EXTERNAL FACTORS THAT INFLUENCE GROWTH OF SMALL AND MEDIUM SIZED ENTERPRISES IN NAIROBI’S CBD AREA

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SPRING 2018
STUDENT 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 in Nairobi for academic credit.

Signed: ___________________________  Date: ______________________
Jemimah Vivi Muli (ID No 645428)

The project report has been presented for examination with my approval as the appointed Supervisor.

Signed: ___________________________  Date: ______________________
Prof. Paul Katuse

Signed: ___________________________  Date: ______________________
Dean, Chandaria School of Business
DEDICATION

This project is dedicated to my husband, our children, and my loving mother for their encouragement, support and care during my study period.
ACKNOWLEDGMENT

I give all the glory for the successful completion of this project to the almighty God for His guidance, strength and mercy. The professional input, the valuable guidance, humble approach and professionalism of Prof. Paul Katuse who has necessitated the successful completion of this project.
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ABSTRACT

The study has sought to External Factors That Influence Growth of Small and Medium Sized Enterprises in Nairobi’s CBD Area. The study was guided by the following specific objectives: to examine the extent to economic factors influencing the growth small firms in Nairobi CBD, government policy, influence the growth of small firms, physical infrastructure and development affects growth of small firms in Nairobi CBD.

The study adopted a descriptive research method in gathering, analyzing, interpretation, and presentation of information. The descriptive research design helped in focusing at the strength of relationship between external factors that influence business and growth. The study employed the use of questionnaires to obtain relevant information from respondents and it took a period of one month. The study focused on 100 Small and Medium Sized Enterprises in Nairobi’s CBD Area. Censes sampling technique was used to determine the sample size and collect data from the sample.

The data pertaining to profile of the respondents and the organizations was analyzed using content analysis. Quantitative data was also analyzed using content analysis while quantitative data was analyzed using descriptive statistics, which include frequencies, percentages, means cores and standard deviations. In order to establish the relationship between the independent and dependent variables, correlation and regression analysis will be applied. To ensure fruitful and successful data examination process, the data will be coded, organized and separated using backslide examination in the quantifiable package for human sciences (SPSS).

The study revealed that there is a positive relationship between economic factors, government policy and physical infrastructure, and the growth of SMEs in Nairobi CBD area. The research revealed that majority of the respondents agreed that these SMEs have been unable to manage their finances, inflation affect SMEs, foreign exchange rate fluctuations expose majority of the SMEs to foreign exchange risk, access to credit resources affect SMEs, interest rates affect SMEs, market access is essential to the success of SMEs. In addition, government SMEs Policy affect SMEs; taxation policy, government trade policy, county regulatory frameworks,
subsidy policy and finally government legal framework. The physical infrastructures also influence the growth of SMEs. Transport infrastructure, accessibility to the target market and suppliers, business location, labor costs on location and language factors all have an effect towards the growth of SMEs.

The study recommends that SMEs need to consider the various economic factors that influence growth such as interest rates, inflation as well as exchange rates. In this regard they need to develop strategies that will enable them to thrive in different economic environments. This will enable them to remain steadfast even in the event of changes in the economic conditions. In addition, SMEs need to invest more in human capital in terms of training and capacity building. This will go a long way in enhancing their competencies and thus improve on the performance of SMEs which will go a long way in enhancing growth of SMEs. The government ministries should also come up with easier ways of doing business in the country and especially so for SMEs. This includes loosening the requirements for certain policy requirements in order to facilitate growth of SMEs in Kenya.
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<td>CBD</td>
<td>Central Business District</td>
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<td>CBOs</td>
<td>Community based organizations</td>
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<td>EPZ</td>
<td>Export promotion council</td>
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<td>FGD</td>
<td>Focus group discussion</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GOK</td>
<td>Government of Kenya</td>
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<td>ICT</td>
<td>Information Communication Technology</td>
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<td>ISP</td>
<td>Internet service providers</td>
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<tr>
<td>KAM</td>
<td>Kenya Association of Manufacturers</td>
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<tr>
<td>KEBS</td>
<td>Kenya bureau of standards</td>
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<tr>
<td>KIPI</td>
<td>Kenya industrial property institute</td>
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<td>KIRDI</td>
<td>Kenya industrial research and development Institute</td>
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<td>KNBS</td>
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<td>KSH</td>
<td>Kenya Shillings</td>
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<tr>
<td>SMEs</td>
<td>Small and medium enterprises</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNEP</td>
<td>United Nations Environmental Programme</td>
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CHAPTER ONE

1.0 Introduction

1.1 Background of the Study

Petrakis and Kostis (2014) explore the role of interpersonal trust and knowledge in the number of small and medium enterprises. They conclude that knowledge positively affects the number of SMEs, which in turn, positively affects interpersonal trust. Note that the empirical results indicate that interpersonal trust does not affect the number of SMEs. Therefore, although knowledge development can reinforce SMEs, trust becomes widespread in a society when the number of SMEs is greater. It emerges as a critical avenue towards the development of several nation’s economies because it is a superb foundation of development of indigenous technology and local entrepreneur’s developer. Briefly, small businesses not only contribute considerably to upgraded living standards, generation of employment and poverty lessening but also in addition generates substantial domestic capital establishment and accomplish abundant altitudes of output and capability (Lowrie, Society for Mining, Metallurgy, & And Exploration, 2017).

SMEs are especially vital these days in any economy. They are the wellspring of a critical offer of occupation creation in any advanced economy. A substantial offer of the joblessness diminishment in numerous nations around the globe as of late has been because of SMEs. These organizations additionally contribute altogether to GDP development around the globe and guarantee that there is appropriate stream of cash over the economy. The government relies on SMEs to boost growth in their economies (McKee, 2016). This is true in Asian, African, US and several European countries. Given the above facts, SMEs need trustworthy logistics service providers to help them in their business. Freightarea.com is extremely helpful in this way by enabling the SMEs to be in touch with the relevant logistic service providers.

As indicated by Kastrati and Domadenik (2015), SMEs likewise charge bring down rates to their customers than a portion of the huge organizations and this enables the customers to profit by less expensive and consequently more beneficial arrangements. Freightarea.com
can enable SMEs to continue to charge lower rates as it puts them in contact with the most cost effective logistic service providers. SMEs additionally cook a ton to the government these days with regards to safeguard bargains and different supplies. The biggest advantage of SMEs is that it provides employment to a whole host of people, who have been unemployed.

SMEs will however thrive more when the economy does better as a whole. In case the economy is volatile, then SMEs face a risk of going under, as they all survive on a small budget. SMEs provide for boosting the level of economic growth in the country due to the extra revenue and employment that they generate. SMEs are also attractive for their clients as they provide special offers to encourage repeat business. These companies perform their activities at considerably reduced costs and so they are a very attractive way to outsource certain aspects of a company’s production process (Kastrati & Domadenik, 2015). Given that SMEs benefit from such outsourcing, it is imperative that they use the services of Freightarea.com to get hold of the best logistic services providers. This also allows other companies to have some extra capacity, which they can use to employ more workers and enhance the scale of their production. Thus, SMEs offer multiple advantages and are a great source of the growth of several countries around the world (McKee, 2016).

SME’s are much easier to describe than to define, further, there is no generally accepted operational or numerical definition of what constitute an SME. Countries and in many cases individual institutions within them have developed classifications and definitions that reflect the nature and compositions of that country’s settings. Definitions may also reflect the nature and context of the industrial sector or the market under consideration; for example, different criteria are being considered appropriate for firms engaged in manufacturing, construction, retailing hospitality and tourism, and professional services etc (Kastrati & Domadenik, 2015). The issue of small and micro enterprises definition and classification is a complex one and individuals should use their innate business and common sense to dictate suitable criteria that are helpful in a given sector or operating context.
According to Kioko (2016), The Small and Medium Enterprises are businesses in both the formal and informal sector employing between 1 – 50 workers. These enterprises cut across all sectors of employment and provide one of the most prolific sources of employment creation, income generation and poverty reduction and account for 80% of the total persons engaged in employment. Studies show that the sector’s contribution to the Gross Domestic Product (GDP) has increased from 13.8 per cent in 2013 to about 40 per cent in 2008. The numerous challenges posed by new market entrants, increased liberalization, increased standards requirements and technological advancements require SMEs to raise their efficiency levels, strengthen inter-firm linkages and respond timely to market dynamics in the business environment (McKee, 2016).

Additionally, greater integration into the global economy provides opportunities for SMEs to participate in the supply chains networks and international value chain. This will enable SMEs to move up the value chain and utilize new and useful technologies, particularly information and communication technology (ICT). Only SMEs that are capable of taking advantage of emerging technology and knowledge to develop value-added products of high quality will be able to compete with other firms globally (Kioko, 2016).

1.2 Problem Statement
Globally, small and medium firms with less than 250 workers account for nearly 80% of employment in the formal sector in low-income countries (Ayyagari, emirguc-Kunt and Maksimovic, 2011). When we look at micro and informal firms, the employment share of SMEs in developing countries rises to an estimated 90% of all workers. In Africa, firms with more than 100 workers employ about 50% of the labor force. Medium scale enterprises (20-99 workers) constitute the second leading employment category with about 27% of the labor force, and small firms employ a further 23%. However, consistent with the evidence for developing countries in general, small firms in Africa appear to create a disproportionate share of new jobs. In the African countries, about 47% of new jobs are created in firms with 5-19 workers (Page and Soderbom, 2014) The Micro, Small and Medium Enterprise industry has been for a long time the buzzword in the world economy. It still plays an important role in the provision of employment and contribution to the developed world’s Gross Domestic
Product (GDP).

Kenya, considered as a market economy, relies heavily on SMEs to provide the needed employment. Available estimates show that SMEs are a growing and vibrant stream with a lot of untapped potential and they employ about 7.5 million Kenyans or 80 per cent of the country’s total employment outside small-scale agriculture and contributes 20 per cent to the country GDP (Wandabusi, 2013). According to the KNBS Economic survey 2013, of all the 503,000 jobs created in 2012, 440,400 or 80.6 per cent were in the SMEs. In Kenya, over 60% of SMEs estimated to fail each year (KNBS, 2013).

The health of the economy as a whole has a strong relationship with the health and nature of SMEs. However, despite government efforts in Kenya to promote SMEs activity, not much progress seems to have achieved, judging by the performance of the informal sector. There is very little information on how the SMEs sector is structured. Despite their major contributions to the economy, many SMEs do not grow into large-scale enterprises to contribute to employment creation and economic growth. There is a gap on the literature on SME growth due to lack of information or interest and the number of studies of SME sector has not matched their economic development. It is important to note the lack of empirical studies related to a specific sector. Prior research focused on factors inhibiting SMEs growth in a general perspective. However, a study by Njoroge (2015), focused on the factors influencing the performance of small-scale horticulture farmers in Thika District.

This study seeks to investigate the factors that influence the growth of SMEs in order to develop an understanding of their dynamics for the development of support program and growth strategies and for the growth of the economy as a whole. The research will seek to answer the following research question; how do financial costs, production costs and production efficiency affect the growth of SMES? The information is crucial in the evolution of appropriate policies for promoting SMEs development and increasing the sector’s impact on poverty reduction.
1.3 General Objective
The general objective of this study was to determine the external factors that influence growth of small business firms in Nairobi’s CBD area.

1.4 Specific Objectives
1.4.1 To determine how economic factors influencing the growth small firms in Nairobi CBD
1.4.2 To determine the government policy’s influence to the growth of small firms in Nairobi CBD
1.4.3 To determine the extent to which physical infrastructure and development affects growth of small firms.

1.5 Justification of the Study
The study is likely to benefit the following participants:

1.5.1 Future Investigators
The study serves as a source of orientation material for future researchers. All the researchers who interested in studying micro, small and medium firms will find this project very helpful especially in reference to the literature review. The project will serve as a guide to those researchers aspiring to do research projects in United States International University as well as in other universities.

1.5.2 Proprietors as well as Customers
The study findings are likely to assist the owners of the businesses to be aware of various sources of firm’s failures and work on the gaps to enhance performance. Owners of businesses will use findings from this research to increase efficiency and more return on investment. As a result, more goods and services would be channeled into the market, and in the long run, consumes would have variety and more quality products.
1.5.3 Government and Policy Makers

The research project serves as a guide to the government administration to formulate and implement significant strategic decisions thereby creating a suitable environment for various entrepreneurs. Policy makers will gain a lot from the study recommendations and conclusions. They will be in a position to make better and informed policies relating to businesses especially small and medium firms. Such policies can be like those relating to financing of businesses. When the study has found out the possible problems hindering growth of small businesses, policy makers will have an easier task of formulating policies while referring to the study findings.

1.6 Scope of the Study

The study covers small business ventures in Nairobi CBD area in Kenya. The research investigates firms operating in the area comprised small and medium-sized businesses. This study’s main limitation was non-cooperation from the entrepreneurs and availability of data as the study relied mostly on primary data to get first-hand information on issues faced. The study intends to convince the targeted respondents of the importance of the study.

1.7 Definition of Terms

1.7.1 Gross Domestic Product

Gross domestic product is a term, which means total value of all the commodities as well as services produced in a country excluding the income received from abroad. It is a monetary measure of the value of all final goods and services produced in a period and accounts for final output or value added at each stage of production, but not total output or total sales along the entire production process (Rocha, 2014).

1.7.2 Small and Medium Enterprises

A business firm employing 5 to 50 people is classified as a small scale firm while that firm employing 51 -500 people is considered a medium scale (Kasekende & Opondo, 2013).
1.7.3 Economic Factors
These are all factors that relates to changes such as costs and prices of goods, interest rates, wage rates, exchange rates and the rate of inflation (Olawale et al. 2010).

1.7.4 Management Skills
This can be termed as the ability to make business decisions and lead subordinates within a company includes; human skills, technical skills and conceptual skills (Das, 2012).

1.7.5 Government Policy
This is a declaration of a government's political activities, plans and intentions relating to a concrete cause or, at the assumption of office, an entire legislative session (Jones, 2009).

1.7.6 Operating Environment
It is the conditions, entities, events, and factors surrounding an organization that influences its activities and choices, and determine its opportunities and risks. An entrepreneur needs to understand both the external and internal factors influencing each other and work together to impact on a business (Rahman, 2016).

1.7.7 Entrepreneurship
This is the managerial process for creating and managing innovations (Drucker, 2014)

1.8 Chapter Summary
The chapter has explained the background of small business venture in the world, Africa and in Kenya, giving details of the progress that is been witnessed overtime. It has outlined the reasons as to why the small business ventures sector is significant to developed countries and developing countries. The chapter extensively explained the justification of the study and scope. The chapter, in addition, has enumerated the general objective as well as the specific objectives guided the research study detailing the areas to focus. Further, the chapter defined complex terms for a better insight. The next chapter (two) of the research study will cover details of literature review followed by chapter three, will discuss research methodology. Chapter four covers the results and findings whereas chapter five will deliberate on discussions, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter provides the literature review on the external factors that affect the growth of small business firms in Nairobi CBD. The chapter is divided into different sections. The first section describes the effect economic factors. The next sections present a discussion on the government policy and the last objective will be physical infrastructure. Finally, it will end with a chapter summary.

2.2 Economic Factors Influencing Growth of SMEs

Economic factors are all factors that relate to changes such as costs and prices of goods, interest rates, wage rates, exchange rates and the rate of inflation, which affect the ability of businesses to generate profits and need close monitoring. Economic factors have a direct impact on the potential attractiveness of various strategies and consumption patterns in the economy. According to Ahmed (2012), the physical barriers constrain financial institutions to gather information on their prospective clients and once funds are advanced institutions get into difficulties to monitor its use.

Demand for a product establishes a market for it. If the demand is high, the market becomes vibrant. The converse also applies. A decline in demand may result to shrinking market. Demand for different products will affect other products depending on the nature of their relationship whether complimentary or substitute. If they are complimentary, then an increase in demand for one product will cause an increased demand for the other. If they are substitutes, an increase in demand for one causes a declined demand for the other. Tailoring business faces stiff competition from imported ready-made garments and second hand (mitumba) clothes, which are substitutes to it. A market like that of tailoring and dressmaking enterprises that is highly competitive besides being relatively small requires adequate marketing strategies for the firms to survive or grow (Ahmed, 2012).
2.2.1 Access to Credit and Financial Resources

All businesses require financial resources in order to start trading and to fund their operations and lack of access or availability of financial resources can be a constraint on business growth. Whether business owners can access adequate and appropriate finance to grow is a particular concern for policymakers (Olawale et al. 2010). According to Hassan and Mugambi (2013), firms may receive finances from internal or external sources for startup and expansion of operations. Internal sources are savings and retained profits while external sources are lending agencies like banks, friends, microfinance institutions, and government and non-government organizations.

Although the World Bank report (2017), indicated that bank financing to SMEs had no perceived significance in both developing and developed economies, lack of access to finance tends to constrain a business making it difficult for it to realize full potential growth but instead exert direct impact on the survival or exit from the market. ILO (2012), report indicated that SMEs sector expanded in the majority of countries throughout the world, which helped in the creation of markets and the quick adapting to the ever-changing needs of global consumers. However, the report stated that SMEs face severe competition as they had fewer resources than the larger global players and thus suffering under national and regional industrial and enterprise development policies that are not always supportive (Humprey, 2013).

Stevenson and St-Onge (2011), asserts that accessibility to initial capital, even when available, is also a major hurdle for women entrepreneurs. Microfinance institutions (MFIs) and commercial banks choose where they locate, thus excluding entrepreneurs in remote regions, leading to regional disparities. Financing in general but cash in particular are critical issues for growing businesses forming the primary resources from which other factor inputs are acquired. In addition, credit conditions when forming a group, paying membership fees, group registration fees and joining saving plans, result in delays in accessing initial capital, thereby worsening financial burden (International Labour Office, 2015).
The practice of credit rationing by financial institutions using interest has locked out poorest individuals as only large-scale borrowers who expect higher returns can bear the high cost of borrowing. Most individuals particularly with new start-ups rely on informal credit facility from buyers and sellers of consumer goods like shops and farmers, however, where there is no full information about the level of risk and credit worthiness of individual, access to credit facility from both formal and informal lenders is constrained. The limited access to credit is been attributed to factors such as lack of collateral, high-risk profile of SMEs, an oligopolistic banking sector and bias by commercial banks against the SMEs (Rossi, 2017).

Various studies affirm that banks in most African countries have made little effort to reach SMEs due to difficulties in administering loans particularly screening and monitoring small-scale borrowers, high cost of managing loans and high risk of default. However, many Monetary Financial Institutions have emerged to provide initial and working capital, relevance and cost-effectiveness is often inappropriate in satisfying the particular needs of potential and operating women entrepreneurs (Saint-Macary, 2014).

2.2.2 Inflation Rate

Anyanwu (2012), defined inflation as a state of affairs in which there is excess demand for commodities in the economy as a whole. This suggests that, the level of spending is being concentrated towards home produced goods, which can be attainable in the end, giving existing productive resources. Inflation reflects a situation where demand for goods and services exceeds their supply in the economy. Its causes triggered by the private sector and the government spending more than their revenue, or by short falls in output. Price increases triggered by increase in cost of production. For instance, increase in price of imported raw materials will cause inflation if not managed.

The effect of inflation on investment occurs directly and indirectly. It increases transaction and information, which directly inhibits economic development. For instance, when inflation makes nominal value uncertain, investment planning becomes difficult. Individuals may be reluctant to enter into contracts when inflation cannot be predicted making relative prices uncertain. This reluctant to enter into contracts over time will inhibit investment which will
affect economic growth. In this case, inflation will inhibit investment and could result in financial recession (Hellerstein, 2014).

Inflation rate has a significant influence on the growth of any business and more specifically SMEs which will affect the demand for financial services, goods and services and hence the growth of SMEs (Lazenby, 2017). Khan et al. (2012), high-sustained output growth in conjunction with low inflation rate is the central objective of macroeconomic policy. Thus affects business operations in both medium and long term growth such that inflation impedes efficient resource allocation by obscuring the signaling role of relative price changes that is an important guide to efficient economic decision making. Although inflation is inimical to growth, it readily follows that policymakers should aim at a low rate of inflation but the big question remains; how low should inflation be? In addition, more generally at what level of inflation does the relationship between inflation and growth of SMEs become negative? (Hansen et al. 2013). Moreover, Inflation adversely affects long-run growth of a business, even when the cash-in-advance constraint applies only to consumption with variability increase in the average growth through a precautionary savings motive of any business (Dotsey & Sarte, 2013).

2.2.3 Exchange Rate Fluctuation

Foreign exchange rate fluctuations always expose majority of the SMEs to foreign exchange risk. In addition, most of the economies are therefore becoming more and more open when it comes to international trading that is constantly growing and as a result, firms operating in such an environment become more exposed to foreign exchange rate fluctuations. Firms involved in international trade are subject to transaction risks arising from payables and receivables in foreign currencies. SMEs involved in international trade are also subject to transaction risks arising from payables and receivables in foreign currencies. In addition, multinational firms with operations in several countries will have transaction risks from having assets and liabilities denominated in foreign currencies (Turun ammattikorkeakoulu Amirkhani, Kianoosh, 2012). These fluctuations bring increased uncertainty to traders; this risk may influence the volume of international trade. Foreign exchange risk management is
thus crucial for companies frequently trading in the international market either as multinationals or simply involved in import and export trade.

Foreign exchange rates and inflation rates in Kenya over the last two decades have been volatile, which creates uncertainty in the investment market. Prediction of the future rates for these two variables is difficult in both the short and long run by the constant fluctuations causing uncertainty in the global investment market. This uncertainty implies that potential international businesses are exposed to exchange rate risk if they are to invest in Kenya (Cherop, Cosmas Kiplagat Changwony, Jeremiah Rotich, 2014).

High level of exchange rates tends to make financing expensive for small and micro enterprises. Where exchange rates are high, SMEs financing was high due to expensive loans advanced and high risk that the purchasing power of long-term fixed rate assets was eroded. GDP per capita which is the developmental stage of the economy is expected to have a positive relationship with SMEs financial performance, exchange rates negative while inflation negative effect on profitability in real terms. Underdeveloped countries have a volatile investment macroeconomic environment, domination of government in commercial activities, weak creditors’ rights, lack of transparency and poor corporate governance (Adelegan, Olatundun Janet, 2009).

In Kenya, there have been a number of studies carried out with a view of examining the nature of the relationship between exchange rate volatility and a number of variables in the economy. It has established that exchange rate movements have an effect on both the prices of imported finished goods as well as the costs of imported inputs, and this therefore influences indirectly those companies who are in competition with such firms. It has revealed that foreign exchange risk negatively influences performance of airlines in Kenya. He concluded that therefore, organization’s managers are focusing on the importance of risk management techniques to reduce variability of their cash flows from foreign operations due to the fluctuations in foreign exchange rates.
2.3 Government Policy and Growth of SMEs

From the above discussion, it is evident that for SMEs to grow, access to financial resources, managerial skills through education and training blended with accessing social networks are essential. To enhance the performance of Women led SMEs, the government of Kenya and other stakeholders should offer some interventions. Robson et al. (2000), argues that for much government policy research, as well as many management and economics sources growth, is measured in terms of increases in SMEs employment in these measures that has most relevance to many government policy makers since SMEs growth, seen as an important way of reducing unemployment. Whilst emphasizing that setting up and developing businesses results from the creativity, drive and commitment of individuals rather than government actions, the conditions that enable and or constrain the process are affected by the wider social, economic, political and institutional context over which the government has a major influence.

An economy with high political risk tends to discourage investment in its market, since political volatility hurts the profitability of an investment. War and political violence, including terrorist activities, can damage assets immediately and discourage the productivity of a host economy in the end. Political factors consist of laws, regulations and government policies that facilitate or hinder direct marketing (Wilkinson, McAlister and Widmier, 2007). Among the ways that governmental issues affect organizations are favorable circumstances, openings, then again commitments, and obligations. The political condition is included administration issues, vital arranging, adjusting and rebuilding, globalization, the formation of social capital and manageability laws. Government offices and campaigning bunches that weight or breaking point people and associations in the general public are likewise incorporated into the political condition.

2.3.1 Government policy on Taxation

The tax plays an important role in the growth of Small and Medium Enterprises (SMEs). In a low-income country like Kenya, the role of SMEs is critical in pushing the socioeconomic development agenda of the country further. Therefore, alignment of the tax system to the environment are specific to SME growth needs can be considered an important agenda for the
policy makers. Keeping this issue at focus, the study aimed to explore the managers/executive officer’s perception of tax-system effectiveness in promoting SMEs growth in the Country.

Tax collection approach affects business costs specifically, for instance, an expansion in company assess (on business benefits) has an indistinguishable impact from an ascent in costs. Undertakings can pass some of this assessment on to shoppers in higher costs, however it will likewise affect all that really matters. Different business charges incorporate VAT (esteem included duty). VAT go down the line to the end client yet the organization of the VAT framework is a cost for business. Some of the SMEs do not make high profits hence with high taxes in place they are unable to sustain themselves leading to their closure. Assessing the impact of tax systems on SMEs is not simply a matter of looking at tax rates. Tax systems play an important role in encouraging growth, investment and innovation and facilitating international trade and mobility. For SMEs, key considerations are to minimize administrative burden while ensuring compliance, including considering the drivers and impacts of operating in the informal economy.

Smallbone & Walter (2012), defines tax as a compulsory contribution from a person to the government to defining the expenses incurred in the common interest of all without reference to special benefits compared. Smallbone (2013), asserts that there are various types of taxes, which includes; income tax, corporation tax, sales tax, excise tax, custom duty, fees, prices, special assessments and Value added tax (VAT). The informal sector comprises of the micro and the small enterprises most of which are not well organized, they use labor-intensive technology and most of them are unregistered. Turnover tax targets traders, artisans and others working in market stalls, in residential houses or in open places.

Taxes are necessary for raising tax revenue to pay the public goods. Tax policy is concerned about the impact of taxes on economic efficiency, aggregate demand and income distribution. However, whenever there are taxes, there was tax evasion. However, tax policy cannot be solely or even primarily with minimizing evasion, the fact of evasion and its consequences, it alters the way in which taxes impact on economic efficiency and income distribution. Therefore, the informal economy needs to account for in predicting the impacts of tax changes (Sabatini, 2016).
The government levy taxes to accomplish the following purpose; raise revenue, maintain economic stability, solve unemployment problem, offer protection policy, social welfare and help achieve fair distribution of resources by optimally allocating resources and increase the rate of economic formula. Nevertheless, when imposing any tax, the following conditions and challenges must be fulfilled which includes; equality, certainty, convenience, economical, productivity, elasticity, flexibility, simplicity and durability and on the other side of challenge includes tax evasion and avoidance (Sabatini, 2016).

Taxation of SMEs faces several major policy challenges that include compliance costs of taxation, revenue cost, tax evasion, incorporation and definition of SMEs. Harris (1999), further argue that the SMEs management have inadequate training and business skills and have a high prevalence of unethical conduct. Registration practices are often unnecessarily bureaucratic and may involve multiple agencies, and multiple crosschecks; complex due to the different laws, norms, documents and forms required; expensive, and time consuming. Delays in business registration, which often involves multiple government institutions including the tax administration, can be a significant impediment to business formation and particularly harmful to the small entrepreneur with limited start-up cash reserves. In Australia and Canada, a business opened within 2-3 days, elsewhere; it can take over 100 days in others. For the SME operating with limited capital and professional support, such start-up delays and increased costs raise the risk of failure. Such a frustrating situation can lead to formation of SMEs without proper registration, avoid the detection by the tax collection agency, and become untraceable.

2.3.2 Government Trade Policy

Development experience suggests that a country’s trade policy has a great deal of influence on its competitiveness. The Kenyan government has signed numerous trade agreements with China since 2012. The agreements are to promote trade between the two countries. However, there is no doubt that the increasing penetration of Chinese and Indian businesses in African national markets has intensified competition (Conference, 2004). The competition generated by these businesses has not helped the private sector to be more internationally competitive. Globalization is here with us today. It entails the opening of new markets in keeping with the emerging principles of international trade, to allow the flow of goods and services between
countries (Schiffer & weder, 2012). This has essentially involved the removal of trade barriers to facilitate international trade. One of the aspects of globalization is the introduction of regional trade agreements and trade policies.

For most countries, lower prices heighten global competition but also allow importing cheaper and a wider set of inputs and consumer goods (Association of Manufacturers, 2017). Kenya and East Africa as a whole has had its share of being a destination of a large percentage of counterfeit goods including medicines mainly from Asia. According to the Kenya Association of Manufacturers, the intricate web of counterfeit that has pervaded all levels of the economy is a current issue that needs to be attended to promptly.

This line of thought applies to not only the drugs sector but to all small businesses. It stresses the importance of analyzing the effects of China goods in our markets and the unfair competition posed by the same. With a poorly functioning SMEs regulatory framework, the opening of these markets has introduced stiff competition to local producers who were hitherto protected. While this may be beneficial to the local consumer it is a disincentive to the local producer who has to contend with high production and processing costs. Finally, the dumping of subsidized goods into the local market stifles local production. There is need to create networks as a market access strategy for SMEs. Networks help to avail market information to SMEs through the network channels.

Despite existing policies on financial support for small businesses, very few entrepreneurs receive financial help when they need it. Rank (2010), find that 72 percent of entrepreneurs he studied in Nigeria considered lack of financial support as number one constraint in developing their businesses. Although in some African countries banks are by law required to set aside a certain percentage of their profits for small business loans, many banks would rather pay a fine than make what they believe to be a high risk loan to SMEs.

Physical infrastructure is required for economic development, such as good roads, ample power supply, and good rail and river transportation facilities, are in very poor shape in most African countries. In addition to the problems noted above, the information and communication infrastructure in most African countries are weak. Wanjohi (2008), find that access to information infrastructure is considered as an indispensable condition for
widespread socio-economic development in this age of globalization and information economy. SMEs and other small African firms have challenges to join international market and sell their products in their home market.

2.3.3 County Regulatory Framework

The current constitutional framework and the Small and Medium Enterprise (SME) Act 2012, provide a window of opportunity through which the evolution of SMEs can be fostered under the devolved governance system. However, the impact of devolution on SMEs development depends on the architecture of the regulatory and institutional framework inclined to support SMEs in an economy. The institutional frameworks proposed under the new SMEs Act are important developments that can lead to further evolution and success of SMEs in Kenya, if properly implemented. The authority is envisaged to focus on policy articulation, promotion, development and protection of SMEs. It is also expected to monitor the execution of the formulated policies and the effectiveness in their implementation (Mwobobia, 2012).

For devolution and SMEs to contribute to LED at the county level, there are core institutional and regulatory elements to be considered. The county system is governed by the current County Government Act enacted in 2012. The Act is expected to oversee the operation of the county system like enacting respective county legislations related to SMEs development through the county assemblies. The extent at which the new county system contributes to SMEs development in the respective counties depends on how best the current SMEs Act (2012) is restructured to factor in the administrative changes as outlined in the current administrative structure. There is thus need for each county to develop its SMEs policies based on the local needs and such policies should indicate how the institutional and regulatory framework will link up with the governance structure at the county level under the current constitution.

2.4 Physical Infrastructure and growth of SMEs

Physical infrastructure is the totality of basic physical facilities upon which all other economic activities in the system significantly depend. According to Hirschman (1958), infrastructures are those services without which primary, secondary and tertiary production activities cannot function. These infrastructures can be extended to include education, public health to
transportation, communication, power and water supply. Infrastructure therefore, can be seen as both a final good providing services directly to consumers and intermediate input that enter into the production function of other sectors and raises the productivity of the factors employed. The New Growth Theory (Endogenous Growth Model) developed by recognizes the influence of policy variables like infrastructure provision in production function. Infrastructure therefore, can serve as an externality variable that can facilitate the production function of private sector, thereby improving the efficiency of the factors of production and growth. Kessides (2013) argues that: infrastructure contributes to economic growth both through supply and demand channels by reducing cost of production, contributing to the application of modern technology, raising the economic returns of labour (by reducing workers’ time in non-productive activities or improving health). Infrastructure contributes to rising quality of life by creating amenities, providing consumption goods (transport and communication services) and contributing to macroeconomic stability and that Infrastructure does not create economic potential; only develops it where appropriate conditions (i.e. other inputs such as labour and private capital) exist.

2.4.1 Transport Infrastructure

Infrastructure contributes to economic development through the promotion of private sector development by increasing access to the factors of production, goods and market (Tsauni, 2006). By extension, an efficient transport network enhances the growth potential of a country and is liable system of energy generation and distribution brings modern technologies and processes to SMEs. In addition, infrastructure could enable SMEs to work cooperatively and achieve economies of scale, and ensure price and non-price competitiveness. High transport costs associated with movement of goods from the rural to urban areas in particular is becoming more vulnerable as fuel keep increasing. Furthermore, a dependable system of energy at an affordable price is essential to all economic activity and failure to provide accessible power sources is a constraint to production efficiency and competitiveness. Obadan (2004) submits that infrastructural deficiencies are the frequent complaints by all businesses in many countries, domestic and foreign owned firms, alike. It is noteworthy that power failure, transport costs and other infrastructural problems among SMEs poses the greatest difficulties
to continued business activity. Building physical and social infrastructures have become a cornerstone for business development.

The ballooning of SMEs in every sector of the economy has been indicative of investor’s interest in the Kenyan economy even as these small and medium enterprises struggle to fight to stay afloat. Two national baseline surveys that have been commissioned by the government to measure the growth of the SME sector identified that; SMEs in the informal sector had impressively grown from 900,000 enterprises providing jobs to 1.3 million Kenyans in 2013, to 1.3 million enterprises employing 2.3 million Kenyans in 1999. Recent studies however has put that figure at an all-time high with one study commissioned by the International Poverty Centre estimating that in 2016 small enterprises went up to 1.9 million and created 4.4 million workers. Experts have predicted that the figures will go even higher buoyed by investor confidence and a growing interest from various sectors to support the sector.

Already the Kenyan government has taken the driver’s seat in championing SME sector as key to shaping the Vision 2030 Kenyan dream. “SMEs are central in creating a balance between the needs of rural and other disadvantaged areas, where the majority of the poor live thus increasing competition and contributing to a more equitable distribution of income. The government guided by Sessional Paper No 2 of 2011 launched the 4k MSE 2030 initiative under the first five years 2017 to 2012 of Vision 2030. The Institutions that were to work under the 4K initiative include the Kenya Industrial Research and Development Institute (KIRDI), the Kenya Industrial Property Institute (KIPI), The Kenya Bureau of Standards (KEBS), and the Kenya National Federation of Jua Kali Association (KNFJKA).

The government also recently set aside Sh. 1 billion to be used in the creation of five small and medium enterprise industrial parks that are modeled along the Export Processing Zones and which are expected to create roughly 10 million jobs once set up. The decision to create the industrial parks was inspired by Cabinet’s approval to transform the country’s Export processing zones to all-inclusive Special Economic Zones, which are a step ahead of the EPZs. Special Economic Zones is a geographical region that has more liberal laws than the typical laws governing investment and trade, the purpose of which is to attract mostly foreign investors. The Special zones include an array of designated zones including free trade zones, industrial estates, export processing zones, free ports and enterprise zones. The zones put in
place necessary infrastructure and facility to ensure optimum performance of the enterprises which include being set up on the Nairobi Kampala railway, while getting rid of bureaucracy and stringent regulations that are characteristic of the current registration processes. The Micro and Small enterprises Bill awaiting discussion in parliament is another landmark attempt by the government to empower the SME sector to drive the process to the attainment of Vision 2030. The Bill targets businesses with an annual turnover of less than Ksh500,000 or companies that employ less than 10 people and manufacturing plants who have an investment and capital base of less than Ksh 10 million.

The bill seeks to create a department in the Ministry of Labour that will specifically be mandated with marketing goods and services of the SMEs to both the local and international markets. The department to be called “the National council for Small enterprises, will also be the link between government and the enterprises communicating government decision to the SMEs and voicing the concerns and needs of the SMEs to the government. The bill will also regulate the ever-burgeoning SME sector while ensuring that only the SMEs that meet the set guidelines are represented. It will establish a Credit Bureau where SMEs keen on expansion can access credit and financial services including free financial advice. This will consolidate the government’s efforts to reach the informal sector after having successfully implemented the Joint Loans Board Credit Scheme, a revolving credit fund which gives access to affordable credit SMEs. The scheme covers the whole country and has since 1954 extended over Ksh 600 million to over 40,000 SME owners. “There has been a lot of pressure for the government to pass the bill which has been sitting in parliament for the last ten years.

2.4.2 Human Resources

Very little attention is given to the human resources aspect of SMEs. This is evident by the fact that there always lacks a person responsible for human resources management, and if in the event that there is one, he or she is an external consultant. This therefore means that in most cases the entrepreneurs mainly manage employees unsystematically, and as such, it goes without saying that individual performances and knowledge are rarely measured using ad hoc systems. There is normally the absence of managerial skills meaning that managerial tools and techniques are considered largely to be of little benefit to the company.
Employee recruitment is considered to be among the biggest challenges that face small firms, however if well carried out, it turns out to be the best component of organizational success. In pasts studies staffing practices of small firms has found that small firms have relied heavily on social networks in order to bring on board workers, particularly at the inception of the firm. However, as SMEs grow in size they are likely to exhaust the supply of suitable family and friends, this therefore forces them to recruit strangers to fill work positions. Training for the informal sector should be fundamentally different from training in the formal sector as it is characterized by a very close link with production, a distinct target group approach and an unconventional delivery for immediate results (Peterman, 2013). This is also emphasized by the ILO (2001), that training for the informal sector should not be rigidly structured and examination-based long-term training provided in the past. There is more recognition on the part of the Government for the important role it plays in providing incomes and employment to large numbers of the population. Government policies have improved although their implementation and lack of analytical capacity have remained weak (Smallbone, 2012). This in turn makes it difficult to measure the impact of business skills education.

2.5 Chapter Summary
This chapter reviewed the relevant literature to establish the factors influencing growth of women led SMEs in Kenya. Covered in this section is the economic factor influencing growth of SMEs, managerial skills and government policy as factors influencing growth of SMEs in Kenya. The following section will talk about the examination philosophy, inquire about plan, the populace, test estimate, information accumulation instruments and strategies for information investigation that was utilized as a part of this investigation.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter examines the exploration approach that was connected in this investigation. It talks about the examination outline, the populace under investigation concentrating on the testing configuration, inspecting outline, testing strategy test measure for this investigation. The section additionally features the information gathering, inquire about strategies and information examination technique that will be utilized as a part of this investigation. A part rundown is given toward the finish of this section.

3.2 Research Design
Research design is the structure of an enquiry that is not related to any particular method of collecting data or any particular type of data. This exploration was receiving clear research outline, which is a logical technique that includes watching and portraying the conduct of a subject without affecting it in any capacity. It portrays a subject, frequently by making a profile of a gathering of issues, individuals or occasions, through accumulations of information and the arrangement of frequencies on inquire about factors and the examination uncovers who, what, when, where or the amount (Saunders & Mark, 2007). An overview in type of institutionalized inquiries in a survey was utilized to gather information and the examination was receiving a quantitative approach on concentrate the variables affecting authoritative learning.

3.3 Population and Sampling Design
3.3.1 Population
McCormick (1996) characterizes a populace as a total or totality of the considerable number of items, subjects or individuals that comply with an arrangement of details. A populace comprises of people who have certain qualities or an arrangement of highlights an examination looks to inspect and break down. The target population for this study comprised of 100 employees of small and medium sized business firms in Nairobi’s CBD area.
3.3.2 Sampling Design
As per Cooper and Schindler (2011) examining configuration is a piece of the exploration arrange for that demonstrates how cases are to be chosen for perception. The plan maps out the technique to be taken after to draw the examination's example. Pfeffermann and Rao (2011) demonstrates that it is a guide, that fills in as the reason for the determination of a review test and gives the essential arrangement and strategy for choosing the example (Pfeffermann and Rao, 2011). Examining configuration involves; a specimen outline, test method and test estimate.

3.3.3 Sampling Frame
Cooper and Schindler (2011) indicates that a sampling frame as a list of elements from which a sample is drawn and is closely related to the population under study. In this study, the sampling frame constitute of 100 employees of small and medium sized business firms in Nairobi’s CBD area in service industry.

3.3.4 Sampling Technique
An inspecting strategy includes the system of choosing a specimen from a populace. (Cooper and Schindler, 2011). This investigation will direct an enumeration on the objective populace since the populace under examination is little. Pfeffermann and Rao (2011) characterizes registration as a procedure where every one of the individuals from a populace being contemplated through an examination procedure are engaged with the information accumulation process. The census will be conducted on 100 employees of small and medium sized business firms in Nairobi’s CBD area.

3.3.5 Sample Size
The example estimate is a littler arrangement of the bigger populace (Cooper & Schindler, 2011). It must be precisely chosen to be an agent of the populace and the requirement for the specialist to guarantee that the subdivisions involved in the investigation are precisely provided food for. However, as mentioned earlier, this study was based on a census. For this case, the sample size was based on a census of 100 respondents. This sample size is believed to be large enough to provide the data required for this research.
3.4 Data Collection Methods

A questionnaire was used as the data collection method for this research. The questionnaires were used for the collection of data from the respondents and was entail both open and closed-ended questions. A questionnaire is defined as a formalized schedule or form, which contains an assembly of carefully, formulated questions for information gathering (Kothari, 2004). The survey was organized in three wide regions that incorporate general data of the respondents including; sex, age, no of experience working at the organization. The other three segments of the poll were founded on the particular targets of this exploration. The variables on the specific objectives of the study was measured in interval scales on a five-point Liker scale (1- representing strongly agree to 5– strongly disagree) to determine respondents’ agreement with the statements given based on the specific objectives of this research.

3.5 Research Procedures

A pilot test including 10 respondents was done to assess the fulfilment, exactness, precision and lucidity of the polls. This was guarantee the dependability of the information gathering instruments utilized. In view of the criticism from the three respondents, the essential changes if any was done on the poll and the last survey arranged for gathering of information. The researcher seeks for consent from the affirmation office of the association upheld by a basic letter from the college showing the reason for gathering the examination. Upon approval, the questionnaires were distributed to the respondents with the help of a research assistant. To help enhance the speed of data collection. The respondents were given two days to complete the questionnaire and a reminder sent via email to remind those who haven’t filled the questionnaires. The questionnaires were then collected after the two days and a sequential number given to each questionnaire.

3.6 Data Analysis

Information investigation strategies help to portray realities, identify designs, create clarifications, and test speculations. This examination being spellbinding was utilize enlightening insights which incorporates the numbers, tables, diagrams, and charts used to depict, arrange, abridge, and show crude information empowering the analyst to seriously portray dispersion of estimations (Cooper & Schindler, 2011). Factual Package for Social
Sciences (SPSS) programming was utilized to perform measurable investigation on quantitative information. Since the examination was distinct, illustrative measurements including mean, standard deviation and coefficient of variety and additionally utilization of inferential insights specifically, connection was utilized for this investigation to exhibit information. Regression analysis shown below, has also been used to analyse the data collected in order to know how the dependent variable interacts with the independent variables.

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 \]

The analyzed data will be presented in tables or charts for better interpretation.

### 3.7 Chapter Summary
This chapter shows the different techniques and structures the analyst used in the study so as to answer the particular destinations featured in the main section. The following chapters exhibit the finding of this study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This part introduces the dissected outcomes and discoveries of the investigation on the exploration questions concerning the information gathered from the respondents. The primary area covers the reaction rate. The second area is about the foundation data, which presents statistic introduction of the respondents. The other section deals with the objective questions as answered and the final section will discuss the summary of the whole chapter.

4.2 Background Information
This includes information on the respondent’s gender, age, number of years in the organization and the level of education. The information was vital with regards to the influence of growth of SMEs. From the data collected, the respond rate of male seemed to be higher than female by 54%.

4.2.1 Gender of the Respondents
Table 4.1 gives a rundown of the sex of the respondents as got in the reactions gave by the respondents. As showed in the table, dominant part of the respondents was male while the minorities were female. The table shows that 77 percent were female while the remaining 23 percent were male.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Female</td>
<td>23</td>
</tr>
<tr>
<td>Male</td>
<td>77</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>
4.2.2 Age Category

Table 4.2, provides the study findings with regards to the age of the respondents. The table reveals that majority of the respondents involved in the study are less than 50 years old with very few over 50 years old. Specifically, 12 percent of the respondents are below 30 years while 24 percent are between 31-40 years. 44 percent of the respondents are of the age 41-50 years as the remaining 20 percent are 50 years and above. This finding indicates that indeed, SMEs are run by fairly young Kenyans majority of whom are below the age of 50.

Table 4.2: Age Category

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Below 30 years</td>
<td>11</td>
</tr>
<tr>
<td>31-40 years</td>
<td>21</td>
</tr>
<tr>
<td>41-50 years</td>
<td>40</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>

4.2.3 Number of Years in the Organization

Table 4.3 reveals that 22 percent have been in the organization for less than 2 years, while 46 percent have been in the organization between 3-5 years while 44 percent for 6-10 years as the remaining 10 percent for more than 10 years.
Table 4.3: Number of Years in the Organization

<table>
<thead>
<tr>
<th>Number of Years in the Organization</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 2 years</td>
<td>20</td>
</tr>
<tr>
<td>3-5 years</td>
<td>41</td>
</tr>
<tr>
<td>6-10 years</td>
<td>20</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>

4.2.4 Level Education

Table 4.4 provides a summary of the highest level of education for the respondents. As indicated in the table, majority of the respondents had post-secondary level of education.

Specifically, 59 percent had diplomas, 50 percent had degrees, 15 percent had Masters Degrees while none had doctorates. This implies that most SMEs are owned and/or managed by individuals who do not have very high academic qualifications.

Table 4.4: Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Diploma</td>
<td>33</td>
</tr>
<tr>
<td>Degree</td>
<td>30</td>
</tr>
<tr>
<td>Masters</td>
<td>27</td>
</tr>
<tr>
<td>Doctorate</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>
4.3 Economic Factors Influencing Growth of SMEs

The first objective of the study was to examine what are the key economic factors influencing the growth of led small and medium enterprises in Kenya. The following subsection presents findings with regards to the various economic factors and how they affect growth of led SMEs in Kenya.

**Table 4.5: Model Summary of Economic Factors influencing Growth of SMEs**

<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>.606</td>
<td>.367</td>
<td>.361</td>
<td>1.52790</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Economic Factors

Table 4.5 shows that the R square value of the model was .367 indicating that 36.7 percent of the growth of SMEs is influenced by economic factors. The remaining 63.3 percent are as a result of other factors not considered and the error term. A value of 1.52790 for the standard error of the estimate indicates a 15.2790 percent deviation.

Table 4.6 reveals that there was a significant relationship between economic factors and growth of SMEs with the F value of 56.913 reflecting a significance level of 0.000, which in turn means that the test statistic is significant at that level.

**Table 4.6: ANOVA of Economic Factors influencing Growth of SMEs**

<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>132.861</td>
<td>1</td>
<td>132.861</td>
<td>56.913</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>228.779</td>
<td>88</td>
<td>2.334</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>361.640</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth
b. Predictors: (Constant), Economic Factors
The coefficients table 4.7 shows that there was a positive significant relationship between economic factors and growth of SMEs with a beta of .395 and a T-value of 7.544. The statement borrowers led SMEs have been unable to manage their finances had a beta of 0.544 showing a positive relationship. This was also the case for the following statements inflation affect SMEs (0.347), Accessibility to capital rate fluctuations expose majority of the SMEs to Changes in Basic Wage rates (0.551), access to credit resources affect SMEs (0.121), Interest rates affect SMEs (0.214), and finally Quick responses to customer demands is essential to the success of SMEs (0.606).

**Table 4.7: Coefficients of Economic Factors influencing Growth of SMEs**

<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></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.723</td>
<td>1.290</td>
<td>1.336</td>
<td>.185</td>
</tr>
<tr>
<td>Accessibility to capital exposes my business to better opportunities</td>
<td>.451</td>
<td>1.17</td>
<td>.544</td>
<td>3.512</td>
</tr>
<tr>
<td>Accessibility to capital has led to improved business performance</td>
<td>.501</td>
<td>1.08</td>
<td>.347</td>
<td>1.775</td>
</tr>
<tr>
<td>Accessibility to capital for my business is very challenging</td>
<td>.378</td>
<td>1.31</td>
<td>.551</td>
<td>2.698</td>
</tr>
<tr>
<td>SMEs have challenges with cash flow within the company</td>
<td>.433</td>
<td>1.35</td>
<td>.121</td>
<td>7.214</td>
</tr>
<tr>
<td>Changes in Basic Wage rates</td>
<td>.502</td>
<td>1.07</td>
<td>.214</td>
<td>6.002</td>
</tr>
<tr>
<td>Inflation</td>
<td>.395</td>
<td>.317</td>
<td>.606</td>
<td>7.544</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth.
4.4 Government Policy and Growth of SMEs

Finally, the study sought to examine how government policy affects growth of SMEs. Table 4.8 shows that the R square value of the model was .400 indicating that 40 percent of the growth of SMEs is influenced by government policy.

Table 4.8: Model Summary of Government Policy and Growth of SMEs

<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>.401a</td>
<td>.400</td>
<td>.031</td>
<td>1.88182</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Government Policy

Table 4.8 shows that the R square value of the model was .400. This implies that 40 percent of the growth of SMEs is influenced by Government policy. The remaining 60 percent are as a result of other factors not considered and the error term. A value of 1.88182 for the standard error of the estimate indicates a 18.8182 percent deviation.

Table 4.9 below, reveals that there was a significant relationship between government policy and growth of women led SMEs with the F value of 4.122 reflecting a significance level of 0.004, which in turn means that the test statistic is significant at that level.

Table 4.9: ANOVA of Government Policy and Growth of SMEs

<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>14.597</td>
<td>1</td>
<td>14.597</td>
<td>4.122</td>
<td>.004b</td>
</tr>
<tr>
<td>Residual</td>
<td>347.043</td>
<td>88</td>
<td>3.541</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>361.640</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth

b. Predictors: (Constant), Government Policy
The coefficients of table 4.10 below, shows that there was a positive significant relationship between government SMEs Policy affect SMEs 0.914, Complex tax systems affect SMEs 0.544, Government Trade Policy affect women led SMEs 0.142, County Regulatory Frameworks affect women led SMEs 0.287, Subsidy Policy affect women led SMEs 0.391, and finally information form governments on business opportunities to entrepreneurs affect SMEs 0.241.

Table 4.10: Coefficients of Government Policy and Growth of SMEs

<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></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.223</td>
<td>.963</td>
<td>.914</td>
<td>1.270</td>
</tr>
<tr>
<td>Government SMEs Policy affect</td>
<td>.626</td>
<td>.778</td>
<td>.914</td>
<td>-2.090</td>
</tr>
<tr>
<td>Taxation Policy</td>
<td>.903</td>
<td>.766</td>
<td>.544</td>
<td>1.180</td>
</tr>
<tr>
<td>Government Trade</td>
<td>.233</td>
<td>.384</td>
<td>.142</td>
<td>.607</td>
</tr>
<tr>
<td>County Regulatory Frameworks</td>
<td>.233</td>
<td>.384</td>
<td>.142</td>
<td>.607</td>
</tr>
<tr>
<td>Subsidy Policy</td>
<td>.505</td>
<td>1.130</td>
<td>.287</td>
<td>.447</td>
</tr>
<tr>
<td>governments on business opportunities to entrepreneurs</td>
<td>.449</td>
<td>.150</td>
<td>.391</td>
<td>2.983</td>
</tr>
<tr>
<td></td>
<td>.274</td>
<td>.147</td>
<td>.241</td>
<td>1.858</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth

4.5 Physical Infrastructure

The study further sought to examine how physical infrastructure affect growth SMEs in Kenya. Table 4.11 shows that the R square value of the model was .516 indicating that 51.6 percent of the growth of SMEs is influenced by physical infrastructure.
Table 4.11: Model Summary of physical infrastructure and Growth of SMEs

<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>.719(^a)</td>
<td>.516</td>
<td>.511</td>
<td>1.33596</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Management Skills

Table 4.11 above, shows that the R square value of the model was .516. This implies that 51.6 percent of the growth of SMEs is influenced by physical infrastructure. The remaining 48.4 percent are as a result of other factors not considered and the error term. A value of 1.33596 for the standard error of the estimate indicates a 13.3596 percent deviation.

Table 4.12 below, reveals that there was a significant relationship between physical infrastructure and growth of SMEs with the F value of 104.624 reflecting a significance level of 0.000, which in turn means that the statistic is significant at that level.

Table 4.12: ANOVA of physical infrastructure and Growth of SMEs

<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>186.731</td>
<td>1</td>
<td>186.731</td>
<td>104.624</td>
<td>.000(^b)</td>
</tr>
<tr>
<td>Residual</td>
<td>174.909</td>
<td>88</td>
<td>1.785</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>361.640</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth

b. Predictors: (Constant), Management Skills

The coefficients table 4.13 below shows that there was a positive significant relationship between accessibility of the business location to the customer’s base and growth SMEs is 0.118. Efficient accessibility for future clients was 0.460, Costs of moving to business location 0.203, Costs of establishing their business in the location 0.330, Labor costs on location 0.574 and finally Transport costs on location was 0.340.
Table 4.13: Coefficients of Physical infrastructure and Growth of SMEs

<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></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Accessibility of the business location to</td>
<td>4.185</td>
<td>.991</td>
<td>.143</td>
<td>4.221</td>
</tr>
<tr>
<td>the customer’s base</td>
<td>.143</td>
<td>.111</td>
<td>.118</td>
<td>1.282</td>
</tr>
<tr>
<td>Efficient accessibility for future clients</td>
<td>.969</td>
<td>.247</td>
<td>.460</td>
<td>3.914</td>
</tr>
<tr>
<td>Costs of moving to business location</td>
<td>.165</td>
<td>.094</td>
<td>.203</td>
<td>1.762</td>
</tr>
<tr>
<td>Costs of establishing their business in the location</td>
<td>.544</td>
<td>.340</td>
<td>.330</td>
<td>1.602</td>
</tr>
<tr>
<td>Labour costs on location</td>
<td>.420</td>
<td>.382</td>
<td>.574</td>
<td>2.668</td>
</tr>
<tr>
<td>Transport costs on location</td>
<td>.564</td>
<td>.312</td>
<td>.340</td>
<td>1.808</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth

4.6 Qualitative Analysis

Subjective information uncovered that there were different elements that influence the development of SMEs which were excluded in the survey. For instance, one of the respondents expressed that "In our association we are constantly taken through limit building preparing once in a year". Another respondent expressed that there are refresher classes for PC aptitudes in their association lastly, one more respondent included that information administration and association learning was additionally a critical factor on the development of SMEs in Kenya. This implies there was an accentuation on different aptitudes which are thought to be key fixings to the development of SMEs in Kenya.
4.7 Chapter Summary

This chapter detailed a summary of findings with regards to the four objectives of the study. The next chapter will look at a summary of the findings, as well as discussions, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter comprises of four segments, specifically synopsis, talk, conclusions, and proposals. The primary segment gives an outline of the essential components of the examination, which incorporates the investigation targets, approach and the discoveries. The second area examines the real discoveries of the examination about the particular destinations. The third area talks about the conclusions in light of the particular goals, while utilizing the discoveries and results, which are gotten in the fourth section.

5.2 Summary of the Study
The purpose of this study was to investigate External factors that impact development of little and medium measured ventures in Nairobi’s CBD region. The investigation guided by the accompanying examination questions: What are the key financial variables, government arrangement and physical foundation affecting little and medium ventures in Nairobi?

The examination received an illustrative outline with an objective populace of 100 respondents. The non-likelihood examining as irregular testing was utilized to distinguish the respondents. The gathering of information was finished utilizing polls and the examination was done through graphic insights to have the capacity to reach inferences. The exploration system started with a pilot overview, this distinguished the poll's reasonableness as far as capacity to answer the current inquiries and meet my general goal. Alterations and suggestions from the pilot review were then joined to concoct a last survey. The procedure of information gathering was upgraded by the utilization of research collaborators (RAs) drawn from business class and prepared on the utilization of the examination devices. Information coding was done at that point took after by information introduction by means of tables and, figures. Relapse information investigation procedure was additionally received in the exploration.

The examination uncovered that dominant part of the respondents concurred that borrowers in SMEs have been not able deal with their funds, expansion influence SMEs, remote conversion
scale variances uncover lion's share of the SMEs to chance, access to credit assets influence SMEs, loan costs, advertise get to is basic to the achievement of SMEs in Nairobi CBD.

The examination additionally uncovered that lion's share of the respondents concurred that administration arrangements influence SMEs, this incorporate Complex duty frameworks, Low level of trust in the court framework to implement claims, need to pay critical fixes for access to essential open administrations lastly the fundamental business foundation very influence SMEs operation in the CBD.

The last goal was physical framework, Accessibility of the business area to the client's base, proficient openness for future customers, Costs of building up their business in the area, Labor costs on area, Transport costs on area, Proximity to providers, Workforce disturbance on area and Language factors influence SMEs.

5.3 Discussion
5.3.1 Economic Factors and Growth of SMEs

The investigation uncovered that larger part of the respondents concurred that borrowers in SMEs have been not able deal with their accounts. The swelling likewise influence SMEs and remote conversion scale changes uncover larger part of the SMEs to outside trade chance, access to credit assets influence SMEs, loan fees influence ladies drove SMEs, showcase get to is basic to the accomplishment of ladies drove SMEs.

Hitt (2016), affirms that among the purposes behind absence of access to credit from banks by SMEs in Sub-Saharan Africa incorporates; powerlessness of borrowers to give exact data on their budgetary status, nonattendance of dependable and refreshed organization and land registries, frail case recuperation and security acknowledgment process, for example, failing courts and unwieldy lawful legal techniques. Ngugi (2013), affirms that, for Kenyan SME's, the formal keeping money framework is excessively costly and badly arranged. Further, Smit (2017) found that while banks considers SMEs with no exchange history are excessively dangerous in light of the fact that their capacity, making it impossible to reimburse credits isn't yet knowing. These unbanked SMEs may likewise not have security to get to formal credit. Likewise, these unbanked SMEs won't not have the right stuff to maintain the business and
legitimate booking keeping methodology, stock framework, strategies for success or pay explanations making it difficult for a bank to assess them.

The discoveries additionally confirm that swelling rate impacts the development of any business and more particular SMEs which will influence the interest for monetary administrations, products and enterprises and consequently the development of SMEs. As per Khan et al. (2012), high-maintained yield development in conjunction with low expansion rate is the focal target of macroeconomic strategy. Consequently, influences business operations in both medium and long haul development with the end goal that swelling hinders effective asset designation by clouding the flagging part of relative value changes, which is an imperative manual for proficient financial basic leadership. Despite the fact that expansion is hostile to development, it promptly takes after that policymakers should go for a low rate of swelling yet the unavoidable issue remains; how low should swelling be? Also, more for the most part at what level of expansion does the connection amongst swelling and development of SMEs wind up noticeably negative? (Hansen et al., 2000). In addition, Inflation unfavorably influences long-run development of a business, notwithstanding when the trade out propel imperative applies just to utilization with fluctuation increment in the normal development through a preparatory investment funds intention of any business (Dotsey & Sarte, 2000).

In a similar respect, the discoveries concur with an investigation by Irene (2011) that took a gander at the impact of the forex advertise in the aircraft business in Kenya. It was set up that conversion standard developments affect both the costs of imported completed merchandise and additionally the expenses of imported sources of info, and this in this manner impacts in a roundabout way those organizations who are in rivalry with such firms. It was uncovered that outside trade hazard adversely impacts execution of carriers in Kenya. Bowen et al. (2009), additionally did an investigation trying to know how fabricating organizations are influenced by forex unpredictability. He inferred that along these lines, associations chiefs are concentrating on the significance of hazard administration methods to diminish changeability of their money streams from remote operations because of the vacillations in outside trade rates.

Past research led here of study has shown that fare movement is for sure connected to fast development of ventures. This despite notwithstanding, there are various types of global
exchange that are probably going to shape boundaries in themselves. For example, regardless of the few advantages that capable exchange offers to taking an interest firms and countries, obviously it can be an obstruction to business sectors and, specifically, may influence lopsidedly on SMEs. It is further contended that if 'capable exchange measures turn out to be obviously protectionist or just confounded, at that point it's implied that they are probably going to keep building up nation's SMEs from picking up the market get to so vital to their development and commitment to financial improvement and neediness diminishment.

5.3.2 Government Policy and Growth of SMEs

The study revealed that majority part of the respondents concurred that administration SMEs Policy influence SMEs, tax collection arrangement influence SMEs, government exchange approach influence SMEs, lastly government legitimate structure influence SMEs.

The discoveries assert that for SMEs to develop, access to monetary assets, administrative aptitudes through instruction and preparing mixed with getting to interpersonal organizations are basic. To improve the execution of SMEs, the administration of Kenya and different partners should offer a few mediations. Robson et al. (2000), contends that for much government arrangement explore, and additionally numerous administration and financial aspects sources, development is measured as far as increments in SMEs work in these measures, which has most pertinence to numerous administration approach creators since SMEs development has been viewed as a critical method for diminishing joblessness. While underscoring that setting up and creating organizations comes about because of the imagination, drive and duty of people instead of due to government activities, the conditions that empower and additionally compel the procedure are influenced by the more extensive social, financial, political and institutional setting over which the administration has a noteworthy impact.

The discoveries likewise certify that the tax assessment of SMEs faces a few noteworthy approach challenges. The first concerns consistence expenses of tax collection. Existing experimental confirmation unmistakably demonstrates that these costs, when scaled by deals or resources, the consistence expenses of SMEs are higher than for extensive organizations,
influence the little and medium estimated organizations. Given that little new businesses and research situated SMEs are as vital elements for monetary development, impose consistence cost may back off the economy. No less than two arrangement reactions to the issue of consistence costs are possible. Governments could attempt to streamline assess organization for organizations. In the meantime, exceptional reactions focused at SMEs are possible. For instance, a generally watched measure to lessen the cost for private companies are exclusion edges underestimate included tax assessment.

At long last the discoveries concur with Ong'olo and Awino (2013), who examined the present and past administrative and structure slanted to SMEs, the institutional and administrative difficulties confronting the SMEs at province levels, and the instruments or channels through which the new reverted government will add to creative and esteem option exercises at the district level. The examination discoveries portray different administrative difficulties confronting the SMEs in Kenya. These incorporate poor coordination of the SMEs Activities; Inadequate Private and Public Dialog at the; Poor authorization of Regulatory enactments; and Knowledge Gap on National and County Policies Interface. Given the current improvements in the Kenya's institutional and administrative system, it is basic to assess the administrative and institutional structure for SMEs.

5.3.3 Physical Infrastructure and Growth of SMEs

On the physical foundation, the respondents showed that physical framework had no impact over the business endeavor. Physical foundation influenced the business venture to a little degree. These discoveries are in logical inconsistency with the discoveries of Ong'olo and Awino (2013) who contended that foundations are those administrations without which essential, auxiliary and tertiary creation exercises can't work and these frameworks can stretch out to incorporate instruction, general wellbeing to transportation, correspondence, power and water supply.

, sets that foundation adds to financial development both through free market activity channels by diminishing expense of creation, adding to the use of present day innovation, raising the monetary returns of work (by lessening workers”” time in non-beneficial exercises or enhancing
wellbeing). Foundation adds to rising personal satisfaction by making comforts, giving utilization merchandise (transport and correspondence administrations) and adding to macroeconomic strength and that Infrastructure does not make financial potential; just creates it where suitable conditions (i.e. different information sources, for example, work and private capital) exist.

The cost of transport as per the discoveries influences the execution of SMEs paying little heed to whether the business is little or medium. This is bolstered by the way that a large portion of the respondents utilized street transport rather than rail. A huge part of the respondents grumbled of regular increments in the contracting transport costs as the vast majority of them utilized procured implies. Conveyance time likewise influenced their organizations. (Certain seasons of the day and furthermore the time length taken to convey a given thing/products). Additionally, the consequences of the examination are likewise in concurrence with the World Bank report which watches that, the poor condition of the street organize adds to the cost of creation and promoting of products and ventures, along these lines rendering them less aggressive.

It has also been found out that restricted access to business sectors remains an extreme limitation to SME development and intensity in Kenya inferable from a contracting residential market because of globalization Kessides (2013). Constrained access to showcase data makes SMEs less mindful of chances in the showcase. General total interest for the division's items is low and markets are immersed because of overproduction and dumping of shabby imports. Markets do not work well due to inadequate data, high exchange expenses and firm rivalry for comparative items. High exchange costs are because of market wasteful aspects and data asymmetry. SMEs confront troubles getting to business sectors because of constrained advertise data, poor showcasing limit and poor statistical surveying prompting an inconsistency between the free market activity Ong'olo and Awino (2013).

5.4 Conclusion
In conclusion, we have seen that the factors explored, that is, economic factors, government factors and physical infrastructure factors influence the growth of SMEs.
5.4.1 Economic Factors and Growth of SMEs

The study concludes that economic factors affect the growth of women led SMEs. Additionally, the study concludes that borrowers in women led SMEs have been unable to manage their finances, inflation affect women led SMEs, foreign exchange rate fluctuations expose majority of the SMEs to foreign exchange risk, access to credit resources affect women led SMEs, interest rates affect women led SMEs, market access is essential to the success of women led SMEs.

5.4.2 Government Policy and Growth of SMEs

The study concludes that government policies affect growth of SMEs. The study further concludes that government SMEs policies affect SMEs, taxation policy affect SMEs, and government trade policies affect SMEs.

5.4.3 Physical Infrastructure and Growth of SMEs

The study concludes that physical infrastructures influence the growth of SMEs. Transport infrastructure, accessibility to the target market and suppliers, business location, labor costs on location and language factors all have an effect towards the growth of SMEs.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Economic Factors and Growth of SMEs

The study recommends that SMEs need to consider the various economic factors that influence growth such as interest rates, inflation as well as exchange rates. In this regard, they need to develop strategies that will enable them to thrive in different economic environments. This will enable them to remain steadfast even in the event of changes in the economic conditions.
5.5.1.2 Government Policy and Growth of SMEs

The study recommends the need for government ministries to come up with easier ways of doing business in the country and especially so for SMEs. This includes loosening the requirements policy requirements in order to facilitate growth of SMEs in Kenya.

5.5.1.3 Physical Infrastructure and Growth of SMEs

The study further found out that the registration process and policies affected SME growth and that licensing was very challenging it therefore recommends that the government should come up with easy procedures in registration process and licensing of the SMEs.

5.5.2 Recommendations for Further Studies

The researcher recommends that since the SME sector is still likely to experience growth, there is need to enhance creativity and innovation as a tool of not only facilitating competitive advantage and profitability but also streamlining the sector to suit into the millennium development goals. In this regard therefore, the researcher recommends that there is need to have additional studies conducted in this area as it was superficially discussed in this paper.
References


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APPENDIX I: QUESTIONNAIRE

This questionnaire has been designed to collect information from the Small and Medium Enterprises in the in Nairobi CBD. The information is meant for academic purposes only. The questionnaire is divided into three sections. Section I seeks to capture the profile of respondents while section II will capture issues pertaining to the area of study. Please complete each section as instructed. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire will be treated in confidence.

SECTION I: BACKGROUND INFORMATION

Information on the business

1. Name of business (optional) _____________________________________________

2. Is your business registered?
   (a) Yes    (b) No

3. How long has your business been in existence?
   (a) Less than 1 year
   (b) 1 – 5 years
   (c) 6 – 10 years
   (d) 11 – 15 years
   (e) 16 years and above

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

5. Indicate your age group (Please tick as appropriate)
   (a) 18 – 27 years
   (b) 28 - 37 years
   (c) 38 - 45 years
   (d) 46 – 55 years
   (e) 56 years and above

6. Indicate your highest academic qualification?
   (a) Primary education
   (b) Secondary education
   (c) College education
   (d) University education
   (e) Any other please specify…………………………

6. For how long have you worked in the organization? (Please tick as appropriate)
   (a) Less than 2 years
   (b) 2 to 4 years
   (c) 4 to 6 years
   (d) 6 years and above
SECTION II: ECONOMIC FACTORS

On a rate of five point’s scale: (1) Highly Disagree, (2) Disagree (3) Neutral, (4) Agree and (5) Highly Agree; indicate the degree of your agreement and disagreement of the economic factors influencing the growth of small firms.

<table>
<thead>
<tr>
<th>Economic Factor</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessibility to capital exposes my business to better opportunities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Accessibility to capital has led to improved business performance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Accessibility to capital for my business is very challenging</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SMEs have challenges with cash flow within the company</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The rate of Inflation has affected the business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Accessibility Loans to expand the business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Quick responses to customer demands</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Bringing together different types of research and utilizing this knowledge to design new products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
SECTION III: GOVERNMENT POLICY

On a rate of five point’s scale: (1) Highly Disagree, (2) Disagree (3) Neutral, (4) Agree and (5) Highly Agree; indicate the degree of your agreement and disagreement of the effect of government policy influence the growth of small firms.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex tax systems</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Low level of trust in the court system to enforce claims,</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Need to pay significant bribes for access to basic public services.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Low levels of information form governments on business opportunities to entrepreneurs</td>
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SECTION IV: PHYSICAL INFRASTRUCTURE

On a rate of five point’s scale: (1) Highly Disagree, (2) Disagree (3) Neutral, (4) Agree and (5) Highly Agree; indicate the degree of your agreement and disagreement of the extent to which physical infrastructure and development affects growth of small firms.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tr>
<td>Accessibility of the business location to the customer’s base</td>
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<td>Efficient accessibility for future clients</td>
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<td>Costs of establishing their business in the location</td>
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<td>Labour costs on location</td>
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<tr>
<td>Transport costs on location</td>
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<td>Proximity to suppliers</td>
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<td>Workforce disruption on location</td>
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<td>Language factors</td>
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