<td>.265</td>
<td>4.672</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Growth of SMEs

*<sup>p</sup> < .05
4.6 Chapter Summary
This section provides the summary of the major findings for each specific objective. The findings indicates that in terms of the influence of strategic positioning on the growth of SMEs, the proportion of male respondents who felt that strategic positioning influenced the growth of SMEs extremely accounted for 32% while female respondents accounted for 25%. The results of the Pearson Correlation test indicated that there was a statistically significant positive correlation between strategic positioning and the growth of SMEs; \( r(264) = .75, p < .05 \). Findings from One Way ANOVA test indicated that there was a statistically significant difference by gender \( F(1, 262) = 7.03, p < .05 \); nature of business \( F(2, 261) = 5.46, p < .05 \) and the years of business operation \( F(1, 262) = 6.59, p < .05 \). Linear regression results indicated that strategic positioning had a statistically significant influence on the growth of SMEs; \( B = 0.264, p < .05 \).

Concerning the influence of entrepreneurial competencies on the growth of SMEs, the proportion of female respondents who felt that entrepreneurial competencies influenced the growth of SMEs moderately accounted for 24% while male respondents were 15%. Pearson Correlation test results showed that entrepreneurial competencies was strongly correlated to the growth of SMEs; \( r(264) = .84, p < .05 \). The results from One Way ANOVA test showed that there was a statistically significant difference by gender \( F(1, 262) = 7.77, p < .05 \) and the nature of business \( F(2, 261) = 12.15, p < .05 \). The linear regression analysis showed that entrepreneurial competencies explained 64.2% of the variability in the growth of SMEs, \( R^2 = 0.64 \) and statistically significantly influenced the growth of SMEs, \( F(1, 262) = 8.63, p < .05 \).

With respect to access to finance and its influence of the growth of SMEs, the proportion of female respondents who felt that access to finance influenced the growth of SMEs slightly accounted for 14% while that of male respondents was 13%. Pearson Correlation test indicated that access to finance was significantly correlated to the growth of SMEs; \( r(264) = .80, p < .05 \). The results from One Way ANOVA test indicated that there was a statistically significant difference by gender \( F(1, 262) = 15.47, p < .05 \); nature of business \( F(2, 261) = 14.62, p < .05 \) and years of business operation \( F(1, 262) = 5.16, p < .05 \). The linear regression analysis indicated that access to finance statistically significantly predicted the growth of SMEs; \( R^2 = .63, F(1, 262) = 3.41, p < .05 \). The findings of this study are discussed in the next chapter.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction
This chapter presents the summary of the the study followed by detailed discussion of the results, conclusions and the recommendations of the study. The discussion of the results, conclusions, and recommendations for improvements are presented on the basis of the specific objectives of the study.

5.2 Summary
The purpose of this study was to determine the factors influencing the growth of Small and Medium Enterprises in Kenya. The study was guided by three research questions which included: How does strategic positioning influence the growth of SMEs in Kenya? How does entrepreneurial competencies influence the growth of SMEs in Kenya? And lastly, how does access to finance influence the growth of SMEs in Kenya?

A descriptive correlational research design was adopted by this study. The population comprised one thousand five hundred and thirty nine (1539) SMEs in different trade areas that had been operating in the last five years in Nairobi County at the time of the study. A stratified random sampling technique was used to select a sample of three hundred and eighteen (318) SMEs from the total population. The data collection instrument used in this study was a structured questionnaire. The study used descriptive and inferential statistics to analyze the data. The descriptive statistical analysis included frequencies and percentage distributions, mean and standard deviation while the inferential statistical analysis included Pearson Correlation, One Way Analysis of Variance (ANOVA) and Regression analysis. Statistical Package for Social Sciences (SPSS) was used as a tool for statistical analysis and the results and were presented in figures and tables.

On the first research question regarding the influence of strategic positioning on the growth of SMEs, the male respondents who felt that strategic positioning had extremely influenced the growth of SMEs accounted for 32% while that of female respondents accounted for 25%. Findings from Pearson Correlation test indicated that there was a statistically significant positive correlation between strategic positioning and the growth of SMEs; $r(264) = .75$, $p < .05$. One Way ANOVA results revealed that there was a statistically
significant difference by gender $F(1, 262) = 7.03, p < .05$; nature of business $F(2, 261) = 5.46, p < .05$ and the years of business operation $F(1, 262) = 6.59, p < .05$. Linear regression analysis indicated that strategic positioning explained 81.5% of the variability in the growth of SMEs, $R^2 = .815$ and statistically significantly predicted the the growth of SMEs, $F(1, 262) = 16.18, p < .05$.

On the second research question concerning the influence of entrepreneurial competencies on the growth of SMEs, the proportion of female respondents who felt that entrepreneurial competencies influenced the growth of SMEs moderately accounted for 24% while male respondents were 15%. Pearson Correlation test results indicated that entrepreneurial competencies was strongly correlated to the growth of SMEs; $r(264) = .84, p < .05$. One Way ANOVA test showed that there was a statistically significant difference by gender $F(1, 262) = 7.77, p < .05$ and the nature of business $F(2, 261) = 12.15, p < .05$. The linear regression analysis revealed that entrepreneurial competencies explained 64.2% of the variability in the growth of SMEs, $R^2 = 0.642$ and statistically significantly predicted the growth of SMEs, $F(1, 262) = 8.63, p < .05$.

Regarding the third research question, with respect to access to finance and its influence of the growth of SMEs, the proportion of female respondents who felt that access to finance influenced the growth of SMEs slightly accounted for 14% while that of male respondents was 13%. Pearson Correlation test showed that access to finance was statistically significantly correlated to the growth of SMEs; $r(264) = .80, p < .05$. The results from One Way ANOVA revealed that there was a significant difference by gender $F(1, 262) = 15.47, p < .05$; nature of business $F(2, 261) = 14.62, p < .05$ and years of business operation $F(1, 262) = 5.16, p < .05$. The linear regression analysis indicated that access to finance explained 62.6% of the variability in the growth of SMEs, $R^2 = 0.626$ and statistically significantly predicted the growth of SMEs, $F(1, 262) = 3.41, p < .05$.

5.3 Discussion
This section discusses the results of the study based on the three specific objectives. The key findings for each specific objective are discussed in relation to the literature that was outlined in chapter two.
5.3.1 Influence of Strategic Positioning on the Growth of Small and Medium Enterprises

The results revealed that 17% and 30% of the respondents moderately and extremely, felt that strategic positioning based on providing individualized customer attention influenced the growth of sales turnover in their business respectively. This finding agrees with a study by Cespedes (2013) who acknowledged that by understanding core customers and offering individualized customer attention, small business owners have recognized key relationships that increase sales turnover of business and understand the positive effects of change that lead to growth.

Pearson Correlation test showed that there was a statistically significant correlation between strategic positioning and the growth of SMEs at $r(264) = .75, p < .05$. The findings confirmed the findings of a study by Msoka (2013) which indicated that it is important for businesses to develop products that are distinctively positioned and have favorable perceptions by the target market to increase the level of loyalty that customers possess towards a particular product.

One Way ANOVA test established that there was a statistically significant influence of strategic positioning on the growth of SMEs in terms of gender $F(1, 262) = 7.03$; suggesting that strategic positioning outcomes varied by gender of the business owners. The finding contradicts the results of a study by Burke (2014) which concluded that gender differences do not play a role in the strategic positioning on the growth of SMEs. This variable puts emphasis on positioning by gender on products and services offered and does not indicate much differences in the growth of SMEs by gender. The contradiction between the studies may be explained by potential differences in business situations facing business owners targeting user positioning based on marketing activities and programs that are geared towards determining the target market’s perceptions, behavior and buying processes (Mohd, 2015).

Linear regression analysis showed that strategic positioning explained 81.5% of variability in the growth of SMEs ($R^2 = 0.815$) and statistically significantly predicted the growth of SMEs ($B= 0.264, p < .05$). The findings agree with a study by Robinson and Pearce (2015) which found that the activities of product innovation to meet changing customer needs, bridging market niche and emphasizing product quality are associated with growth of a business in market share, profitability and asset value increases by attracting new customers.
and retaining existing ones. On the other hand, individualized customer attention is extremely significant to small firms, especially during an economic turmoil (Thomason, 2013). The owner managers recognized the importance of building relationships through individualized customer attention and tapping into the market niche to enhance profitability and sales turnover. Business owners should ensure customer satisfaction. To remain competitive, business owners should pay close attention to the service component in a business’s operations (Cook, 2015).

5.3.2 Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises

The findings revealed that 48% and 25% of the respondents felt that creative and innovative competencies had influenced the growth of market share in their business moderately and extremely respectively. This finding agrees with the study by McClelland (2014) that conceptual competencies enable the entrepreneur to improve products and services in the operating enterprise and thereby gather a wide market segment.

Pearson Correlation test revealed that there was a statistically significant correlation between entrepreneurial competencies and the growth of SMEs at $r(264) = .84, p < .05$. The result confirm study findings by Kirzner (2014) that entrepreneurship competencies involves noticing new business ideas that nobody has noticed before. Entrepreneurs take advantage of latent new business opportunities; they create new entrepreneurial opportunities that other entrepreneurs can act upon. Entrepreneurial competencies are related with the performance of the firm and its competitiveness, interpersonal skills, leadership skills, customer relationship skills, financial management skills, creative and innovative skills, marketing and networking skills which are the most important determinants for the growth of small and medium sized enterprises (Meng & Liang, 2014).

The One Way ANOVA test revealed that there was a significant influence of entrepreneurial competencies on the growth of SMEs in terms of nature of business $F(2, 261) = 12.15, p < .05$. The findings are similar to the study by Gatner (2015) who established that strategic competencies enable the business owner to improve products and services in the operating enterprise and thereby growing the business in profitability, sales turnover and asset value. Kader (2014) agrees with these findings and states that entrepreneurial competencies enable the entrepreneur to foresee situations and events that can hinder abrupt losses. When unforeseen risks and situations are countered well, the
enterprise substantially improves its performance and substantially grows in terms of profit margin, sales turnover, market share and asset value and scales higher in the immediate business environment.

Linear regression analysis showed that entrepreneurial competencies explained 64.2% of variability in the growth of SMEs ($R^2 = 0.642$) and statistically significantly predicted the growth of SMEs ($B = 0.397, p < .05$). The findings are in support of the research by Chandler and Jansen (2013) who emphasize that the success of an SME depends mainly on the opportunity competencies of a business owner that involves assessing and seeking market opportunities. Business owners with opportunity competencies had effective usage of contacts and networks for both inside and outside of the firm to increase sales turnover of a business. These networks are important in creating a positive relationship that would grow the business in the long run. When networks are created, confidence in business activities and operations build up and this helps in fostering the growth of the enterprise. It improves sales strategies and profits such that the enterprise achieves its common goal (Henry, 2014).

5.3.3 Access to Finance and its Influence on the Growth of Small and Medium Enterprises

The results revealed that 23% and 61% of the respondents felt that collateral for long term credit very slightly and slightly influenced the growth of asset value in their business, respectively. The findings are in line with a study by Kiraka (2013) who found out that collateral requirements influence access to finance by SMEs pointing that houses, land and businesses are used as security and that financial institutions require SMEs to provide collateral in order to reduce moral hazard. It is evident that most SMEs are denied credit access and are discriminated by financial institutions in provision of financing because they do not have sufficient collateral. Most financial institutions like banks are very rigid and risk averse and therefore they avoid dealing with SMEs that appear to be risky and with no collateral or dependable track records. Banks ask for collaterals in order to finance SMEs and to accept loan proposal and the collateral must therefore be 100% or more equal to the amount of credit extension (Mughan, 2013).

Pearson Correlation test showed that there was a statistically significant positive correlation between access to finance and the growth of SMEs at $r(264) = .80, p < .05$. This is consistent with the findings by Stevenson and St-Onge (2015) that success of SMEs depends on ability to access finances in order to spur growth. The availability of appropriate financial
resources is important for business growth (Ronainen, 2013). This enables SMEs to secure the necessary expertise and raw materials to put entrepreneurial ideas into practice, to be competitive, to survive during unfavorable conditions and importantly to grow (Wickham, 2014).

The One Way ANOVA test revealed that there was a significant influence of access to finance on the growth of SMEs in terms of years of business operation $F(1, 262) = 5.16, p < .05$. The findings are similar to the study by Aikaeli (2014) that clearly points that high credit costs by banks hampers the ability of SMEs to grow in nature and operate as well as lack of audited financial statements by SMEs prevents the banks from assessing business viability and financing needs of SMEs. As a result, financial institutions fail to offer appropriate banking products to that matches the needs of SMEs. Financial institutions form the backbone of credit support needed not only by existing SMEs to grow but also for those budding entrepreneurs with innovative business ideas (Nieman, 2015).

Linear regression analysis showed that access to finance explained 62.6% of variability in the growth of SMEs ($R^2= 0.626$) and statistically significantly predicted the growth of SMEs ($B= 0.484, p < .05$). The World Bank’s most recent Global Financial Development Report (World Bank, 2015) were similar to the findings indicating that once again the high cost of credit and high interest rates in accessing finance are key impediments to firm growth in developing countries. Furthermore, inability to access medium to long term credit is a crucial challenge for those enterprises that wish to expand their activities and increase their profit margin, sales turnover, asset value and market share (Collins, 2014). Availability of finance determines the capacity of an enterprise in a number of ways, especially in the choice of technology, access to markets and access to essential resources which in turn greatly influence the viability and growth of a business (Wole, 2013).

5.4 Conclusions
The following conclusions were made from the discussion based on the major findings on the research questions.

5.4.1 Influence of Strategic Positioning on the Growth of Small and Medium Enterprises
Both correlation and regression analysis showed that there was a statistically significant positive relationship between strategic positioning and the growth of SMEs. Based on these findings, the study concludes that strategic positioning based on product innovation,
product promotion, market niche enables SMEs to grow in terms of profit margin, sales turnover, market share, number of employees and asset value while it is in operation.

5.4.2 Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises
Both correlation and regression analysis showed that there was a statistically significant positive relationship between entrepreneurial competencies and the growth of SMEs. In the SME sector, it is difficult to separate the owner manager from the business itself. The entrepreneurial competencies that were investigated were interpersonal skills, leadership skills, customer relationship skills, financial management skills, creative and innovative skills, marketing skills and networking skills. These skills influence the entrepreneur’s ability to manage a business effectively. Based on these findings, the study concludes that entrepreneurial competencies enables SMEs to grow in terms of profit margin, sales turnover, market share, number of employees and asset value while the business is operational.

5.4.3 Access to Finance and its Influence on the Growth of Small and Medium Enterprises
Both correlation and regression analysis revealed that there was a statistically significant positive relationship between access to finance the growth of SMEs in Kenya. A good number of SMEs are not aware about the funding programs and financial schemes provided by the government and the private sector to assist SMEs access credit. Financial institutions demand SMEs to provide collateral in order to reduce moral hazard; collateral creates disincentive to the SMEs to acquire bank financing and that SMEs are discriminated by banks due to high risks in lending to them. Therefore, the study concludes that access to finance function plays a critical role towards the growth of SMEs most especially flexibility in terms of credit access from financial institutions.

5.5 Recommendations
The following are recommendations for the factors influencing the growth of SMEs in Kenya.

5.5.1 Recommendations for Improvement
5.5.1.1 Influence of Strategic Positioning on the Growth of Small and Medium Enterprises
From the study, it is quite clear that SMEs have positioned themselves strategically to help themselves in offerings quality products and services from what the competitors are offering and also that firms have clear understanding of customer the need in offering individualized customer attention in order to increase sales turnover. The study recommends that the SMEs should establish a unique positioning strategy to tap into the market niche as well as identify alternative methods of promoting their products and services aggressively in order to grow and gain competitive advantage in the long run.

5.5.1.2 Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises
The study established that business owners require proper financial management skills in order to manage business transactions. Thus, the study recommends that owner managers of SMEs should focus on participating in enterprise development programs that will improve their skills and abilities in order for them to identify and tap into entrepreneurial opportunities that would ultimately lead to the growth of SMEs in Kenya. In addition, owner managers should invest their time by enrolling in part time learning institutions or register online financial course classes to learn the basic financial management skills. This will enable them to keep the business operations on the right track and also they will exhibit great competence in order to perform multiple roles effectively and as a result contribute immensely to the growth of the business in terms of profits and sales turnover.

5.5.1.3 Access to Finance and its Influence on the Growth of Small and Medium Enterprises
The study findings showed that in order for SMEs to access finance and grow, they must have proper audited financial statements, they need to have collateral in order to access credit from banks and they need to find sources of credible information that can convey information regarding funding opportunities. Therefore, the study recommends that owner managers of SMEs should be sensitized on how to access credit information through funding programs provided by financial institutions. It also recommends the need for government to develop policies which will be able to enhance credit guarantee services for SMEs to access financing in Kenya.

5.5.2 Recommendations for Further Studies
The study suggests that further research should be conducted to investigate the impact of government facilitation on financial market activities on the growth of SMEs in Kenya.
The study also suggests that further research should be conducted to investigate the impact of access to credit information on the growth of SMEs in Kenya other than Nairobi County. Lastly, the study suggests that research needs to be carried out on the impact of introduction of the devolved government funds on the growth of SMEs.
REFERENCES


APPENDICES

Appendix I: Cover Letter

Cynthia Mugure Mong’are
United States International University - Africa
P.O. Box 14634 - 00800
Nairobi, Kenya

Dear Respondent,

RE: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY

I am a Masters candidate in the Business Administration program at United States International University – Africa (USIU-A). I am conducting an Academic Research Project study titled; “Factors Influencing the Growth of Small and Medium Business Enterprises in Nairobi County”, in partial fulfilment of the requirement for the Degree of Masters in Business Administration (MBA) at the university.

You have been identified as one of the respondents because of the expertise you present. In this regard, I kindly request that you spend some of your valuable time (10-15 minutes) to complete this questionnaire to the best of your knowledge. The response of the questions therein and all the information provided will be used purely for academic research. Your responses will be treated with the confidentiality it deserves.

Results of the study are vital to current and future Small and Medium Enterprises, as well as business managers. To maintain anonymity, I request that you DO NOT write your names on the questionnaire. Thank you in advance for accepting to be a positive contributor to our society. Attached is a copy of the introduction letter from the Associate Deputy Vice Chancellor Academics-Research at USIU-A which certifies that I’m a student in the mentioned program. In case you may want a copy of this project report, kindly reach me via my contacts below. Thank you.

Yours sincerely,

Cynthia Mugure Mong’are

Phone- 0711866330
Email - cynthia.mugure@gmail.com
Appendix II: Questionnaire

SECTION 1: DEMOGRAPHIC INFORMATION

Kindly answer the following questions by providing a brief answer in spaces provided or ticking (√) in the boxes.

1. What is your gender?
   Male (  )    Female (  )

2. What is your age bracket?
   18 - 27 years (  )    28 – 37 years (  )
   38 - 45 years (  )    46 - 55 years (  )
   55 years and above (  )

3. What is your highest level of education qualification?
   Post-graduate (  )    Diploma/Certificate (  )
   Graduate (  )    Primary/Secondary (  )

4. What is the nature of your business?
   General Trade (  )    Manufacturing (  )
   Transport/Communication (  )    Hospitality (  )
   Professional and Technical (  )    Agriculture (  )
   Education/Health/Entertainment (  )

5. For how long have you been operating?
   Less than 1 year (  )    2 to 3 years (  )
   4 to 5 years (  )    5 years and above (  )
SECTION 2: INFLUENCE OF STRATEGIC POSITIONING ON THE GROWTH OF SMEs

Kindly indicate by ticking (√) the extent to which strategic positioning has influenced the growth of your business in the last 5 years. Use a scale of 1-5 where: 1 = Not at all (0% Growth), 2 = Very Slightly (1-5% Growth), 3 = Slightly (6-10% Growth), 4 = Moderately (11-20% Growth) and 5 = Extremely (More than 20% Growth).

<table>
<thead>
<tr>
<th>Influence of Strategic Positioning on the Growth of Small and Medium Enterprises (SMEs) (Growth Indicators: Profit Margin, Sales Turnover, Market Share, Asset Value)</th>
<th>Not at all</th>
<th>Very Slightly</th>
<th>Slightly</th>
<th>Moderately</th>
<th>Extremely</th>
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<td>6. Strategic positioning based on perceived product or service quality has influenced the growth of profit margin in my business</td>
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<td>7. Strategic positioning based on providing individualized customer attention has influenced the growth of sales turnover in my business</td>
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<td>8. Strategic positioning based on competitive pricing has influenced the growth of market share in my business</td>
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<td>9. Strategic positioning based on product innovation has influenced the growth of asset value in my business</td>
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<td>10. Strategic positioning based on product or service promotion has influenced the growth of sales turnover in my business</td>
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<td>11. Strategic positioning based on low cost production has influenced the growth of profit margin in my business</td>
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<td>12. Strategic positioning based on a segment of the market niche has influenced the growth of sales turnover in my business</td>
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SECTION 3: INFLUENCE OF ENTREPRENEURIAL COMPETENCIES ON THE GROWTH OF SMEs

Kindly indicate by ticking (√) the extent to which entrepreneurial competencies has influenced the growth of your business in the last 5 years. Use a scale of 1-5 where: 1 = Not at all (0% Growth), 2 = Very Slightly (1-5% Growth), 3 = Slightly (6-10% Growth), 4 = Moderately (11-20% Growth) and 5 = Extremely (More than 20% Growth).

<table>
<thead>
<tr>
<th>Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises (SMEs) (Growth Indicators: Profit Margin, Sales Turnover, Market Share, Asset Value, Number of Employees)</th>
<th>Not at all (1)</th>
<th>Very Slightly (2)</th>
<th>Slightly (3)</th>
<th>Moderately (4)</th>
<th>Extremely (5)</th>
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<tr>
<td>13. Lack of interpersonal skill competencies has influenced the growth of number of employees in my business</td>
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<td>14. Lack of leadership skill competencies has influenced the growth of number of employees in my business</td>
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<td>15. Lack of customer relationship skills has influenced the growth of sales turnover in my business</td>
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<td>16. Lack of adequate financial management skills has influenced the growth of asset value in my business</td>
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<td>17. Lack of creative and innovative competencies has influenced the growth of market share in my business</td>
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<td>18. Lack of adequate marketing skills has influenced the growth of sales turnover in my business</td>
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<td>19. Lack of networking skills has influenced the growth of profit margin in my business</td>
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SECTION 4: ACCESS TO FINANCE AND ITS INFLUENCE ON THE GROWTH OF SMEs

Kindly indicate by ticking (√) the extent to which access to finance has influenced the growth of your business in the last 5 years. Use a scale of 1-5 where: 1 = Not at all (0% Growth), 2 = Very Slightly (1-5% Growth), 3 = Slightly (6-10% Growth), 4 = Moderately (11-20% Growth) and 5 = Extremely (More than 20% Growth).

<table>
<thead>
<tr>
<th>Access to Finance and its influence on the Growth of Small and Medium Enterprises (SMEs) (Growth Indicators: Profit Margin, Sales Turnover, Mark Share Asset Value)</th>
<th>Not at all</th>
<th>Very Slightly</th>
<th>Slightly</th>
<th>Moderately</th>
<th>Extremely</th>
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<td>20. Flexible terms of credit from financial institutions has influenced the growth of sales turnover in my business</td>
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<td>21. High cost of credit from financial institutions has influenced the growth of profit margin in my business</td>
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<td>22. Lack of credit history for long term credit from financial institutions has influenced the growth of asset value in my business</td>
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<td>23. Lack or inadequate collateral for long term credit from financial institutions has influenced the growth of asset value in my business</td>
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<td>24. Lack of audited financial statements for long term credit from financial institutions has influenced the growth of profit margin in my business</td>
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<td>25. Access to long term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business</td>
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<td>26. Lack of awareness of funding opportunities for long term credit by financial institutions has influenced the growth of asset value in my business</td>
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‘THANK YOU FOR YOUR TIME’