

**CONTRIBUTION OF BUSINESS DEVELOPMENT SERVICES TO FINANCIAL  
GROWTH OF SMALL AND MEDIUM ENTERPRISES IN JAMHURI MARKET  
THIKA TOWN.**

**BY:**

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## **DECLARATION**

This research project is my original work and has never been presented for the award of a Degree or Diploma in any other university.

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## **DEDICATION**

I dedicate this research project to my family for the support accorded to me throughout the period of preparing this project.

## **ACKNOWLEDGEMENT**

I wish to acknowledge the support I have received in the cause of writing this research project .

First to my supervisor Dr. Jagongo for your guidance has always kept me on course while putting together this project. .

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## **ABSTRACT**

Small and medium enterprises SMEs play a key role in triggering and sustaining economic growth and development in developed and developing countries. Despite their great importance increased market competition especially from modern and large competitors makes it difficult for SMEs to survive. In developing countries the major problem with SMEs is difficult in assessing information, finance and lack of institution support. As a result to these difficulties most SMEs do not live beyond their third birthday. Some of these problems can be addressed through business develop services. The term BDS refers to a wide range of non-financial services provided by private and public supplies (BDS providers) to entrepreneurs to help them operate efficiently and to grow their business with a broader purpose of contributing to economic growth, employment generation and poverty alleviation. The study sought to establish the contribution of business development services to financial growth os Smes in jamhuri market in Thika.The study employed a descriptive survey. The population of the study consisted of the 527 SME traders in Jamhuri Market Thika as at 31st December 2013. The study sample size comprised of 159 SMEs. The study used a questionnaire to collect data. The data from the completed questionnaires was cleaned, coded and entered into the computer using the statistical package for social sciences (SPSS) for Windows for analysis. Descriptive statistics (that is frequency analysis) was computed for presenting and analyzing the data. The findings indicate that most SMEs attend training but other forms of business development services are not popular with SMEs. The study

recommends that BDS providers should increase awareness campaign of the available services to SMEs.

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## OPERATION DEFINITION

Bank	Institutions that offer financial intermediation Services
Business Development Services	Non-financial services critical to the entry, survival, productivity, competitiveness and growth of the enterprises
Development	Progressive Improvement in an organization or institution
Enterprise	Any organized effort intended to return a profit or economic outcome through the provision of services or products to an outside group
Entrepreneurs	Persons engaged in business activities for the purpose of making profits
Growth	Increase in terms of operation, wealth or Importance
Policy	Is a set of guidelines that is used as a basis for making decision inPolitics, Economics or Business.
Training	It is an organized activity aimed at imparting information to improve the recipient performance or to help him /her attain required level of knowledge.

## **LIST OF ABBREVIATION**

BDS	Business Development Services
CBS	Central Bureau of statistics
GDP	Gross Domestic Product
GOK	Government of Kenya
IBEC	International Business Education Commission
ICT	Information Communication Technology
ICT4AD	Information Communication Technology for accelerated Development
ILO	International Labour Office
KAM	Kenya Association of Manufacturers
KIE	Kenya Industrial Estates
KIPRRA	Kenya Institute for Public Policy Research and Analysis
MDO	Micro development organizations
MFI	Micro-finance Institutions
SMEs	Small and Medium enterprises
MSMEs	Micro Small and Medium Enterprises

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

The chapter highlights the background information on small and medium enterprises in Kenya. A statement of the problem is presented that describes the key issues or the problem being studied. The various objectives are also included in this chapter including research questions and significance of the study.

#### **1.1 Background of the Study**

Small and medium enterprises (SMEs) play a key role in triggering and sustaining economic growth in developed and developing countries. Norman and Zimmer, (1996) agree that there is no consensus of SME definition as various countries has different definition depending on the phase of economic development and their prevailing social conditions. In this, various indexes are used by member economies to define the term such as number of employees, invested capital, total amount of assets, sales volume (turnover) and production capability.

The number of employees engaged by enterprises is the commonly used unit of measurement of the size of business than the turnover, degree of informality, or legitimacy of the enterprise, capital investment and degree of skills per worker (Session papers No.2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for poverty Reduction, but Kenya Institute of public policy Research and Analysis (KIPPRA, 2002) tend to differ with this definition as they argue that the degree on informality and the size of employment have been the most readily accepted criteria on which classification SME is based.

SMEs nomenclature is used to mean small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). For the purpose of this study a criterion on number of employees which is also the definition used in the MSE National Baseline Survey of 1999 will be adopted. In that survey SME are defined as those non primary enterprises (excluding agricultural production, animal husbandry, fishing and forestry) whether in the formal or informal sector which employ 11-50 workers. In Kenya session paper No.2 of 1992 on Small Enterprise and Jua Kali

Development in Kenya; enterprises are classified as follows; Micro enterprises 1-9 employees, small enterprises 10-49 employees, medium enterprises 50-99 employees, large enterprises 100 and above employees.

Development of SMEs is important to any country that needs to grow economically. Small businesses form the backbone of economic growth in Sub-Saharan Africa including Kenya where SMEs provide livelihood and employment to the bulk of the people with about 50% of such businesses being owned and operated by women and therefore crucial for the economic growth of any country(GOWE, 2010).

The importance and contribution of SMEs to achieving macroeconomic goals of nations, especially in developing nations, has attracted the attention of scholars in the entrepreneurship discipline in recent years. A complex global environment in which SMEs survive, grow and thrive is, therefore, considered an important objective of policy makers in both developed and emerging economies around the world. SMEs are generally known for their labour intensive activities and also for their use of local resources. Support for SMEs is a common theme because it is recognized that SMEs contribute to the national and international economic growth (Ngugi, Gakure, Were, and Karanja, 2010). Despite their great importance, increase market competition especially from modern and large enterprises competitors make it difficult for SMEs to survive. Generally in developing countries small size is the major problem in many enterprises, this problem is made worse by remoteness and difficulties of accessing information, finance, and lack of institutional support.

Business Development Services (BDS) are generally defined as services that improve the performance of the enterprise, its access to market, and its ability to compete. The definition includes an array of business services such as training, consultancy, marketing, information, technology, development and transfer, business linkage, promotion etc. (Committee of Donor Agencies for Small Enterprise Development, 2001).The types of services in a functioning BDS system are determined by the demand articulated on the part of the businesses (Henry, 2006). The services are provided by public and private supplies to entrepreneurs to help them operate efficiently and to grow their businesses

with the broader purpose of contributing to economic growth, employment generation and poverty alleviation.

According to Cheryl, (2001) any entrepreneur has to have a combination of technical, operational and strategic skills. The technical skills come with the commitment, creativity, experience and knowledge they have within their field. The operational skills including accounting and finance, business planning, quality control, health and safety regulations, marketing and human resource management can often pose a challenge and necessitate support. Finally, strategic skills can take an entrepreneur from the start-up phase to the next level in business management.

The purpose of BDS providers is to design, develop and deliver quality training programs for small businesses and nonprofit organizations. They specialize in providing the business community with; entrepreneurial academies, small business workshops, training programs for profit and nonprofits business. They also specialize in small business development foundation and team coaching & supplementing the sales Team (Tavia, 2006). BDS services are viewed as non-financial and are thought to be less challenging to deliver than financing, which has capital and other requirements. BDS services include management and vocational skill (Nares, 2002). According to the article Bundling Microfinance and Business Development Services, there is a growing recognition in the microfinance community that to develop successfully low-income people need a wider range of integrated financial and non-financial services. A combination of expanded financial and non-financial services can help an entrepreneur succeed by: building their self-confidence; increasing their income, productivity, and employment; and ultimately facilitating the personal growth of the entrepreneur.

All over the world and especially in developing countries, SME is seen as a solution to economic problem. The high unemployment rate and poverty of the youth in the Upper West Region of Ghana is a social problem. In this region, it is difficult to collaborate effectively in the field of business promotion for SMEs due to inadequate infrastructural facilities and a lack of ICT capacity. This minimizes the opportunities to share information and learn from other experiences. Job creation in the private sector is

identified in the ICT for accelerated Development (ICT4AD) policy as a priority area of government's overall socio-economic development programme (Kamana, 2010).

Banks and financial institutions in Kenya like many other countries in Africa and the world at large have focused on the development of entrepreneurs offering different business development services. Target groups of this BDS Portal are small and medium enterprises for business information services and all institutions involved in private sector development as well as business consultants using the necessary business information services for their counseling activities.

### **1.2 SMEs in Kenya**

In Kenya, SMEs have, for a long time been associated with the positive contribution of to the country's economic well being in terms of employment creation and poverty alleviation. According to Kenya Economic survey (2008), Micro Small and Medium Enterprises MSMEs contributed 89.9% of the total jobs created that year. In the same year the sector contributed 59% of the total GDP. The economic survey, (2010) notes that the same sector generated 87.6 % the total jobs generated in 2009. Government and or non government organizations (NGO) have done a lot to help sustain MSMEs with the main reason of enhancing employment opportunities and alleviating extreme poverty.

Bruwer,( 2010) contends that government worldwide have tended to support MSMEs by providing enabling environment such as creating financial help and enabling organization to give advice to these entities in order to enhance sustainability. Over 65% of Kenyan population is youthful and unemployed. In 2008, Kenya experienced the post-election violence which left over 1,000 people dead and over 500,000 displaced. And while this might have been politically instigated, the fuel was the youth unemployment and the grinding poverty. This realization has re-energised the government's resolve to address the unemployment with such initiatives as kazi kwa vijana.

It is estimated that today, Kenya's informal sector constitutes 98 percent of all businesses in the country, absorbs annually up to 50 per cent of new non-farm employment seekers, has an employment growth rate of 12-14 percent, contributes 30 percent of total employment . To its credit, Kenya, unlike most developing countries, has in its official

development policies recognized informal enterprise as more than a residual employer for the survival of poor households.

In its Sessional Paper Number 2 of 1992, Small Enterprise and Jua Kali Development in Kenya, the government identifies the small-scale and Jua Kali enterprise sector for support to assist it to "graduate into the formal sector" and to become a major player in the creation of new jobs and economic growth. Strictly speaking, the term Jua Kali refers to the full range of enterprises employing between 1-49 workers in all sectors (GOK, 2001). Access to technical and managerial training, work sites, involvement of Jua Kalis in technological innovation, and creation of a positive enabling environment are key elements in the Government's Jua Kali development strategy (Wanjohi and Mugure, 2008).

The Kenya Economic Report (2009) reveals that, though the session paper No.2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for poverty, the Kenya Government introduced an affirmative policy of reserving at least 25% of all government procurement to the SMEs, which sounded a good move towards enhancement of growth development and sustainability of MSMEs, by the time the report was being published this good report had not been fulfilled. The report emphasizes that for it to be meaningful; the affirmative policy needs legislative backing or guidelines. There is no golden rule as to who should help SMEs. No one entity individual, an institution or a government can support and sustain the start-ups ,implement survival growth and development of MSMEs. A collaborated effort between the government and its stake holders would be a viable solution and each entity that has capacity and capability can make direct or indirect contribution towards the well being of the SMEs.

### **1.2.1 Financial Growth of SMEs**

Financial growth of any business however small depends on the financial management of such institutions. According to Jacobs (2001), financial management can be defined as the art and science of managing money; and finance in its broader sense is concerned with the process, institution, markets and instruments involved with the transfer of money. This author goes on to say that this is an area that requires knowledge, skills and experience and whose goals include: maximizing profits, sales, capturing a particular

market share, minimizing staff turnover and internal conflicts, survival of the firm, and maximizing wealth. Performance measurement can be split into financial and nonfinancial measures.

To establish whether SMEs are growing, properly financial performance measurement must be carried out properly. Financial performance measurement generally looks at firms' financial ratios (derived from their financial statements) such as liquidity ratios, activity ratios, profitability ratios, and debt ratios. Nonfinancial performance measurement is more subjective and may look at customer service, employee satisfaction, perceived growth in market share, perceived change in cash flow, and sales growth (Haber & Reichel, 2005)

It is necessary to be able to assess whether or not a business has performed well over a certain period of time. From its profit and loss account, analysts can observe the profit it has generated. It is also necessary to know if a company is in a good short-term financial position, and if it is in a good financial position for long term growth. One of the most common means of analyzing accounts is the use of financial ratios. According to Jacobs (2001), a ratio is the simplest mathematical expression of two magnitudes which are meaningfully related, and which are expressed in relation to each other (as a quotient). McLeary, 2007) defines a financial ratio as "an expression of a relationship between any two figures or group of figures in the financial statements of an undertaking". Ratio analysis and interpretation can be used by many different stakeholders; especially those outside of the organization who want to invest Ratios can also be used to compare an enterprise's current position with its past positions.

### **1.3 Statement of the Problem**

SMEs have been found to contribute to the economic development of any nation. However, despite the apparent significance associated with these firms and the numerous policy initiatives introduced by African governments during the past decade to accelerate the growth and survival of SMEs in the African region, the performance of SMEs in Africa has been disappointing. According to the central bureau of statistics (2004) there is high rate of failure and stagnation among many startup businesses in Kenya. The study reveals that only 38% of the business is expanding while 58% had not added workers.

According to the survey, more enterprises are likely to close in their first three years of operation.

Wanjohi, (2009) and the Kenya Association of Manufacturers' (2009) note that one of the major challenges that SME face in the course of business in Kenya is inadequate business information. Others include lack of and/or inadequate managerial training, education and skills, lack of access to credit both for startup and expansion of the businesses, unfavorable national policy and regulatory environment.

This study sought to understand the contribution of BDS to financial growth of SMEs in Jamhuri market in Thika Town.

#### **1.4 General Objective**

To evaluate contribution of business development services to financial growth of Small and Medium Enterprises in Jamhuri Market, Thika Town

##### **1.4.1 Research Objectives.**

1. To determine the effect of training on the financial growth of small and medium enterprises.
2. To determine the effects of consultancy and counseling on the financial growth of small and medium enterprises.
3. To establish effect of business linkages on the financial growth of small and medium enterprises.
4. To find out to the effect of business mentoring on the financial growth of small and medium enterprises.

##### **1.5 Research Questions**

1. How does training affect the financial growth of small and medium enterprises?
2. What are the effects of consultancy and counseling on the financial growth of small and medium enterprises?
3. What are the effects of business linkages on the growth of small and medium enterprises?
4. What are the effects of business mentoring on the growth of small and medium enterprises?

### **1.6 Significance of the Study**

Current entrepreneurs will find the study of great benefit. They will be able to establish what benefits they can reap by use of BDS. SMES contribute a high percentage in any country GDP all over the world with Kenya not in exception. In developing its policies on SMES the government will use the study as a guide to make an informed policy on how they can improve the activities of Business Development service (BDS) providers and improve the operations of SMEs.

Banks and MFIS are the financiers of SMES they will therefore be interested in the growth of SMES which further means increased ability to services the loans advanced. The finding of the study will add to the existing knowledge in finance. The results will give an indication of what contribution the BDS providers have in the financial growth of businesses. The findings of this research will be used as reference by other researchers when they are carrying out research on related issues and will provide them with relevant information to and provide a great insight in understanding the contribution of business development services to growth of small and medium enterprises.

### **1.7 Scope of the Study**

This study aims at determining the contribution of business development services to growth of small and medium enterprises with reference to to Jamhuri Market traders in Thika Town. The study will focus on the on the business owners in Jamburi Market in Thika Town .The target population will be 500 owners. The study will be carried between in April 2014 at the Jamhuri Market in Thika Town and will be based on the BDS services and related activities at the Market.

### **1.8 Limitation of the Study**

Limitations of a study refer to the constraints or draw backs both theoretical and practical that the researcher has little or no control over the study .The following will be the limitations of the proposed study.

Some respondents may not cooperative in answering the questions posed to them. The researcher will have to explain to them the importance of the study and the way it would help them to improve on its management .There may be sometimes when the respondents may be suspicious of the study and may fear being victimized on the basis of the information they may provide and therefore may not be easy with information. The

researcher will have to assure the respondents that the study is purely academic and the information provided will be treated with utmost confidentiality and would not be used in anything else except for the reasons provided for by the researcher.

Given that the findings of the study are based on only to Jamburi Market traders in Thika Town, the findings may not reflect the situation in other BDS providers as different BDS providers may be facing different situations, challenges and operate under different conditions from each other even when they are BDS providers and therefore the findings cannot be generalized.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is aimed at identifying and evaluating theories, opinions, knowledge, attributes and findings of various studies that have been done before by different scholars and institutions in SMEs and BDS. This chapter looks at the relevant literature done by the past researchers to shed more light on contribution of business development services to growth of small and medium enterprises.

#### **2.2 Human Capital Theory**

The study will be guided by the Human Capital Theory propounded in 1971. The theory emphasizes how investment education increases the productivity and efficiency of workers. This is done increasing the level of cognitive stock of economically productive human capability which is a product of innate abilities and investment in human beings (Schultz, 1971).

According to Farlex, (2009) human capital theory provides a basic justification expenditure on investment education both in developing and developed nations. The theory is consistent with the ideologies of democracy and liberal progression found in most Western societies. Its appeal is based upon the presumed economic return of investment in education both at the macro and micro levels. Efforts to promote investment in human capital are seen to result in rapid economic growth for society. For individuals, such investment is seen to provide returns in the form of individual economic success and achievement. Most economists agree that it is human resources of a nation, not its capital nor its material resources that ultimately determine the character and pace of its economic and social development.

The significance of the human capital theory is that it regards people as assets and stresses that investment by organizations in people will generate worthwhile returns. It proposes that sustainable competitive advantage is attained when the firm has informed personnel that cannot be imitated or substituted by its rivals. The basis of BDS is to empower the entrepreneurs with the required skills to do business by providing

opportunities for training and offering of knowledge to do business in a better practice for more sustainability and the growth of their business (Teece and Augier, 2006).

Personnel empowerment is effective in SMEs where most frequently the customer's perception of quality stands or falls based on the action of the employee in one-on-one relationship with customer (Temtime & Solomon, 2002). There is no single type of strategy, which is associated with growth; the best performing SMEs are those, which are most active along a number of dimensions while being particularly active in managing their products and markets.

## **2.3 Empirical Review**

### **2.3.1 Training**

Education and skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. Majority of those who run SMEs are the ordinary lot whose educational background is wanting. Hence they may not be well equipped to carry out managerial routines for their enterprises. King and McGrath,( 2002) in their study suggest that those with more education and training are more likely to be successful in the SME sector. As such, for small businesses to do well in Kenya, entrepreneurs need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector has at least attained college level education (Wanjohi and Mugure, 2008).

As culture is a learned behavior, formal, and informal education plays an important role in transferring cultural values from one generation to another. It is often articulated that the supply of entrepreneurs will ultimately be increased more if awareness of the feasibility and desirability of starting a business is established at a young age. Thus education system can assisted to foster support and encourage those interested in knowing what it is like to run a business.

According to Meng and Liang, (1996), after entering the entrepreneurial world, those with higher levels of education are more successful because university education

provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business. Training is considered fundamentally important to human capital development. It could be described as the vehicle that takes organizations to their destination within a stipulated time frame. For any organization to survive the competitive business world, it must train and retrain its human resource in consonance with its immediate and operational environment.

Training employees attains self-fulfillment in personal goals as they work to achieve an organization goal. According to Gary, (2001), man power is the basic resource the indispensable means of correcting other resources to mankind's use and benefit. How well we train, develop, and employ the human skill is fundamental in deciding how we will accomplish as an organization.

According to Thaker, (2008), training is an organized procedure by which people learn knowledge and skills for definite use. Tim and Brinkerhoff ,(2008) insist that human capital development represents the planned opportunity that is modified to conform to a predefined and specific pattern. Training is also a process or procedure through which skills talents knowledge of employees is enhanced. Training involves facilitators, trainers and group of trainees. It seeks to develop SME knowledge and skills in operational areas such as marketing, book-keeping, production techniques and product development.

According to Tavia, (2006) business training programs are offered by financial institution to small businesses to improve their productivity. In some cases participation in training programs is mandatory for example, when credit providers dictate that loan recipients take part in training programs on credit management as condition for receiving loans.

According to Wanjau and Kahiri, (2012) the years since the start of the financial and economic crisis has been turbulent ones for small and micro businesses, and for the microenterprise development organizations that seek to support them. Although most attention has been focused on the credit crisis and how micro lenders responded by extending credit to more businesses in need, the changed context also has implications for business development services. As more micro entrepreneurs needed help surviving the

downturns in their markets, and as more unemployed considered self-employment as a jobs strategy, MDOs needed to find ways to be responsive.

Different training programs should be developed for different sectors to ensure that the BDS are as effective as possible. In terms of sectoral concentration, BDS might be subsectoral, sectoral or multi sectoral. While a skills training or marketing service could be sector-specific, a business training service is likely to be more multi sectoral in nature. A sector-specific service is most relevant when constraints are also sector specific. Researchers and programmers observe that constraints that women entrepreneurs face are often specific to the particular subsector of the economy in which they are engaged (Teece and Augier, 2006).

As much as Small and medium enterprises require loans to expand their business training before and after getting the loan is crucial for their success. According to Namala,(2011) training and post-loan support if combined, could address the needs of these very small businesses both at the planning and implementation stages of business – this would hopefully have the effect of promoting more viable businesses options and of assisting these businesses to implement new options more successfully.

### **2.3.2 Technical Assistance**

Technical assistance encompasses diverse topical areas that can serve a range of business sizes and needs. Business sizes include microbusinesses, startups, and small business expansion. Services can include assistance in areas such as marketing, management, finance and strategic planning. Most technical assistance efforts assist businesses by helping them obtain financing for operations or for larger or new facilities. According to Saad, (2012) Lenders require substantial documentation reflecting the borrower's management capacity, business track record and most importantly, showing that the business has the ability to generate income needed to repay the debt. Technical assistance providers help the entrepreneur start up, grow or expand their business. They ultimately help the borrowers make a strong case that they will be successful and repay the loan.

Business technical assistance efforts develop sustainable and financially stronger business enterprises. These enterprises create jobs and generate income and investment in

communities while attracting and retaining needed community goods and services. Technical assistance Programs will typically provide a series of classes and seminars that assist entrepreneurs with business plans, management and marketing plans, licenses and permits and in locating financing. Most business can benefit from technical assistance but the predominant small business needs to survive and grow is its ability to access capital.

In the 1990's operational skill assistance was provided to microentrepreneurs through Business Development Service (BDS) organizations, which operated separately from the sources of financing for MSEs. BDS services were viewed as non-financial and were thought to be less challenging to deliver than financing, which has capital and other requirements. BDS services include management and vocational skill. There is a growing recognition in the microfinance community that to develop successfully low-income people need a wider range of integrated financial and non-financial services (Henry, 2006). Technical assistance is normally derived through extension services.

Extension is the delivery of any form of advice or material assistance outside a classroom, usually to clients at their place of business. It includes both consultancy and counseling. Consultancy is expert advice on a specialized technical and managerial issue. It is provided by a skilled and experienced consultant, who appraises the situation of the SME and recommends a course of action (Norman and Zimmer, 1996).

Counseling is a guided process of self-discovery, which could also be described as coaching. The counselor helps the client identify problems, opportunities and resources define options and select a course of action. According to Henry, (2006) Microfinance institutions (MFIs) in different parts of the world have demonstrated the potential power of well-directed and well-managed microfinancial services in improving the lives of poor people. However, even well designed microfinance programs have limited impact on the livelihoods of the poor unless complemented by social and business development services.

Businesses sometimes are not able to identify the opportunities that are available to them and sometimes require external assistance. These external resources also usually have access to other information or resources that they can call upon to assist the business as

well. Capacity building and enhancement consist of training and education, participation in decision-making, suggestion systems, incentive mechanisms and work autonomy (Otieno and Kiraka, 2010). Capacity effectively translates into the knowledge of what to do and how to do it, and the capability to transform that knowledge into effective decisions and actions to solve development problems for both the short and long-term.

### **2.3.3 Business Linkages**

Business linkages refers to relationships and interactions between tasks, functions, departments, and organizations, that promote flow of information, ideas, and integration in achievement of shared objectives. Due to these linkages SMEs form networks which they capitalize in learning their businesses and more so in tackling various business challenges. These business linkages leads to the development of co-operatives, self-help groups, business associations, clusters, networks, franchising and chambers of commerce. Business networking is a socioeconomic activity by which groups of like-minded business people recognize and act upon business opportunities. A business network is a type of social network whose reason for existing is business activity. There are several prominent business networking organizations that create models of networking activity that, when followed, allow the business person to build new business relationships and generate business opportunities at the same time. Many business people contend business networking is a more cost-effective method of generating new business than advertising or public relations efforts. This is because business networking is a low-cost activity that involves more personal commitment than company money (Rogers, 2004).

Interventions to improve commercial linkages between SMEs focus on three main types of linkage: subcontracting, franchising and business clusters. There has been a major move towards subcontracting or outsourcing arrangements in industrialized nations in the recent years. These usually involve large customer contracting out work to small supplier, although they also include complex range of linkages in which small firms contract work to other small firms. In some cases subcontracting can be a major source of learning for the subcontractor, while in others it is more transient relationship. There have been a number of attempts by BDS organizations to promote subcontracting, although the results have been mixed and some have proved to be over regulated and unpopular with SMEs

(Nares, 2002). In franchising one enterprise sells another the right to produce or sell a commodity under the standards and procedures laid down by franchisers. Although franchising is a simple way to start a business and encourage learning by novice owners – managers, it is relatively static in terms of its potential.

Business clusters and collaborative production networks refer to complex production arrangements involving a broad range of varying sizes, as well as other actors, such as business associations, research ,and development network and specialist service provider. These arrangements are differentiated from subcontracting by the scale of engagements, which offer the potential for small enterprises to overcome the limits of their small scale by joining with other firms.

BDS need to assist the SMEs effectively with the networks that they need for accelerated growth of their business. Networking for any business however big or small is crucial for its growth. According Misner, (2008), business networking is leveraging your business and personal connections to bring you a regular supply of new business. The concept sounds simple, though it involves relationship building, it can be a deceptively complex process. Misner, (2008) further states that networking for business growth must be strategic and focused. Not everyone you meet can help move your business forward but everything you do can be driven by the intention to grow your business. You have total control over whom you meet, where you meet them and how you develop and leverage relationships for mutual benefit. According to Saad, (2012) networking your business means you have to be proactive. Make a plan, focus and be consistent. When you understand exactly what business networking is and step up to the challenge, you'll find avenues of opportunity that you may have otherwise never discovered, and you will be making an invaluable investment in the steady growth of your business.

### **2.3.5 Business Mentoring**

Mentoring is the process where one person helps another to achieve something. More specifically, something that is important to them. It is about giving help and support in a non-threatening way, in a manner that the recipient will appreciate and value and that will empower them to move forward with confidence towards what they want to achieve. Mentoring is also concerned with creating an informal environment in which one person

can feel encouraged to discuss their needs and circumstances openly and in confidence with another person who is in a position to be of positive help to them(Namala,2011).

It is generally recognized that SMEs face unique issues, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. There are however successful entrepreneurs, who can form case studies and act as mentors to the upcoming ones. Misner,(2008) admits that little effort has been seen in helping the small enterprises to grow through mentorship by the already established business.In some cases they are not considered serious businesses that might grow into bigger enterprises in the future.

According to Otieno and Kiraka, (2010) BDS providers like all other business people have different motivates for venturing into business. Some of the motives are: social concern, as a stepping stone to doing other business, the desire to explore, the desire for independence, the desire to fulfill childhood dreams and as a response to a market opportunity. The degree of the motives to help and to mentor differs from one individual provider to another. Otieno and Kiraka, (2010) further states that these motives can broadly be classified as extrinsic and intrinsic motivators and mentors. Depending on the motives and the background of the providers and the prevailing external factors, different providers take different business approaches. Even for the same provider, the business approaches do shift over time and also vary depending on the nature of the services being offered.

## **2.4 Critical Review**

Studies of constraints on SME growth have consistently indicated that other factors are as important as or more important than, financial constraints for the operations and growth prospects of SMEs. The sector faces serious challenges that make it impractical for it to realise its full potential and deliver to the government expectations. These include limited market access, limited access to information, finances and technology and unfavourable policy and regulatory environment among others (GOK, 2005). Limited access to markets remains a severe constraint to SME growth and competitiveness in Kenya owing to a shrinking domestic market due to globalization. (GOK, 2005; KIPPRA, 2006).

Limited access to market information makes SMEs less aware of opportunities in the market. Overall aggregate demand for the sector's products is low and markets are saturated due to overproduction and dumping of cheap imports. Markets do not function well due to insufficient information, high transaction costs and stiff competition for similar products.

Moreover, even though operators for small enterprises may be unwilling to admit to deficiencies in areas such as management knowhow and technical skills, human resource problems are common and constitute important barriers to SMEs development (Overy and Berman, 2001). Recognizing the importance of these other factors and buoyed by the successes that have been achieved in the financial area, micro-enterprise practitioners have begun to search ways of providing non-financial assistance with the same degree of success that has been achieved in the financial area.

Studies of SMEs generally identify a long list of problems face by owners and operators of small enterprises. On the financial side, Studies emphasize that the primary need is for better access to working capital, although fixed or investment capital is a problem for certain types of businesses. In the non-financial area, micro-enterprises must deal with numerous problems, including the following: marketing problems (identifying new sources of demand, finding customers, developing business linkages and adapting products and services to meet buyer requirements; technical /production problems; enterprise management problems; legal and regulatory compliance and harassment; transportation problems; limited access to business facilities and infrastructure and human resource development and management problems (Overy and Berman, 2001) .

Having identified the challenges faced by SME the government and stakeholders have tried to provide remedies for the problems. The success of the remedies cannot be ascertained. The study will evaluate the available BDS and how their contribution towards the financial growth of the SMEs.

## **2.5 Summary of research gaps.**

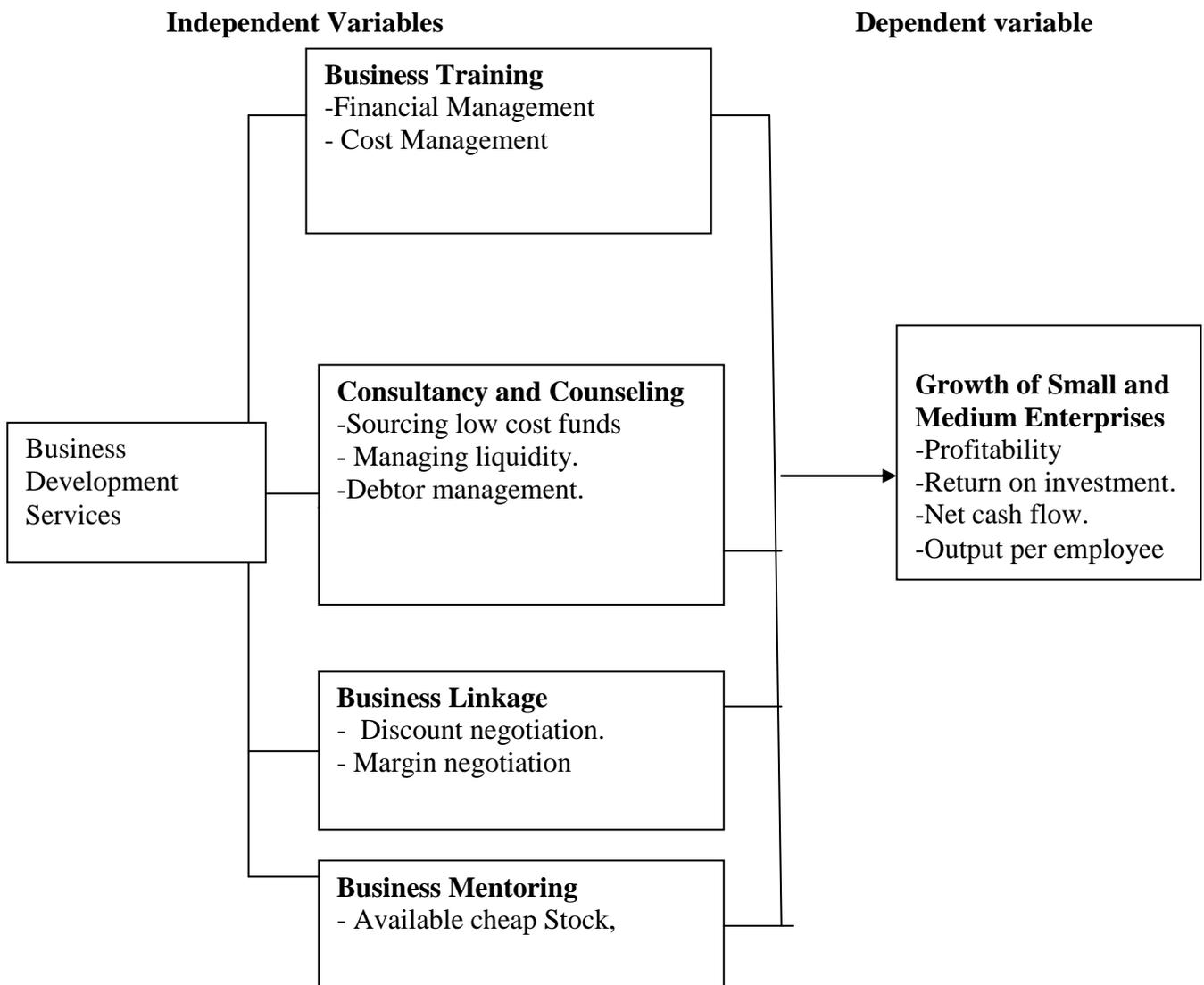
There is need for the institutions that provide Business Development Services to ensure that they sensitize the SMEs of the available services and the way they can assist them through these services. BDS provide an avenue where existing entrepreneurs can sharpen

their skills on improving the business. It also provides an avenue for the upcoming entrepreneurs to prepare themselves as they enter the world of entrepreneurs. The study will establish whether DBS is effective in enhancing growth of SMEs.

## 2.6 Conceptual Framework

This section provides a schematic presentation of the interrelation between the variables in the context of the problem under investigation.

**Figure 2.1 Schematic Conceptual Frameworks**



**Source: Researcher (2014)**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the research design and methodology that was employed to gather data for the study. In this chapter, the researcher discusses the research design, sources and type of data, sampling design, and data collection techniques and instruments as well as data collection procedures and data analysis.

#### **3.2 Study Design**

Research design is a plan outlining how information is to be gathered for an assessment or evaluation that includes identifying the data gathering method(s), the instruments to be used/created, how the instruments was be administered, and how the information will be organized and analyzed.

The study adapted a descriptive research survey design. Mugenda and Mugenda, (1999) describes a survey design as an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. The researcher opted for this design because it is an efficient method of collecting descriptive data regarding characteristic of a sample of a population, current practices, conditions or needs. The design also allows the researcher to gather information regarding the respondent's opinion, perceptions, attitudes and views in a highly economical way.

#### **3.3 Target population**

Population refers to the entire group of individuals, events or objects having common observable characteristics. It is the aggregate of all that conforms to a given specification. The target population comprised 527 Business owners in Jamhuri Market, Thika Town.

#### **3.4. Sample Design**

According Anlonius, (2005) a sample is a part of the target population that is procedurally selected to represent the population. The study adopted a Multi-staged cluster sampling method. This was obtained by selecting cluster samples in the first stage, grouping them into strata (Small and Medium Enterprises) and then selecting sample of elements from every sampled cluster. Consider a population of  $N$  clusters in total. In the first stage,  $n$  clusters are selected using ordinary cluster sampling method and represented

various entrepreneur sectors. In the second stage they were divided into Small enterprises and Medium Enterprises, at the third stage simple random sampling was used. It is used separately in every cluster and the numbers of elements selected from different clusters are not necessarily equal. Neuman (2000) argues that, the main factor considered in determining the sample size is the need to keep it manageable enough.. According to Mugenda and Mugenda (1999) a representative sample is that which is 30% or more of large populations.

The table below shows the sampling frame.

**Table 3.1 Sample Design**

Target group		Target Population	Sample size	% of sample	% of sample to population
Small Enterprises	Services	102	31	19.5	5.8
	Products	199	59	37.1	11.2
	Processing	37	12	7.5	2.3
Medium Enterprises	Services	57	17	10.7	3.2
	Products	109	34	21.4	6.4
	Processing	23	6	3.8	1.1
<b>Total</b>		<b>527</b>	<b>159</b>	<b>100</b>	<b>30</b>

The sample size comprised of 159 SME. Out of this sample 102 will represent the small enterprises and 57 will represent the medium enterprises.

### 3.5 Data Collection Procedure

The study used a questionnaire to collect the required data. A questionnaire is a data collection instrument that sets out in a formal way the questions designed to collect the desired information. It consisted of a list of structured questions and un-structured questions .Close ended questions have the advantage of collecting viable quantitative data while open-ended questions allow the respondents freedom of answering questions and the chance to provide in-depth responses. Questionnaire is preferred because it is efficient, cheap and easy to be administered. The questionnaires were administered through drop and pick to identified respondents with a brief explanation on their purpose and importance.

### **3.6 Data Analysis and presentation**

This is the whole process that starts immediately after data collection and ends at the point of interpretation of the process results Obure, (2002). It includes data sorting rearrangement of data questionnaires to allow some systematic handling, data editing to identify errors that might occur during data collection, cleaning of data to check for accuracy and completion. Before processing the responses, the completed questionnaires were sorted for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. The data was then coded, keyed in the computer and analyzed using descriptive statistics with the aid of the Statistical Package for Social Sciences (SPSS) and Microsoft Excel sheets. A descriptive analysis was employed. Descriptive statistics were used to summarize the data. This included percentages and frequencies

### **3.7 Ethical Issues**

The researcher was guided by the works of Gronhaug, (2006) who suggests that researchers need to assure their respondents of confidentiality and also the need to be truthful in their reporting without letting one's opinion mislead the respondent which can be a key source of biasness in any given research. Debriefing before research was also observed to avoid any confusion especially on the purpose of the research. A professional is one who willingly "adopts" and consistently applies the knowledge, skills, and values of a chosen profession. Integrity may be the most appropriate word used to describe the person who willingly and consistently acts in accordance with social standards or moral values of society (Hoskin, 2001). Professional integrity thus defines the professional who consistently and willingly practices within the guidelines of the mission of a chosen profession under the obligation of a Code of Ethics (Furbank, 2006).

## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter presents results and discussions of the study from the data collected from the questionnaires through frequency tables, percentages and graphs with clear interpretation of each finding on the contribution of business development services to financial growth of small and medium enterprises with reference to Jamhuri Market traders in Thika Town.

#### 4.2 Response Rate.

The study sought to gather information from 159 entrepreneurs in Jamhuri Market in Thika town. Questionnaires were prepared and administered to 159 entrepreneurs. Out of the 159 entrepreneurs selected, 102 responded. This constituted a response rate of 64%. The findings of the study shows that the study was well responded to with a good number of the sampled respondents participating in the study. According to Mugenda and Mugenda , 1999) a response of 50% is adequate for analysis and reporting.

The response is shown in table 4.1

**Table 4.1 Response Rate**

<b>Category</b>	<b>Frequency</b>			<b>Percentage</b>
Response	Small Enterprises	58	102	64
	Medium Enterprises	44		
Non Response	57			36
<b>Total</b>	<b>159</b>			<b>100</b>

Source: Researcher (2014)

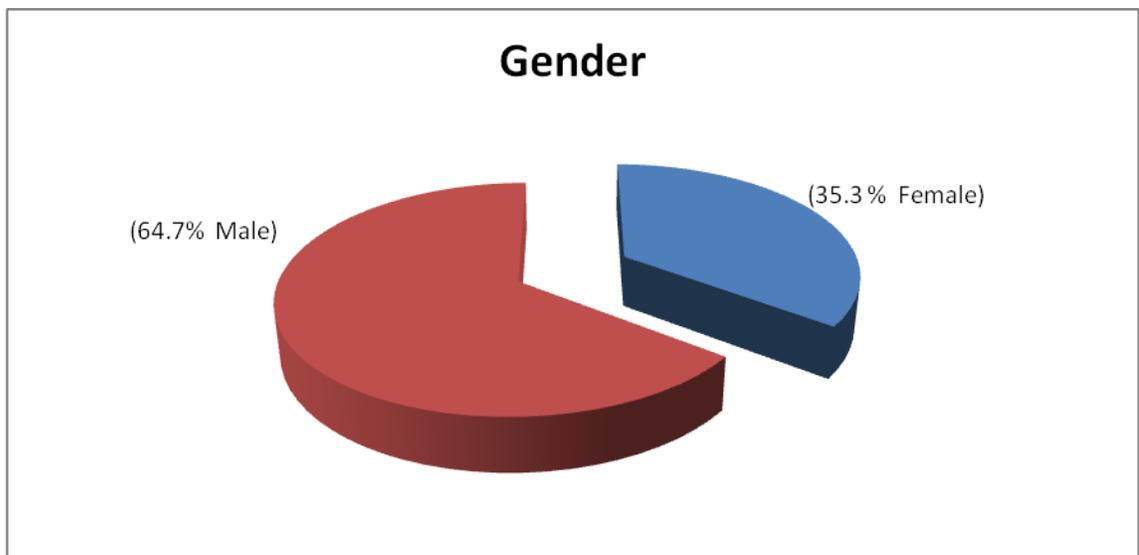
### 4.3 General Information.

The study sought to find out the general characteristics of the population. These characteristic included gender, Age, level of education, types of business, and length of time in the current business.

#### 4.3.1 Gender of the respondents

The study sought to find out the gender of the respondents. The findings are shown in Figure 4.1

**Figure 4.1 Gender of the respondents**



**Source: Researcher (2014)**

The figure above, shows that 64.7% (N=66) of the respondents were male while 35.2 % (N= 36) of the total respondents were female. The findings of the study show that most of the business are operated by men.

#### 4.3.2 Age of the Respondents

The researcher had sought to establish the age of the respondents. The findings are shown in table 4.2

**Table 4.2 Age of the Respondents**

Age	Frequency	Percent	Cumulative Percent
18-25 years	4	3.9	3.9
26- 30 years	8	7.8	11.7
31-35 years	20	19.6	31.3
36-40 years	22	21.6	52.9
41-45year	23	22.5	75.4
46 years and above	25	24.6	100.0
Total	102	100.0	

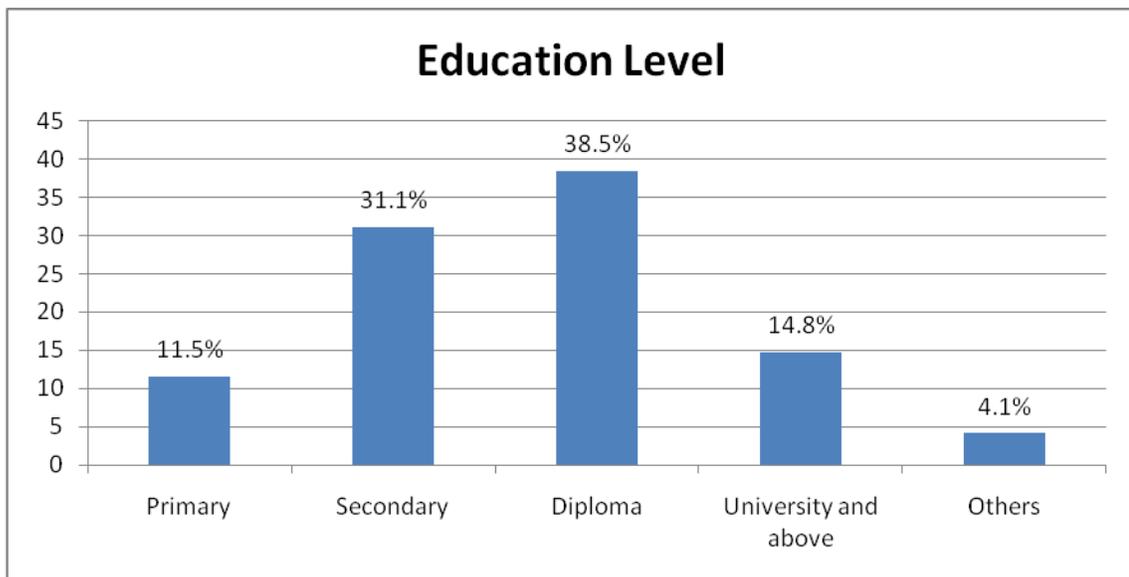
**Source: Researcher (2014)**

The table above shows that 3.9% of the respondents were 18-25 yrs, 7.8 % were 26-30yrs, 19.6 % were age between 31-35yrs, 21.6% of the respondents were 35-40 yrs while 22.5% were between 41-45years. The study also revealed that 24.6% were 46 and above years. The findings of the study show that most of the respondents who were aged above thirty years.

#### **4.3.3 Level of Education.**

The study sought to find out the level of education of the respondents. The findings are show in figure 4.2

**Figure 4.2 level of Education**



**Source: Researcher (2014)**

The figure above show that 11.5% (N=12)of respondents had Primary level of education 31.1% (N=32)of the respondents had Secondary school Certificate with another 38.5 % (N=39) holding college education in various fields. The finding of the study further

shows that 14.8 % (N=15) had University education while 4.1%(N=4) had other qualifications that were not specified. The study shows that most of the respondents at least had gone to school. The study further revealed that most of the respondents had secondary education and above.

#### 4.3.4 Types of Business run by the respondents.

The study had sought to establish the types of business the Respondents operated and the response was as shown in table 4.3.

**Table 4.3 Types of Business.**

Type of business	Frequency	Percent	Cumulative Percent
Service Business	28	27.5	27.5
Processing	20	19.6	47.1
Selling of products	54	52.9	100.0
Total	102	100.0	

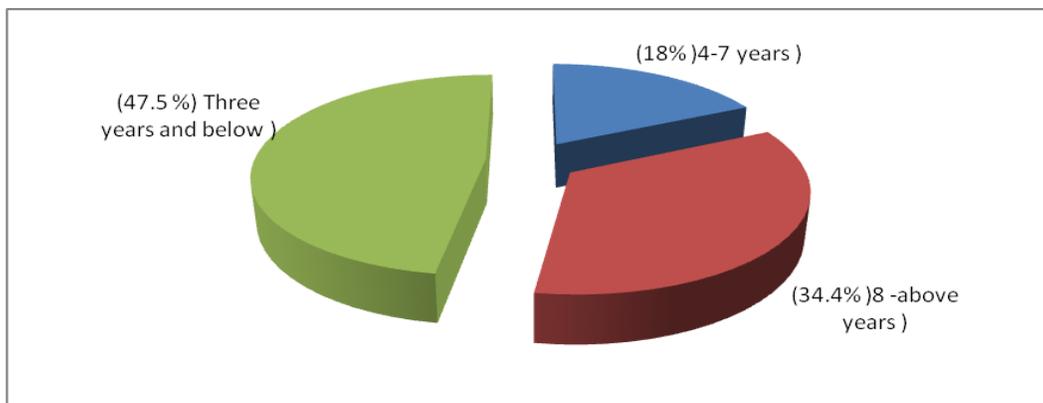
**Source: Researcher (2014)**

The table above shows that 27.5% of respondents were in service business, 19.7% were in processing businesses in different areas while 52.9% of the respondents were selling different types of goods. The study revealed that most of the respondents were dealing with buying and selling of products.

#### 4.3.5 Length of time the respondents had been current business

The researcher had sought to establish the respondents period in their current businesses. The response was shown in figure 4.3

**Figure 4.3 Length of time the respondents had been in business**



**Source: Researcher (2014)**

The figure above show that 47.5% of the total respondents had been in business for three years and below, 18% had been in business for between 4-7 years while 47.5% had been in business for 8 and above years.

#### 4.4 Training

##### 4.4.1 Training Attendance

The researcher had sought to establish whether the respondents had attended training organized by BDS providers on how to carry out their businesses. The findings were as per table 4.4

**Table 4.4 Training Attendance**

	Frequency	Percent	Cumulative Percent
No	44	43.1	43.1
Yes	58	56.9	100.0
Total	102	100.0	

**Source: Researcher (2014)**

The table and the figure above show that 56.2 % of the total respondents had attended training organized by BDS provider on how to carry out business while 43.1% of the respondents had not attended training organized by BDS provider on how to carry out business. This study shown most of the respondents had attended training in the previous year.

##### 4.4.2 Frequency of Training

The researcher had sought to know the frequency on which the Respondents attend training to improve their business in the previous year. The response was as per Table 4.5

**Table 4.5 Frequency of Training.**

	Frequency	Percent	Cumulative Percent
Once	42	72.4	72.4
Twice	10	17.2	89.6
Thrice	4	6.9	96.5
Above thrice	2	3.5	100
Total	58	100.0	

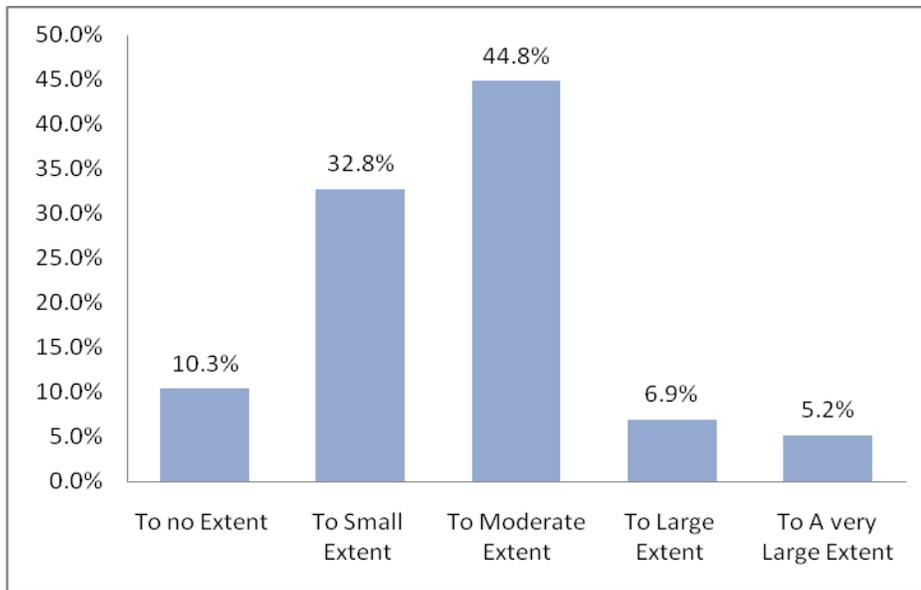
**Source: Researcher (2014)**

The study found out that of the ones who had attended training organized by BDS provider on how to carry out business 72.4% had attended once, 17.2% had attended twice, and 6.9% had attended thrice while 3.5% had attended more than thrice. Though most of the respondents had attended training, the bulk had attended only once in the previous year. Only 3.3% had attended more than three training session in the previous year.

#### **4.4.3 Contribution of Training to Growth in Sales, Profit, Net cash flow or Profit Per Staff.**

The researcher had sought the view of the respondents on contribution of the training to the financial growth of their business. The response was as shown in Figure 4.4

**Figure 4.4 Contribution of Training to Growth In Sales, Profit, Net Cashflow or Profit per Staff.**



**Source: Researcher (2014)**

The findings of the study shows that 10.3% (N=6) of the respondents associated the training to no increase in sales, profit, net cash flow or profit per staff of their businesses, 32.5% (N=19) associated the training to increase in sales, profit, net cash flow or profit per staff of their businesses to a small extent while 44.8%(N=26) of the respondents associated the training to increase in sales, profit, net cash flow or profit per staff to a moderate extent while 6.9%(N=4) associated training to a large extent in financial growth.. The study also shows that 5.2 % ( N=3) of the respondents associated the training to increase in sales, profit, net cash flow or profit per staff to a very large extent.

#### **4.4.4 Hindrance of the respondents to attendance of Training**

The study had also sought to establish what had hindered the respondents from attending business training. The response was as follows.

**Table 4.6 Hindrance to attendance of training.**

	Frequency	Percent	Cumulative percent
Never knew of any training	16	36.4	36.4
Was not Invited	20	45.5	81.5
Saw no need of training	8	18.1	100
Total	44	100	

**Source: Researcher (2014)**

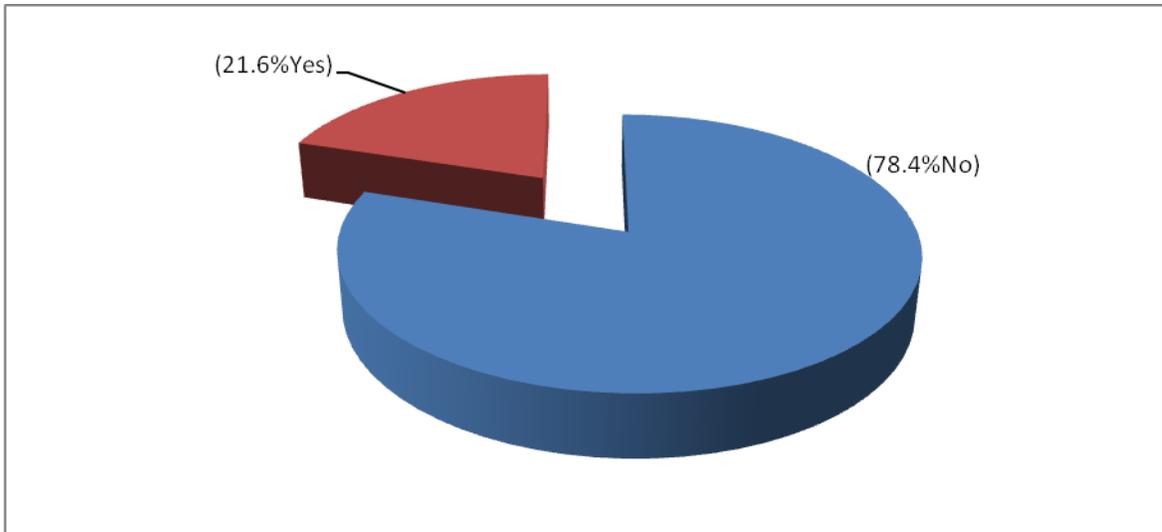
The study established that of the eleven respondent who had not attended any training 36.4% was because they never knew of any training, 45.5% were not invited while 18.1% saw need to attend.

#### **4.5. Consultancy and Counseling.**

##### **4.5.1 Attendance**

The study had also sought to establish whether the respondents had attended a consultant or a counselor session to assist them in financial growth of their business. The response was as shown in Figure 4.5

**Figure 4.5 Attendance of Consultancy and Counseling Session**



**Source: Researcher (2014)**

The findings of the study shows that 21.6% (N=22) of the respondents had engaged a consultant or a counselor to assist them in financial growth of their business while 78.4 % (N=80) had not engaged any consultant or a counselor to assist them in financial growth of their business.

#### **4.5.2 Frequency of Consultancy and Counseling**

The study had sought to establish how many times the respondents had engaged a consultant or a counselor to assist them in financial growth of their business in the previous one year .The response was as shown in Table 4.7

**Table 4.7 Frequency of Consultancy and Counseling**

	Frequency	Percent	Cumulative Percent
Once	9	40.9	40.9
Twice	6	27.3	68.2
Thrice	5	22.7	90.9
Above thrice	2	9.1	100
TOTAL	22	100	

**Source: Researcher (2014)**

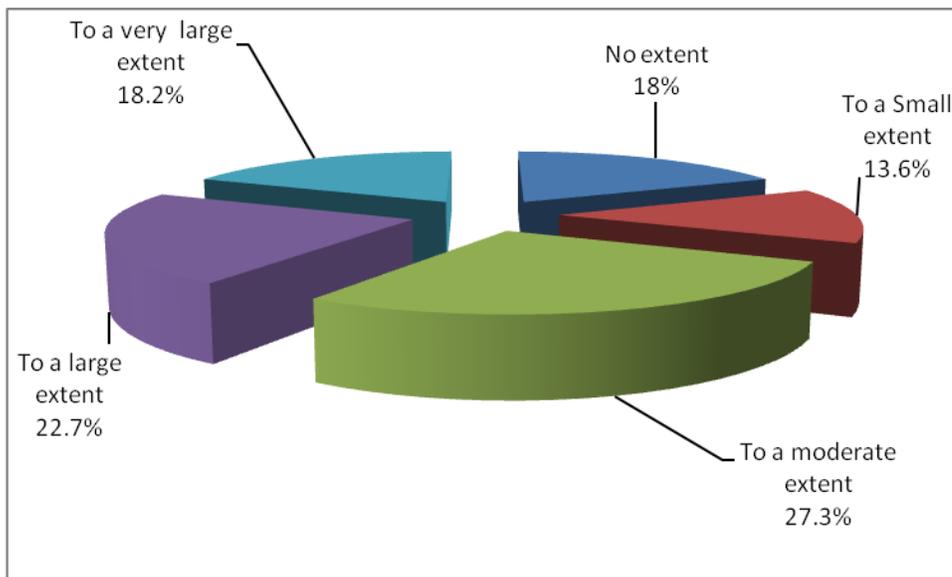
The findings of the study indicates that of the respondents who had sought consultancy and counseling services 40.9% had engaged a consultant or a counselor once, 27.3%

twice , 22.7% of the respondents had engaged a consultant or a counselor thrice while 9.1% had engaged them more than thrice in the previous year.

#### **4.5.3 Contribution of consultancy and counseling to increase in sales, profit, net cash flow or profit per staff.**

The study had sought to establish the extent to which respondents would associate consultancy and counseling to increase in sales, profit, net cash flow or profit per staff. The response was as shown Figure 4.6.

**Figure 4.6 Contributions of Consultancy and Counseling to Financial Growth.**



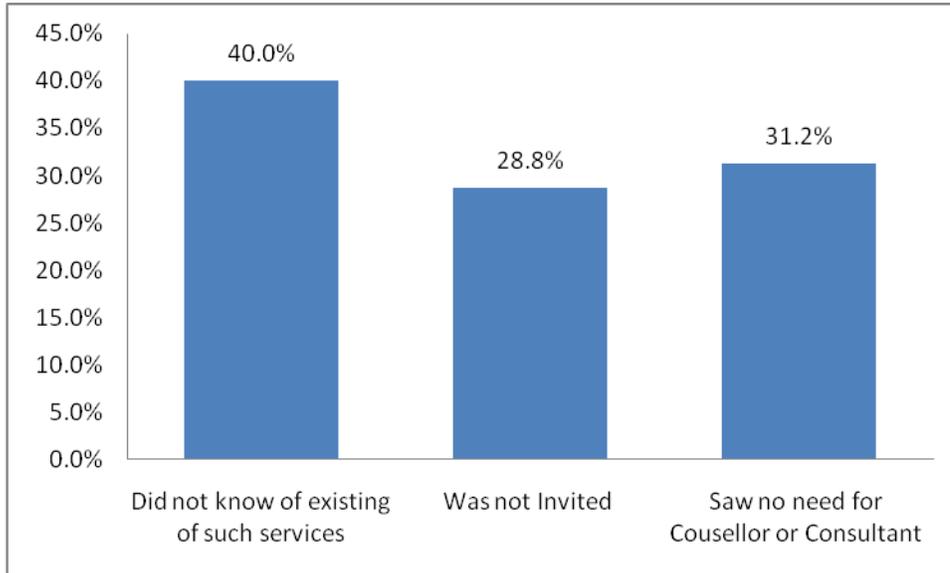
**Source: Researcher (2014)**

The figure above show that 18.2% (N=4) of the respondents associate consultancy and counseling to increase in sales, profit, net cash flow or profit per staff to a very large extent, 22.7% (N=5) to a large extent, 27.3% (N=6) to a to a moderate extent while 13.6% (N=3) of the respondents associate the consultancy and counseling to increase in sales, profit, net cash flow or profit per staff to a small extent. The study also shows that 18.2%(N=4) of the respondents associate the consultancy and counseling to increase in sales, profit, net cash flow or profit per staff to no extent.

#### 4.5.4 Hindrances of Engaging Consultants and Counselors

The researcher had sought to establish from respondents the reason for not engaging consultants and counselors in business. The response was as shown in Figure 4.6

**Figure 4.7 Hindrances for Engaging Consultants and Counselors .**



**Source: Researcher (2014)**

According to the study 40 % ( N=32) of those who had not sought the services of a consultant or counselor sighted lack of knowledge as the cause. 28.8 % (N=23) were not invited while 31.2% (N=25) of the respondents saw no need for counselor or consultant.

#### 4.6. Business Linkages

##### 4.6.1 Participation in Business Linkages .

The study had also sought to establish whether the respondents had been in a subcontract or franchise arrangement in their endeavor to grow their business financially. The response was as shown in Table 4.8.

**Table 4.8 Subcontract or Franchise**

	Frequency	Percent	Cumulative Percent
No	83	81.4	81.4
Yes	19	18.6	100.0
Total	102	100.0	

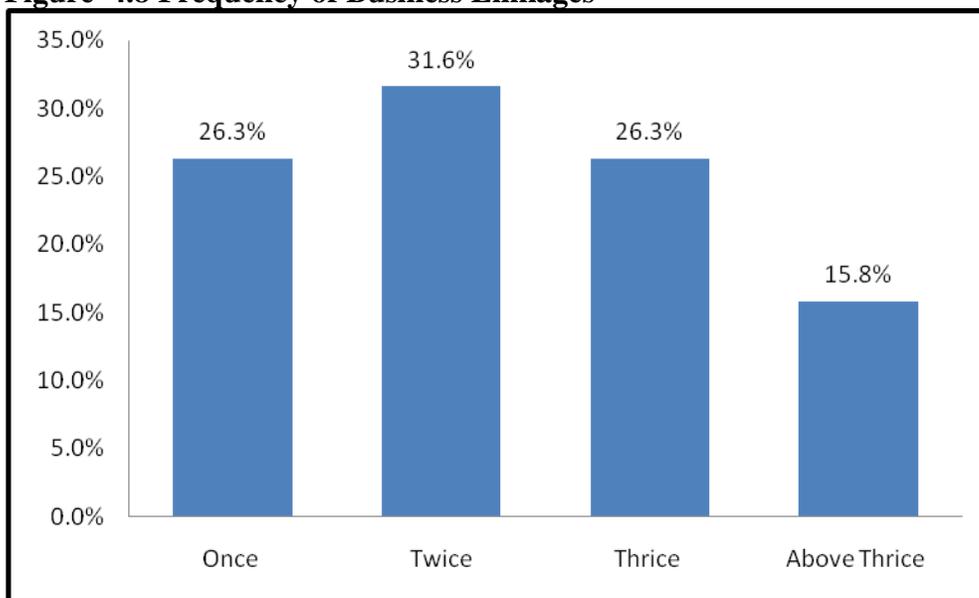
**Source: Researcher (2014)**

The findings of the study reviewed that only 18.6 % ( N= 19) of the respondents had been in a subcontract or franchise arrangement in their endeavor to grow their business financially. 81.4% (N=83) had never been in any subcontract or franchise arrangement in their endeavor to grow their business financially.

#### 4.6.2 Frequency of business linkages

The study had sought to establish how many times the respondents had been engaged in the subcontract or franchise arrangement in their endeavor to grow their business financially in the last one year. The response was as shown in Figure 4.7

**Figure 4.8 Frequency of Business Linkages**



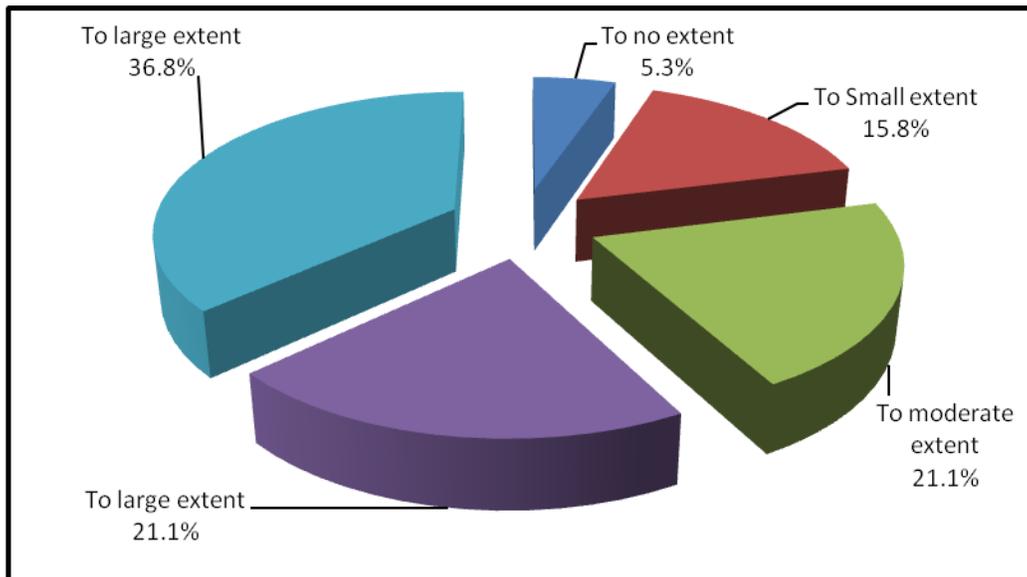
**Source: Researcher (2014)**

The findings of the study shows that 26.3% N= (5) of the total respondents had been engaged in the subcontract or franchise arrangement in their endeavor to grow their business financially in the previous year once, 31.6%(N=6) had been engaged twice, 26.3%(N=5) been engaged thrice while 15.8%(N=3) had been engaged in business Linkages more than thrice.

#### 4.6.3 Contribution of Business Linkage to Increase in Sales, Profit, Net cash Flow or Profit per Staff.

The researcher had sought the respondents view on the contribution of the business Linkages to the financial growth of their businesses the response in as illustrated in table 4.15

**Figure 4.9 Contribution of Business Linkage to Increase in Sales, Profit, Net cash Flow or Profit per Staff.**



**Source: Researcher (2014)**

The findings of the study revealed that of the respondents who had engaged in subcontracting and franchise 5.3%(N=1) associated the same to no extent in increase of sales, profit, net cash flow or profit per staff in their business, 15.8%(N=3) associated the arrangement to financial growth to a small extent, 21.1%(N=4) associated the arrangement to a moderate growth and a similar Number associated the arrangement to a large growth of their business financially. 36.8%(N=7) associated franchise and Business Linkages to increase in sales, profit, net cash flow or profit per staff in a very large Extent.

#### 4.6.4 Reason for not engaging in Business Linkage

The study had sought to establish why the respondents had not engaged in Business Linkage and response was as follows

**Table 4.9 Reason for not engaging in Business Linkage**

	Frequency	Percent	Cumulative percent
Never knew of any Franchise or Subcontracting arrangement	37	44.6	44.6
Was not Invited	30	36.1	80.7
Saw no need of Franchise or subcontracting	16	19.3	100
Total	83	100	

**Source: Researcher (2014)**

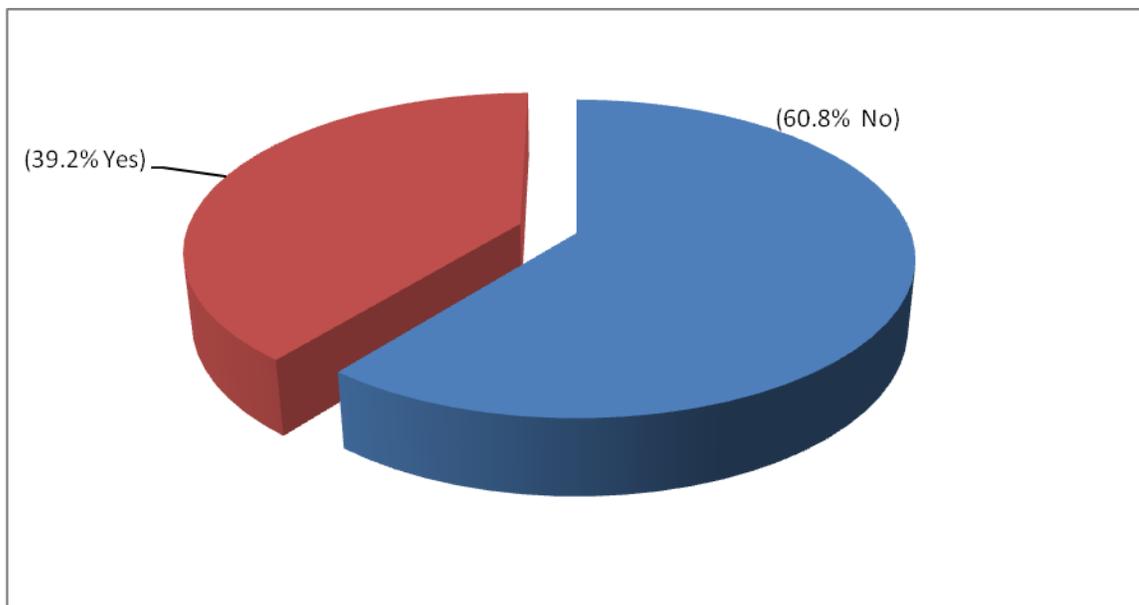
The findings of the study shows that a big number of the respondents representing 44.6% of those who have not engaged in subcontracting or franchise arrangements were not aware of such arrangements, 36.1% said they were not invited while 19.3% saw no need of engaging in subcontracts or franchise.

#### 4.6 Business mentoring

##### 4.7

The researcher had sought from the respondents if they had engaged in business mentoring activities and the response was as follows

**Figure 4.10. Engagement in Business Mentoring Activities**



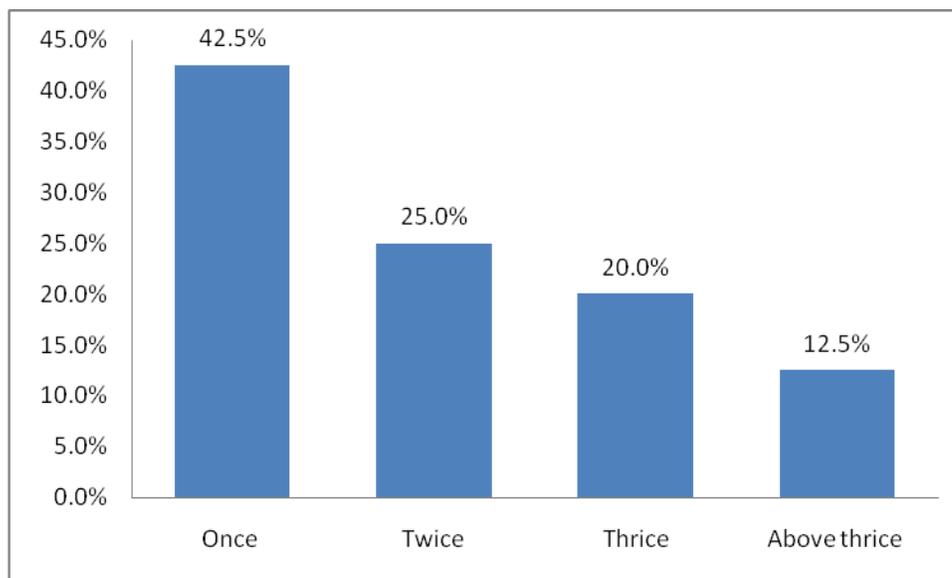
**Source: Researcher (2014)**

The study shows that 39.2% (N=40) of the respondents have referred to the established entrepreneurs for assistance in growing their business financially while 60.8%(N=62) of the respondents had not referred to the established entrepreneurs for assistance in growing business financially ..

#### **4.7.2 Frequency of Engaging Established Entrepreneurs.**

The study sought to establish on how many time the respondents had referred to the established entrepreneurs for assistance in growing their business financially in the previous year. The response was as shown in Figure 4.11

**Figure 4.11 Frequency of Engaging Established Entrepreneurs.**



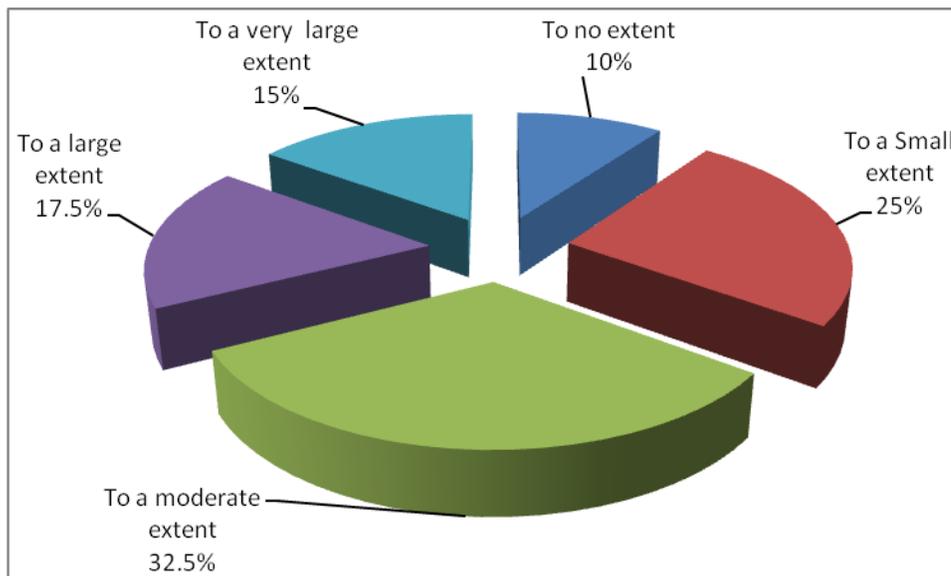
**Source: Researcher (2014)**

The findings of the study shows than 42.5 % ( N=17) of the respondents had referred to the established entrepreneurs for assistance in growing business financially once, 25%(N=10) had referred to them Twice,20%(N=8) thrice while 12.5%(N=5) had referred to the established entrepreneurs for assistance in growing their business financially more than thrice in the previous year.

#### 4.7.3. Contribution of business mentoring to increase in sales, profit, net cash flow or profit per staff in their business.

The study sought to establish the extent to which the respondents would associate their relation with established entrepreneurs to increase in sales, profit, net cash flow or profit per staff in their business. The response was as shown in Figure 4.12

**Figure 4.12 Contribution of business mentoring to increase in sales, profit, net cash flow or profit per staff in business.**



**Source: Researcher (2014)**

The findings of the study shows that 10%(N=4) of the respondents would associate their relation with established entrepreneurs to increase in sales, profit, net cash flow or profit per staff in their business to no extent ,25%(N=10) to a small extent,32.5%(N=13)to a moderate extent and 17.5% to a large extent. The study further revealed that 15%(N=6) associated their relation with established entrepreneurs to increase in sales, profit, net cash flow or profit per staff in their business to a very large large extent.

#### 4.7.4 Hindrance of Referring to Established Entrepreneurs.

The researcher had sought to establish the reason for the respondents not referring to established entrepreneurs to improve business and the response was as follows

**Table 4.10 Hindrances to Referring to Established Entrepreneurs .**

	Frequency	Percent	Cumulative percent
Never knew of Mentorship	21	33.9	33.9
Was not Invited for mentorship	26	41.9	75.8
Saw no need mentorship	15	24.2	100
Total	62	100	

**Source: Researcher (2014)**

The findings of the study shows that 33.9% of the respondents who had not engaged established entrepreneurs for mentorship said that they did not know of such arrangement, 41.9 % said that they were not invited to the arrangement while 15% did not see any need for mentorship.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter contains the summary of findings obtained from respondents, conclusions made and recommendations containing the topic of the study. The researcher evaluates the findings and gives recommendations

#### 5.2 Summary of the Finding

##### 5.2.1 General Information.

According to the study majority of Entrepreneurs in Jamhuri market were Men , they represented 64.% of the respondents. The age of the entrepreneurs was spread from 18 to above 46 years. However most of the entrepreneurs were above thirty year. Those above thirty years were 88.3% of the respondents. The respondent's level of education varied from one respondent to another. Most of them had been educated beyond primary school level. This group represented 84.4 of the respondents.

##### 5.2.2 Training

The researcher had sought to establish from the respondents whether the respondents had attended training organized by BDS providers on how to carry out their business as this could have established whether the respondents had benefited from or were aware of BDS. The findings of the study shows that 56.9 % of the total respondents had attended training organized by BDS providers while 43.1% of the respondents had no attended any training. The study shows that of the respondents who had attended training 72.4% had attended only once. The study further revealed that of those who attended training 10.3% were of the view that the training never contributed in any extent to growth of their businesses .90.1% were of the opinion that the training contributed to some extent in the growth of the businesses. For the ones who had not attended the study established that most of the respondents did not attend because they were not aware whether such services existed end even in cases where they were aware they were not invited.

### **5.2.2 Consultancy and Counseling**

The findings of the study shows that only 21.6% of the respondents had engaged a consultant or a counselor to assist them in financial growth of their business while the rest had not engaged any consultant or a counselor to assist them in financial growth of their business. The study further revealed that majority of the respondents who had engaged a consultant or a counselor to assist them in financial growth of their business in the last one year had done so once. A small proportion represented by 9.1% had consulted more than thrice in the previous year. The research revealed that those who had engaged consultants and counselors associated them to growth of their business in varying degrees only 18.2% associated them to growth of their businesses. Those who had not engaged a consultant or counselor, the majority sighted lack of knowledge as the reason for not referring to them. There was however a 32.2% who saw no need of referring to consultants or counselors.

### **5.2.3 Business Linkages**

On business linkages the study found that very few traders knew and utilized franchise and subcontracting to growth their business financially. The few who had been involved in business linkages indicated they had witnessed growth of their businesses in varying extents, the majority to a large extent. A large percentage of 80.7% of those who were not involved in franchise or subcontracting were either not invited or never knew of business linkage arrangements.

Most of the respondents to the study admitted that the more SMEs are networked the more they are able to expand their market scope and increase sales. They were of the opinion that there is need for the BDS providers to explore more on how they can help the small business network and open new markets. They suggested that there is need of finding of new market in other regions and outside the country to be the best way to expand their market and increase sales.

### **5.2.4 Business Mentoring.**

The finding of the study indicated that only 39.2 % had established a relationship with established entrepreneurs in an effort to grow their businesses. Out of the 39.2% the majority had only had a one off relationship and only 12.5% had related more than three times. Majority of those who had related with established entrepreneurs were of the view that their relationship with the entrepreneurs led to financial growth of their business.

Only 10% viewed that mentorship had led to no growth of their businesses. The study further revealed that those who had not referred to mentors sighted lack of knowledge as the main reason. Only 24.2% thought that mentorship was not necessary for growth of their businesses.

The study also shows that the SMEs really want to be mentored only that they are not aware of where to seek such services. The study established that 33.9% of the respondents did not know of mentorship arrangements. The finding established that 41.9% of the respondents said that they were not invited to the arrangement while 24.2% saw need for mentorship.

The respondents were of the opinion that the more they are encouraged by the bigger players in the business world the more their businesses would succeed and make more profits. They said that it was important for BDS providers to organize talk forums where they can invite the successful business men to offer support and encouragement through mentorship to small entrepreneurs.

### **5.3 Conclusions**

The study was geared at determining whether BDS affect the financial growth of small and medium enterprises. The findings of the study show that it affects to a large extent. Many of the respondents felt that these training services equipped them with the necessary skills to run their businesses. They were of the opinion that the BDS providers should sensitize people more on the availability of such services to the SMEs and the way they can help the SMEs improve their business and grow financially. The ones who have gone through such training said that there is need for more of these training in order to equip them with the desired skills in how better they can run their businesses.

Training for SMEs is important given that most of them do not have enough skills in running business as confirmed by King and McGrath,(2002) that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. Majority of those who run SMEs are the ordinary lot whose educational background is wanting. Hence they may not be well equipped to carry out managerial routines for their enterprises. This point has also been noted by Sudatta Ranasinghe (1996) that, most of the successful entrepreneurs have not gone through higher education or formal courses in entrepreneurship.

The findings of this study show that to a large extent the consultancy and counseling affect the financial growth of small and medium enterprises positively. They said that the more the SMEs consult the more they improve their operations and sales therefore leading them to more profits. Most of them raised concerns that they were not aware of the availability of consultants and counselors and that they needed to be informed more on where they can get these services and how better they can use them. These services are important and sometimes require that the BDS providers visit the SMEs premise which is sometimes not done as supported by Norman and Zimmer, (1996) that this consultancy is important given that it is the delivery of any form of advice or material assistance outside a classroom, usually to clients at their place of business.

Business linkages affect the financial growth of small and medium enterprises. The study revealed that networking was necessary for the SMEs in Kenya to open their goods and services to more markets both locally and internationally. The importance of business linkages cannot be over emphasized as noted by Rogers,(2004) that business networking is a socioeconomic activity by which groups of like-minded business people recognize and act upon business opportunities. A business network is a type of social network whose reason for existing is business activity. There are several prominent business networking organizations that create models of networking activity that, when followed, allow the business person to build new business relationships and generate business opportunities at the same time.

Business mentoring by established entrepreneurs contributes the financial growth of small and medium enterprises. The findings of the study show that it affects it to large extent. They said that the more they are encouraged by the bigger players in the business world the more confident they became in running their business. They said that it was important for the business development services providers to organize talk forums where they can invite the successful business men to offer support and encouragement through mentorship to small entrepreneurs. Mentoring is also concerned with creating an informal environment in which one person can feel encouraged to discuss their needs and

circumstances openly and in confidence with another person who is in a position to be of positive help to them(Namala,2011).

#### **5.4 Recommendations**

Based on the finding of this study it is recommended that:

- i. The BDS providers should come up with elaborate training programs that address the needs of the SMEs. Such training should address the existing challenges with SMEs. The training should also be arranged in areas accessible to the SMEs at fair cost that they are able to meet.
- ii. Consultancy and counseling is meant to solve unique challenges faced by specific businesses. Some of the business owners may be unaware of the business, this requires the counselor to interrogate the business to identify the challenge and offer possible solution. The SMEs should be sensitized of the availability of experts in various areas affecting their business. This will bring the required awareness that will trigger the SMEs to seek these services. The counselors and consultants should also market their services to the SMEs.
- iii. Small and medium enterprises should be trained on how to build and retain business networks. This will enable them strengthen their existing business relationships acquire new and repeat businesses.
- iv. Upcoming entrepreneurs should be trained on how to pick lessons from the established entrepreneurs. This will help them avoid mistakes that can hinder the growth of their businesses. This can also help them identify opportunities that can lead to growth of their business.

#### **5.5 Suggestion for Further Study**

This study can be repeated with a wider population of study across the country. This will lead to findings that are applicable to the whole country.

A study should be done on the challenges that are faced by BDS providers in Kenya. The finding of such a study will assist policy makers in coming with ways of improving the environment under which BDS provider work in.

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**APPENDIX I**  
**INTRODUCTION LETTER**

**Elijah Njogu Muhoro**  
**P.O Box 1139**  
**Karatina**

I am a Master of Business Administration (MBA) student at Kenyatta University carrying out a research on :

*Contribution Of Business Development Services To financial Growth Of Small And Medium Enterprises In Jamhuri Market, Thika Town*

You are kindly requested to spare some few minutes from your busy schedule and respond as best as you can to the items in the questionnaire. Most questions require you to simply tick the answers, while a few require short answers based on your view's.

The information provided will be treated with utmost confidentiality and will be used only for purposes of this study.

Your help in the questionnaire will highly be appreciated. All information will be treated with absolute confidentiality.

Thank you in advance

**Yours faithfully**

**Elijah Njogu Muhoro**

**APPENDIX II**  
**RESEARCH QUESTIONNAIRE**

Below is a questionnaire on ‘the contribution of business development services to growth of small and medium enterprises with reference to Jamburi Market traders in Thika Town

**Instructions:** *kindly complete the following questionnaire using the instructions provided for each set of question,by ticking [√] or by filling in the blank spaces provided*

**Confidentiality:** *The responses you provide will be strictly confidential. No reference will be made to any individual(s) or organization in the report of the study.*

**Section A : Background information**

1. What is your gender?: Male ( ) Female ( )
  
2. What is your age?
  - 18-25 years ( )
  - 26-30 years ( )
  - 31-35 years ( )
  - 36-40 years ( )
  - 41-45 years ( )
  - Over 45 years ( )
  
3. What is the level of your Education?
  - Primary ( )
  - Secondary ( )
  - College ( )

- University ( )
- Others .....(specify)

4. What type of business are you in?

- Service ( )
- 
- Selling of products ( )
- 
- Processing ( )

5. For how long have you been in the current business?

- Less than 3 years ( )
- 3-5 years ( )
- 6-8 years ( )
- 9-10 years ( )
- Above 10 years ( )

**Section B: Contribution of training to growth of small and medium enterprises.**

6. Have you ever attended training organized by BDS provider on how to carry out your business?

- Yes ( )
- No ( )

7. If yes In No.6 how many times have you received training in the last one year? If no proceed to No. 9.

- Once ( )
- Twice ( )
- Thrice ( )
- More than thrice ( )

8. If yes in No.6, to what extent would you associate the training to increase in sales, profit, net cash flow or profit per staff?

- To no extent ( )
- Small extent ( )
- Moderate extent ( )
- Large extent ( )
- Very large extent ( )

9. If no in No. 6, what is the reason for not attending training?

- Did not know of existing of such training ( )
- Was not invited for training ( )
- Saw no need for training. ( )

10. In your view how can training be improved to ensure it assists SMEs to grow their businesses financially?

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**Part C Extension, Consultancy and Counseling**

11. Have you ever engaged a consultant or a counselor to assist you in financial growth of your business?

- Yes ( )
- No ( )

12. If yes in 11, how many times have you engaged them in the last one year? If no to No 11, proceed to No 14.

- Once ( )
- Twice ( )
- Thrice ( )
- More than thrice ( )

13. If yes in No.11 to what extent would you associate the consultancy and counseling to increase in sales, profit, net cash flow or profit per staff?

- To no extent ( )
- Small extent ( )
- Moderate extent ( )
- Large extent ( )
- Very large extent ( )

14. If no in 11 what is the reason for not engaging consultants and counselors in your business?

- Did not know of existing of such services ( )
- Was not invited. ( )
- Saw no need for counselor or consultant ( )

15. In your view how can consultancy and counseling be improved to ensure it assists SMEs to grow their businesses financially?

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**PART D Business Linkages: Subcontracting and Franchising:**

16. Have you ever been in a subcontract or franchise arrangement in your endeavor to grow you business financially?

- Yes ( )
- No ( )

17. If yes in No. 16, how many times have you engaged in subcontracts and franchise in the last one year? If no to No. 16 proceed to No.19.

- Once ( )
- Twice ( )
- Thrice ( )
- More than thrice ( )

18. If yes in No. 16, to what extent would you associate the subcontract and franchise to increase in sales, profit, net cash flow or profit per staff in your business?

- To no extent ( )
- Small extent ( )
- Moderate extent ( )
- Large extent ( )
- Very large extent ( )

19. If no in No. 16 what is the reason for not engaging subcontracts and franchise in your business?

- Did not know of existing of such arrangements ( )
- Was not invited for the arrangement's ( )
- Saw no need for the arrangements. ( )

20. In your view how can subcontract and franchise be improved to ensure it assists SMEs to grow their businesses financially

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.....  
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**Part E Business Mentoring**

21. Have you ever referred to the established entrepreneurs for assistance in growing your business financially?

- Yes ( )
- No ( )

22. If yes in No.21, how many times have you engaged them? If no in No. 21, proceed to No. 24.

- Once ( )
- Twice ( )
- Thrice ( )
- More than thrice ( )

23. If yes in No.21 to what extent would you associate your relation with established entrepreneurs to increase in sales, profit, net cash flow or profit per staff in your business?

- To no extent ( )
- Small extent ( )
- Moderate extent ( )
- Large extent ( )
- Very large extent ( )

24. If no in 21 what is the reason for not referring to established entrepreneurs to improve your business?

- Did not know of existing of such arrangements ( )
- Was not invited for the arrangement's ( )
- Saw no need for the arrangements. ( )

25. In your view how can established entrepreneurs help SMEs grow their businesses financially?

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**Thank you very much for your time.**

## APPENDIX I11:WORK PLAN

### WORK PLAN (TIME SCHEDULE)

<b>ACTIVITY (2014)</b>	<b>Jan</b>	<b>Feb</b>	<b>March</b>	<b>April</b>	<b>MAY</b>
Proposal preparation and review					
Designing the research instruments					
Proposal defense					
Data Collection					
Data Entry / Analysis					
Report Writing					
Presentation					
Final Submission					

## APPENDIXIV: BUDGET PLAN

### PROJECT COSTS FOR THE RESEARCH PROJECT

<u>ITEMS</u>	<u>Cost in Kshs</u>
Literature review and collection of secondary data	15,000
Typesetting (proposal)	4000
Copying and binding proposal	3000
Typing and copying research instruments	5000
Data collection - transport and subsistence	18000
Data analysis	21000
Typing, editing and copies of research report for examination	7000
Defence of thesis	2000
Making copies ,binding and Submission	10000
Miscellaneous expenses	5000
<b>Total</b>	<b>90,000</b>