EFFECT OF CHINESE FIRMS ON LOCAL FIRMS IN NAIROBI, KENYA

BY

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STUDENT’S DECLARATION

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

Signature………………………….. Date……………………………………

Farhiya Yussuf Ibrahim (640003)

This research is submitted for examination with my approval as university supervisor.

Signature…………………………….. Date……………………………………

PROF. TIMOTHY OKECH

Signature…………………………….. Date……………………………………

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ACKNOWLEDGEMENT

I would like to begin by giving thanks to Allah for the strength, courage, and guidance He has offered me during the process of preparing my project for my graduate studies. I also give appreciation and acknowledgment to my great family for the unconditional support they offered me, and to Prof. Timothy Okech for her patience, direction and motivation that she accorded me in writing up this research. May Allah bless her abundantly.
DEDICATION
I would like to dedicate this project to my loving husband Samir for the sacrifice, motivation, and support in this MOD program, without him this research would not have been probable.
ABSTRACT
The search objective of this study was to establish the effect of Chinese firms on local firms in Nairobi, Kenya. The research was guided by the following specific objectives: to determine the economic impact of Chinese firms on the local firms in Nairobi, Kenya; to assess the socio-cultural effect of Chinese firms on the local firms in Nairobi, Kenya; and to determine the technological impact of Chinese Firms on the local firms in Nairobi, Kenya.

A descriptive research was used. The target population of this study were managers in the 46 Construction firms in Nairobi, County. The data obtained was analyzed via statistical Package for Social Sciences (SPSS) and excel. The quantitative data obtained was examined, and the findings presented in percentages, means, standard deviations, and frequencies. A regression analysis was utilized to investigate the relationship between the dependent and independent variables. The researcher distributed 46 questionnaires, 35 of them were filled and returned, making 76 percent of the response rate.

The first objective revealed that there was an economic impact on the local firms by the Chinese firms. The economic variables affected were sale fluctuation as a result of Chinese goods in the market, operating costs increased as a result of Chinese firms’ presence and increase marketing and advertising costs on local firms. There was also an increase in price fluctuation, change in customer preferences, increase in costs, reduction in tariffs, reduction in the contribution, increase in loan interest and tax rates. The second objective revealed that there was social cultural impact by the Chinese firms. The variables affected were increase in development assistance by China and the introduction of unfair government regulations and policies. There was increase in better healthcare, partnerships, cultural exchange programs and increase in corporate social responsibility as result of Chinese presence in Kenya. The third objective revealed that there was technological impact of Chinese firms that included an increase in Research and Development Costs and new technologies ideas in the Kenyan Market, increase in technological products in the market, increase in counterfeit opposite
technology, faster technology and increase in labor costs all attributable to presence of Chinese firms in Kenya.

The study concludes that with regards to social cultural effect, Chinese firms in Kenya should pay attention to social-cultural factors which is evident that it increases the labor force and help in development of skilled personnel. The study concluded that that there was a huge economic impact of Chinese firms on the local Firms especially in terms of sales fluctuation and increase in operating costs. The study also concluded that there was technological impact of Chinese firms on the local firms especially in terms of increase in Research and Development Costs and increase of new technologies and ideas in the Kenyan Market.

The study recommends that with regards to social cultural effect, all business should move quickly to instill a ‘founder’s mentality’ into their business and culture. The study also with regards to macro and micro economic impact recommends that the government should formulate strict rules to govern unfair competition as a result of Chinese firms in Kenya. With respect to economic impact the government should be agile and flexible enough to change business models by empowering local firms a lot more and allowing them to act like entrepreneurs. With regards to technology the government should also encourage exchange programs aimed at enhancing the local firms’ technological know-how.
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<tr>
<td>AMCEN</td>
<td>African Ministerial Conference on the Environment</td>
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<td>CBK</td>
<td>Central Bank of Kenya</td>
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<td>CNOOC</td>
<td>China National Oil Cooperation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>KAM</td>
<td>Kenya Association of Manufacturers</td>
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<td>KIA</td>
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<td>KNBS</td>
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<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>UK</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

In the recent past, Chinese firms have expanded worldwide including Africa. This has continued to attract debate in the recent past with some seeing it as blessing and others seeing it as a curse in disguise. A good example can be the influx of the Chinese firms into Kenya and taking over construction contacts previously held by local firms and repatriating the proceeds back to China (Mutuku, 2014). Even the foreign nations from abroad such as the USA and the UK have complained about this new development in Africa (Pere, 2006). But some researchers may argue that foreign nations such as the UK and the USA have other intentions as to why they are criticizing the interest of China in Africa and it is not just for the sake of looking out for the African Nations (Onjala, 2008).

China has taken over the most of the mining concessions in Africa the recent being the mining of cobalt in the Congo (Pere, 2006). A good example can be what is happening in Tanzania and the Congo where Chinese have Mining concessions and leave the locals poor. The Chinese firms have brought technology in Kenya that has been both been a ‘blessing’ and curse at the same time (Onjalla, 2008). This is a blessing due to the automation it has brought and a curse on how businesses have been forced to change which involves a lot of capital injection in order to keep up. The impact of technology has also led to increase in business opportunities in the market which has gone to affect the economy positively (Elijah, 2013).

Chinese firms have affected economies all over the world. By providing huge loans to countries in different continents, China is slowing taking over and becoming the main project financier. With these projects they engage in worldwide some of their citizens start entering the countries they invest in and slowly take business away from the local firms (Burrow,Gichohi&Infield,2001). Good examples are African and Caribbean countries. In Kenya the Chinese are offering so many loans to Kenyan government projects, and the citizens have slowly started entering Kenya and starting businesses challenging the local firms (Elijah, 2013). The social cultural aspect of Kenya and the world as a whole has been
affected to an extent. As the Chinese are entering countries they are also introducing their culture going as far as funding courses in the university and offering scholarships related to their culture. We can see in Kenya; they have a Chinese Cultural Center inside the University of Nairobi funded by the Chinese Government (Elijah, 2013).

The Chinese firms have affected the local firms technologically, economically and socially (Johanson&Vahlne, 1990). Once they enter the country they offer very lucrative and cost savvy loans to the governments of the day then open up an avenue for their citizens to enter the country as they also negotiate for their own workers to work in the projects they finance strategies (Aryeetey,Ernest;Fenny,AmaPokuua;Tstikata,Dela, 2008). The Chinese citizens’ influx a country and start businesses competing with the local firms. They are able to offer unfair competition due to their unlimited capital funding and access to cheap raw materials bringing unfair competition to the local firms forcing some to close shop(Burrow,Gichohi&Infield,2001).

The increasing economic expansion of Chinese Firms is evident in Sub-Saharan Africa. In the last decade, the Chinese have built a network of trade, aid and investment with close to fifty countries (Zafar, 2007). For instance, the firms are in drilling of oil in Angola and Sudan, building roads in Ethiopia, generating electricity and building infrastructure in Kenya, building infrastructure and encouraging tourism in Sierra Leone, and servicing mobile phones in Kenya and Nigeria. As a result, trade between them has increased making China the continent’s third largest trading partner after the European Union and the US (Zafar, 2007). China has continued to push closer ties with Africa and has awarded US$10 billion in aid for the next three years and dispatched volunteers to provide medical assistance and build hospitals and schools (Aryeetey, Ernest; Fenny, AmaPokuua; Tstikata, Dela 2008).

China’s rapidly developing oil consumption seems to have a bigger effect on Chinese-African trade (Onjalla, 2008). This is the main reason behind the whole raft of new contracts between 2002 and 2006. During this period, Chinese oil companies signed deals to buy refineries and explore oil and gas in Algeria, Gabon, Angola, Nigeria, Ivory Coast, Kenya, Congo Brazzaville, Namibia, Ethiopia, Madagascar and Sudan (Taylor, 2009). Additionally,
China also helped in treating infectious diseases such as malaria and HIV/AIDS and launched the first overseas radio station in Kenya (Pere, 2006).

Almost three-quarters of African countries saw an improvement in their business environments in 2016 (World Bank, 2016). Forty African states have seen improvement in their ease of doing business ranking in the 2017 report, with sub-Saharan African economies improving their overall scores at a rate that is three times that of high income OECD economies (albeit, coming from a lower base). Since 2005, the number of sub-Saharan countries that are engaged in one or more business regulatory reforms has more than doubled to a total of 37 economies in this year’s report. As surveyed by Gunning (1997), studies suggest that Africa is an environment of high costs and high perceived risks and that this constrains investment in manufacturing. The business environment is the nexus of policies, institutions, physical infrastructure, human resources, and geographic features which influence the efficiency with which different firms and industries operate (Alexander & Myers, 2000). At firm level, the business environment directly influences costs of production; at the industry level it often relates to market structure and competition. With the entry of the Chinese firms into the Kenyan economy leading to a change in the revenues and costs for the local firms and the entire economy at large. This has in turn led to unfair competition in the Kenyan Business environment and African Business environment at large.

These effects are felt more heavily in traded sectors which are not particularly intensive in natural resources than in primary production and extractive resource sectors because the former tend to more intensively require “inputs” of logistics, infrastructure, and regulation (Collier, 2000). Within Africa, productivity is strongly related to exports, both as a cause and as a consequence (Collier et al, 2000, Soderbom & Teal, 2003). But most African firms simply are not productive enough to export manufactures. Sustained growth requires a favorable business environment to be in place over several decades. Even from a classical perspective, Africa’s factor endowment is consistent with competitiveness in a variety of labor-intensive natural resource processing industries (Ajakaiye & Olu, 2006). Most African countries have however, been unable to take even this step towards higher value-added processing. With the influx of Chinese with their Chinese manufactured countries in Africa and more so Kenya
have been, forced to consume Chinese goods which are much cheaper leading to increase in imports and reduction in exports. This has gone to make the Kenyan and African economies weak.

This economic performance differs from country to country in Africa depending with their Economic performance. Among Sub-Saharan Africa's biggest economies, a slower than already foreseen recovery in the oil segment and accompanied with challenges in the non-oil mechanical segments was weigh on action in Africa (Elijah, 2013). It has been observed that China is now next to Japan in terms of foreign reserve holdings. China is investing massively in raw material deposits overseas, and is multiplying its trading partnerships in order to secure regular supplies (Alden, 2005). In 2005, it was estimated that the cumulative value of Chinese investment in Africa was US$4.5 billion, which was over 12% of total FDI stock of US$37 billion in Africa (Ajakaiye, 2006). This investment in Africa has gone to affect to affect economic performance of local firms because of huge influx of unlimited capital the local firms with limited funds cannot compete with such Chinese firms leading to reduction of profits or closing up shop completely.

The KNBS information demonstrates that agribusiness, which represented 31.5 for each penny of the 2017 GDP developed by just 1.6 for every penny contrasted and 5.1 for every penny in 2016 (KNBS, 2017). Conversely, some local firms have developed transferable assets by restructuring, innovating, and internationalizing, and they employ these assets to compete with foreign entrants (Zeng & Williamson, 2003). With Entry of these Chinese local firms in Africa and Kenya to be specific have been forced to compete with them. This means going as far as restructuring which means more capital injection with they struggle to come up with hurting them in the long run (Alexander & Myers, 2000).

According to O’Brien and Williams (2007), globalization leads to increased competition due to the introduction of products from countries all around the globe with ever-increasing lower prices. Now with globalization, companies are competing against other companies all around the globe and all of different sizes (Gadzala, 2009). This goes to affect the local firms in a place like Kenya because the Chinese firms import and sell already available products already available in the market at an obscene market price. Sometimes they are exempted
from duty as a result of the deal their government has with the Kenyan government as a conditionality for loans (Zafar, 2011). This makes the consumers the locally available and opt for Chinese products due to price negatively affecting local firms.

China’s developing enthusiasm for Africa is meaning an expansion in the perception of Chinese firms on the continent (Mutuku, 2014). This was evident at the China Trade Week 2016 in Nairobi, where nearly 400 Chinese firms came searching for trade opportunities and interest in Kenya. Rotberg (2008) argues that China has a unique feature in foreign policy embedded in the principle of noninterference in the internal affairs of other countries. China’s African policy has retained its principles while at the same time adapting to domestic and international conditions. China’s engagement with Africa is changing Africa with opportunities and emerging challenges. However, Chinese-Africa cooperation is an example of equality and co-development in international relations (Kaplinsky, McCormick & Morris, 2007).

Throughout the decade, China has developed to wind up Kenya’s second biggest exchange partners, and right now holds the greater part of Kenya’s imports. Thusly, China has turned into the biggest partner of Foreign Direct Investment (FDI) to Kenya (Onjalla, 2008). The resultant competitive tension (Ajakaiye&Olu, 2006) can be particularly salient in emerging markets, which often comprise many regional markets that have significantly different income levels and customer demands as Chinese firms hope to accomplish more business, they are displaying their items at exhibitions, for example, trade fairs and expos in the desire of discovering new opportunities for investment (Snow &Philip, 2010).

While right now it is the Government of China that is driving the interest and firms, private firms can expand on the force that these connections have been made so as to build the potential market for their items (Bruatigam&Deborah, 2010). In the last decade, Chinese presence in Kenya for investment and trade purposes has drawn a lot of controversy among the local businessmen (Rotberg, 2008). Chinese manufacturers are also setting up local production plants, signaling a change of tack in the battle for control of Kenya’s consumer market they have been serving through direct imports (Zafar, 2007).
1.2 Statement of the Research Problem

The influx of Chinese firms in Africa has brought mixed reactions to different people on the intentions of China in Africa. Such as in Kenya, where they have funded a lot of projects, some citizens see them as a burden and some of them see it as a blessing in terms of cheap goods and cheap loans. There are firms in Africa that believe that the entry of Chinese firms in Africa has hurt their business as well as their market shares. The reduction in business activity as a result of Chinese presence in Kenya has led to the closure of some local firms. The costs in general have increased due to the increase in operating costs brought about by the need to keep up with these Chinese firms in the country.

In a study on the entry strategies used by Chinese firms in Kenya, Elijah (2013), opine that the entry strategies affect the local firms negatively. Mutuku (2014), in a study on Chinese influence on African economy established that China has a negative influence on the African economy. Morris (2007) on a study on the impact of China on Sub-Saharan Africa concluded that China has both a positive and negative influence on Africa. Ernest (2008) did a study on China-Africa relations having a strong focus on Ghana and his findings were that China has both a positive and negative impact on Ghana to some extent. Kaplinsky (2007) did a study on the impact of China on Sub-Saharan Africa and his findings were that China has a huge positive impact on Sub-Saharan Africa.

Based on researcher’s knowledge there are limited studies that have been done on the effect of Chinese firms on the local firms in Nairobi, Kenya. From previous studies it can clearly be seen that the presence of Chinese firms in Africa and more specifically Kenya has had a huge effect on the Local industries. This study focused on the effect of Chinese firms local Construction firms in Nairobi, Kenya.

1.3 General Objective
To determine the effect of Chinese firms on the local firms in Nairobi, Kenya.

1.4 Specific Objectives
1.4.1 To determine the microeconomic and macroeconomic impact of Chinese firms on the local firms in Nairobi, Kenya.
1.4.2 To assess the socio-cultural effect of Chinese firms on the local firms in Nairobi, Kenya.
1.4.3 To determine the technological impact of Chinese Firms on the local firms in Nairobi, Kenya.

1.5 Significance of the study
The Findings of this study benefited the following:

1.5.1 Academicians and Researchers
This study was contributing value to the theories of Mercantilism and absolute advantage of by showing the impact that the Chinese firms have on the firms in local industry in Nairobi, Kenya. This study was to show how the Chinese firms penetrate the Kenyan Local industry and go to affect the firms in the local industry.

1.5.2 Government Economists
The researcher was to go as far as looking at looking at the policies that have been employed by the Kenyan Government if any and if they have gone to protect the local forms or support the Chinese invasion of the local industry.

1.5.3 Senior Management Teams
The study is valuable to the managerial practice in the different sectors in the Kenyan industry because it will aid managers in determining which practices was suited them in dealing with the impact of Chinese firms in Kenya.

1.6 Scope of the Study
This study focused on the impact of Chinese firms on local firms in Nairobi, Kenya. The firms concentrated on the most were the ones picked mainly from the manufacturing industry, construction and the Technology and electronics industry. The firms were based in Nairobi and more so the Central Business District and the Industrial parks. The data collected was concentrating on the past 5 years.
1.6.1 Limitations of the Study

In the course of carrying out the study, a few limitations were experienced. One of the challenges experienced was the response time by the construction firms. Some of the respondents took long to submit back the questionnaire prompting a reminder to them. Due to the project timelines the researcher had to work with the available respondents.

The second limitation is that there was an element of biasness in the sense that most interviewees exhibited vast business knowledge and limited knowledge on the study being carried out.

Another limitation encountered during the course of the study was the few local studies done in the construction industry. This showed little research has been done in the sector and therefore adequate material for literature review was not sufficient to nourish the study fully. However, the international studies available were able to assist in coming up with comparisons.

The last limitation was that there was constraint to funds to finance the study. The researcher would have loved to travel all over the country and to research on all construction firms in Kenya and in other counties but the funds did not allow the researcher to do so.

1.7 Definition of Terms
1.7.1 Industry

Industry can be defined as a distinct group of productive or profit-making enterprises for example the banking industry (Webster, 2018).

1.7.2 Theory of Mercantilism

Theory of Mercantilism can be defined as a philosophy based on the belief that nations wealth depends on accumulated treasure, usually gold. To increase wealth, government policies should promote exports and discourage imports (Yabs, 2006).
1.7.3 Internationalization

Internationalization is a political principle which transcends nationalism and advocates a greater political or economic cooperation among nations and people (Arora, 2011).

1.7.4 Theory of Absolute Advantage

Theory of Absolute Advantage is a situation where, under free, unregulated trade, each nation should specialize in producing those goods it could produce most efficiently (Smith, 1776).

1.8 Chapter Summary

This chapter mainly involves the introduction of the study. The first section consists of the background of the study. The background of the study is then divided further into four subsections; concept of internationalism, performance of firms in Africa, performance of firms in Kenya, Chinese firms in the Kenyan economy. The second section then includes statement of the research problem. The next section then states the general objective.

The other section that follows discusses the specific research objective. The value of the study follows after then the next section of the chapter discusses the scope and limitation of the study. The next section defines the terms used in the chapter. The chapter is then concluded with the chapter summary. The next chapter basically discusses the Literature review. It was divided into the introduction and the past studies that have been carried out on this topic of study. Chapter 3 discusses the research methodology. Chapter 4 on the other hand discusses the findings and the results. The paper is then concluded by Chapter 5 which provides discussion, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter will be responsible for reviewing the theoretical literature review and literature related to the impact of Chinese firms on local firms in Africa. Section 2.2 will review literature regarding the economic impact of Chinese firms in Africa while section 2.3 Technological impact of Chinese firms on Local firms in Kenya. Section 2.4 will look at the socio-cultural impact of Chinese firms in Kenya. The Last section goes to summarize the chapter.

2.2 Economic Impact of Chinese Firms on the Business Environment

This sub-section provided the economic impact of Chinese firms on the local firms’ business environment in Kenya. It dives deep and investigates exactly how the local firms are affected economically.

2.2.1 Economic Impact of Chinese Firms on the Kenyan Market

Firms in the same region typically share a common geographic market. They are also subject to the same set of sub national institutional environments, which constrain their choices and force them to develop similar market strategies (Aryeetey, Ernest; Fenny, AmaPokuaa; Tstikata, Dela, 2008). Thus, firms may have more market commonality with firms in the same regional market than they do with those situated in different regions. A regional market can be based on physical access; on unique sociocultural characteristics or on administrative divisions (Zafar, 2007). When a multinational firm enters an overseas market, it must choose a specific location for its foreign subsidiary. Traditionally, researchers have examined the location strategies of multinational firms as a function of ownership and location advantages (Burrow, Gichohi & Infield, 2001) and have not paid much attention to the market competition factors in the host country.

Multinationals entry into a host market often brings shock and disequilibrium to a local industry, heightening the awareness of local firms and the entrants saw as aggressive intruders (Kipngetich, 2008). Under such circumstances, forbearance is unlikely, and attacks
and counterattacks was frequent, causing industry rivalry to intensify. The resultant competitive tension (Chen et al., 2007) can be particularly salient in emerging markets, which often comprise many regional markets that have significantly different income levels and customer demands. National markets typically have not been established for most industries in such countries, and in the absence of national economic drivers, such as a national distribution system, most of the domestic firms compete regionally (Donald & Ball, 1993).

2.2.2 Economic Impact of Chinese Firms Investment in Kenya

In the last decade, Chinese presence in Africa for investment and trade purposes has drawn a lot of controversy among the local businessmen especially in the construction and manufacturing sectors whose infant industries have either been forced to close down due to inability to compete with the Chinese firms or in the verge of collapse (Gadzala, 2009). This is expected to create thousands of jobs for young Africans but also escalate the battle for control of East Africa's rapidly growing consumer market that is also being eyed by Western companies (Alden, 2005). Chinese companies have expanded their economic footprint in Kenya since President Kibaki came to power in January 2003, riding on the government's deliberate decision to look east for new investments and aid. Chinese companies are coming to Kenya with an aim of penetrating the larger East African market where demand for goods and services is growing (Ajakaiye & Olu, 2006).

Kenyan construction firms are raising alarm over the entry of state-funded Chinese engineering firms into the private domestic construction sector (Gadzalla, 2009). China’s increasing influence on infrastructure in East Africa has undoubtedly helped governments improve public infrastructure and drive their economic growth (KNBS, 2017). Over the last decade, Chinese construction companies have won mega public infrastructure projects in the region where poorly-maintained infrastructure is viewed as a barrier. In Kenya, like other East African countries, Chinese companies have dominated almost every mega public infrastructure project. Their ability to complete projects on time and their high quality work has seen them win admiration from both the private and public sector (Snow, 2009). This had
allowed local construction firms to focus on real estate, aggregates mining and property investments.

Firms such as Kundan Singh, Spenccon Holdings and Mugoya Construction have ended up in receivership with hundreds of job losses and billions of Kenyan shillings worth of bad debts (KNBS, 2017). A recent survey conducted by Central Bank of Kenya (CBK) found that 15 local banks had tightened credit standards for construction companies due to the rising incidence of bad loans in the sector, an indication of the dire strain on the local construction firms. Other local construction firms such as H Young and Intex Construction have since resorted to forming consortia with European and Indian conglomerates when bidding for government tenders (Gadzalla, 2009). While the big companies have devised means to survive the onslaught, small and medium domestic construction firms are feeling the heat of Chinese diversification into private infrastructure projects. Initially the local construction firms didn’t view the Chinese as a potential threat, given their appetite for large-scale mega infrastructure projects (Onjalla, 2008).

2.2.3 Economic Impact of Chinese Competition on Kenyan Local Firms

Local firms in Kenya are begging the State for protection from foreign competition in public procurement, mostly in foreign-funded projects. The firms through their lobby, Kenya Manufacturers Association (KAM), have petitioned the Government to enforce local content legislation to help domestic firms compete against foreign counterparts for opportunities at home. KAM decried lack of proper enforcement of the local content clause under the Public Procurement and Disposal Act, which has created loopholes that favor foreign companies and importation unsustainable for promotion of local industry. While KAM did not specify the targeted projects, several of its members have separately claimed that they have been excluded in supplies to the multi-billion worth Standard Gauge Railway which is 90 per cent Chinese-funded (Mutuku, 2014). Turnkey tenders are still being awarded to contractors who are not obliged to procure locally, while external manufacturers are preferred over local industries for international tenders due to their pricing advantage, influenced by their low power tariffs in the country of manufacture and economies of scale (Bruatigam & Deborah, 2010).
The government provides the right for foreign and domestic private entities to establish and own business enterprises and engage in all forms of remunerative activity (Arora, 2008). In an effort to encourage foreign investment, the GOK repealed regulations in 2015 that imposed a 75 percent foreign ownership limitation for firms listed on the Nairobi Securities Exchange, allowing such firms now to be 100 percent foreign-owned, as reported by the UNCTAD World Investment Report 2016. There appears to be a recent trend in Kenya toward imposing “local content” requirements on foreign investments. When President Kenyatta signed the new Companies Act (2015), it contained language requiring all foreign company to demonstrate at least 30 percent of shareholding by Kenyan citizens by birth.

Hannah and Camilla (2008), did a study to investigate the branding strategies of MNCs in international markets. The research questions were addressed as follows: how the branding of MNCs in international markets be described and how can the factors determining choice of branding in international markets be described (Yabs, 2006). Some case studies of well-known multinationals, Proctor & Gamble and Sony Ericsson were conducted; an example of a company with a product brand strategy and the latter one with a corporate brand strategy (Alexander & Myers, 2000). The findings of the study revealed that MNCs use either a product brand strategy, or a corporate brand strategy.

A product brand strategy is characteristically used when a company offers multiple products within different business segments, and when there are several different target groups (Gichohi & Infield, 2001). With a corporate brand strategy, the corporate name and the brand are the same. There is typically a master brand which has the same name as the corporation, and which may have additional sub-brands (Elijah, 2013). It was found that the factors determining the branding strategy in international markets are stakeholder interests, corporate image and reputation, market complexity, as well as marketing costs (Melin, 1992).

According to O’Brien and Williams (2007), globalization leads to increased competition due to the introduction of products from countries all around the globe with ever-increasing lower prices. It used to be that firms would only compete against firms that were geographical close and of similar size. Now with globalization, companies are competing against other companies all around the globe and all of different sizes. This growing competition also leads
to what is known as commoditization; where there are so many companies with so many similar goods that a company’s specific good becomes a commodity in its market because there are so many others just like it (Alexander & Myers, 2000). The rate at which commoditization has occurred was unanticipated as well; just a few years ago organizations were competing against a few companies with some similar products (Friedman, 2006).

Telecommunications regulator Communications Authority requires 20 percent Kenyan shareholding within three years of receiving a license. The new Mining Act (2016) restricts foreign participation in the mining sector. Among other restrictions, it reserves the acquisition of mineral rights to Kenyan companies, and requires 60 percent Kenyan ownership of mineral dealerships and artisanal mining companies. The Private Security Regulations Act (2016) restricts foreign participation in the private security sector by requiring that at least 25 percent of shares in private security firms be held by Kenyans. The National Construction Authority Act (2011) imposes local content restrictions on “foreign contractors,” defined as companies incorporated outside Kenya or with more than 50 percent ownership by non-Kenyan citizens. The act requires foreign contractors to enter into subcontracts or joint ventures assuring that at least 30 percent of the contract work is done by local firms. Regulations implementing these requirements are in process.

2.3 Technological Impact of Chinese Firms on the Business Environment

This sub-section provided the technological impact of Chinese firms on the local firms’ business environment in Kenya. It dives deep and investigates exactly how the local firms are affected technologically.

2.3.1 Technological impact of Chinese Investment in Kenya

In terms of quality, the Chinese investment seems to offer new opportunities in technology transfer and infrastructure development, two areas of crucial interest for Africa's development (In Jansen, 2014). The World Bank estimates that the ineffectiveness of investment incentives is partly due to the lack of the requisite infrastructure and labor skills (Broadman, 2007). These new opportunities also come with some challenges that the African government had to face (CHINAFRICA, 2007). Is the increased Chinese investment in Africa playing a positive role by providing a model for industrial development and
transferring new technologies and ideas? Japanese firms offered a good example of this possibility with their influence on the industrial boom in Southeast Asia and Japan has been described as the leader of the “Flying Geese” model (CHINAFRICA, 2007). According to this model, the international product cycle operates in a manner where countries switched from the production of low technology goods to the production of higher technology goods (Frimpong, 2012). For instance, a country starts by producing textiles and simple assembly, and then, as it acquires more knowledge and moves up the learning curve, its products had more added values (Chestney, 2010). Chinese investment seems to contribute positively to technological upgrading of African countries. Indeed, because the Chinese technologies have been designed in order to satisfy the local demand, it is much easier for African countries to use and integrate them in their private sector (OECD & AFDB, 2011).

2.3.2 Technological impact of Chinese Goods in the Kenyan Market.

In addition, there is a rapidly growing and very large market of poor consumers and large northern trans-national companies (TNCs) are increasingly targeting the ‘bottom of the pyramid as per the definition of Prahalad (2005): "those 4 billion people who live on less than 2$ a day market’. Large scale firms in the south are opening factories in Africa. Because the technologies used by these firms match better the existing technologies and the labor skills in Africa, there is a potential for African countries to acquire them and develop their private sector (OECD & AFDB, 2011). Although China is present in the extraction of resources but simultaneously it had also committed itself to the development of new value adding processing industries, such as refineries or petro-chemical complexes and the exploration of new fields (People's Republic of China, 2013).

Deals in the mining and quarrying sector are often combined with either the development of industrial complexes for these sectors or the construction of necessary infrastructure, thus enabling the recipient country to move up the value chain (Frimpong, 2012). McKinsey estimates that almost a quarter of the major resource deals included foreign investment in infrastructure or resource processing, compared to just 1% in the 1990s (McKinsey, 2010). At the same time, via its investments in the exploration of new fields, China does not only satisfy its demand for resources (thereby driving up spot market prices), but also produces a
‘global public good’ by extending fuel and food supply. For Paul Collier, Africa is one of the largest unexplored resource basins in the world and future discoveries could be multiples of today’s known reserves (Collier, 2010).

The deployment of a large base of exports and on site workers executing the projects proved to be an important channel for the transmission of knowledge and expertise. China provides an interesting example of this mechanism. Indeed, in the first 20 years of its development cooperation China deployed more than 4000 Chinese experts in its technical assistance projects (King, 2007) and authors such as Brautigam (2003), stressed the importance of Japanese business networks for the diffusion of manufacturing and industrialization in countries like Taiwan, South Korea, Hong-Kong and Singapore. When their own investment networks spread, these so-called “flying geese” became new leaders in the process of industrialization of Indonesia, Malaysia, Thailand and coastal China (Brautigam, 2003). Thus, the important entrepreneurial diaspora of Chinese migrant workers in Africa represents a similar opportunity for African countries (Mohan & Tan-Mullins, 2009).

2.3.3 Impact of Chinese Technology on Local Firms in Kenya

The number of Chinese migrants in Africa is a source of considerable dispute, because of the difficulty to determine when a migrant is a migrant rather than a resident, as well as because many migrants are unrecorded (Andrea, Nicholas, Helmut & Xiaobao, 2006). Interestingly enough, there is even a publication of a Mandarin newspaper, “The West Africa United Business Weekly”, printed in Nigeria. Furthermore, to make technology transfer possible, one crucial part is “tacit knowledge” - which can be defined as “knowledge that cannot be codified” (Polanyi, 1967) or “the routines of production that cannot be learnt through manuals but have to be acquired through actual practice” (Khan, 2009) and the presence of Chinese entrepreneurs and on-site workers in Africa is a good way to encourage the diffusion of new practices and knowledge.

The technology transfer is thus as much a social and institutional phenomenon, as one rooted by the acquisition of new technologies. According to China Economic and Trade White Paper, Chinese companies actively help improving managerial and technical skills in African countries. By 2010, they had offered training programs for almost 30 000 people working in
various fields, including economics, science and technology, agriculture, public administration, medical care and environment protection (People's Republic of China, 2013). Moreover, some Chinese enterprises bring their African employees in China in order to train them (Noorbaksch et al., 2001). As a matter of fact, there is also a large and rapidly-growing population of African migrants in China, generally under-estimated and partly unrecorded (CHINAFRICA, 2007). It is important to recognize the two-way dimension of this innovation asset: it is not only Chinese in Africa, but also African in China who offer the potential for technology and knowledge transfer (Chestney, 2010). Research shows that skills are crucial determinants of FDI, together with good infrastructure. Surveys conducted amongst TNC show that the low level of appropriate skills is one of the most important barriers to investment in Africa (Frimpong, 2012). So the positive effect of Chinese investment in technology and skills up-grading can be the beginning of a virtuous circle as a more skilled workforce attracts more investment and help local firms’ better capture knowledge spillovers (TeVelde, 2002). However, the technology transfer of Chinese industrial investment may be limited to a few African countries. Brautigam (2008) emphasizes that the “flying geese” model of dynamism that was observed in Southeast Asia depended on different factors that are unevenly present in Africa. First of all, there must be a local investment, with joint ventures that spread skills to local entrepreneurs.

In many African countries the partner is the government. Secondly, it requires a “push” from the partner's country. But Chinese labor costs are more or less similar to those of many African countries, and productivity of Chinese worker is often better (Brautigam, 2008). China had been partly filling this gap through its infrastructure investment and financing. Indeed, since 2005, China's total infrastructure commitments in Sub-Saharan Africa are even superior to those of the World Bank (People's Republic of China, 2013). According to the China Economic and Trade Cooperation White Paper (2013), in 2012, construction contracts completed by Chinese enterprises are estimated to $40.8 billion in Africa, which represents an increase of 45% since 2009. It represents more than 1/3 of China's total overseas contract work completed. Chinese investments and credit lines often provide lacking resources to African states allowing them to implement much needed infrastructure projects (Frimpong, 2012).
Between 2010 and May 2012, China approved $11.3 billion of concessional loans directed to 92 African projects. The Addis Ababa-Adama Expressway of Ethiopia and the Kribi Deep-water Port of Cameroon were both financed through concessional loans. (People's Republic of China, 2013) The fields where China is mostly present are the power and transport sectors. China had been partly filling this gap through its infrastructure investment and financing. Indeed, since 2005, China's total infrastructure commitments in Sub-Saharan Africa are even superior to those of the World Bank (Frimpong, 2012). According to the China Economic and Trade Cooperation White Paper (2013), in 2012, construction contracts completed by Chinese enterprises are estimated to $40.8 billion in Africa, which represents an increase of 45% since 2009. It represents more than 1/3 of China's total overseas contract work completed. Chinese investments and credit lines often provide lacking resources to African states allowing them to implement much needed infrastructure projects (Onjalla, 2008).

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This is all the more impressive when considering that the railroad network of the entire continent is only 50,000km (World Bank 2008). Chinese contractors are especially known in the road and water sectors and are present in Ethiopia, Tanzania, and the Democratic Republic of Congo. However, the World Bank estimates that no more than $700 million had been assigned to the two sectors together, this is less than in the other two sectors (World Bank 2008). Moreover, the substantive impetus given by some EPs to the financing and building of transport infrastructure, including cross-border corridors, is a concrete contribution to regional integration (OECD &AFDB, 2011).

Contrary to fears reflected in many press articles, evidence suggests that Chinese investment is not only resource seeking but also carries a lot of opportunities for Africa's development,
especially for knowledge transfer and infrastructure development (People's Republic of China, 2013). Indeed, Chinese investment seems to contribute positively to technological upgrading of African countries, both with direct investment and with the presence of Chinese entrepreneurs and on-site workers that spread the tacit knowledge and skills. In addition, Chinese investment in infrastructure is filling the large gap and answers the unmet needs of African countries in the provision of energy and transportation (Noorbaksch et al., 2001).

However these opportunities still need to be seized and the most pressing challenge for African governments is to define a strategy for how investment projects are to be used in the context of a wider national development (Noorbaksch et al., 2001).

2.4 Socio-cultural Impact of Chinese Firms on the Business Environment

This sub-section provided the social cultural impact of Chinese firms on the local firms’ business environment in Kenya. It dives deep and investigates exactly how the local firms are affected social culturally.

2.4.1 Social Impact of Chinese Development Assistance in Kenya

China has pledged continuing development assistance and government-backed FDI to African countries (Onjalla, 2008). By December 2006, China had given over US$5.5 billion aid to African countries. At the 2006 Summit of the Forum on China-Africa Cooperation in Beijing, China pledged to double aid to Africa by 2009 and to give Africa US$2 billion in preferential buyers' credit over the next three years (Frimpong, 2012). China’s Export and Import Bank (Exim Bank), established in 1994, extended its export buyers' credit market to Africa in 2005 and by the end of that year had committed US$800 million in concessional loans to cover 55 projects in 22 African countries. Chinese aid to Africa had focused on two main areas: infrastructure and human development structure (Andrea, Nicholas, Helmut & Xiaobao, 2006).

Chinese aid provides funding for highly visible and, to many minds, important infrastructure projects, which Western donors have long since stopped financing (Frimpong, 2012). Chinese human development assistance has focused on training and the provision of health personnel. Through the African Human Resources Development Fund, China awards scholarships too.
ver4000 students from 51 African countries to study in China every year (Economy, 2007). The recently launched China-Africa Inter-Governmental Human Resources Development Plan is part of China's strategy to cultivate African elites through training courses and seminars for middle and high-ranking African diplomats and economic and management officials' structure (Andrea, Nicholas, Helmut & Xiaobao, 2006).

In return for development assistance from Beijing, many African countries have severed diplomatic links with Taipei (McCormick, Winnie & Dorothy, 2007). In spite of Taiwan's reported campaign donations to Mandela's African National Congress in 1994, South Africa was compelled to break ties with Taipei in 1998 after Mandela failed to convince Beijing to agree to a dual recognition policy (Haggard & Kauffman, 1992). Other countries including Senegal and Chad have followed South Africa in repudiating Taiwan. 47 of Africa’s 53 nations have established diplomatic relations with Beijing, according to the Embassy of the People’s Republic of China in the United States (People's Republic of China, 2013).

There now remain only a handful of African countries like Sao Tome and Principe that recognize Taiwan, but these are economically and politically insignificant (McCormick, Winnie & Dorothy 2007). Even so, China is extending its largesse to these countries to win them over from Taiwan (Onjalla, 2008). ‘China stands ready to establish and develop state-to-state relations with countries that have not yet established diplomatic ties with China on the basis of the one China principle’ (Frimpong, 2012). In contrast to other donors, China usually does not offer grants to African countries, but to increase its leverage on borrowing countries, China forgives the debts of borrowers that develop strong political and economic relations with it within an agreed timetable (McCormick, Winnie & Dorothy 2007).

This is probably what Chinese officials mean in their Africa Policy as being “ready to continue friendly consultation to seek solution to, or reduction of, the debts they owe to China.” By December 2006, 10.9 billion yuan (US$1.4 billion) of debt owed by 31 heavily indebted and least developed African countries had been forgiven; the state-run Xinhua News Agency had reported (CHINAFRICA, 2007). It had also been observed that Chinese aid coincides with the award of contracts so that African governments are likely to “cooperate” when Chinese companies bid for Chinese government funded contracts. About
70 per cent of contracts in a US$2bn Chinese-funded project in Angola in 2004 were reserved for Chinese companies (Kaplinsky, 2007). Kenya is one of the beneficiaries of Chinese aid, but the sources of information do not indicate whether the companies are state owned corporations or private sector firms (Andrea, Nicholas, Helmut & Xiaobao, 2006).

### 2.4.2 Social Impact of Chinese Trade Relations in Kenya

More recently, China had been giving tariff exemptions to various products originating from Kenya with a hope of promoting trade between the two countries (Andrea, Nicholas, Helmut & Xiaobao, 2006). Since 2002, loans and grants from China have increased significantly with China appearing in Kenyan national statistics of bilateral donors whereas before then, it was classified in the category of ‘Other donors’. As a ratio of total loans and grants in Kenya, China accounted for 1.67 per cent in 2002 and 9.98 per cent in 2005 (McCormick, Winnie & Dorothy, 2007). With the exception of 2004, the grant component of China’s loans and grants is relatively high (Andrea, Nicholas, Helmut & Xiaobao, 2006). Kenya was the first African country to receive Chinese financing of educational and cultural exchange programs though the Confucius Chinese and Language Centre, currently hosted by the University of Nairobi in Kenya and Tia Jin Normal University in China (Kaplinsky, 2007).

Fifth, in an initiative announced at the second ministerial meeting of the Sino-African Cooperation Forum held at the end of 2003, China instituted a program of tariff exemption for 25 SSA economies, covering 190 products, including food, textiles, minerals and machinery (McCormick, Winnie & Dorothy, 2007). The policy took effect at the beginning of 2002. Finally, China had in very recent years begun to provide military assistance to Kenya. Aid from China was negligible before the year 2002 (AGOA 2003).

China is not concerned about the issues of internal governance, human rights and democracy in Kenya like the Western donors (CHINAAFRICA, 2007). Besides subscribing
to the ‘One China Policy’, in the case of China, there is no other conditionality imposed on the recipient country (Mawdsley, 2007). China ‘ties’ its aid to using Chinese companies and procurement of materials from China, but nonetheless, most government officials believe that China is perhaps one of the most price-competitive sources whether its development aid is ‘tied’ or not. China does not take part in the donor coordination initiatives and instead prefers to operate independently and is considered much more flexible than the Western donors in accommodating domestic constraints (Economy, 2007). However, China does give assistance to all 53 African countries, not just the 48 it had formal diplomatic ties with. Although China does not push for reforms in recipient countries, tied aid is a type of condition China had, as stated above (CHINAAFRICA, 2007).

2.5 Chapter Summary

This chapter is made up of 6 sections. In the first section the researcher introduces the chapter. The second section looks at economic impact of Chinese firms in Kenya. The third section looks at the technological Impact of Chinese firms in Kenya. The fourth section went to look at the socio-cultural impact of Chinese firms in Kenya. The last section then summarizes the Chapter. The next chapter provides research methodology that was applied.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter basically included the research methodology which was used by the researcher in this study. Section 3.2 started with the research design, Section 3.3 discussed the target population and the sampling procedure, which was used. Section 3.4 presented how the data was collected and instrument that was used in collection of the data and the justification for these choices. Section 3.5 looked at the research procedures of the whole topic of study. The techniques of the data analysis was contained in Section 3.6. The Chapter was summarized by section 3.7.

3.2 Research Design
Research design is a map that provides a logical framework for the choice of the collection of the data techniques and analysis of data procedures (Schindler, 2000). A descriptive study was used for this study as it analyzed different local construction firms in Kenya in order to identify the effect of Chinese firms on local construction firms in Nairobi, Kenya.
The descriptive study is the one in which information is collected without the change of the environment while a cross sectional study is the one that involves a one-time snapshot of the unit of analysis (Schindler, 2000). The descriptive research design addresses the questions posed by exploratory research offering solutions to different business issues (Shajahan, 2008).
The benefit of this study design is that it goes to allow the researcher to compare many variables simultaneously. This allows the researcher to focus on the population groups therefore understanding the wider picture. The Independent variables were the economic impact, Social impact and technological impact. The Dependant variable was the local firms.

3.3 Population and Sampling Design
This section went ahead to explain the population and the population design that the study had used.
3.3.1 Population

Population refers to the big group that researcher has the desire to study. The study population was all local construction firms in Nairobi, Kenya. This population was believed to provide the important information to make this study successful. According to the National Construction authority 2019, there are 230 local construction firms in Nairobi which formed the population of the study.

3.3.2 Sample Design and Sample Size

3.3.2.1 Sampling Frame

A sample was a group of respondents comprising of part of the entire study population that was empirically selected to represent the study population, a good sample must be accurate, precise, and representative of the total population (Schindler, 2000). A sample was a finite part of a statistical population whose properties are to be studied to gain information about the whole population (Cooper & Schindler, 2008).

The sampling interval \(i\), is determined by dividing the population size \(N\) by the sample size \(n\) and rounding to the nearest integer. With the population size of 51 local construction firms and a sample size of 46 local construction firms.

\[
\frac{n}{n} = \frac{N}{N} \times \frac{X}{X + N - 1},
\]

Where,

\[
X = \frac{Z_{\alpha/2}^2 \times p \times (1-p)}{MOE^2},
\]

and \(Z_{\alpha/2}\) is the critical value of the Normal distribution at \(\alpha/2\) (e.g. for a confidence level of 95%, \(\alpha\) is 0.05 and the critical value is 1.96), \(MOE\) is the margin of error, \(p\) is the sample proportion, and \(N\) is the population size. Note that a Finite Population Correction has been applied to the sample size formula.
Table 3.1: Sampling Table

<table>
<thead>
<tr>
<th>Margin of Error</th>
<th>1%</th>
<th>2%</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Size</td>
<td>51</td>
<td>50</td>
<td>46</td>
</tr>
<tr>
<td>Confidence Level</td>
<td>90%</td>
<td>90%</td>
<td>99%</td>
</tr>
<tr>
<td>Sample Size</td>
<td>44</td>
<td>46</td>
<td>48</td>
</tr>
</tbody>
</table>

### 3.3.2.2 Sampling Technique

A sampling technique is the name or other identification of the specific process by which the entities of the sample have been selected (Wolcott, 1997). Random sampling was applicable in the sample selection. The sampling technique ensured the selection of representative respondents with the requisite information to address the specific research objectives thereby enhancing the credibility and reliability of the findings of this study.

This study was carried out with the use of a descriptive survey. They further explain that the advantages of sampling over a census study were less compelling when the population is small and the elements being studied are quite different from each other.

### 3.3.2.3 Sample Size

Since the population had a homogenous attributes, a census was undertaken. The sample size was 46 construction firms in Nairobi, Kenya. The researcher used systematic random sampling. Systematic random sampling is where a sample is chosen by selecting a random starting point and then picking each $i$th number in succession from the sampling frame.

### 3.4 Data Collection Methods

Data collection is the process of gathering and measuring information on targeted variables in an established systematic fashion, which then enables one to answer relevant questions and evaluate outcomes (Cooper & Schindler, 2008). The methods of data collection are primary data and secondary data collection. Primary data refers to the collection of data that is unique to the specific research and that has never been used by others before. There are different
ways to collect primary data and some of the more common ones are through interviews, questionnaires, and case-studies (Saunders, Lewis & Thornhill, 2006). Secondary data is the term used for data that has already been collected for a specific purpose and then is used again during other circumstances for other reasons (Saunders et al., 2006).

The main primary data collection instrument was the survey questionnaire (Bowling, 2005). Modes of data collection by questionnaire differ in several ways, including the method of contacting respondents, how to deliver the questionnaire to respondents, and the administration of the questions. These are likely to have different effects on the quality of the data collected (Bowling, 2005). A questionnaire is a document designed with the purpose of seeking specific information from the respondents (Sansoni, 2011). Cooper and Schindler (2008) stated that a questionnaire is an instrument delivered by to the participant via personal or non-personal means that is completed by the participant.

3.5 Research Procedures

The research used descriptive type of survey. The information was collected by use of a questionnaire. The respondents were the staff of the companies that were chosen in Nairobi, Kenya. Pilot testing was conducted to able to test the reliability of the instruments for collecting data. The questionnaire was distributed both personally and via email and collected at a later date. After collecting the information by the use of a questionnaire the researcher proceeded to analyze the data.

The study was based on primary data which was collected by use of a questionnaire and this was structured to produce uniform results. These questionnaires was sent to the local firms via email while some of them were delivered personally.

A pilot study was conducted among 9 respondents who were purposively selected. The piloted results were then entered in the Statistical Package for Social Sciences (SPSS) and values of Cronbach Alpha were used to determine reliability of the instruments. From the finding, all the items had Cronbach Alpha coefficients above 0.7. This shows that the instruments of the study were reliable. The findings are shown in Table 3.1.
Table 3.2: Cronbach Alpha

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic impact</td>
<td>.751</td>
<td>15</td>
</tr>
<tr>
<td>Socio-cultural impact</td>
<td>.899</td>
<td>15</td>
</tr>
<tr>
<td>Technological Impact</td>
<td>.815</td>
<td>15</td>
</tr>
</tbody>
</table>

3.6 Data analysis Methods

Data analysis is a research technique for the objective, systematic and qualitative description of the manifest content of a communication (Cooper & Schindler, 2008). The study employed descriptive analysis of the data which aided in determining the level of the effect of Chinese firms on local construction firms in Nairobi, Kenya.

Responses received were coded and rated to determine the effect of the Chinese firms on local construction firms in Nairobi, Kenya. The responses of the questionnaire enabled the study to establish the effect of Chinese firms on local construction firms in Nairobi. The results of the study were analyzed to obtain both descriptive and inferential statistics. SPSS was used in the analysis of the data. The output results were used to draw conclusions in relation to the research questions. For the inferential statistics, the main method was regression analysis was conducted to reveal the weights of the individual factors.

The adopted regression model took the following form;

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Where \( Y \) = Local firms

\( X_1 \) = Economic Impact; \( X_2 \) = Socio-cultural Effect; \( X_3 \) = Technological Impact; \( \beta_0 \) = Constant;

\( \varepsilon \) = Error Term
3.7 Chapter Summary

This chapter basically discussed the research methodology. The first section looked at the introduction then followed by the explanation of the research design. The third section dealt with the population and sampling design followed by the data collection methods. The fifth section dealt with the research procedures. The sixth section then dealt with the data analysis then the chapter concluded with the chapter summary. The next chapter provides results and findings that were analyzed.
CHAPTER FOUR

4.0 FINDINGS AND RESULTS

4.1 Introduction
This chapter presents the analysis and discussion of the analyzed findings from the data collected using questionnaires. The collected data was semi-structured containing of open and close ended questions. Open ended questions were analyzed using content analysis while close ended questionnaires resulted into quantitative data whose analysis was done using descriptive and inferential statistics as indicated in this chapter.

4.2 Response Rate and Background
In the sub-section, the response rate and background information relating to respondents is provided.

4.2.1 Response Rate
During data collection, 46 questionnaires were prepared and distributed to respondents by the researcher. However, 35 questionnaires were dully filled and returned to the researcher. This gave a response rate of 76%. According to Babbie (2010), a response rate of over 70% is sufficient for presentation of the findings. Hence, a reliable response rate supported the current study.

4.2.2 Background Information
The back-ground information of respondents of the study including their gender, position held in their organization, length of service and highest level of education are shown in sections below.

4.2.2.1 Gender of Respondents
The study revealed that most of the respondents 60% were male while 40% were female. Because there was significant difference between the male and the female respondents, it can be deduced that gender equality was enhanced in the study hence balanced opinions were
sought from respondents. The gender information of the respondents is indicated in Figure 4.1.

![Gender of Respondents](image)

**Figure 4.1: Gender of Respondents**

### 4.2.2.2 Position

From the findings, majority of respondents 51.4% were middle managers, 37.1% were senior managers while 11.4% were junior staff. Since most of the respondents were in managerial positions, it can be concluded that they had relevant information in regard to effect of Chinese Firms in Nairobi. The various positions held by respondents of the study are indicated in Table 4.1.

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior manager</td>
<td>13</td>
<td>37.1</td>
</tr>
<tr>
<td>Middle manager</td>
<td>18</td>
<td>51.4</td>
</tr>
<tr>
<td>Junior manager</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Table 4.1: Position**
4.2.2.3 Age of the Respondents

From the findings, 34.3% of the respondents were 31-40 years, 31.4% were above 50 years, and 22.9% were 41-50 years while 11.4% were 21-30 years. This signifies that most of the respondents of the study were old enough and therefore mature in attempting and responding to research questions. Age is normally seen to come with maturity and experience. Table 4.2 presents these findings.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-30 years</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>31-40 years</td>
<td>12</td>
<td>34.3</td>
</tr>
<tr>
<td>41-50 years</td>
<td>8</td>
<td>22.9</td>
</tr>
<tr>
<td>above 50 years</td>
<td>11</td>
<td>31.4</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.2.3 Education Level of Respondents

The third general information sought to understand the level of education of respondents. The study established that most of the respondents had bachelor’s degrees 42.9% followed by other education level 31.6% which most of the respondents stated it to be PhD, and college diploma 26.3%. From the findings, it can be deduced that respondents of the study were educated, and therefore had easier time to read, interpret and respond to research questions as sought by the study. The findings are indicated in Figure 4.2

**Figure 4.2: Education Level of Respondents**
4.2.2.3 Length of Operation of the Company

The findings indicated that majority of company had been operating between 6-10 years with 42.9% which is a tie with over 10 years and 14.3% for less than one year. Since majority of the respondents have been in the studied organization for a relatively longer period of time, it can be concluded that they were knowledgeable and informed on the study.

4.2.2.4 Years of Operation in Kenya

The findings indicated that majority of company had been operating between 6-10 years with 42.9% which is a tie with over 10 years and 14.3% for less than one year. Since majority of the respondents have been in the studied organization for a relatively longer period of time, it can be concluded that they were knowledgeable and informed on the study. The number of years that that the company had been operating is shown in Table 4.3

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>5</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>15</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

4.2.5 Effect of Chinese Firms

The researcher sought to determine the effect of Chinese firms on individual company. The findings indicated that majority of company is affected by Chinese firms with 85.7% and 14.3% there firms had not been affected by Chinese firms. Since majority of the company have been affected by Chinese firms, the researcher concluded that there is a need to conduct further study to determine the economic impact of Chinese firms on the local firms, to assess the socio-cultural effect of Chinese firms on the local firms and to determine the technological impact of Chinese Firms on the local firms in Nairobi, Kenya. Table 4.5 presents the findings.
Table 4.4: Effect of Chinese Firms

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>30</td>
<td>85.7</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3 Economic Impact of Chinese Firms on the Local Firms

This section introduced the results of the analysis of Economic impact of Chinese firms on Local firms in Nairobi, Kenya. It looked at the results of the mean, standard deviation and regression analysis of the economic impact as well as ANOVA and correlation coefficients.

4.3.1 Economic Impact of Chinese Firms on Local Firms Results

The researcher sought to determine the economic impact of Chinese firms on the local firms. The findings indicated that there are sales fluctuations as a result of Chinese goods in the market with a mean of 3.8000. The findings also indicated that operating costs increase as a result of Chinese firms’ presence with a mean of 3.5143. The findings also indicated that marketing and advertising costs increase on local firms with a mean of 3.4286. The finding indicated that the number of customers’ increase in the Kenyan Market with a mean of 3.2286. The finding indicated that price fluctuations in relation to introduction of Chinese goods in the market with a mean of 3.3143. The finding also indicated that there is increase in inflation in the country due to Chinese goods with a mean of 3.0286. The finding indicated that there is change in customer preferences due to presence of Chinese firms in the Market with a mean of 3.5714.

The finding also indicated that administrative costs increase due to presence of Chinese firms in Kenya with a mean of 3.4286. The finding indicated that there is increase in Unit Variable Costs in the local firms in Kenya with a mean of 3.0014. The finding also indicated that there is reduction in Tariffs Exemptions as a Result of Trading with China with a mean of 3.7429. The findings also indicated that there is reduction in the Contribution Margin as a result of Chinese firms’ presence in Kenya with a mean of 3.0286. The finding indicated that there is increase in Loan Interest Rates due Increase of Government Debt with China with a mean of 3.5714. The finding had indicated that there is increase in the Tax Rates as a Result of
Increase of Government of Kenya debt with Chinese firms with a mean of 3.3429. Lastly the findings indicated that there are strict Government regulations as a result of Chinese presence in Kenya with a mean of 3.6857. Table 4.6 summarizes these findings.

<table>
<thead>
<tr>
<th>Table 4.5: Economic Impact of Chinese Firms on the Local Firms</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales fluctuations as a result of Chinese goods in the market</td>
<td>3.8000</td>
<td>.93305</td>
</tr>
<tr>
<td>Operating Costs increase as a result of Chinese firms presence</td>
<td>3.5143</td>
<td>.88688</td>
</tr>
<tr>
<td>Marketing and Advertising costs increase on local firms</td>
<td>3.4286</td>
<td>1.09237</td>
</tr>
<tr>
<td>Number of customers increase in the Kenyan Market</td>
<td>3.2286</td>
<td>1.05957</td>
</tr>
<tr>
<td>Price Fluctuations in relation to introduction of Chinese goods in the market.</td>
<td>3.3143</td>
<td>.96319</td>
</tr>
<tr>
<td>Increase in inflation in the country due to Chinese goods</td>
<td>3.0286</td>
<td>1.30802</td>
</tr>
<tr>
<td>Change in customer preferences due to presence of Chinese firms in the Market</td>
<td>3.5714</td>
<td>1.35659</td>
</tr>
<tr>
<td>Administrative Costs Increase due to presence of Chinese firms in Kenya</td>
<td>3.4286</td>
<td>1.22440</td>
</tr>
<tr>
<td>Increase in Unit Variable Costs in the Local firms in Kenya</td>
<td>3.0014</td>
<td>1.35225</td>
</tr>
<tr>
<td>Increase in the Fixed Costs in the operation of local firms</td>
<td>3.3143</td>
<td>.67612</td>
</tr>
<tr>
<td>Reduction in Tariffs Exemptions as a Result of Trading with China</td>
<td>3.7429</td>
<td>.98048</td>
</tr>
<tr>
<td>Reduction in the Contribution Margin as a result of Chinese firms presence in Kenya</td>
<td>3.0286</td>
<td>1.17538</td>
</tr>
<tr>
<td>Increase in Loan Interest Rates due Increase of Government Debt with China</td>
<td>3.5714</td>
<td>.85011</td>
</tr>
<tr>
<td>Increase in the Tax Rates as a Result of Increase of Government of Kenya debt with Chinese firms</td>
<td>3.3429</td>
<td>.93755</td>
</tr>
<tr>
<td>Strict Government regulations as a result of Chinese presence in Kenya.</td>
<td>3.6857</td>
<td>1.23125</td>
</tr>
</tbody>
</table>

### 4.3.2 Regression analysis

This section introduced the Regression analysis of Economic impact of Chinese firms on Local firms in Nairobi, Kenya. It looked at the regression analysis of the economic impact as well as ANOVA and correlation coefficients.

#### 4.3.2.1 Model Summary of Economic impact of Chinese firms on Local firms

This section introduced the model summary of Economic impact of Chinese firms on Local firms in Nairobi, Kenya.
From the Model Summary, the coefficient of determination $R^2$ is 0.846 and the adjusted $R^2$ is 0.846. This shows that 0.846 change in local firm is explained by the identified factors ($X_1$) above. The identified factors did not explain the whole local firms because there are other underlying factors that explain 15.4% change in local firms. These were factors not covered in the current study which future studies should examine.

### 4.3.2.2 Analysis of Variance

An Analysis of Variance was conducted at 5% level of significance. The findings are shown in Table 4.7.

<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>1</td>
<td>Regression</td>
<td>358.373</td>
<td>1</td>
<td>358.373</td>
<td>188.406</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>62.770</td>
<td>33</td>
<td>1.902</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>421.143</td>
<td>34</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance  
b. Predictors: (Constant), economic effect

The $F$ calculated from the ANOVA Table is 188.406 as compared to $F$ Critical (at d.f 3, 31) of 4.1392. It can be inferred that the overall regression model was significant predictor of the factors influencing local firms. The $p$ value is shown as 0.000, suggesting that the identified economic factors significantly affected local firms.

### 4.3.2.3 Regression Coefficients

The beta and $p$ values of respective independent variables of the study are indicated in Table 4.8 below.
Table 4.8 Coefficients

<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>(Constant)</td>
<td>-1.197</td>
<td>1.367</td>
<td>-.876</td>
<td>.388</td>
</tr>
<tr>
<td>Economic effect</td>
<td>.387</td>
<td>.028</td>
<td>13.726</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance

A unit change in X1 all other factors constant would lead to 0.922 increases in performance of local firms. With regard to significance at 5%, X1 Economic Impact (p=0.001<0.00) indicating that Economic Impact significant influence on performance local firms

4.4 Socio-Cultural Effect of Chinese Firms on the Local Firms

This section introduced the results of the analysis of social cultural effect of Chinese firms on Local firms in Nairobi, Kenya. It looked at the results of the mean, standard deviation and regression analysis of the economic impact as well as ANOVA and correlation coefficients.

4.4.1 Social Cultural effect of Chinese Firms on Local Firms Results

The researcher sought to determine the economic impact of Chinese firms on the local firms. The findings indicated that there was increase in development assistance by China with a mean 3.0857. The finding had indicated that there is introduction of unfair government regulations and policies with a mean 3.2429. The findings also indicated that better healthcare due to Chinese presence in Kenya with a mean of 3.6571. The finding indicated that there is restructuring of the Company due to presence of Chinese firms with a mean of 3.0904. The finding indicated that there is increase in unfair competition as a result of Chinese presence in Nairobi, Kenya with a mean of 3.1143. The findings had also indicated that there is increase in aid due to the increase in aid by the Chinese firms with mean of 3.1243. The findings indicated that there are increased partnerships with the Chinese Firms with a mean of 3.2286.
The finding also indicated that there is increase in Corporate Social Responsibility with a mean of 3.7143. The finding indicated that there is increase in labor skills as a result of Chinese presence with a mean of 3.4571. The finding indicated that there is enhanced Communication with the Chinese Companies with a mean of 3.3429. The finding indicated that there is increase in loans from the Chinese firms with a mean of 3.0055. The finding indicated that there is assistance in Human Resource Development by the Chinese with a mean of 3.1714. The findings indicated that Chinese investment in your equipment and plants with a mean of 3.7143. The finding had indicated that there is Cultural Exchange programs with your Company and Chinese firms or the Chinese Government with a mean of 3.0857. The finding had also indicated that there is increase in employees who have benefited from the Chinese Scholarships with 3.6000. These findings are shown in Table 4.7.

### Table 4.9: Socio-Cultural Effect of Chinese Firms on the Local Firms

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased in development assistance by China</td>
<td>3.0857</td>
<td>1.35845</td>
</tr>
<tr>
<td>Introduction of unfair government regulations and policies</td>
<td>3.2429</td>
<td>.65722</td>
</tr>
<tr>
<td>Better healthcare due to Chinese presence in Kenya</td>
<td>3.6571</td>
<td>.68354</td>
</tr>
<tr>
<td>Restructuring of the Company due to presence of Chinese firms</td>
<td>3.0904</td>
<td>.83213</td>
</tr>
<tr>
<td>Increase in unfair competition as a result of Chinese presence in Nairobi, Kenya</td>
<td>3.1143</td>
<td>1.02244</td>
</tr>
<tr>
<td>Increase in aid due to the increase in aid by the Chinese firms</td>
<td>3.1243</td>
<td>.95706</td>
</tr>
<tr>
<td>Increased Partnerships with the Chinese Firms</td>
<td>3.2286</td>
<td>1.16533</td>
</tr>
<tr>
<td>Increase in Corporate Social Responsibility</td>
<td>3.7143</td>
<td>.88688</td>
</tr>
<tr>
<td>Increase in labor skills as a result of Chinese presence</td>
<td>3.4571</td>
<td>.91853</td>
</tr>
<tr>
<td>Enhanced Communication with the Chinese Companies</td>
<td>3.3429</td>
<td>1.43369</td>
</tr>
<tr>
<td>Increase in Loans from the Chinese firms</td>
<td>3.0055</td>
<td>1.24819</td>
</tr>
<tr>
<td>Assistance in Human Resource Development by the Chinese</td>
<td>3.1714</td>
<td>1.40348</td>
</tr>
<tr>
<td>Chinese Investment in your equipment and plants</td>
<td>3.7143</td>
<td>1.04520</td>
</tr>
<tr>
<td>Cultural Exchange programs with your Company and Chinese firms or the Chinese Government</td>
<td>3.0857</td>
<td>1.01087</td>
</tr>
<tr>
<td>Increase in employees who have benefited from the Chinese Scholarships</td>
<td>3.6000</td>
<td>1.19312</td>
</tr>
</tbody>
</table>
4.4.2 Regression Analysis

This section introduced the Regression analysis of Social cultural effect of Chinese firms on Local firms in Nairobi, Kenya. It looked at the regression analysis of the social cultural effect as well as ANOVA and correlation coefficients.

4.3.2.1 Model Summary of Social cultural effect of Chinese firms on Local firms

This section introduced the model summary of social cultural effect of Chinese firms on Local firms in Nairobi, Kenya.

Table 4.9 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.663a</td>
<td>.440</td>
<td>.423</td>
<td>2.67427</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), social cultural

From the Model Summary, the coefficient of determination R square is .423 and the adjusted R Square is .423. This shows that 44.0% change in local firm is explained by the identified factors (X2) above. The identified factors did not explain the whole local firms because there are other underlying factors that explain 56% change in local firms. These were factors not covered in the current study which future studies should examine.

4.4.2.2 Analysis of Variance

An Analysis of Variance was conducted at 5% level of significance. The findings are shown in Table 4.11

Table 4.10 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>185.137</td>
<td>1</td>
<td>185.137</td>
<td>25.887</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>236.006</td>
<td>33</td>
<td>7.152</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>421.143</td>
<td>34</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance
b. Predictors: (Constant), social cultural

The F calculated from the ANOVA Table is 25.887 as compared to F Critical (at d.f 1, 33) of 4.1392. It can be inferred that the overall regression model was significant predictor of the
factors influencing local firms. The p value is shown as 0.000, suggesting that the identified Socio-Cultural significantly affected local firms.
4.4.2.3 Regression Coefficients

The beta and p values of respective independent variables of the study are indicated in Table 4.12 below.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-21.319</td>
<td>7.601</td>
</tr>
<tr>
<td>Social cultural</td>
<td>.863</td>
<td>.170</td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance

A unit change in X₂ all other factors constant would lead to 0.663 increases in performance of local firms. With regard to significance at 5%, X₂= Social Cultural impact (p=0.000<0.005) indicating that Socio-Cultural significant influence on performance local firms.

4.5 Technological Impact of Chinese Firms on the Local Firms

This section introduced the results of the analysis of technological impact of Chinese firms on Local firms in Nairobi, Kenya. It looked at the results of the mean, standard deviation and regression analysis of the technological impact as well as ANOVA and correlation coefficients.

4.4.1 Technological impact of Chinese Firms on Local Firms Results

The researcher sought to determine the economic impact of Chinese firms on the local firms’. The findings indicated that there is Research and Development Costs Increase with a mean 3.7143. The finding indicated that there are new technologies and ideas in the Kenyan Market with a mean 3.0857. The findings also indicated that there is increase in the quality of the technological products in the Kenyan Market with a mean of 3.3143. The finding indicated that there is increasing in training in the Company due to new technology introduction with a mean of 3.0143. The finding indicated that there is increase in counterfeit
products in the market with a mean of 3.9143. The findings had also indicated that there increase in reliable Technology in the whole country with mean of 3.1243. The findings indicated that there Increase in faster technology in the country mean of 3.0286. The finding also indicated that there is Easier Access to advanced Technology for businesses with a mean of 3.5143. The finding indicated that there is transportation of goods in Kenya with a mean of 3.7714. The finding indicated that there is Transmission of advanced knowledge and expertise with a mean of 3.0857. The finding indicated that there are complications due to increased technology introduced by the Chinese with a mean 3.7429. The finding indicated that there is movement from low technology goods to higher technology goods as a result of Chinese presence with a mean of 3.0000. The findings indicated that there is improvement of managerial and technical skills due to enhancement of technology with a mean of 3.0571. The finding had indicated that there is reduction in labor costs as a result of new technology with a mean of 3.2314. The finding had also indicated that there is increase in business opportunities as a result of introduction of new technology with a mean of 3.5714. These findings are presented in Table 4.8.

<table>
<thead>
<tr>
<th>Table 4.12 : Technological Impact of Chinese Firms on the Local Firms</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development Costs Increase</td>
<td>3.7143</td>
<td>1.07297</td>
</tr>
<tr>
<td>New Technologies and ideas in the Kenyan Market</td>
<td>3.0857</td>
<td>.88688</td>
</tr>
<tr>
<td>Increase in the quality of the technological products in the Kenyan Market</td>
<td>3.3143</td>
<td>1.18251</td>
</tr>
<tr>
<td>Increasing in Training in the Company due to new technology introduction</td>
<td>3.0143</td>
<td>1.15227</td>
</tr>
<tr>
<td>Increase in counterfeit products in the market</td>
<td>3.9143</td>
<td>.74247</td>
</tr>
<tr>
<td>Increase in Reliable Technology in the whole country</td>
<td>3.1243</td>
<td>1.28991</td>
</tr>
<tr>
<td>Increase in faster technology in the country</td>
<td>3.0286</td>
<td>1.09774</td>
</tr>
<tr>
<td>Easier Access to advanced Technology for businesses</td>
<td>3.5143</td>
<td>1.06747</td>
</tr>
<tr>
<td>Transportation of Goods in Kenya</td>
<td>3.7714</td>
<td>1.05957</td>
</tr>
<tr>
<td>Transmission of advanced knowledge and expertise</td>
<td>3.0857</td>
<td>.78108</td>
</tr>
<tr>
<td>Complications due to increased technology introduced by the Chinese</td>
<td>3.7429</td>
<td>.44344</td>
</tr>
<tr>
<td>Movement from Low technology goods to higher technology goods as a result of Chinese presence.</td>
<td>3.0000</td>
<td>1.41421</td>
</tr>
<tr>
<td>Improvement of managerial and technical skills due to enhancement of technology</td>
<td>3.0571</td>
<td>1.18676</td>
</tr>
<tr>
<td>Reduction in labor costs as a result of new technology</td>
<td>3.2314</td>
<td>1.59200</td>
</tr>
<tr>
<td>Increase in business opportunities as a result of introduction of new technology.</td>
<td>3.5714</td>
<td>1.35659</td>
</tr>
</tbody>
</table>
4.5.2 Regression Analysis

This section introduced the Regression analysis of Technological impact of Chinese firms on Local firms in Nairobi, Kenya. It looked at the regression analysis of the technological impact as well as ANOVA and correlation coefficients.

4.5.2.1 Model Summary of Technological impact of Chinese firms on Local firms

This section introduced the model summary of Technological impact of Chinese firms on Local firms in Nairobi, Kenya.

Table 4.13 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.466(^a)</td>
<td>.217</td>
<td>.194</td>
<td>3.16020</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), technological

From the Model Summary, the coefficient of determination R square is .217 and adjusted R Square of .194. This shows that 21.7% change in local firm is explained by the identified factors (X\(_3\)) above. The identified factors did not explain the whole local firms because there are other underlying factors that explain 78.3% change in local firms. These were factors not covered in the current study which future studies should examine.

4.5.2.2 Analysis of Variance

An Analysis of Variance was conducted at 5% level of significance. The findings are shown in Table 4.15

Table 4.14 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>91.576</td>
<td>1</td>
<td>91.576</td>
<td>9.170 (^b)</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>329.567</td>
<td>33</td>
<td>9.987</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>421.143</td>
<td>34</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance
b. Predictors: (Constant), technological
The F calculated from the ANOVA Table is 9.170 as compared to F Critical (at d.f 1, 33) of 4.1392. It can be inferred that the overall regression model was significant predictor of the factors influencing local firms. The p value is shown as 0.005, suggesting that the identified technological factors significantly affected local firms.

4.5.2.3 Regression Coefficients

The beta and p values of respective independent variables of the study are indicated in Table 4.16 below.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>10.437</td>
<td>2.324</td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance

A unit change in $X_3$ all other factors constant would lead to 0.466 increases in performance of local firms. With regard to significance at 5%, $X_3$ = Technological Impact (p=0.005=0.005) indicating that technological factor significantly influence on performance local firms.

4.6 Regression Analysis

Joint regression analysis was conducted to determine the effect of Chinese firms on the local industry in Nairobi, Kenya in terms of technological, economic and social cultural.

4.6.1 Model Summary

The Model Summary gives the coefficient of correlation R and the coefficient of determination R square.
Table 4.16: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.888\textsuperscript{a}</td>
<td>.789</td>
<td>.746</td>
<td>1.63113</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Predictors: (Constant), Economic Impact, Socio-cultural Effect, Technological Impact.

From the Model Summary, the coefficient of determination R square is 0.746 and adjusted R Square of 0.746. This shows that 78.6% change in local firm is explained by the identified factors (X\textsubscript{1}, X\textsubscript{2}, and X\textsubscript{3}) above. The identified factors did not explain the whole local firms because there are other underlying factors that explain 21.4% change in local firms. These were factors not covered in the current study which future studies should examine.

4.6.2 Analysis of Variance

An Analysis of Variance was conducted at 5% level of significance. The findings are shown in Table 4.9

Table 4.17: Analysis of Variance

<table>
<thead>
<tr>
<th></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>243.612</td>
<td>3</td>
<td>81.204</td>
<td>41.157</td>
<td>.000\textsuperscript{b}</td>
</tr>
<tr>
<td>Residual</td>
<td>65.152</td>
<td>31</td>
<td>1.973</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>308.764</strong></td>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{a} Dependent Variable: Local Firms
\textsuperscript{b} Predictors: (Constant), Economic Impact, Socio-cultural Effect, Technological Impact

The F calculated from the ANOVA Table is 41.157 as compared to F Critical (at d.f 3, 31) of 2.9113. It can be inferred that the overall regression model was significant predictor of the factors influencing local firms. The p value is shown as 0.000, suggesting that the identified factors significantly affected local firms.

4.6.3 Regression Coefficients

A regression analysis was conducted and analyzed by use of SPSS and the researcher arrived at the beta and p values of respective independent variables of the study are indicated in Table 4.19 below.
Table 4.18: Regression Coefficients

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>10.871</td>
</tr>
<tr>
<td>( X_1 )</td>
<td>.950</td>
</tr>
<tr>
<td>( X_2 )</td>
<td>.265</td>
</tr>
<tr>
<td>( X_3 )</td>
<td>.109</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Local Firms

The established equation therefore becomes;

\[
Y = 10.871 + 0.445X_1 + 0.124X_2 + 0.837X_3
\]

Where \( Y \) = Local firms

\( X_1 \) = Economic Impact; \( X_2 \) = Socio-cultural Effect and \( X_3 \) = Technological Impact

Therefore, holding all variables constant would result into 10.871 Local firms. A unit change in \( X_1 \) all other factors constant would lead to 0.950 economic Impact. A unit \( X_2 \) other factors constant would lead to 0.265 socio-cultural effects. A unit increase in \( X_3 \) holding other factors constant would result into 0.109 of technological impact.

With regard to significance at 5%, \( X_1 \) Economic Impact \((p=0.001<0.05)\) and \( X_3 \) = Socio-cultural Effect \((p=0.004<0.05)\), \( X_2 \) = Technological Impact \((p=0.000>0.05)\) Technological Impact. All had significant influence on local firms.

4.8 Chapter Summary

This chapter concentrated on the results and findings as collected from the field. It presented the response rate, general information including: gender, current position in the organization, age, highest level of education attained, years of operation since incorporation and years of operating in Kenya. These were meant to provide a profile of the respondents so as to establish economic impact of Chinese firms on the local firms, to determine socio cultural effect of Chinese firms on the local firms. It also identified technological impact of Chinese firms on the local firms. The chapter ended by displaying the findings of descriptive analysis.
which included mean and standard deviation. The next chapter presents summary, discussions, conclusions and recommendations.
CHAPTER FIVE
5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of the findings, discussion, conclusions and recommendations of the study based on the research questions of the study.

5.2 Summary
The objective of this study was to determine effect of Chinese firms on the local industry in Nairobi, Kenya. To reach the purpose of this study sought to investigate the following research objectives: to determine the economic impact of Chinese firms on the local firms in Nairobi, Kenya, to assess the socio-cultural effect of Chinese firms on the local firms in Nairobi, Kenya and to determine the technological impact of Chinese Firms on the local firms in Nairobi, Kenya.

The study adopted descriptive research design. This design was applicable to the research since it explores the existing status of two or more variables at a given point in time. The study population was all the local firms in Kenya the target population was the local firms in Nairobi, Kenya. A total of 46 local firms in Nairobi formed the population of the study. Since the population was relatively small with homogenous attributes, a census was undertaken. The sample size was therefore 46 firms. The data was collected by use of a questionnaire. The questionnaire was structured so that it can produce uniform results. The study employed descriptive analysis of the data which was to determine the level of the effect of Chinese firms on local firms in Nairobi, Kenya. The data was presented using tables and figures for ease of understanding.

The study found out that that there was a lot economic impact of Chinese firms on the local Firms these were; sale fluctuation as a result of Chinese goods in the market 3.800 and standard deviation of 0.93305, operating costs increased as a result of Chinese firms’ presence with a mean of 3.5143 and standard deviation of 0.88688, there was increasemarketing and advertising costs on local firms with a mean of 3.4286 and standard deviation of 1.09237, there was increase in the number of customers on Kenyan Market with a mean of 3.2286 and standard deviation of 1.05957, there was price fluctuations in relation to introduction of
Chinese goods in the market mean of 3.3143 and standard deviation of 0.96319, administrative costs increased due to presence of Chinese firms in Kenya mean of 3.0286 and standard deviation of 1.30802, there was reduction in Tariffs Exemptions as a Result of Trading with China with a mean of 3.7429 and standard deviation of 0.98048, reduction in the Contribution Margin as a result of Chinese firms’ presence in Kenya with a mean of 3.0286 and standard deviation of 1.17358. The study established that there is increase in Loan Interest Rates due Increase of Government Debt with China with a mean of 3.5714 and standard deviation of 0.85011, there was increase in the Tax Rates as a Result of Increased of Government of Kenya debt with Chinese firms with a mean of 3.3429 and standard deviation of 0.93755, strict Government regulations as a result of Chinese presence in Kenya with a mean of 3.6857 and standard deviation of 1.23125. There was a 51.4% overall effect on local firms technological with an R square of 0.846.

The study also established that there was socio-cultural effect of Chinese Firms on the Local Firms which are; increase in development assistance by China with a mean of 3.0857 and standard deviation of 1.35845, there was introduction of unfair government regulations and policies with a mean of 3.2429 and standard deviation of 0.65722, there was restructuring of the Company due to presence of Chinese firms with a mean of 3.0904 and standard deviation of 0.83213, there was increase in unfair competition as a result of Chinese firms presence with a mean of 3.1143 and standard deviation of 1.02244, increase in aid due to the increase in aid by the Chinese firms with a mean of 3.1243 and standard deviation of 0.95706, there was increase in Corporate Social Responsibility mean of 3.7143 and standard deviation of 1.88688, there was increase in labor skills as a result of Chinese firms presence with a mean of 3.4571 and standard deviation of 0.91853, enhanced Communication with the Chinese Companies with a mean of 3.3429 and standard deviation of 1.43369. The study continued to indicates that increase in Loans from the Chinese firms with a mean of 3.0055 and standard deviation of 1.24819, there is assistance in Human Resource Development by the Chinese with a mean of 3.1714 and standard deviation of 1.40348. The study continued to indicate that Chinese invested in equipment and plants in Kenya with a mean of 3.7143 and standard deviation of 1.04520, there was cultural exchange programs with Chinese firms or the Chinese Government with a mean of 3.0587 and standard deviation of 1.1.01087 and lastly
increase in employees who have benefited from the Chinese Scholarships with a mean of 3.6000 and standard deviation of 1.19312. There was a 56% overall effect on local firms technological with an R square of 0.423.

Lastly the study established that there was technological impact of Chinese firms on the local firms. These impact are as follows; increase in Research and Development costs with a mean of 3.7143 and standard deviation of 1.07297, there were new technologies and ideas in the Kenyan Market with a mean of 3.0857 and standard deviation of 0.88688, increase in the quality of the technological products in the Kenyan Market with a mean of 3.143 and standard deviation of 1.18251, there was increase in training on Company due to new technology introduction with a mean of 3.0143 and standard deviation of 1.5227, there was increase in counterfeit products in the market with a mean of 3.9143 and standard deviation of 0.74247, there was increase in reliable Technology in the whole country with a mean of 3.7714 and standard deviation of 1.05957. The study continued indicate that Easier Access to advanced Technology for businesses with a mean of 3.5143 and standard deviation of 1.06747, there was increase in transportation of goods in Kenya with a mean of 3.7714 and standard deviation of 1.05957, transmission of advanced knowledge and expertise with a mean of 3.0857 and standard deviation of 0.78108, complications due to increased technology introduced by the Chinese with a mean of 3.7429 and standard deviation of 0.44344, movement from low technology goods to higher technology goods as a result of Chinese presence with a mean of 3.0000 and standard deviation of 1.41421, there was improvement of managerial and technical skills due to enhancement of technology with a mean of 3.3.0571 and standard deviation of 1.18676. There was increase in reduction in labor costs as a result of new technology with a mean of 3.2314 and standard deviation of 1.59200 and lastly the findings indicated that there was increase in business opportunities as a result of introduction of new technology with a mean of 3.5714 and standard deviation of 1.35659. There was a 78.3% overall effect on local firms technological with an R square of 0.194.

With regard to the reaction of local firm to Chinese presence. They was some uniformity in which they all wrote that their firms are coming up with strategies aimed at competing with the Chinese firms entering the Kenyan Market. They also complained on how the Chinese
firms have worked hard to take away most of their business and left them high and dry. Some of them mentioned that they had been forced to procure the same goods that the Chinese are offering in order to keep up with the pace and this has ended up destroying the local market and economy at large. They also claimed that the with the weakening Kenyan Shilling they sometimes still find it to be expensive to procure the said Chinese goods from China. Some of the strategies that were highlighted by the local firms included; reducing cost of doing business in order to compete with the Chinese firms, improving the quality of both their goods and services, making their goods more affordable.

In terms of measures taken by the local firms to counter Chinese presence in their industries included coming with new ways of increasing efficiency, hence making their services and products more superior than the Chinese affiliated products and services. Some of them claimed that they were seriously and lobbying to the government to change legislation that is favoring the said Chinese firms which leaves the local firms suffering. They all were adamant that they had a future in the Kenyan market and that they were there to stay no matter how hard times get. They wrote that they had laid out both long-term and short term plans to counter the Chinese firms both in the near and far future. Some of the local firms talked about partnering with some of the Chinese firms in order to counter to adopt their ways of doing business thus growing not mentioning remaining afloat.

5.2 Discussion
This section discussed the results obtained from the study conducted on the effect of Chinese on local firms in Nairobi, Kenya.

5.3.1 Economic Impact of Chinese Firms on the Local Firms

With Respect to economic impact the respondents indicated that there are Sales fluctuations as a result of Chinese goods in the market with a mean of 3.800 and standard deviation of 0.93305. This finding is consistent with Zafar (2011) who stated that African producers cannot compete with Chinese companies even in African markets since Chinese manufacturers have low production cost and market prices he continued by saying, where there are so many companies with so many similar goods that a company’s specific good becomes a commodity in its market because there are so many others just like it and these are
some of the challenges that local African economies endure. The respondents also indicated that operating costs increase as a result of Chinese firms’ presence market with a mean of 3.5143 and standard deviation of 0.88688. This finding is consistent with Mutuku (2014) study on Chinese influence on African economy she stated that the costs in general have raised so much due to the increase in operating costs brought about by the need to keep up with these Chinese firms in the country leading in terms of cheap goods and competitive strategies to be employed. The respondents also indicated that marketing and advertising costs increase on local firms market with a mean of 3.4286 and standard deviation of 1.09237. This finding concurred with Melin (1992) who stated that it was found that the factors determining the branding strategy in international markets are stakeholder interests, corporate image and reputation, market complexity, as well as marketing costs. The respondents indicated that the number of customers increase in the Kenyan Market with a mean of 3.2286 and standard deviation of 1.05957. This finding is consistent with Chen et al. (2007) who stated that the resultant competitive tension would be particularly salient in emerging markets, which often comprise many regional markets that have significantly different income levels and customer demands.

The respondents indicated that Price Fluctuations in relation to introduction of Chinese goods in the market with a mean of 3.3143 and standard deviation of 0.96319. This finding concurred with O’Brien and Williams (2007) who stated that globalization leads to increased competition due to the introduction of products from countries all around the globe with ever-increasing lower prices. The respondents also indicated that there is increase in inflation in the country due to Chinese goods with a mean of 3.0286 and standard deviation of 1.30802. The respondents indicated that there is change in customer preferences due to presence of Chinese firms in the Market with a mean of 3.5714 and standard deviation of 1.35659. The respondents also indicated that administrative costs increase due to presence of Chinese firms in Kenya with a mean of 3.4286 and standard deviation of 1.22440. This finding is consistent with Burrow et al. (2001) who stated that when a multinational firm enters an overseas market, it must choose a specific location for its foreign subsidiary. Traditionally, researchers have examined the location strategies of multinational firms as a function of ownership and location advantages. The respondents
indicated that there is increase in Unit Variable Costs in the local firms in Kenya with a mean of 3.0014 and standard deviation of 1.35225. The respondents also indicated that there is reduction in Tariffs Exemptions as a Result of Trading with China with a mean of 3.7429 and standard deviation of 0.98048. This finding is consistent with Burnet and Manji, (2007) who stated that China currently gives both monetary and non-monetary aid to Kenya. Development aid from China supports investment in infrastructure, equipment and plant; academic training; technical training; human relief; and tariff exemptions.

The respondents also indicated that there is reduction in the Contribution Margin as a result of Chinese firms’ presence in Kenya with a mean of 3.0286 and standard deviation of 1.17358. This finding is consistent with OECD and AFDB (2011). Who stated that Chinese investment seems to contribute positively to technological upgrading of African countries? Indeed, because the Chinese technologies have been designed in order to satisfy the local demand, it is much easier for African countries to use and integrate them in their private sector. The respondents indicated that there is increase in Loan Interest Rates due Increase of Government Debt with China with a mean of 3.5714 and standard deviation of 0.85011. This finding concurred with McCormick at al. (2007). As a ratio of total loans andgrants in Kenya, China accounted for 1.67 per cent in 2002 and 9.98 per cent in 2005. The respondents indicated that there is increase in the Tax Rates as a Result of Increase of Government of Kenya debt with Chinese firms with a mean of 3.3429 and standard deviation of 0.93755. Lastly the findings indicated that there are strict Government regulations as a result of Chinese presence in Kenya with a mean of 3.6857 and standard deviation of 1.23125. This finding is consistent with Arora (2008) who stated that the government provides the right for foreign and domestic private entities to establish and own business enterprises and engage in all forms of remunerative activity.

5.3.2 Socio-Cultural Effect of Chinese Firms on the Local Firms

The respondents indicated that there was increase in development assistance by China with a mean of 3.0857 and standard deviation of 1.35845. This finding is consistent with Kaplinsky (2007) who said that it had also been observed that Chinese aid coincides with the award of contracts so that African governments are likely to “cooperate” when Chinese companies bid
for Chinese government funded contracts. About 70 per cent of contracts in a US$2bn Chinese-funded project in Angola in 2004 were reserved for Chinese companies. The respondents indicated that there is introduction of unfair government regulations and policies with a mean of 3.2429 and standard deviation of 0.65722. The respondents indicated that better healthcare due to Chinese presence in Kenya with a mean of 3.6571 and standard deviation of 0.68354. This finding is consistent with Economy (2007) who stated that Chinese human development assistance focused on training and the provision of health personnel. Through the African Human Resources Development Fund, China awards scholarships to over 4000 students from 51 African countries to study in China every year. The respondents indicated that there is restructuring of the Company due to presence of Chinese firms with a mean of 3.0904 and standard deviation of 0.83213. This finding concurred with Zeng and Williamson (2003) who stated that some local firms have developed transferable assets by restructuring, innovating, and internationalizing, and they employ these assets to compete with foreign entrants.

The respondents indicated that there is increase in unfair competition as a result of Chinese presence in Nairobi, Kenya with a mean of 3.1143 and standard deviation of 1.02244. This finding is consistent with Burrow et al. (2001), who stated that traditionally, researchers have examined the location strategies of multinational firms as a function of ownership and location advantages and have not paid much attention to the market competition factors in the host country. The respondents indicated that there is increase in aid due to the increase in aid by the Chinese firms with a mean of 3.1243 and standard deviation of 0.95706. This is consistent with Frimpong, (2012) who stated that at the 2006 Summit of the Forum on China-Africa Cooperation in Beijing, China pledged to double aid to Africa by 2009 and to give Africa US$2 billion in preferential buyers' credits over the next three years. The respondents indicated that there are increased partnerships with the Chinese Firms with a mean of 3.2286 and standard deviation of 1.16533. This finding is consistent with Alden (2005) who stated that China is investing massively in raw material deposits overseas, and is multiplying its trading partnerships in order to secure regular supplies. The respondents indicated that there is increase in Corporate Social Responsibility with a mean of 3.7143 and standard deviation of 1.88688. This finding is consistent with Melin (1992) who stated that it was found that the factors determining the
branding strategy in international markets are stakeholder interests, corporate image and reputation, market complexity, as well as marketing costs.

The respondents indicated that there is increase in labor skills as a result of Chinese presence with a mean of 3.4571 and standard deviation of 0.91853. This finding is consistent with Broadman (2007) who stated that the World Bank estimates that the ineffectiveness of investment incentives is partly due to the lack of the requisite infrastructure and labor skills. The respondents indicated that there is enhanced Communication with the Chinese Companies with a mean of 3.3429 and standard deviation of 1.43369. This finding is consistent with The National Construction Authority Act (2011) who imposed local content restrictions on “foreign contractors,” defined as companies incorporated outside Kenya or with more than 50 percent ownership by non-Kenyan citizens. The act requires foreign contractors to enter into subcontracts or joint ventures assuring that at least 30 percent of the contract work is done by local firms. Regulations implementing these requirements are in process.

The respondents indicated that there is increase in Loans from the Chinese firms with a mean of 3.0055 and standard deviation of 1.24819. This finding is consistent with Andrea, at al. (2006) who stated that China’s Export and Import Bank (Exim Bank), established in 1994, extended its export buyers credit market to Africa in 2005 and by the end of that year had committed US$800m concessional loan to over 55 projects in 22 African countries. Chinese aid to Africa focused on two main areas: infrastructure and human development structure. The respondents indicated that there is assistance in Human Resource Development by the Chinese with a mean of 3.1714 and standard deviation of 1.40348. This finding is consistent with In Jansen (2014) who stated that in terms of quality, the Chinese investment seems to offer new opportunities in technology transfer and infrastructure development, two areas of crucial interest for Africa's development. The respondents indicated that Chinese investment in your equipment and plants with a mean of 3.7143 and standard deviation of 1.04520. This finding is consistent with Burnet and Manji (2007) who stated that China currently gives both monetary and non-monetary aid to Kenya. Development aid from China supports
investment in infrastructure, equipment and plant; academic training; technical training; human relief; and tariff exemptions.

The respondents indicated that there is Cultural Exchange programs with your Company and Chinese firms or the Chinese Government with a mean of 3.0587 and standard deviation of 1.101087. This finding is consistent with Kaplinsky (2007) who stated that Kenya was the first African country to receive Chinese financing of educational and cultural exchange programs through the Confucius Chinese and Language Centre, currently hosted by the University of Nairobi in Kenya and Tia Jin Normal University in China. The respondents indicated that there is increase in employees who have benefited from the Chinese Scholarships with a mean of 3.6000 and standard deviation of 1.19312. This finding is consistent with Daily Nation (2006) who stated that about 100 scholarships are given by the Chinese government to Kenyans each year, twenty of which are in medical related fields. On technical training, approximately 500 people from the public and private sectors benefit every year.

5.3.3 Technological Impact of Chinese Firms on the Local Firms

The respondents indicated that there is Research and Development Costs Increase with a mean of 3.7143 and standard deviation of 1.07297. This finding is consistent In Jansen (2014) who stated that technological Impact of Chinese Firms on the Business Environment In terms of quality, the Chinese investment seems to offer new opportunities in technology transfer and infrastructure development, two areas of crucial interest for Africa's development The respondents indicated that there is new technologies and ideas in the Kenyan Market with a mean of 3.0857 and standard deviation of 0.88688. This finding is consistent with CHINAFRICA (2007) who stated that there is the increased Chinese investment in Africa playing a positive role by providing a model for industrial development and transferring new technologies and ideas? Japanese firms offered a good example of this possibility with their influence on the industrial boom in Southeast Asia and Japan been described as the leader of the “Flying Geese” model.

The respondents indicated that there is increase in the quality of the technological products in the Kenyan Market with a mean of 3.143 and standard deviation of 1.18251. This finding is
consistent with Economy (2007) who stated that Chinese human development assistance focused on training and the provision of health personnel. Through the African Human Resources Development Fund, China awards scholarships to over 4,000 students from 51 African countries to study in China every year. The respondents indicated that there is increasing in training in the Company due to new technology introduction with a mean of 3.0143 and standard deviation of 1.5227. This finding concurred with People's Republic of China (2013) who stated that by 2010, they had offered training programs for almost 30,000 people working in various fields, including economics, science and technology, agriculture, public administration, medical care and environment protection.

The respondents indicated that there is increase in counterfeit products in the market with a mean of 3.9143 and standard deviation of 0.74247. The respondents indicated that there is increase in reliable Technology in the whole country with a mean of 3.7714 and standard deviation of 1.05957. The findings indicated that there is increase in faster technology in the country. This finding is consistent with Frimpong (2012) who stated that the international product cycle operates in a manner where countries switched from the production of low technology goods to the production of higher technology goods. The respondents indicated that there is Easier Access to advanced Technology for businesses with a mean of 3.5143 and standard deviation of 1.06747. This finding is consistent with OECD and AFDB (2011) who stated that the Chinese technologies have been designed in order to satisfy the local demand, it is much easier for African countries to use and integrate them in their private sector.

The respondents indicated that there is transportation of goods in Kenya with a mean of 3.7714 and standard deviation of 1.05957. This finding is consistent with Frimpong (2012) who stated that since 2005, China's total infrastructure commitments in Sub-Saharan Africa are even superior to those of the World Bank. The respondents indicated that there is Transmission of advanced knowledge and expertise with a mean of 3.0857 and standard deviation of 0.78108. The respondents indicated that there are complications due to increased technology introduced by the Chinese with a mean of 3.7429 and standard deviation of 0.44344. These finding is consistent with People's Republic of China (2013) who stated that China is present in the extraction of resources but simultaneously it was also committed itself
to the development of new value adding processing industries, such as refineries or petrochemical complexes and the exploration of new fields. The respondents indicated that there is movement from low technology goods to higher technology goods as a result of Chinese presence with a mean of 3.0000 and standard deviation of 1.41421. This finding is consistent with Frimpong (2012) who stated that the international product cycle operates in a manner where countries was switched from the production of low technology goods to the production of higher technology goods.

The respondents indicated that there is improvement of managerial and technical skills due to enhancement of technology with a mean of 3.3.0571 and standard deviation of 1.18676. This finding is consistent with Burnet and Manji (2007) who stated that China currently gives both monetary and non-monetary aid to Kenya. Development aid from China supports investment in infrastructure, equipment and plant; academic training; technical training; human relief; and tariff exemptions. The finding had indicated that the respondents indicated that there is reduction in labor costs as a result of new technology with a mean of 3.2314 and standard deviation of 1.59200. This finding is consistent with OECD and AFDB (2011) who stated that because the technologies used by these firms match better the existing technologies and the labor skills in Africa, there is a potential for African countries to acquire them and develop their private. The respondents indicated that there is increase in business opportunities as a result of introduction of new technology with a mean of 3.5714 and standard deviation of 1.35659. This finding is consistent with the China Economic and Trade Cooperation White Paper (2013) who stated that in 2012, construction contracts completed by Chinese enterprises are estimated to $40.8 billion in Africa, which represents an increase of 45% since 2009.

5.4 Conclusion
5.4.1 Economic Impact of Chinese Firms on the Local Firms

The study concluded that that there was a lot economic impact of Chinese firms on the local Firms these were; sale fluctuation as a result of Chinese goods in the market, operating costs increased as a result of Chinese firms’ presence, there was also increase marketing and advertising costs on local firm. Study further concluded that there was increase in the number
of customers on Kenyan Market, there was also price fluctuations in relation to introduction of Chinese goods in the market. Administrative costs increased due to presence of Chinese firms in Kenya. The study also concludes that there was reduction in Tariffs Exemptions as a result of trading with China. A reduction in the Contribution Margin was also concluded. Lastly the study also concluded that there is increase in Loan Interest Rates due Increase of Government Debt with China, there was increase in the Tax Rates as a Result of Increased of Government of Kenya debt with Chinese firms and strict Government regulations as a result of Chinese presence in Kenya.

5.4.2 Socio-Cultural Effect of Chinese Firms on the Local Firms

The study concluded that there was socio-cultural effect of Chinese Firms on the Local Firms. There was increase in development assistance by China. The study concluded that there was introduction of unfair government regulations and policies as an effect on our Socio-Culture. There was restructuring of the Company due to presence of Chinese firms as concluded by the study. Other effect on socio-cultural was increase in unfair competition, aid due by the Chinese firms. There was increase in Corporate Social Responsibility. The study also concluded there was increase in labor skills as a result of Chinese firms’ presence and enhanced Communication with the Chinese Companies. The study continued to conclude that increase in Loans from the Chinese firms, there is assistance in Human Resource Development by the Chinese. Lastly the study conclude that Chinese invested in equipment and plants in Kenya and there was cultural exchange programs with Chinese firms or the Chinese Government and including increase in employees who have benefited from the Chinese Scholarships.

5.4.3 Technological Impact of Chinese Firms on the Local Firms

Lastly the study concluded that there was technological impact of Chinese firms on the local firms. These impacts are as follows: the first variable is increase in Research and Development Costs, increase of new technologies and ideas in the Kenyan Market. The study also concluded that there is increase in the quality of the technological products in the Kenyan Market. Thirdly there was increase in training on Company due to new technology introduction. Furthermore there was increase in counterfeit products in the market. The study
also concludes that there was increase in reliable Technology in the whole country. The study continued to conclude that there was Easier Access to advanced Technology for businesses, increase in transportation of goods in Kenya. The study also concluded that there is increase in transmission of advanced knowledge and expertise as a result of Chinese firms’ furthermore there was complications due to increased technology introduced by the Chinese.

The study also concludes that movement from low technology goods to higher technology goods was as a result of presence of technology brought by Chinese. the study also concludes that there was improvement of managerial and technical skills due to enhancement of technology. There was increase in reduction in labor costs as a result of new technology and lastly the study conclude that that there was increase in business opportunities as a result of introduction of new technology.

5.5 Recommendations
In this section the researcher discussed the recommendations that for the study that were arrived at.

5.5.1 Recommendations for Improvement

5.5.1.1 Economic Impact of Chinese Firms on the Local Firms

The study recommends, prices should be regulated by the Kenya price control board to avoid price discrimination from Chinese firms, secondly Chinese firms entering Kenya should be vetted and a commission be formed to regulate foreign firms inflating the operation cost, and there relationships with Kenya market orientation. Lastly a tax force should be formed to regulate government loan rates and there interest.

5.5.1.2 Socio-Cultural Effect of Chinese Firms on the Local Firms

The study records that Chinese firm in Kenya to pay attention to social-cultural factors which is evident that it increases the labor force and helps in development of skilled personnel. The study also recommends that the government should formulate strict rules to govern unfair competition as a result of Chinese firms in Kenya. The government should also encourage hose firms that provide social services like scholarship.
5.5.1.3 Technological Impact of Chinese Firms on the Local Firms

The study recommend that all business to move quickly to instill a ‘founder’s mentality’ into their business and culture. Local firms should partner with Chinese firms to increase their technology knowhow and equipment’s. The government should be agile and flexible enough to change business models multiple times by empowering local teams a lot more and allowing them to act like entrepreneurs. Chinese should be allowed with supervisions to increase technology of local firms.

5.5.2 Recommendations for Further Studies

The study was carried out on effect of Chinese firms to the local firms, thus the same study should be carried out in the other countries to find out if the same results was obtained. Further research should be done in one firm to allow in depth analysis of the various effects of Chinese firms and how they influence the local firms.
REFERENCES


APPENDICES

Appendix I: Introduction Letter
FarhiyaYussuf Ibrahim

Dear Respondent,

RE: REQUEST FOR PARTICIPATION IN RESEARCH WORK

I am a graduate student at United States International University pursuing a Master of Science degree in Organizational Development (MOD). In partial fulfilment of the requirement for the degree, I am carrying out a research project on “The effect of Chinese firms in Africa: a study of local firms in Nairobi, Kenya” I shall appreciate if you kindly complete the enclosed questionnaire, which will be used to collect the data relevant to my study. Of importance to note is that you have been randomly selected to participate in this study. It is estimated that it will take less than twenty (20) minutes of your time to complete the questionnaire. Kindly respond as honestly and objectively as possible. Contribution from your end is very crucial for the achievement of this study and it will be extremely treasured.

I assure you that the information that you will present will be treated with the extreme confidentiality and will be used only for academic purposes only. In case of any queries or concerns about completing the enclosed questionnaire, please do not hesitate to contact me at any time through my contact provided at the top of this letter. I look forward to receiving completed questionnaires and I would like to express my sincere gratitude for your kind cooperation in advance.

Best Regards,

FarhiyaYussuf Ibrahim
Appendix II: Research Questionnaire

Data collected in this survey is intended for academic purposes only and will be used in partial fulfilment of an MOD research project. All information gathered will be handled with the strictest of confidentiality.

The Research Questionnaire contains five (5) sections:

SECTION A: Background Information

Name of your Company………………………….      Date of the interview………………

1. Indicate your gender: Male [ ] Female [ ]

2. Indicate your position: Senior Manager [ ] Middle manager [ ] Junior Manager [ ]

3. What is your age in years

   21-30 years [ ] 31-40 years [ ] 41-50 years [ ] above 50 years [ ]

4. Indicate your highest level of education

   College certificate [ ] College Diploma [ ] University Graduate [ ] Others
   (Specify)...........................................................................................................

5. How many years has your company been operating since incorporation?
   a.) Less than one year ( )
   b) 6 to 10 years ( )
   c) 1 to 5 years ( )
   d) Over 10 years ( )

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6. How many years have you been operating in Kenyan Industry?
   a) Less than one year ( )       c) 1 to 5 years ( )
   c) 6 to 10 years ( )           d) Over 10 years ( )

7. Do Chinese firms affect your firm?
   a) Yes ( )   b) No ( )   c) Not sure ( )

**SECTION B: Economic Impact of Chinese Firms**

Indicate to what extent the following variables in your company are affected by Chinese Firms in the country.

5 = Very effective  
4 = Effective  
3 = Little effective  
2 = Ineffective  
1 = Very ineffective

What is the effect of Chinese firms on the following variables in your company?

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales fluctuations as a result if Chinese goods in the market</td>
<td></td>
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<tr>
<td>Operating Costs increase as a result of Chinese firms presence</td>
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<tr>
<td>Marketing and Advertising costs increase on local firms</td>
<td></td>
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<tr>
<td>Number of customers increase in the Kenyan Market</td>
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<tr>
<td>Price Fluctuations in relation to introduction of Chinese goods in the market.</td>
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<tr>
<td>Increase in inflation in the country due to Chinese goods</td>
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<tr>
<td>Change in customer preferences due to presence of Chinese firms in the Market</td>
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<tr>
<td>Administrative Costs Increase due to presence of Chinese firms in Kenya</td>
<td></td>
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<tr>
<td>Increase in Unit Variable Costs in the Local firms in Kenya</td>
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<tr>
<td>Increase in the Fixed Costs in the operation of local firms</td>
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<tr>
<td>Reduction in Tariffs Exemptions as a Result of Trading with China</td>
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<tr>
<td>Reduction in the Contribution Margin as a result of Chinese firms presence in Kenya</td>
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<tr>
<td>Increase in Loan Interest Rates due Increase of Government Debt with China</td>
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<tr>
<td>Increase in the Tax Rates as a Result of Increase of Government of Kenya debt with Chinese firms</td>
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<tr>
<td>Strict Government regulations as a result of Chinese presence in Kenya.</td>
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</tbody>
</table>

**SECTION C: Socio- Cultural Impact of Chinese Firms**

Indicate to what extent are the following variables in your company are affected by Chinese Firms in the country.

5 = Very effective
4 = Effective
3 = Little effective
2 = Ineffective
1 = Very ineffective
What is the effect of Chinese firms on the following variables in your company?

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased in development assistance by China</td>
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<tr>
<td>Introduction of unfair government regulations and policies</td>
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<tr>
<td>Better healthcare due to Chinese presence in Kenya</td>
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<tr>
<td>Restructuring of the Company due to presence of Chinese firms</td>
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<tr>
<td>Increase in unfair competition as a result of Chinese presence in Nairobi, Kenya</td>
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<tr>
<td>Increase in aid due to the increase in aid by the Chinese firms</td>
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<tr>
<td>Increased Partnerships with the Chinese Firms</td>
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<tr>
<td>Increase in Corporate Social Responsibility</td>
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<tr>
<td>Increase in labor skills as a result of Chinese presence</td>
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<tr>
<td>Enhanced Communication with the Chinese Companies</td>
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<td>Increase in Loans from the Chinese firms</td>
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<tr>
<td>Assistance in Human Resource Development by the Chinese</td>
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<tr>
<td>Chinese Investment in your equipment and plants</td>
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<tr>
<td>Cultural Exchange programs with your Company and Chinese firms or the Chinese Government</td>
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<tr>
<td>Increase in employees who have benefited from the Chinese Scholarships</td>
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</tbody>
</table>
SECTION D: Technological Impact of Chinese Firms

Indicate to what extent the following variables in your company are affected by Chinese Firms in the country.

5 = Very effective
4 = Effective
3 = Little effective
2 = Ineffective
1 = Very ineffective

What is the effect of Chinese firms on the following variables in your company?

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development Costs Increase</td>
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<tr>
<td>New Technologies and ideas in the Kenyan Market</td>
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<tr>
<td>Increase in the quality of the technological products in the Kenyan Market</td>
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<tr>
<td>Increasing in Training in the Company due to new technology introduction</td>
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<tr>
<td>Increase in counterfeit products in the market</td>
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<tr>
<td>Increase in Reliable Technology in the whole country</td>
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<tr>
<td>Increase in faster technology in the country</td>
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<tr>
<td>Easier Access to advanced Technology for businesses</td>
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<tr>
<td>Transportation of Goods in Kenya</td>
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<tr>
<td>Transmission of advanced knowledge and expertise</td>
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</tbody>
</table>
Complications due to increased technology introduced by the Chinese

Movement from Low technology goods to higher technology goods as a result of Chinese presence.

Improvement of managerial and technical skills due to enhancement of technology

Reduction in labor costs as a result of new technology

Increase in business opportunities as a result of introduction of new technology.

SECTION E: LOCAL FIRMS REACTIONS TOPRESENCE OF CHINESE FIRMS

10. How has your firm reacted to the increased Chinese firms’ presence in Kenya?

....................................................................................................................................................

11. What are the measures your firm has taken to counter Presence of Chinese firms in Kenya?

....................................................................................................................................................

12. What is the future of your firm in the Kenyan industry?

....................................................................................................................................................

THANK YOU FOR YOUR PARTICIPATION!

Appendix III: Local Firms in Nairobi, Kenya
<table>
<thead>
<tr>
<th>FIRM</th>
<th>TITLE</th>
<th>Name</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Wak Construction Limited</td>
<td>General Manager</td>
<td>Yussuf Osman</td>
<td>0780523264</td>
</tr>
<tr>
<td>2. Baraki International Limited</td>
<td>General Manager</td>
<td>George</td>
<td>0712144217</td>
</tr>
<tr>
<td>3. Tinfra Engineering Limited</td>
<td>General Manager</td>
<td>Jackson Onyango</td>
<td>0739235794</td>
</tr>
<tr>
<td>4. Mattan Construction</td>
<td>General Manager</td>
<td>Samir Omondi</td>
<td>0727881587</td>
</tr>
<tr>
<td>5. Territorial Works Limited</td>
<td>General Manager</td>
<td>Jackton Oluoch</td>
<td>0780569231</td>
</tr>
<tr>
<td>6. Sivad Construction Limited</td>
<td>General Manager</td>
<td>Hoffman Mogaka</td>
<td>0722767514</td>
</tr>
<tr>
<td>7. Frontier Engineering Limited</td>
<td>General Manager</td>
<td>Abdalla Ismail</td>
<td>0739896020</td>
</tr>
<tr>
<td>8. Jomwak Enterprises</td>
<td>General Manager</td>
<td>George Moruri</td>
<td>0712717362</td>
</tr>
<tr>
<td>9. El Adi Construction Company Limited</td>
<td>General Manager</td>
<td>Samira Mohamed</td>
<td>0735871482</td>
</tr>
<tr>
<td>10. Ogle Construction Limited</td>
<td>General Manager</td>
<td>Hibo Ibrahim</td>
<td>0718777797</td>
</tr>
<tr>
<td>11. China Quinjian International Group Limited</td>
<td>General Manager</td>
<td>Anthony Kamau</td>
<td>072153644 9</td>
</tr>
<tr>
<td>12. Signon Corporation Limited</td>
<td>General Manager</td>
<td>Ramla Ahmed</td>
<td>072575521 1</td>
</tr>
<tr>
<td>13. Hanamal Construction Limited</td>
<td>General Manager</td>
<td>AbdirizakAbdullahi</td>
<td>073544678 9 073685419 0</td>
</tr>
<tr>
<td>14. Terrad Construction Limited</td>
<td>General Manager</td>
<td>Maimuna Said</td>
<td>070354678 2</td>
</tr>
<tr>
<td>15. Seyani Brothers and Company (Kenya) Limited</td>
<td>General Manager</td>
<td>Omondi Amollo</td>
<td>070218417 1</td>
</tr>
<tr>
<td>16. Hagar Construction Company Limited</td>
<td>General Manager</td>
<td>Joseph Muindi</td>
<td>073345862 5</td>
</tr>
<tr>
<td>17. Associated Construction Co. Kenya Limited</td>
<td>General Manager</td>
<td>RegeDialo</td>
<td>073679461 3</td>
</tr>
<tr>
<td>18. Subway Construction Limited</td>
<td>General Manager</td>
<td>Francis Gachoyi</td>
<td>072246287 3</td>
</tr>
<tr>
<td>19. Equistar Limited</td>
<td>General Manager</td>
<td>Sylvia Amondi</td>
<td>078723751 2</td>
</tr>
<tr>
<td>20. Center Star Company Ltd</td>
<td>General Manager</td>
<td>Jack Oyoo</td>
<td>072571582 9</td>
</tr>
<tr>
<td>21. Reign Transporters Ltd</td>
<td>General Manager</td>
<td>Cecilia Kamau</td>
<td>072789123 6</td>
</tr>
<tr>
<td></td>
<td>Company Name</td>
<td>Position</td>
<td>Name</td>
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</tr>
<tr>
<td>22.</td>
<td>Bilhan Company Ltd</td>
<td>General Manager</td>
<td>Salma Abdi</td>
</tr>
<tr>
<td>23.</td>
<td>Batra Company Ltd</td>
<td>General Manager</td>
<td>Khadija Ghalbalo</td>
</tr>
<tr>
<td>24.</td>
<td>Matrix Company Ltd</td>
<td>General Manager</td>
<td>Christopher Mwakware</td>
</tr>
<tr>
<td>25.</td>
<td>Coolio Enterprises Limited</td>
<td>General Manager</td>
<td>Samson Kimani</td>
</tr>
<tr>
<td>27.</td>
<td>Seyani Bros</td>
<td>General Manager</td>
<td>Fabius Abongo</td>
</tr>
<tr>
<td>28.</td>
<td>Landmark Holdings Ltd</td>
<td>General Manager</td>
<td>Charles Shiundu</td>
</tr>
<tr>
<td>29.</td>
<td>Cementers Ltd</td>
<td>General Manager</td>
<td>Brian Oyando</td>
</tr>
<tr>
<td>30.</td>
<td>Epco Builders Limited</td>
<td>General Manager</td>
<td>Wamatangi Francis</td>
</tr>
<tr>
<td>31.</td>
<td>Laxmanbhai Construction Ltd</td>
<td>General Manager</td>
<td>Collins Lingard</td>
</tr>
<tr>
<td>32.</td>
<td>Parbatsiyani Construction Ltd</td>
<td>General Manager</td>
<td>Priya Devani</td>
</tr>
<tr>
<td>FIRM</td>
<td>Manager</td>
<td>Phone</td>
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<tr>
<td>33. Associated Construction</td>
<td>Abdi Mohammed</td>
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<td>34. Put Sarajevo</td>
<td>Paradip Singh</td>
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<td>35. Intex Construction</td>
<td>Clement Joseph</td>
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<td>36. HayerBishanSingh&amp;Sons Ltd</td>
<td>RapudoOngili</td>
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</tr>
</tbody>
</table>

**CHINESE FIRMS IN NAIROBI, KENYA**