A SURVEY OF FACTORS AFFECTING THE GROWTH OF MICRO AND SMALL ENTERPRISES IN KENYA

(A Case Study of Uhuru Market in Nairobi)

BY

OWINO WAGUWA ELIUD

D53/R1/11566/04

A Research Project Submitted to the Department of Business Administration in Partial Fulfillment For The Award of Master of Business Administration Degree (MBA-Entrepreneurship) of Kenyatta University.

APRIL, 2008

Owino, Waguwa Eliud
A survey of factors affecting the growth
DECLARATION

I, the undersigned declare that this is my original work and has not been submitted to any other College, Institution, other than Kenyatta University for academic credit.

Signature: ......................... Date: 16-4-08

OWINO WAGUWA ELIUD

This Research Project has been submitted for examination with my approval as the University Supervisor.

Signature: .......................... Date: 23/04/08

MR. SHADRACK BETT

CHAIRMAN, BUSINESS ADMINISTRATION DEPARTMENT

Signature: .......................... Date: 13/06/08

MR. D.K. NGABA
DEDICATION

This research project is dedicated to my wife Rose, our children; Florence, Steve, Robert and Apollo. It is also dedicated to my mother Phelesia, my late father Waguwa, brothers; Ernest, Edwin, George, Jared and late Jeremiah, and Sister Joyce.
ACKNOWLEDGEMENTS

I wish to express my special gratitude to my supervisors, Mr Shadrack Bett and Dr. Mark Ogutu for the encouragement and guidance through the process of this study.

I am also grateful to my MBA executive colleagues who gave me moral support and encouragement at the points of need.

I also thank the librarian at KREP Development Agency for availing important literature to me.

My appreciation also goes to the staff of Africana section of Kenyatta University, Moi library for their support during the literature search.

My final gratitude goes to all who contributed towards the completion of this work especially the research assistants and the computer facilitators.
TABLE OF CONTENTS

DECLARATION .............................................................................................................. I
DEDICATION ............................................................................................................... II
ACKNOWLEDGEMENTS ............................................................................................ III
TABLE OF CONTENTS ............................................................................................. IV
LIST OF TABLES ........................................................................................................ VII
LIST OF FIGURES ..................................................................................................... IX
ABSTRACT ................................................................................................................ X
OPERATIONAL DEFINITION OF TERMS .................................................................. XIII
LIST OF ABBREVIATIONS ......................................................................................... XV

CHAPTER ONE .............................................................................................................. 1
1.0 INTRODUCTION ................................................................................................... 1
1.1 Background of the Study ................................................................................... 1
1.2 Statement of the Problem .................................................................................. 5
1.3 Objectives of the Study ..................................................................................... 6
1.3.1 Overall objective .......................................................................................... 6
1.3.2 Specific objectives ....................................................................................... 6
1.4 Research questions ............................................................................................ 7
1.5 Significance of the Study .................................................................................. 8
1.6 Scope of the Study ............................................................................................. 8
**LIST OF TABLES**

Table 3.1 Target Population and Percent Distribution .............................................30
Table 3.2 Target Population Breakdown and Sample Size Allocation ........................31
Table 4.1 Percentage Distribution of respondents by years worked ...........................36
Table 4.2 Percentage Distribution of the respondents by level of education ...............37
Table 4.3 Presence of growth in the Business ..........................................................37
Table 4.4 Percentage distribution of respondents by factors influencing growth ...........38
Table 4.5 whether Technology was used as part of growth .......................................40
Table 4.6 Appropriateness of technology for growth .................................................41
Table 4.7 Whether Technology affects growth .........................................................41
Table 4.8 Whether marketing strategy was used as part of growth ...............................43
Table 4.9 Appropriateness of Marketing Strategy for Growth ......................................44
Table 4.10 Where respondents had major markets ....................................................45
Table 4.11 Whether marketing the products was a problem .......................................45
Table 4.12 Whether the problem of marketing the product affects the growth ...............46
Table 4.13 Whether products had competitors .........................................................48
Table 4.14 Suggestions on marketing strategies .......................................................50
Table 4.15 Need of Capital/ Credit for expanding business growth ............................52
Table 4.16 Whether access to Capital/ Credit affects growth .....................................52
Table 4.17 Suggestions on Capital/ Credit to improve growth ....................................53
Table 4.18 Whether accounting records are used as part of growth ............................54
Table 4.19 Appropriateness of accounting records for growth ....................................55
Table 4.20 Whether use of accounting records affect growth .....................................55
Table 4.21 Use of legislation/policies as part of growth ............................................57

Table 4.22 Appropriateness of Legislation/Policies for growth ........................................58

Table 4.23 Whether Legislation/Policies affect growth .......................................................59
LIST OF FIGURES

Figure 4.1 Overall Picture of Sex Distribution ................................................................. 35
Figure 4.2 Sex distribution by business type ................................................................. 35
Figure 4.3 Suggestions for improving growth (Overall picture) ................................. 39
Figure 4.4 Suggestions to improve growth by business type ......................................... 39
Figure 4.5 Suggestions on Technology to Improve Growth (Overall Picture) ............... 42
Figure 4.6 Suggestion on Technology to Improve growth by Business Type ............... 43
Figure 4.7 Overall picture of promotional methods ...................................................... 47
Figure 4.8 Promotional Methods by business type ....................................................... 47
Figure 4.9 Methods of Expanding Markets (Overall Picture) ......................................... 49
Figure 4.10 Methods of Expanding Markets by Business Type .................................... 49
Figure 4.11 Ways of Accessing Capital/Credit (Overall Picture) ..................................... 51
Figure 4.12 Ways of accessing Capital/Credit By Business Type ..................................... 51
Figure 4.13 Suggestions on accounting records to improve growth .............................. 56
Figure 4.14 Suggestions on accounting records to improve growth by business type ...... 57
Figure 4.15 Suggestions on Legislation/ Policies to improve growth (Overall picture) .... 60
Figure 4.16 Suggestions on Legislation/ Policies to improve growth by business type .... 60
ABSTRACT

There is no doubt that entrepreneurship has been widely accepted as an engine of economic growth and innovation. In particular, developing countries are seeking ways in which they can increase entrepreneurial activity via small business development in order to tackle poverty and unemployment problems that have plagued these nations for a long time. Kenya is no exception to this fact. The researcher is of the view that entrepreneurship is Central to the success of the MSE’s. The purpose of this study was to bridge the research gap by examining the factors that affect the growth of MSE’s in Kenya.

The study was of survey type and adopted an exploratory design to obtain primary data. The target population of the study was all the traders at Uhuru Market. The sample for the study was drawn by stratified random sampling with proportionate allocation and consisted of a total of 100 respondents who were the entrepreneurs or owners of the small enterprises. The population frame was a list of 1,000 traders from Nairobi City Council.

Data was analyzed using descriptive statistics and with the help of the SPSS computer package, the data was presented in tables, bar graphs and pie-charts.

The study found a moderate overall proportion of women 58% in micro and small enterprises which covered areas like tailoring and embroidery, saloons and restaurants. All small business owners had realized growth in business as a result of hard work. A moderate number of small business owners 44% had been in the business for the period between one and five years. Most small business owners were of secondary and tertiary
levels of education. Quite a number of the entrepreneurs were certain that Technology, Marketing strategies, Capital/credit, Accounting records and Legislation/Policies were crucial for growth.

The study concluded that small business owners sustain the business growth by accessing technology, marketing strategies, capital/credit, accounting records and legislation/policies.

The study underscores the need to make frequent changes in marketing skills in order to enhance the business growth. Technological innovations need to be adopted to facilitate the production of better quality products which can compete locally and internationally. Deregulation policies should be implemented to enable financial institutions charge affordable and competitive interest rates. Entrepreneurs need to attend capacity building courses in time management to enable them reduce stress in the preparation of accounting records. Local government laws and other regulations should be reviewed to enable small business owners realize profit and growth in business.

The study suggests that further research should be done to establish factors leading to lack of technological drive among small business owners and also to find out why some of them fail to strategize in their marketing programmes for profit and growth. Harmonization of the operations of financial institutions also requires further research to enable them charge affordable interest rates to small business owners. Further research is also necessary to find out the demotivating factors blocking
small business owners from preparing accounting records necessary for controlling the business. The numerous government proposals which favour small scale enterprises are never implemented and therefore further research needs to be done to find out why this happens.
OPERATIONAL DEFINITION OF TERMS

Culture: culture is the collective programming of the mind, which distinguishes the members of one group or category of people from another (Hofstede, 2003). Elements of culture include values and attitudes, beliefs, aesthetics and artifacts, language, religion, rituals, social structures and institutions and materialism.

Economic development: economic development is the process whereby the real per capita income of a country increase over a long period of time subject to the stipulation that the number of people below absolute poverty line does not increase and that the distribution of income does not become unequal (Hofstede, 2003).

Entrepreneurship: entrepreneurship is a multidimensional concept, the definition of which depends largely on the focus of the research undertaken. Entrepreneurship can be defined as the process of starting and/or growing a new profit making business (Mullei and Bokea, 1999).

Entrepreneur: an entrepreneur is a person with ability to see and evaluate business opportunities, gather the necessary resources to take advantage of them and initiate appropriate action to ensure success (Mullei and Bokea, 1999).
Entrepreneurship development: entrepreneurship development is the process of increasing the act of enterprise creation, growth and transformation over the long period of time among individuals, organizations, community, a nation or region. It includes activities that support or foster new business start ups and provide access to appropriate space, facilities, equipment, training and education, and capital (International Labor Organization, 1972).

Entrepreneurship culture: an entrepreneurial culture is one that fosters positive attitude towards entrepreneurship (Mullei and Bokea, 1999).

A business enterprise (entity, firm or establishment are used interchangeably)
A business enterprise refers to an economic unit producing goods and/or offering services with aim of making profit or personal satisfaction (Mullei and Bokea, 1999).

Micro and Small Enterprises: Micro and small business enterprises have been defined varyingly in different countries. Since this research is based in Kenya, Micro and small enterprises are defined as those employing between 1 – 50 people (GOK, 2005).

Informal sector: this is an umbrella concept coined by the International labor organization (1972) to describe a sector that is characterized by ease of entry, small scale activity, high proportion of family workers, little capital, low skilled and limited access to organized markets, formal credit and education and training.
LIST OF ABBREVIATIONS

NIC - Newly Industrialized Countries

ILO - International Labor Organization

GOK - Government of Kenya

MSE's - Micro and Small Enterprises

SSE's - Small Scale Enterprises

NGO - Non-Governmental Organization

ROSCA's - Rotating Savings and Credit Associations

SACCO's - Savings And Credit Co-Operative Societies

MFI's - Micro Finance Institutions

KIPPRA - Kenya Institute of Public Policy and Research Analysis

IDS - Institute of Development Studies
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Micro and Small Enterprises, (MSE’s) have been of special attention to organizations and governments worldwide especially in developing countries. Africa Small Scale Enterprises create employment, provide services and produce goods for majority of people (Barbara and Anita, 1998). In Kenya, they have been considered important because of job creation, generation of revenue to the government and enabling the sustenance of the individual and the growth of trade and supplying of goods and services. MSE’s generate more direct jobs per dollar of investment than do large enterprises. They serve as a ground for developing technical and entrepreneurial skills and by virtue of their greater use of indigenous technological capabilities, they promote local inter-sectoral linkages and contribute to the dynamism and competitiveness of the economy (GOK 1997).

Small businesses play a critical role in the growth and development of any nation and this is no exception in Africa where the large enterprise sector has failed to meet the demand for employment. As recourse to the employment problem, many people turn to self employment in the informal sector and engage in a myriad of activities such as petty retail trading, private educational institutions, small scale carpentry, food processing, small scale hoteliers, handicraft production, tailoring, farming and many others (Neff, et al 1996). In the rural areas, many households combine and supplement agricultural income with micro enterprise activities to raise household income flows. These user-
owned and managed micro enterprises operate in the informal sector and provide a source of income for many low-income people and communities.

The significance of Kenya’s Micro and Small Enterprise’s (MSE’s) activity has continued to grow since the sector was first brought into limelight in 1972 through a report by International Labor Organization (ILO) on employment, income and Equity in Kenya (Mullei and Bokea, 1999). The report underscored the sector’s critical role in promoting growth in incomes and employment.

Despite this early realization of the significance of the sector, it was not until 1986 through government Sessional Paper No. 1 that actual programs in support of the sector were identified. The period between 1973 to 1985 was a period of official recognition without policy (Range, 2002).

In Kenya the Micro and Small Enterprise (MSE) sector is the biggest employer outside agriculture. According to computation from economic survey (2003) the MSE share of total employment in 2002 was 74.2% up from 68.2% in 1999. This phenomenal growth in the MSE sector has increased policy focus on the development of this sector as an engine of economic growth, employment creation and poverty reduction (GOK- National Baseline Survey 1999).

The MSE baseline survey (1999) shows that the sector contributes at least 18.4% of Kenya’s Gross Domestic Product (GDP). The current Development Plan (2002-2008)
highlights this recognition and clearly states the various steps that will be taken to address issues and problems in the Micro and Small Enterprise sub-sector.

In his presidential address to the Board of Governors of the World Bank on 29th September 1969, Robert S. McNamara said, “Economic development requires more than have yet been made available. But the resource it requires most is creative innovation.” This is coupled with creation of employment opportunities for both the entrepreneurs and their employees and therefore a rise in the living standards of the society (Marris and Somerset, 1971).

Drucker (1985) defined innovation as the specific functions of entrepreneurship and defines what is entrepreneur and what is managerial. In some economic theories, innovation is a key, defining aspect of entrepreneurship. Schumpeter (1934) was first to point out the importance of the new values created by entrepreneurs. Entrepreneurs create their organization intentionally and the values added by the organization tend to be consciously chosen.

Entrepreneurship is a very practical talent for putting together an original combination of talents, resources and opportunities, for seeing new connections and patterns of activity in a particular set of circumstances (Marris, 1971). Entrepreneurship greatly depends on the entrepreneur’s range of experiences and relationships. Entrepreneurs can only work with what they can see, reach and understand.
Innovation, which McNamara saw as single most important of all inputs in economic development, can be found through entrepreneurship. The researcher is of the view that lack of entrepreneurship greatly hampers the performance of business enterprises. Entrepreneurship involves practical creativeness, which combines resources and opportunities in a new way. It is not necessarily inventive: entrepreneurship turns invention into profit, but need not originate it. It combines assets in a form which has not been attempted before. The originality may lie in the techniques of production, the market served, the labor used, the organization of the firm and the raw material (Marris, 1971). Entrepreneurship may exploit what was previously neglected or rest its resources from established less productive uses. In one way or another, entrepreneurship improvises new arrangements of economic relationships.

The Kenyan economy has undergone a lot of changes since the beginning of 1990’s. The economic downturn has forced many companies including the government of Kenya to retrench a lot of people. This has resulted in a lot of people being jobless. These people have opened micro and small size businesses. These enterprises also offer employment to graduates from polytechnic and universities. Uhuru market is located on the eastern side of Nairobi city and is a hub of small scale businesses ranging from bags makers, tailors, cobblers, fresh produce traders, among others.

These small scale enterprises operating within the market have remained small due to limited financial resources. For these enterprises to grow they would need to access finance through formal and informal financial institutions. Other factors affecting growth
and development of micro and small enterprises are numerous and may range from lack of managerial capacity and poor record keeping to marketing problems and government regulations (GOK, 2005).

It was with this background in mind that the researcher undertook this study in relation to the factors that affect the growth of micro and small enterprises in Kenya with a special reference to small-scale enterprises in the Nairobi’s Uhuru market.

1.2 Statement of the Problem

The importance and contribution of the micro and small enterprises to the economy need no emphasis. In all economies all over the world, MSE’s are involved in a diverse range of activities such as welding and metal works, printing, baking and pastry, shoe making and repairs, carpentry, motor vehicle repairs, furniture, road transport, photography, wholesale and retail trade etc. In Kenya, Jua Kali businesses have come to be synonymous with the MSE’s (GOK, 1992).

The positive impact of small businesses (as vehicles of entrepreneurship) on the fight against poverty and unemployment in Africa generally and in Kenya specifically, has been questioned (Manu, 1999). The poor performance of MSE’s in delivering employment, incomes and economic growth can be attributed to a general lack of entrepreneurial culture in Kenya (Dondo and Ngumo, 1989).

Like any other business organization in Kenya today, the small scale enterprises have to contend with challenges by limited growth, increased global competition and increased economic, social and political pressures. The potential of micro and small enterprises in
both employment creation and raising income for many Kenyan families makes them important elements in the poverty reduction strategy (GOK, 2005). But despite the role small enterprises can and have played in employment creation, there are a number of concerns. A general observation reported in the literature including publication by the Kenya government suggest that small enterprises in many developing countries including Kenya do not appear to grow beyond the micro level (McCormick, 1993). Most small enterprises begin small and remain small. Characteristics of remaining small could be use of archaic technology. Another reason could be lack of marketing skills for their products. In addition, the environment in which MSE's operate is beset with numerous regulatory requirements such as licenses and taxes (McCormick, 1993).

This research bridges the gap that exists in knowledge of the important factors that have affected the growth of MSE’s in Kenya, taking into consideration the small scale business enterprises in Uhuru market in Nairobi and hence the purpose of this study.

1.3 Objectives of the Study

1.3.1 Overall objective

The cardinal objective of this study is to determine the factors that affect the growth of micro and small Enterprises in Kenya, with a special reference to the micro and small scale enterprises in Uhuru market in Nairobi.

1.3.2 Specific objectives

1. To establish whether access to technology affects growth of Micro and small Enterprises in Uhuru market.
2. To find out how marketing strategies affect growth of Micro and small Enterprises in Uhuru market.

3. To determine if capital/credit and accounting records affect growth of Micro and small Enterprises in Uhuru market.

4. To find out the extent to which legislation/policies affect growth of Micro and small Enterprises in Uhuru market.

1.4 Research questions

1. Do technological factors affect the growth of Micro and small Enterprises in Uhuru market?

2. How do marketing strategies affect the growth of Micro and small Enterprises in Uhuru market?

3. Do accounting records and access to capital/credit affect the growth of Micro and small Enterprises in Uhuru market?

4. Do legislation/policies affect growth of Micro and small Enterprises in Uhuru market?
1.5 **Significance of the Study**

The findings of this study should benefit the national Policy makers involved in MSE’s as they can be able to come up with policies that may assist in improving the micro enterprise sector. The study is of significance to policy makers involved in the development and growth of the MSE sector.

Existing and potential entrepreneurs and the local authorities can use the results and recommendations from this study in their development of policies and strategies. This is because the researcher has sought information on the performance of the small enterprises and how this performance could be improved with the employment of various entrepreneurial skills.

Existing and potential financiers of MSE’s as they may get to understand the status of entrepreneurship in Kenya and get an insight of how their funds are utilized.

For other researchers and scholars in the area of Entrepreneurship, the study has provided a good basis of reference for those who intend to undertake similar studies in future and those who may want to seek knowledge in this area of entrepreneurship.

1.6 **Scope of the Study**

Nairobi’s Uhuru market was selected as the focus of the study. Uhuru market was ideal for the study because it was home to several small enterprises and yielded significant information for this research study. Also, in the city of Nairobi, the small
scale enterprises have the highest proportion of informal employment in the country, currently standing at 24.2 % (GOK, 2006). Nairobi is the capital city of Kenya and a hub of so many MSE’s. The population has increased by 61.5 % from 1.3 Million in 1989 to 2.1 Million in 1999 and it’s believed that both small-scale sector and the financial sector would rise in number to meet the needs of the growing population (GOK, 2004).
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter considers literature relevant to the subject under study. The objective of the review is to explain critical issues surrounding technological factors, marketing strategies, capital/credit, accounting records keeping and regulatory policies that affect the growth of micro and small enterprises in Kenya. The aim of every business enterprise is to make profit and to grow. In order for the business to grow, factors that underpin the growth must be understood. The researcher was to find out what had been done by the government and private sector organizations to address the key factors affecting the small-scale enterprises.

2.2 Entrepreneurship

Entrepreneurship is one of the main drivers of economic development. It generates growth and serves as a vehicle for innovation and change. The significance of entrepreneurship is not confined to any specific economic sector. Its significant role exists both at the Micro and Macro levels of the economy. It is one aspect that if removed from other aspects of production, development would be an anathema.

Entrepreneurs with larger stocks of human capital in terms of education and or vocational training are better able to adopt their enterprises to constant changing environment (King, 1996). The mere existence of production resources such as land, labor, capital and technology is not adequate enough to bring about the attainment of the required output or the achievement of the set goals and objectives. It is the ability to harness these resources that is critical to the success of the organization. Entrepreneurship is a very practical
talent for putting together an original combination of talents, resources and opportunities and for seeing new connections and patterns of activity in a particular set of circumstances (Marris 1971). The entrepreneur is the one who disturbs the economic flow equilibrium, thus initiating change and generating new opportunities (Schumpeter, 1934)

It stands clear that for any development, change is necessary. It is only the entrepreneur who has this ability to bring change through innovation, something that comes with new ideas and ways of doing things.

2.2.1 The major characteristics of entrepreneurs include the following:

**Self confident and multi skilled:** the person who can make the product, market it and count the money, but above all they have the confidence that lets them move comfortably through ‘uncharted waters’.

**Confident:** in the face of difficulties and discouraging circumstances.

**Innovative skills:** not an ‘inventor’ in the traditional sense but one who is able to carve out a new niche in the market place, often invisible to others.

**Results – oriented:** to make it be successful requires the drive that only comes from setting goals and targets and getting pleasures from achieving them.

**A risk – taker:** to succeed means taking measured risks. Often the successful entrepreneur exhibits an incremental approach to risk taking, at each stage exposing oneself to only a limited, measured amount of personal risk and moving from one stage to another as each decision is proved.
Total commitment: hard work, energy and single-mindedness are essential elements in the entrepreneurial profile.

2.3 The Micro and Small Enterprises Sector in Kenya

Micro and Small Enterprises, (MSE’s) have been of special attention to organizations and governments worldwide especially in developing countries. In Kenya, they have been considered important because of job creation, generation of revenue to the government and enabling the sustenance of the individual and the growth of trade and supplying of goods and services (GOK, 1997).

Micro and Small enterprise activities have become an important player in the Kenyan economy in the recent past. Small-scale enterprises (SSE’s) generate more direct jobs per dollar of investment than do large enterprises. They serve as a training ground for developing technological capabilities and entrepreneurial skills and by virtue of their greater use of indigenous technological capabilities, they promote local inter-sectoral linkages and contribute to the dynamism and competitiveness of the economy (GOK, 1997).

2.4 The Economic Role of Entrepreneurship

Unfortunately, disagreements on priorities between the Kenyan Government and the International community led to a freeze on budgetary support. Coincidentally, this was the period when the Kenyan population was increasing at a tremendous pace, coupled with poor national economic policies, leading to a severely weakened economy that could not absorb the rapidly increasing labor force. This ultimately led to massive unemployment threat that underlined the serious decline in the Kenyan economy. The
Government’s challenge since then has been to increase output and create jobs for the rapidly increasing supply of young and unskilled school leavers.

Before the economic decline gained momentum in the late 1980’s and early 1990’s the Kenya Government issued Sessional Paper No. 1 of 1986 (GOK, 1986). This policy paper in more ways than one changed earlier stated objectives. Core to the new policy was an increased focus on the role played by the informal sector and small business enterprises in the national economic development. In addition, faced with the realities of the poor economic performance, and spurred on by the success of the newly industrialized countries (NIC), Kenya had enough incentives to re-focus its energies towards the development of MSEs because of their central role in the government’s efforts in job creation (GOK, 1986). While advocating for the growth and development of the MSE’s as a strategy for job creation, Kenyan planners had to take cognizance of the inadequate knowledge and skills of those who were to take on this task (GOK, 1986).

The Kenya government, therefore, has not only been searching for an employment generation strategy, but also for a small enterprise development strategy to supplement the dominance of the large firms in the economy (GOK, 1989). This dominance by the large firms had, and still continues to have other implications for Kenya’s development. The large firms tend to have a high level of foreign capital invested, which continues to cause concern about capital flight through transfer pricing and other activities (De Soto, 2000). Thus the need and interest in developing MSEs Sector in Kenya has not been accidental. Industrial development and macro-policies have historically been skewed
towards the large firms. The Sessional paper No. 2 of 1996 on Industrial Transformation by the Year 2020 thus re-emphasized that MSEs are prime movers of economic development (GOK, 1996).

2.5 Influence of technology on growth of Micro and Small Enterprises

Small enterprises are widely presumed to use technologies that are less modern than large enterprises and are more appropriate to local conditions in developing countries. It appears likely that strategies for blending emerging technologies with traditional and existing technologies would contribute to greater technical efficiency in small enterprises. Technology is a multi-faced study that cannot be reduced to a mere hardware or machine. Rather it involves knowledge embodied in hardware, person organization and cultural practices, which is a body of knowledge about techniques, methods, processes and design. Today societies change and develop through generation and application of technological innovations. The indication of technological development of a country is determined by the level of its industrialization. Unfortunately, Kenya still relies heavily on its imported technology (Oketch et al, 2002). The author asserts that there is a need to combine human skills, information and organizational structures if growth is to be realized. He argues that limited access to technological information, technical services (Total Quality Management, Patenting, and Packaging), lack of innovation, weak linkage between MSEs and Large Enterprises and lack of entrepreneurial skills lead to the slow growth of enterprises.
Appropriate technology today embraces an approach to the management of technical change, which is participative in use of resources, knowledge and skills of the people involved (Oketch et al, 2002). The author defines technology as a process involving the combination of technique, knowledge, organization and product. He says that much of the existing technology available in our environment for Micro and Small enterprises is either insufficient to quality product that can enable them to break into new markets.

Small scale enterprises in Kenya as a whole have to adopt new technologies in order to remain competitive. This grey area needs a great deal of attention if our MSE’s are to grow and thrive in a liberalized economy (Aduda and Kaane, 1999). The market forces alone in a liberalized economy will not deliver the technologies that the poor need fast enough to present the widening gap between the modern sector “included” and the traditional sector “excluded”. According to a regional workshop on training for entrepreneurship and self-employment, developing countries would need to reorient existing research and development efforts specifically to explore the feasibility of blending of new technology with traditional economic activity (Nelson, 1984). This will require a reorientation of traditional research and development strategies and policies in favor of the small-scale urban informal sector and the rural sector. Unless this is done, there will be little emphasis on the application of new technology to traditional production system, which is essentially small scale.

Technologically, micro enterprises in the developing countries are characterized by limited technological resources for innovation, adaptation and dissemination for
communication system, non-supportive policy environments and uncertain markets (Oketch et al, 2002). Whether this stand holds true for technological adaptation in Small scale enterprises in Nairobi is a big challenge.

New technologies especially in information, biotechnology and material sciences are reshaping the world economy and marginalizing those countries, which depend on the export of raw material for their foreign exchange earnings.

The immediate sources of Western world growth were innovative in trade, technology, and organization in combination with accumulation of more and more capital, labour and applied natural resources (Buckley et al, 1997). It has been recognized that the African countries will have to alter their production strategies. This requires major adjustments in the African countries.

The African continent is faced with a persistent lack of technological advancement partly because most countries economies are based on raw materials export and there is little or no incentive to build a strong technological base as a tool for competition. What African countries need is appropriate technology. This is the technology which best makes use of countries resources in order to achieve its development objectives which include: -

To achieve sustained economic growth, to secure wide and equitable participation in the process of growth and the desire to enable the whole population to satisfy their basic needs and protect the environment. Technology in the Jua Kali sector has been
categorized to comprise production and organization. This means processes of production tools and materials methodology which needs are satisfied and the structure of the social relations of productions.

Quite often, the entrepreneur will neither invest in technology nor endeavor to improve techniques for the sake of it as the basic objective is to produce and sell in order to make profit. In recent political interests small-scale enterprises sector in general were simply seen as arenas of sub-standard goods and outlets for failure (Juma, 1994). While matters of attitude may seem rather remote to issues of technology, they nevertheless have an impact. Thus government policies that identifies products that can be produced by the MSE’s and thereafter expand their demand using such measures as import license will eventually have an impact on technological growth. Finally since the sector is here to stay, every effort should be made to improve performance so that it can help alleviate the problem of unemployment while seeking to improve the very services of the country. (Juma, 1994)

2.6 Marketing strategies

In developing countries there are two extremes in the nature and extent of government commitment which are reflected in the policies and programme for small enterprises. On one hand there is the Indian experience where, in addition to confessional finance and liberal assistances schemes, they tend to form a conglomerate of businesses organized through the patriarchal set up of the family (Seierup, 1996). There are also schemes to promote ancillary firms to develop linkages with large enterprises and market support
programmes in the form of purchase preference for products of small enterprises in
government and public sector enterprises. At the other extreme, countries with more open
economies such as Kenya, not only provide no protection against imports but also permit
competition from large enterprises within the country. This tends to restrain the growth of
modern small enterprises and the thrust of the small enterprise sector remains
concentrated in traditional activities.

Micro-enterprises in general are faced with a myriad of constraints that inhibit their
growth. One of these is lack of markets for their products. Unless there is appropriate
response to market by these enterprises, they are bound to have stunted growth or go out
of business altogether. Sessional paper no 1 of 1986, Economic Management for
Renewed Growth sought to provide mechanisms for disseminating information on market
opportunities and appropriate production methods for small-scale manufacturing. The
government was to use its machinery to implement programmes focused on stimulating
research based on proper needs assessment, identification of markets and the use of
appropriate technologies. It would use public procurement and regulation to help MSE’S
find products, carry out market surveys in business and provide market support in these
areas to date. However, there is a proposed bill on micro and small size enterprises which
is still pending. (GOK, 2005)

Small enterprises cannot afford to contract professional companies to direct their
marketing management efforts. These enterprises concentrate on products aspect, which
takes a lot of management effort leaving very little time to concentrate on the marketing
aspect. There does not seem to be any study done specifically on small scale enterprises to suggest which marketing strategies they are out to pursue in order to grow. This study pursued the study gap. According to Kotler (2003), the term marketing “is a societal process by which individuals and groups obtain what they want through creating, offering and freely exchanging products and services of value with others.” Marketing is thus an attempt to raise client awareness about the institution and the product offering through an integrated marketing strategy.

Though the small enterprises use market strategy by adopting their products to market conditions by right mix of P’s that is, Product, Price, Place and Promotion, they hardly use the four P’s in an integrated way. The entrepreneurs just expect that customers will patronize them without them having to make deliberate initiatives to sell themselves in the market. (Juma, 1994).

2.7 Regulatory and legal framework

Regulations and procedures are requirements for any orderly development and/or business activities. However, excessive regulatory constraints inhibit business competitiveness worldwide. As most developing countries struggle to undertake economic reforms, it has become necessary to free business from cumbersome procedures and regulations. In Kenya, existing regulations and procedures have been observed to be major bottlenecks to micro and small enterprises (McCormic et al, 1999).

Most written regulation in Kenya owes their origin to the colonial period when regulations were aimed at controlling and regulating growth of indigenous enterprises.
After independence, other related requirements were introduced by the Kenyan government to ensure certain types of business were deliberately reserved for Kenyans of African origin. Over the years the regulation and administrative procedures multiplied and with passage of time have proved a major impediment, particularly to the establishment and growth of the African owned business that they were intended to support, protect and promote.

The government’s commitment to creating an enabling environment was emphasized in the Sessional Paper no. 1 of 1986 on economic management for renewed growth. The paper recommended that a task force be appointed to review all policies and local authority by-laws governing informal sector activities by eliminating unnecessary constraint.

Regulation and procedures appear to be a bottleneck to the development of MSE. Traders have complained of a lengthy and cumbersome annual licensing process and excessive discretionary powers of officials which create opportunities for corruption (GOK, 1997). This has created a large number of entrepreneurs who do not bother to follow any regulation or procedures. This exposes them to problems with authorities including, harassment, eviction and conviction. Others merely devise coping mechanism which includes closing business and even running away in order to avoid physical beating (Graham et al, 1998).
Problems created by bad regulations can take the form of higher costs, wasted time and energy, restrictions on choice, inflexibility, and stifling initiative and missed opportunities (Gitu, 1998). The author proposes simpler rules and regulations, which are objective. This can be achieved through consultations with relevant department, and by choosing relevant goal based regulations and carrying out impact assessments for the regulation to be enforced, the entrepreneurs must be involved in their development. This is not the case in Nairobi and other urban centers in Kenya where the by-laws are too adverse to be complied with.

2.8 Financial accounting and record keeping

Keeping records ensures that an entrepreneur is well informed about the status of his or her enterprise. Kennedy (1980) observes that few small African firms keep records detailing labour productivity or asset changes. A cash flow is one of the most important statements that describe flow of cash into and out of business. A business cannot survive in the long run without positive cash flow. Profit and loss account on the other hand compares revenue and expenses over specific period of time while a balance sheet tells an entrepreneur what his business is worth at any given time (Wood, 2004). The purpose of financial accounting and record keeping is to help the entrepreneur run the business more efficiently and earn good profit or avoid making losses by not making wrong decisions (Wood, 2004).

Traditionally, accounting still has a heavy emphasis on book-keeping. However with falling data processing costs and development in accounting software packages,
bookkeeping is gradually becoming a data processing function where ledger clerk is replaced by punch operator. This has happened in large companies and because of mini computer technology advances, it is happening in smaller businesses. Even the very small business can now plug into computerized accounting packages or use auditors computer system that generally operate standard accounting system for their clients records and VAT. (Nortek, 1985).

An accounting system may contain thousands of transactions every day. To control the business all this data has to be analyzed and presented to management and other users in summary reports. Possible users of accounting information include:

**Owners of business:** They are able to know whether or not the business is profitable and also what the financial resources of the business are.

**Prospective buyer:** When the owner wants to sell his business the buyer wants to see such information.

**The bank:** If the owner wants to borrow money for use in the business the bank will need such information.

**Tax authorities:** They need to calculate taxes payable.

**A prospective partner:** If the owner wants to share ownership with someone else, then the would-be partner will want it (Wood, 2004).

It is generally agreed that finance is a primary reason for lack of expansion of the small enterprise sector (Mutua, 1989). Small businesses face many of the same demands that large-scale businesses face. For example large businesses have to deal with the business
functions of marketing, quality control of the products or services they offer, cash flow and obtaining credit. Small businesses must also address these common business functions. While a large business may have many personnel to work on these areas a small business may have just one person to do everything. Given the tremendous demand on the time of the small businessperson it makes record keeping and accounting a very low priority (Mutua, 1989). It is critical that the small-scale entrepreneurs recognize the importance of record keeping and accounting to the success of the business and assign a high priority to establishing and maintaining a relevant record keeping system.

Key financial decisions such as the purchase of stocks or equipment, the hiring of employees or contractors, the granting of credit to the customers cannot be made in absence of financial data. A good record keeping system generates useful financial information, which will assist the entrepreneur to staff, manage and control the direction of the business operations (Mutua, 1989).

Basic accounting system should provide to the business the following information:

- Amount of business revenue (cash inflow)
- Amount of expenditure (cash outflow)
- Cost of procuring goods for sale
- Cost of incidental expenses
- Performance of the business profit or loss status
- Overall business cash position
- Borrowings position
It is important to determine records that should be maintained to provide the information required (Mutua, 1989).

2.9 Access to Credit

Insufficient capital to develop SSE is a common problem in Kenya. The problem limits the expansion of the business since the money available might not be enough to purchase relevant machinery, which helps to improve the efficiency of the businessman by enhancing quality and quantity of goods produced.

Generally, the problem of finance according to Marris (1971) is a widespread and a typical characteristic of small-scale industries. This situation is worsened by demand for the security for any loan to be given out. In effect, most of the small businesses fail to secure loan due to lack of collateral.

A study in Kenya African businessmen in the Industrial sector reported that lack of capital was the greatest difficulty to the respondent (Marris, 1971). This lack of capital may make it hard to the aspiring industrialist in starting or expanding the business.

Several studies on the MSE sector in Kenya have identified access to credit as a major problem affecting the growth of MSE’s. Other studies concluded that while credit in the banking sector grew steadily in the past, little of this credit reached the MSE’s. The 1993 baseline survey showed that only 9% of the MSE had accessed credit and that only 4% of this credit was obtained from formal financial institutions (NGO, commercial banks,
SACCO etc). The survey noted that the bulk of MSE credit (69.1%) came from informal savings and credit associates (ROSCAs), friends and relatives. The 1995 baseline survey showed that 18% of the MSE's had accessed credit and of these, only 3.4% received credit from formal sources.

Over 30 institutions provide credit for small enterprises at all levels in the economy (Abuodha, 1996). This figure is likely to treble when time elapsed is considered.

There is a general consensus among MSE development specialists that finance can make an important contribution to MSE development even though there is some controversy as to whether finance is the most pressing need of MSE's.

A major problem is lack of adequate capital to operate or expand businesses. Most of the financial requirements of the informal sector are those from personal savings. The entrepreneurs do not have access to commercial sources of credit, because they lack the necessary collateral. Kenya's conservative commercial banking sector insists on secured lending and seldom grants loans on the basis of anticipated cash flows. In addition, Jua Kali entrepreneurs often lack accounting and managerial skills and are therefore unable to present convincing investment proposals to banks. The banks also view lending to this sector as unattractive because of the high cost of information gathering and administration and the perceived higher risk of default even though it has been argued that default rates in the informal sector are no worse than those for large-scale, formal enterprises (Dondo, 1989).
The government through sessional paper no. 1 of 1986 promised several measures aimed at promoting availability of credit to the MSE sector. This policy was restated in the sessional paper number 2 of 1992 where the government made proposal and recommendation to open up Kenya’s banking industry as well as non-banking financial institutions and non-governmental organizations (NGO’s) to MSE’s. The policy framework recommended a number of strategies to improve access to credit by small-scale enterprises. One of the proposed ideas was to create an incentive system to promote lending to small enterprises by commercial banks through deregulation which would allow banks to charge competitive interests later. The extent to which financial institutions and NGO’s have established business relationships with MSE sector since the publication of sessional paper no. 2 of 1992 is not yet properly documented. (Mullei and Bokea, 1999).

The government has promised to enact the micro finance bill, which will provide a legal framework for the operations of MFIs. This is aimed at making them sustainable and encouraging them to operate commercially (GOK, 2005).

For commercial banks in Kenya to enter successfully in the micro-finance market they will have to make innovations that will allow a cost effective analysis of creditworthiness in the monitoring of a large number of relatively poor client and the adoption of effective collateral substitutes. Moreover that micro-finance differs so radically from traditional banking, banks must recruit and retain specialized staff to manage these programmes (Oketch, 1999).
2.10 Summary of Literature Review

The review of the relevant literature has revealed that MSE sector plays a very important role in the economic development of the country mainly in the areas of income and employment generation. This reveals that the government recognized the importance of the sector. However, there are challenges that undermine and deny them opportunity to grow in terms of volume and profitability.

The study explored the intervention measures that needed to be put in place to enable the sector to grow and adopt modern technology to become competitive at the market place.

The study sought to understand the marketing strategies that could be adopted by MSE in order to achieve growth. The understanding could form a basis for development of relevant policies and framework in support of MSE’S.

2.11 Conceptual Framework

The study explored the relationship between access to technology, marketing strategies, regulatory and legal framework, accounting records keeping, access to finance and the growth of micro and small enterprises.

<table>
<thead>
<tr>
<th>Legislation / Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological factors</td>
</tr>
<tr>
<td>Marketing strategies</td>
</tr>
<tr>
<td>Capital / Credit</td>
</tr>
<tr>
<td>Accounting Records</td>
</tr>
</tbody>
</table>

Growth of Micro and Small Enterprises in Kenya

Dependent variable
The given conceptual framework portrays how the independent variables affect the dependent variable, the growth of micro and small Enterprises (MSE’s) in Kenya. These independent variables can be manipulated to positively or negatively determine the outcome of the dependent variable. These variables form the basis and framework of the research study, and are listed below;

**Critical factors that affect growth of micro and small enterprises in Kenya include:**

- Poor access to modern technology in manufacturing process
- Lack of proper marketing strategies
- Oppressive and cumbersome Legislation and procedures
- Poor accounting record keeping systems
- Limited access to credit/capital
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the methodology used in the study. It outlines the research design, target population, sample and sampling procedure and the data collection and analysis techniques used.

3.2 Research design

The study was of survey type and adopted an exploratory design to obtain primary data meant to understand the factors affecting the growth of micro and small enterprises in Kenya with special reference to Uhuru market in Nairobi. Past work using exploratory Design includes a Survey on small scale enterprises at Gikomba market in Nairobi (Nyambura, 1992). The primary data was collected from the entrepreneurs at Uhuru market in Nairobi, particular features of which had been identified about the problem under study.

3.3 Target Population

The target population were small business owners/entrepreneurs situated in Nairobi’s Uhuru market. The population frame of 1,000 was drawn from the list of business enterprises which was obtained from the Nairobi City Council’s offices in Nairobi and was augmented by a census carried out by two research assistants prior to field study. The
geographical area was not extensive and ensured inclusion of all study subjects in the population frame.

### Table 3.1 Target Population and Percent Distribution

<table>
<thead>
<tr>
<th>NATURE OF BUSINESS</th>
<th>POPULATION FREQUENCY</th>
<th>PERCENTAGE DISTRIBUTION %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring and embroidery</td>
<td>650</td>
<td>65.0</td>
</tr>
<tr>
<td>Bags mfrs</td>
<td>276</td>
<td>28.0</td>
</tr>
<tr>
<td>Restaurants</td>
<td>14</td>
<td>1.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>10</td>
<td>1.0</td>
</tr>
<tr>
<td>Retail Trading</td>
<td>30</td>
<td>3.0</td>
</tr>
<tr>
<td>Saloons</td>
<td>20</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1000</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Author, 2008

#### 3.4 Sample Design

A sample of 100 entrepreneurs in Uhuru Market was considered representative. Sampling technique used was stratified random sampling with proportionate allocation of sample sizes. All subjects within the stratum population were assigned distinct numbers, which were then placed in a container, and the required items drawn at random. This method was considered appropriate since the population had different types of businesses. Previous surveys on micro and small enterprises using stratified random sampling encountered minimal resistance from respondents [Ngau and Keino (1996); Nyambura (1992)].
Table 3.2 Target Population Breakdown and Sample Size Allocation

<table>
<thead>
<tr>
<th>nature of business</th>
<th>population frequency</th>
<th>ratio</th>
<th>sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>tailoring and embroidery</td>
<td>650</td>
<td>0.1</td>
<td>65</td>
</tr>
<tr>
<td>bags mfrs</td>
<td>276</td>
<td>0.1</td>
<td>28</td>
</tr>
<tr>
<td>restaurants</td>
<td>14</td>
<td>0.1</td>
<td>1</td>
</tr>
<tr>
<td>butchery</td>
<td>10</td>
<td>0.1</td>
<td>1</td>
</tr>
<tr>
<td>retail trading</td>
<td>30</td>
<td>0.1</td>
<td>3</td>
</tr>
<tr>
<td>saloons</td>
<td>20</td>
<td>0.1</td>
<td>2</td>
</tr>
<tr>
<td>total</td>
<td>1000</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author, 2008

3.5 Data collection method

Data pertaining to the factors affecting growth of micro and small enterprises (MSE’s) in Kenya was collected by use of questionnaires to obtain primary data. Before commencing the actual data collection exercise, the questionnaire was tested by sending it to three selected respondents with a view to amending questions where difficulties were encountered. Questions included open-ended and closed-ended. The Questionnaires were self administered to the sampled respondents. Open-ended questions were used to solicit qualitative data while closed ended questions sought to obtain quantitative data for statistical analysis.

Questions asked focused on both entrepreneurial and other business characteristics, which formed the core of the study. The questionnaires were dropped and picked later. Where the respondents were illiterate or too busy to write, questionnaires were administered orally.
The questionnaire was preferred because it enabled large coverage of population with little time, personnel and cost, anonymity of the respondents could help them to be honest in their responses, avoided bias due to characteristics of interviews and it allowed respondent enough time to answer questions to avoid hasty responses.

3.6 Data analysis

After collection of all the required data it was first prepared for analysis by coding and/or editing to transform it into a form that could be analyzed. The purpose of data coding was to change qualitative data into quantitative form for easier analysis with the help of SPSS package. Since this study was of exploratory type, analysis of data was through descriptive statistics and presented in tables, pie charts, and bar charts.

3.7 Limitations of the study

In the course of the study, the researcher was likely to encounter the following problems, which would affect the study:

Time - Time is of essence in any activity. Despite its importance, it is never available in the required amount. The amount of time provided for this project was certainly a major obstacle in doing a comprehensive study. The researcher is an entrepreneur in a busy office and demands from his private ventures in relation to the research took precedence over the project. However, care was taken to ensure that the study was given the seriousness it deserved.
Co-operation by Respondents- The respondents were people involved in a competitive business. They were suspicious of the intentions of the researcher and could not give information freely. This was an important limitation well understood by the researcher and every effort was made to reassure the respondents of the confidentiality of their information and the willingness by the researcher to share the findings of the research.
CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION OF THE RESULTS

4.1 Introduction.

In this chapter, the collected data was analyzed and presented in the following order in line with the objectives of the study: sample characteristics, growth, technology, marketing strategies, capital/credit, accounting records and legislation/policies.

4.2 Sample characteristics.

Data was collected from a total of 100 respondents, 42% males and 58% females (fig 4.1).

The sex distribution comprised of 31% males and 69% females in tailoring and embroidery, 64% males and 36% females in bags making, all males in retail and butchery followed by all females in saloons and restaurants as shown in fig 4.2.

The study realized a response rate of 100% as a result of the rapport that was built with the respondents just before data collection because the questionnaires were dropped and collected later. Females dominated the sex distribution of the respondents at the market because tailoring and embroidery, a female dominated business, had the largest population in the study. Still, females dominated areas like saloons and restaurants. Domains which required exemplary energy like Bags Making and butchery had excess males.
Majority (44%) of the respondents had stayed in the business for the period between one and five years followed by 27% lasting for 11-15 years, 18% for 6-10 years and 11% lasting for less than one year. In tailoring and embroidery, 43.1% of the respondents had worked for the period 1-5 year, 18.5% for 6-10 years, 26.1% for 11-15 years and 12.3% for less than one year. In Bags Making, 46.4% for 1-5 years, 14.3% for 6-10 years and 7.1% for less than one year. In the retail, 66.7% of the respondents had worked for 6-10 years and 33.3% for less than one year.
In the saloons and butchery, all respondents had worked for 1-5 years while in the restaurants, all had worked for 11-15 years. Table 4.1 shows the periods respondents worked in various businesses.

Small business owners at Uhuru Market faced many challenges because they were not able to adopt their enterprises to constant changing environment as concluded in the previous study (King, 1996).

Table 4.1 Percentage Distribution of respondents by years worked

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Less than 1yr</th>
<th>1-5yrs</th>
<th>6-10yrs</th>
<th>11-15years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>12.3</td>
<td>43.1</td>
<td>18.5</td>
<td>26.1</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>7.1</td>
<td>46.4</td>
<td>14.3</td>
<td>32.2</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>33.3</td>
<td>-</td>
<td>66.7</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>11.0</td>
<td>44.0</td>
<td>18.0</td>
<td>27.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008

From table 4.2, only 2% of the respondents had attained university level of education. 28% had primary level 37% secondary and 33% tertiary college level. In tailoring and embroidery, 27.7% had primary level, 36.9% secondary 32.3% college and 3.1% university.

In Bags Making, 32.2% had primary level, 35.7% secondary and 32.1% tertiary college.

In retail, 66.7% had secondary level and 33.3% tertiary college. All respondents in Butchery, Restaurant and saloon had primary, secondary and tertiary college levels respectively. The unemployment situation in Kenya has forced many educated people to go into micro and small enterprises (GOK, 1997).

This was the reason why small scale enterprises at Uhuru Market were not a preserve of poorly educated entrepreneurs.
Table 4.2 Percentage Distribution of the respondents by level of education

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Level of Education</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Primary</td>
<td>Secondary</td>
<td>College</td>
<td>University</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>27.7</td>
<td>36.9</td>
<td>32.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>32.2</td>
<td>35.7</td>
<td>32.1</td>
<td>-</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>-</td>
<td>66.7</td>
<td>33.3</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>28.0</td>
<td>37.0</td>
<td>33.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008

4.3 Growth.

All respondents indicated that there was growth in their businesses. Many small businesses owners could not stay in businesses which were not growing because sustainability was highly pegged on growth.

The respondents at Uhuru Market were therefore running businesses which to them had positive signs for growth. See table 4.3 below.

Table 4.3 Presence of growth in the Business

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Presence of growth in Business</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
<td></td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

More than half (58%) of the respondents were of the opinion that business growth was influenced by hard work while 24% thought that credit availability was an important factor. The rest 18% added that less competition could not be ignored.

Hard work was preferred by 55.4% of respondents in Tailoring and embroidery, 71.4% in Bags Making, 50.0% in saloon and all respondents in butchery. Credit availability was
popular with 27.7% in Tailoring and Embroidery and 21.4% in Bags Making. Less competition was mentioned by 16.9% in tailoring and embroidery, 7.2% in Bags Making, 50.0% in saloon and all respondents in retail and butchery as shown in Table 4.4. Credit availability could have been a good choice because a past study in Kenya African businessmen reported that lack of credit was the greatest difficulty to the respondent (Marris, 1971). However, hard work was favoured because the nature of business at the market was labour intensive. Less competition was popular in retail and Butchery because some of the products in these areas were perishable and needed to be got rid of as soon as possible.

Table 4.4 Percentage distribution of respondents by factors influencing growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Hardwork</th>
<th>Less Competition</th>
<th>Credit Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>55.4</td>
<td>16.9</td>
<td>27.7</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>71.4</td>
<td>7.2</td>
<td>21.4</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>-</td>
<td>1.00</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>50.0</td>
<td>50.0</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>58.0</td>
<td>18.0</td>
<td>24.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008

On suggestions to improve growth, 42% of the respondents preferred credit availability while 30% were for license fee reduction and 28% for reduced imports (See fig 4.3). In Tailoring and Embroidery, 40.0% were for credit availability, 36.9% license fee reduction and 23.1% for reduced imports. In retail, 66.7% for credit availability and 33.3% reduced imports. In saloon, 50% for both credit availability and reduced imports. All respondents in Restaurant and Butchery stuck on license fee reduction (figure 4.4).
Credit availability was preferred by the respondents because it enabled them to start, grow and expand the business.

The problem of the credit was that it was widespread and typical characteristics of small scale businesses (Marris, 1971). Other suggestions like the reduction of license fee and imports did not feature well among respondents most likely because of the negative impact on growth.
4.4 Technology.

The nature of business at Uhuru Market was such that technology had to be used at all times and I believe this was the reason why all respondents in the study employed technology as part of growth, (table 4.5). Infact areas like tailoring and Bags making could not function without using relevant technology like sewing machines.

Table 4.5 whether Technology was used as part of growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Use Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>100.0</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008

Majority (95%) of the respondents were of the opinion that technology they used was appropriate for growth. This opinion was shared by 89.3% of respondents in Bags Making and all respondents in retail and saloon. (See table 4.6).

The use of appropriate technology by the respondents was mandatory in order to produce quality competitive products for the market.

Appropriate technology today embraces an approach to the management of technical change which was participative in use of resources, knowledge and skills of the people involved (Oketch et al, 2002).
Table 4.6 Appropriateness of technology for growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Appropriateness of Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>89.3</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td><strong>95.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

Most (83%) of the respondents thought that access to technology affected the growth of their businesses. This opinion was shared across the board by 81.5% of respondents in Tailoring and Embroidery. 82.1% in Bags making and all respondents in retail, restaurant and butchery. See table 4.7. Small business owners at Uhuru Market needed to be innovative in technology in order to produce competitive products for the market. Aduda and Kaane (1999) remarked that technology needs a great deal of attention if our Micro and small enterprises are to grow and thrive in a liberalized economy.

Much of the existing technology available in our environment for Micro and small enterprises was either insufficient to quality product that can enable them to break into new markets (Oketch et al, 2002)

Table 4.7 Whether Technology affects growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Technology affects growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>81.5</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>82.1</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td><strong>83.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.
More than half (53%) of the respondents suggested that machinery prices ought to be lowered to improve growth while 28% opted for the need to seek more information pertaining to technology.

However, 19% thought that business people should be trained in technology. See fig 4.5.

In Tailoring and Embroidery, 49.2% of the respondents were for the lowering of machinery prices, 27.7% for technological information and 23.1% for training. In Bags making, 60.7% were for lower machinery prices, 28.6% for technological information and 10.7% for training. In Retail, 66.7% were for lower machinery prices and 33.3% for technological information. In saloon, 50.0% were for lower machinery prices and the remaining 50.0% for technological information. All respondents in Restaurant and Butchery were for lower machinery prices and training respectively. See fig 4.6.

Technological development in Africa is still at its infant stage. Kenya especially, still relies heavily on imported technology and there is a need to combine human skills, information and organizational structures if growth is to be realized (Oketch et al, 2002)

Figure 4.5 Suggestions on Technology to Improve Growth-Overall

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Machinery Prices</td>
<td>53%</td>
</tr>
<tr>
<td>Seek Information</td>
<td>28%</td>
</tr>
<tr>
<td>Provide Training</td>
<td>19%</td>
</tr>
</tbody>
</table>

(n=100)

Source: Survey Data, 2008.
4.5 Marketing Strategies.

All respondents in the study embraced marketing strategies in their operations as part of growth. According to table 4.8 below, small business owners at Uhuru Market were using some kind of Marketing Strategies in one way or another in order to fight competition and remain relevant in the market. The marketing strategies could be in areas like pricing, promotion and distribution. Kotler (2003) says that marketing is an attempt to raise client awareness about the institution and the product offering through an integrated marketing strategy.

Table 4.8 Whether marketing strategy was used as part of growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Marketing Strategy affects growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>100.0</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.
Most of the respondents 82% in the study were of the opinion that the marketing strategies they used were appropriate for growth. This opinion was favoured by 83.1% of respondents in Tailoring and Embroidery, 82.1% in Bags making, 66.7% in Retail, 50.0% in Saloon and all respondents in Restaurant and Butchery (table 4.9). The Marketing strategies being used were actually targeting profit and growth through proper pricing, promotion and distribution. The scheme ensured the business sustainability and future prosperity.

Table 4.9 Appropriateness of Marketing Strategy for Growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Marketing Strategy Appropriate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>83.1</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>82.1</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>66.7</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>50.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>82.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

52% of the respondents sold their products in Nairobi, 33% in Narok, 10% in Meru and 5% in Kericho. (see table 4.10).

In Tailoring and Embroidery, 36.9% sold their products in Narok, 47.7% in Nairobi, 10.8% in Meru and 4.6% in Kericho. In Bags making, 32.2% sold their products in Narok, 50.0% in Nairobi, 10.7% in Meru and 7.1% in Kericho. All respondents in Retail, Saloon, Restaurant and Butchery had Nairobi as a major market.

Uhuru market is surrounded by several estates like Bahati, Maringo, Jerusalem and Shaurimoyo making it possible to have many customers from these areas. It was impossible to penetrate optimal number of markets outside Nairobi because doing so would translate to high operating costs.
Table 4.10 Where respondents had major markets

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Narok</th>
<th>Nairobi</th>
<th>Meru</th>
<th>Kericho</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>36.9</td>
<td>47.7</td>
<td>10.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>32.2</td>
<td>50.0</td>
<td>10.7</td>
<td>7.1</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>33.0</strong></td>
<td><strong>52.0</strong></td>
<td><strong>10.0</strong></td>
<td><strong>5.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

All respondents across the business types admitted that marketing of their products was a thorn in the flesh because of the stiff competition within and outside the market (table 4.11).

According to Juma (1994), the entrepreneurs just expect that customers will patronize them without having to make deliberate initiatives to sell themselves in the market. Marketing a product could also be an expensive exercise to a small business owner faced with small profit margins.

Table 4.11 Whether marketing the products was a problem

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Marketing Products a Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>100.0</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

Most of the respondents 81% were of the opinion that the problem of marketing their products affected growth. This was also found to be true with 81.5% of respondents in Tailoring and Embroidery, 89.3% in Bags making and all respondents in Retail (See table
4.12). This scenario was expected because failure to market a product translates to low cash flow which cannot sustain the business and pave way for growth and expansion.

Micro enterprises in general are faced with a myriad of constraints which inhibit their growth (GOK, 1986). The government document identifies lack of markets as a major challenge to small scale enterprises.

Table 4.12 Whether the problem of marketing the product affects the growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Marketing Products Problem affects Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>81.5</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>89.3</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>81.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008

More than two-thirds (69.0%) of the respondents promoted their products through display while 19.0% used personal promotions. The rest 12.0% employed price cuts as an option (See fig 4.7).

Display was also used by 78.5% of respondents in Tailoring and Embroidery, 57.2% in Bags making and 66.7% in Retail. Personal promotion was used by 13.8% in Tailoring and Embroidery, 32.1% in Bags making and 50.0% in saloon. Price cuts were used by 7.7% in Tailoring and Embroidery, 10.7% in Bags making, 33.3% in Retail, 50.0% in saloon and all respondents in Restaurant and Butchery (see fig 4.8).

Display was the most popular promotional method because it attracted the attention of many shoppers who frequented the market from time to time. A number of markets in Nairobi have adopted the Asian type of business and I believe this was the reason why almost 70% of respondents in the study used Display for promoting their products.
Majority of the respondents 98% admitted that their products had competitors from within and outside the market. See table 4.13.

Countries such as Kenya not only provide no protection against imports but also permit competition from large enterprises within the country.
Table 4.13 Whether products had competitors

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>98.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008

(43%) of the respondents had expanded their markets by introducing new products while 34% (see fig 4.9) adopted the improvement of management style. The rest 23% ran more promotions. Improvement of management style was used by 32.3% of respondents in Tailoring and Embroidery, 32.1% in Bags making, 33.3% in Retail, 50.0% in saloon and all respondents in Restaurant and Butchery.

Introduction of new products was used by 47.7% of respondents in Tailoring and Embroidery, 39.3% in Bags making and 33.3% in Retail. 20.0% of respondents in Tailoring and Embroidery, 28.6% in Bags making, 33.4% in Retail and 50.0% in saloon and expanded their markets by running more promotions. See fig 4.10.

Few small business owners may expand their markets because the exercise involves extra capital and operating costs.
On suggestions to improve growth, 44% of the respondents called for the use of the right marketing strategies while 31% highlighted the use of qualified staff and the rest 25% emphasized the implementation of marketing strategies. See table 4.14.

The use of right marketing strategies was popular with 43.1% of respondents in Tailoring and Embroidery, 46.4% in Bags making, 66.7% in Retail and all respondents in Butchery.
30.8% of respondents in Tailoring and Embroidery preferred the use of qualified staff which was also mentioned by 32.2% in Bags making, 50.0% in saloon and all respondents in Restaurant. Implementation of marketing strategies had 26.1% in Tailoring and Embroidery, 21.4% in Bags making, 33.3% in Retail and 50.0% in saloon. The respondents must have been convinced in their minds that only relevant marketing strategies could take them an extra mile through profit and growth.

**Table 4.14 Suggestions on marketing strategies**

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Right Strategies</th>
<th>Suggested Staff</th>
<th>Implement Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65 %</td>
<td>30.8%</td>
<td>26.1%</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>46.4%</td>
<td>32.2%</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>66.7%</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>-</td>
<td>50.0%</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>-</td>
<td>100.0%</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>44.0%</td>
<td>31.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

4.6 Capital/ Credit.

More than half of the respondents, 56% accessed credit from micro finance institutions while 42% used own savings. The rest 2% benefited from the formal banks (See fig 4.11). Micro finance was used by 61.5% of respondents in Tailoring and Embroidery, 50.0% in Bags making, 33.3% in Retail and 50.0% in saloon. All respondents in Restaurant and Butchery used own savings while saloon had 50.0%, Retail 66.7%, Bags making 46.4% and Tailoring and Embroidery 36.9%.

Formal banks were less popular with only 1.6% of respondents in Tailoring and Embroidery and 3.6% in Bags making (See fig 4.12). Micro finance institutions differ from the formal banks because they are flexible in their lending requirements and only
use social collateral for extending loans. Across the business types more respondents opted to use own savings to start and operate the business instead of going for debt financing which becomes a burden with time. Abuodha (1996) said that more institutions provide credit for small enterprises at all levels in the economy.

**Figure 4.11 Ways of Accessing Capital/Credit (Overall Picture)**

<table>
<thead>
<tr>
<th>Way of Accessing Capital/Credit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Savings</td>
<td>56%</td>
</tr>
<tr>
<td>Microfinance</td>
<td>2%</td>
</tr>
<tr>
<td>Formal Banks</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008

**Figure 4.12 Ways of accessing Capital/ Credit By Business Type**

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring and Embroidery</td>
<td>36.1%</td>
</tr>
<tr>
<td>Bags</td>
<td>61.5%</td>
</tr>
<tr>
<td>Retail</td>
<td>46.4%</td>
</tr>
<tr>
<td>Saloon</td>
<td>50%</td>
</tr>
<tr>
<td>Restaurant</td>
<td>100%</td>
</tr>
<tr>
<td>Butchery</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

A good number of respondents 83% needed capital/credit to expand the business growth.

All respondents in saloon, 66.7% in Retail, 82.1% in Bags making and 86.2% in Tailoring and Embroidery also expressed the same opinion. See table 4.15. A study in Kenya African businessmen in industrial sector by Marris (1971) reported that lack of
capital for starting and expanding the business was the greatest difficulty to the respondent. In deed respondents were clearly focused on business expansion to enable them improve their standards of living and also create employment for others.

Table 4.15 Need of Capital/ Credit for expanding business growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Need Capital/Credit</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
<td></td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>86.2</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>82.1</td>
<td>17.9</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>66.7</td>
<td>33.3</td>
<td></td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>-</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>83.0</td>
<td>17.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

Most (84%) of the respondents thought that access to capital/ credit affected their business growth. This opinion was shared by all respondents in Retail, Saloon, Restaurant, Butchery and 85.7% in Bags making followed by 81.5% in Tailoring and Embroidery (See table 4.16).

Credit plays a very crucial role in a business because it reduces the financial stress of the entrepreneur and also gives hope for growth and expansion. Respondents had problems in accessing credit because positive government policies could not be implemented in good time (GOK, 1992).

Table 4.16 Whether access to Capital/ Credit affects growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Capital/ Credit affects growth</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
<td></td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>81.5</td>
<td>18.5</td>
<td></td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>85.7</td>
<td>14.3</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>84.0</td>
<td>16.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.
As to what could be done in Capital/ Credit to improve growth, 78% of the respondents suggested the lowering of interest rates while 16% thought that business people needed to be trained on credit matters.

However, 6% of the respondents suggested the creation of awareness for financiers. Reduction of interest rates was popular with 73.8% of respondents in Tailoring and Embroidery, 85.7% in Bags making, 66.7% in Retail and all respondents in saloon, Restaurant and Butchery. 33.3% of respondents in retail preferred awareness creation of financiers followed by 6.2% in Tailoring and Embroidery and 3.6% in Bags making.

Training on credit came from 20.0% of respondents in Tailoring and Embroidery and 10.7% in Bags making. See table 4.17.

Interest rates charged on loans by especially the formal banks are not affordable to many small business owners. The Kenya government proposed to create an incentive system to promote lending to small enterprises by commercial banks through deregulation which would allow banks to charge competitive interest later (GOK, 1992). However, implementation of government proposals remains an uphill task.

Other suggestions made by respondents on Capital/ Credit were quite minimal.

Table 4.17 Suggestions on Capital/ Credit to improve growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Lower interest rates</th>
<th>Awareness of financiers</th>
<th>Training on credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>73.8</td>
<td>6.2</td>
<td>20.0</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>85.7</td>
<td>3.6</td>
<td>10.7</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>66.7</td>
<td>33.3</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>78.0</td>
<td>6.0</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.
4.7 Accounting records.

All respondents in the study admitted that they used accounting records as part of growth. Wood (2004) says that the purpose of accounting records is to help the entrepreneur run the business more efficiently and earn good profit or avoid making losses by not making wrong decisions.

The unemployment level in Kenya has forced many educated people with sound knowledge of accounts to start their own micro and small enterprises. Table 4.18 shows the opinion on whether accounting records are used as part of growth.

Table 4.18 Whether accounting records are used as part of growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Accounting records used as part of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>100.0</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

Most (70%) of the respondents were of the opinion that use of accounting records was appropriate for growth. This opinion was shared by 67.7% of respondents in Tailoring and Embroidery, 67.9% in Bags making and all respondents in Retail, Saloon, Restaurant and Butchery (See table 4.19). The maintenance of accounting records enabled the respondents in all business types to have control of the business and also monitor cash flows so that strategic projections could be made for business survival. This could only be achieved if the records were relevant and timely for growth.
Table 4.19 Appropriateness of accounting records for growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Appropriateness of Accounting records for growth</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td></td>
<td>67.7</td>
<td>32.3</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td></td>
<td>67.9</td>
<td>32.1</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td></td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td></td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td></td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td></td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
<td><strong>70.0</strong></td>
<td><strong>30.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

Quite a number of respondents 70% admitted that use of accounting records affected the growth of their businesses.

This view was also endorsed by 69.3% of respondents in Tailoring and Embroidery 71.4% in Bags making, 66.7% in Retail and all respondents in saloon and Butchery (table 4.20). The absence of accounting records could be disastrous to a business because the entrepreneur needs to be well informed about the status of his or her business. Although a few African Firms used to keep records as noted by Kennedy (1980), the present generation is different because business cannot survive in the long run without clean records on cash flow.

Table 4.20 Whether use of accounting records affect growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Use of Accounting affects growth</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td></td>
<td>69.3</td>
<td>30.7</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td></td>
<td>71.4</td>
<td>28.6</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td></td>
<td>66.7</td>
<td>33.3</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td></td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td></td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td></td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
<td><strong>70.0</strong></td>
<td><strong>30.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.
To improve growth, 65% of the respondents suggested that time needed to be allocated for the preparation of records while 14% thought that computer could as well be used. 21% maintained that use of qualified staff was a remedy (see fig 4.13). In Tailoring and Embroidery 70.8% of the respondents preferred the allocation of time which was popular with 50.0% in Bags making, 50.0% in saloon and all respondents in Retail and Restaurant. Computer use was suggested by 6.1% of respondents in Tailoring and Embroidery and 35.7% in Bags making. Employment of qualified staff came from all respondents in Butchery, 50.0% in saloon, 14.3% in Bags making and 23.1% in Tailoring and Embroidery as shown in fig 4.14. Time management was a very critical issue for the respondents at Uhuru Market. Given the tremendous demand on the time of the small business person it makes record keeping and accounting a very low priority (Mutua, 1989). Respondents were not keen on adopting the use of computer and employment of qualified staff because of cost limitations.

Figure 4.13 Suggestions on accounting records to improve growth

<table>
<thead>
<tr>
<th>(n=100)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocate Time</td>
<td>65%</td>
</tr>
<tr>
<td>Use of Computer</td>
<td>14%</td>
</tr>
<tr>
<td>Qualified Staff</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.
Figure 4.14 Suggestions on accounting records to improve growth by business type

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Allocate Time</th>
<th>Qualified Staff</th>
<th>Use Computer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>70.8</td>
<td>6.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Bags</td>
<td>50</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Retail</td>
<td>100</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>Saloon</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Restaurant</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Butchery</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

4.8 Legislation/policies

All respondents in the study agreed that they used legislation/policies as part of growth (See table 4.21). Legislation/policies are a must for any business person in Kenya. The Legislations/policies should provide an enabling environment for small business so that Kenya's need for growth can be met effectively and sustainability. However, in a previous study, Mc Cormic (1999) said that in Kenya existing regulations and procedures have been observed to be major bottlenecks to micro and small enterprises.

Table 4.21 Use of legislation/policies as part of growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Use legislation/policies as part of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>100.0</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>100.0</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

Less than half of the respondents 31% were of the opinion that the use of legislation/policies was appropriate for the growth of their businesses (see table 4.22). This opinion
was shared by 35.4% of respondents in Tailoring and Embroidery, 21.4% in Bags making, 33.3% in Retail and 50.0% in saloon

It was a surprise to learn that only a few respondents thought the use of legislation/ policies was appropriate for growth. The argument here could be that it was easier to start a business than to sustain it through profit and growth. Small scale enterprises in Kenya are faced with high Mortality rates such that registering a new business could sometimes be counter productive.

Table 4.22 Appropriateness of Legislation/ Policies for growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>35.4</td>
<td>64.6</td>
</tr>
<tr>
<td>Bags</td>
<td>21.4</td>
<td>78.6</td>
</tr>
<tr>
<td>Retail</td>
<td>33.3</td>
<td>66.7</td>
</tr>
<tr>
<td>Saloon</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31.0</strong></td>
<td><strong>69.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

Majority of the respondents 90% admitted that Legislation/ Policies affected the growth of their businesses (see table 4.23). This was the view of 90.8% of respondents in Tailoring and Embroidery, 85.7% in Bags making and all respondents in Retail saloon, Restaurant and Butchery. In a previous study, Gitu (1998) said that problems created by bad regulations can take the form of higher costs, wasted time and energy, restrictions on choice, inflexibility stifling initiative and missed opportunities. He proposed simpler rules and regulations which were objective. Respondents at Uhuru Market could not be comfortable with the cumbersome Legislation/ Policies because from time to time they got harassed by the authoritative city council officers as well as the tax authorities.
Table 4.23 Whether Legislation/ Policies affect growth

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>n</th>
<th>Legislation/Policies affect growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes (%)</td>
</tr>
<tr>
<td>Tailoring &amp; Embroidery</td>
<td>65</td>
<td>90.8</td>
</tr>
<tr>
<td>Bags</td>
<td>28</td>
<td>85.7</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Saloon</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>90.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2008.

An overwhelming number of respondents 91% suggested that to improve business growth, license fee needed to be reduced. Other suggestions like the review of local government laws and the decentralization of registration offices came from a few respondents (See fig 4.15).

Across the business types all respondents in Retail, saloon, Restaurant and Butchery followed by 87.7% in Tailoring and Embroidery and 96.4% in Bags making preferred license fee reduction.

Decentralization of registration offices and the review of local government laws never came out as challenges because not many respondents were keen on them (See fig 4.16).

License fee was definitely a burden to the respondents at the market because it was an additional cost to what the respondents incurred every month in the form of stall rents and operating costs.

Review of local government laws was not really an issue because implementation of government policies in Kenya was not an easy ride.

Decentralization of registration offices was not a big problem because most of the respondents resided in Nairobi where the offices were located.
Figure 4.15 Suggestions on Legislation/ Policies to improve growth (Overall picture)

(n=100)

- Decentralise: 1%
- Review Local Government Laws: 8%
- Reduce Licence Fees: 91%

Source: Survey Data, 2008

Figure 4.16 Suggestions on Legislation/ Policies to improve growth by business type

- Reduce Licence Fees
- Review Local Govt Laws
- Decentralize offices

Source: Survey Data, 2008.
CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

In this chapter, a summary of the findings and answers to research questions are given and the conclusions drawn from the analysis of the data. This has been done in view of the objectives of the study. From these, recommendations and suggestions follow accordingly.

5.2 Summary of findings/Answers to Research Questions

Several questions were asked on what affects the growth of Micro and Small Enterprises in Uhuru Market:

1. *Do technological factors affect the growth of Micro and small Enterprises in Uhuru Market?*

   Most respondents (83%) agreed that access to technology affects the growth of the business.

2. *How do marketing strategies affect the growth of Micro and small Enterprises in Uhuru Market?*

   All respondents admitted that Marketing strategies affect the growth of the business particularly in areas like pricing, promotion and distribution.

3. *Do accounting records and access to Capital / Credit affect the growth of Micro and small Enterprises in Uhuru Market?*
Most of the respondents (70%) agreed that accounting records affect the growth of the business.

A sizeable number of the respondents (84%) also admitted that access to Capital/Credit affects the growth of the business.

4. Do legislation/policies affect the growth of Micro and small Enterprises in Uhuru Market?

Majority of the respondents (90%) were of the opinion that legislation/policies affect the growth of the business.

5.3 Conclusions

It can be concluded that access to technology affects the growth of Micro and small enterprises because small business owners need to produce better quality products for the Market. Marketing strategies also affect the growth of Micro and small enterprises especially in key areas like pricing, promotions and distribution. It can be concluded that capital/Credit and accounting records affect the growth of Micro and small enterprises. Capital/Credit are ingredients for growth and expansion while accounting records assist in controlling the business. Legislation/Policies affect the growth of Micro and Small enterprises. Small business owners are required by law to operate registered and licensed businesses and make the normal monthly and annual payments which dig deep into their cash flows.

5.4 Recommendations

Small business owners need to be innovative in technology in order to produce quality competitive products for the local and overseas markets. They should also underscore the
need to make frequent adjustments in marketing skills in order to beat competition and enhance business growth. Capacity building seminars in time management should be given to small business owners to enable them learn how to create time for the preparation of accounting records which assist in controlling business operations. The government should also implement conducive deregulatory policies so that financial institutions may charge affordable interest rates to benefit small business owners. A thorough review of the cumbersome local authority laws and other regulations on taxation should be done to enable small business owners achieve profit and growth.

5.5 Suggestions for further Research

Technological exposure among small business owners in Kenya is still at its lowest level. For this reason, small scale enterprises are not able to produce better quality products which can compete with those from the large firms and overseas markets. Further research therefore needs to be done to find out why most small business owners are not embracing technological culture to enhance the growth of the business.

Success in the market depends on how well one plays with the marketing variables like pricing, promotion and distribution. Majority of small business owners just wait for customers to come without making efforts to sell themselves in the market. Further research should be carried out to discover why some small scale business people fail to strategize in their marketing operations for growth and profit.

Capital/ Credit play a very crucial role in the development of small scale enterprises. Small business owners go through a number of challenges before acquiring capital for starting and growing the business. Formal and the informal banks charge escalating
interest rates which are not affordable to many small scale business owners. Deregulatory policies which the government uses to control interest rates are never implemented. Further research should be done among the financial institutions with a view to harmonize their operations for the benefit of small scale business people.

Small business owners operate within very tight time constraints paying little attention to the preparation of accounting records. They work for long hours everyday focusing on how much profit to earn at the end of the day. They also fail to realize that accounting records help in controlling the business by monitoring the impact of cash flows. Further research is therefore necessary to find out the demotivating factors and personal attributes blocking them from preparing accounting records.

Cumbersome government legislation and regulations remain big challenges to small scale business people in Kenya because they are expensive, time consuming and a waste of energy and effort. Local government officers and the provincial administration are arrogant and authoritative such that small businesses cannot be run without interruption. Further research needs to be done to find out why these constraints get addressed in the government Sessional papers but fail to be implemented for the good of the small business owners.
REFERENCES


COVER LETTER

OWINO WAGUWA ELIUD
P.O BOX 67717-00200.
NAIROBI.

Dear respondent,

I am a postgraduate student in the school of business, Kenyatta University. For the fulfillment of the requirements for the Master of Business Administration (MBA) Degree, I am required to undertake a research study of my choice whose title is; "A survey of factors that affect growth of micro and small enterprises (MSE's) in Kenya: (A case study of Uhuru market in Nairobi).

This letter is aimed at requesting you to truthfully fill the attached questionnaire. I would also like to assure you that any information given will be treated with utmost confidentiality between you and me and used for academic purposes only. A copy of the final report will be made available to you on request.

Your assistance and cooperation is highly appreciated. Thank you.

Yours sincerely,

OWINO WAGUWA ELIUD
APPENDIX II

SURVEY QUESTIONNAIRE

This research is intended to find out the factors affecting the growth of micro and small enterprises in Kenya with special reference to Uhuru market in Nairobi. It is expected to establish reasons for improving the Micro and Small enterprises in Kenya by the policy makers.

Please provide answers to the following questions by ticking [✓] against the most suitable alternative or giving narrative responses in the spaces provided.

All your responses will be treated with strict confidence.

SECTION A

GENERAL

1) Sex
   a) M [✓]
   b) F [ ]

2) Designation

3) Organization

4) Years worked
   a) Less than 1yr
      b) 1 – 5yrs [ ]
      b) 6 – 10yrs [ ]
      c) 11 – 15ys [ ]
      d) Other (Please specify)
5) Highest level of education attained

a) Primary [ ]
b) Secondary [ ]
c) College [ ]
d) University [ ]
e) Other (Please specify) ...........................................

SECTION B
GROWTH

1) Is there growth in your Micro and Small Enterprise?
   a) Yes [ ] b) No [ ]

2) If yes to question (1), what influences the growth?
   ........................................................................

3) Suggest what should be done to improve the growth of your micro and small enterprise.
   ........................................................................
   ........................................................................

SECTION C
TECHNOLOGY

1) Do you use any technology in your firm as part of growth? a) Yes [ ] b) No [ ]

2) If yes to question (4), is the technology appropriate for growth?
   a) Yes [ ] b) No [ ]
3) Do you think access to technology affects growth of your firm?
   a) Yes [ ]   b) No [ ]

4) Suggest what you want done in technology to improve growth.
   ..................................................................................................................
   ..................................................................................................................

SECTION D
MARKETING STRATEGIES

1) Do you use any marketing strategy in your firm as part of growth?
   a) Yes [ ]   b) No [ ]

2) If yes to question (8), is the marketing strategy appropriate for growth?
   a) Yes [ ]   b) No [ ]

3) Where are your major markets?
   ..................................................................................................................

4) Is marketing of your products a problem?
   a) Yes [ ]   b) No [ ]

5) If yes to question (11), does this affect your growth?
   a) Yes [ ]   b) No [ ]

6) If you promote your products, what method do you use?
   ..................................................................................................................

7) Are there competitors of your products?
   a) Yes [ ]   b) No [ ]
8) What have you done to expand the market?
..................................................................................................
..................................................................................................

9) Suggest what you want done in marketing strategies to improve growth
..................................................................................................
..................................................................................................

SECTION E
CAPITAL / CREDIT

1) How do you access Capital / Credit?
..................................................................................................

2) Do you need Credit / Capital to expand the business growth?
   a) Yes [ ]   b) No [ ]

3) Does Credit / Capital access affect your growth?
   a) Yes [ ]   b) No [ ]

4) Suggest what you want done in Capital / Credit to improve growth
..................................................................................................
..................................................................................................

SECTION F
ACCOUNTING RECORDS

1) Do you use any accounting records in your firm as part of growth?
   a) Yes [ ]   b) No [ ]
2) If yes to question (21), is use of accounting records appropriate for your growth?
   a) Yes  [  ]  
   b) No  [  ]

3) Do you think use of accounting records affects growth?
   a) Yes  [  ]  
   b) No  [  ]

4) Suggest what you want done in accounting records to improve growth
   ........................................................................................................................................
   ........................................................................................................................................

SECTION G

LEGISLATION / POLICIES

1) Do you use any legislation / policies in your firm as part of growth?
   a) Yes  [  ]  
   b) No  [  ]

2) If yes to question (25), are the legislation / policies appropriate for growth?
   a) Yes  [  ]  
   b) No  [  ]

3) Do you think legislation / policies affect growth of your firm?
   a) Yes  [  ]  
   b) No  [  ]

4) Suggest what you want done in legislation / policies to improve growth.
   ........................................................................................................................................
   ........................................................................................................................................

THANK YOU FOR YOUR COOPERATION