BUSINESS DEVELOPMENT SERVICES: THE IMPLICATION ON THE GROWTH OF MICRO AND SMALL ENTERPRISES. A SURVEY OF MICRO AND SMALL ENTERPRISES LOCATED AT GIKOMBA, NAIROBI, KENYA.

BY

MUTISYA JOSEPH MUINDI

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MARCH, 2012
DECLARATION

I declare that this is my original work and has not been submitted in any other university or institution for examination.

Signature ___________________ Date 15/03/2012

Mutisya Joseph Muindi (D53/CTY/PT/20901/2010)

We confirm that the work in this project was done by the student under our supervision.

Signature ___________________ Date 15/03/2012

Muathe SMA (PhD)
Business Administration Department
School of Business
Kenyatta University

Signature ___________________ Date 20/03/2012

Mr. Murungi Julius
Business Administration Department
School of Business
Kenyatta University

For and behalf of Kenyatta University

Signature ___________________ Date 20/03/2012

Mr Shadrack Bett.
Chairman,
Department of Business Administration
School of Business
Kenyatta University
DEDICATION

This work is dedicated to my wife Mrs. Loise Wamwene and children; Brian Muindi, Judy Kalondu and Blessing Nduku for their love and support during this study.
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First I would like to thank my two supervisors Muathe SMA (PhD) and Mr. Murungi Julius who have guided me in writing this project. More particularly my special thanks go to, my research assistant Isaac Waithaka and my lecturers at Kenyatta University for taking me through MBA course.
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OPERATIONAL DEFINITION OF TERMS

Microenterprise: It is defined in Kenya Economic Report (2009) as enterprises that have a maximum of 10 employees including the owner and a minimum of one employee.

Small scale enterprise: small enterprise is defined as having a minimum of 11 employees and a maximum of 50 (Kenya Economic Report, 2009).

Growth: this is the expansion of businesses as a result of various aspects. Growth will be measured using indicators such as opening up of new branches, increase in sales volumes, increased profits and returns on investments.

Influence: causing a particular event or situation to arise

Successful: achieving results that were intended e.g. attaining business growth due to BDS

Business Development Services- these are non-financial services offered to businesses to aid their operations.
ABBREVIATIONS AND ACRONYMS

**BDS** -- Business Development Services

**GOK** -- Government of Kenya

**MSES** -- Micro and Small Enterprises

**NGO** -- Non Governmental Organizations

**ROI** -- Return on investments

**SPSS** -- statistical Packages for Social Scientist
Abstract

This study focused on determining the implications that BDS has made to the growth of micro and small scale enterprises located around Gikomba. The study aimed at establishing whether services related to networking, technological services, market access and entrepreneurial training have implications on the growth of MSEs. Literature shows that BDS has been imperative in enhancing business operations. A Report from Government of Kenya indicates that there are several agencies and Non Governmental Organizations that continue to provide these essential services to the business people. However, there are some service providers who have closed down their operations. However, MSEs continue to record increased growth in the sector. There being few studies that seek to find out whether increase in MSEs growth could be as a result of BDS provision, there is a gap that researcher need to fill. Therefore, this study established that there are BDS implications on the MSEs growth. Cross sectional descriptive survey was utilized in the study which is the most applicable research design. The target population in the study was 13,636 MSEs. Through stratified sampling technique, a sample size of 150 was selected on a simple random basis which is a percentage of 1.1% of the entire population. This comprised of 91 elements from the microenterprises and 59 from small enterprises. Questionnaires were distributed to all the selected samples but seven of them did not provide their responses. Therefore, the response rate was 95% of the selected samples. The study utilized a mixed research method that entailed both qualitative and quantitative research. Themes related to the research questions in the study were identified and data was then coded and entered in the computer for analysis using Statistical Package for Social Scientists (SPSS). The findings were presented in figures and interpretation of the findings were be made. From the findings, it was apparent that BDS has substantial impacts on the growth of MSEs. It was established that Market access, Networking services, Technological supply services and entrepreneurial education have lead to growth of MSEs. This was noted through increased profits, opening of new branches, employing more workers and increased return on investment. It was however noted that the BDS provision is not uniform to all businesses. There are some businesses that have not taken advantage of services provided to enterprises. Most of them sited unavailability of adequate services providers as a challenge to effective BDS provision. Based on the findings, this study recommends that there is Need for a transformed BDS approach. There is potential in Gikomba area to transform from the existing traditional BDS approach to market development approach in order to enhance business operations. The transformation processes needs a coordinated and concerted effort by all stakeholders including the government. They should define their roles in facilitating and providing Business Development services. The selected Institutions should understand their position in the market and develop strategic directions for their interventions accordingly.
CHAPTER ONE: INTRODUCTION

INTRODUCTION

1.1 Background of the study

With increased urban population dynamics of Kenya the importance of micro and small enterprises (MSEs) is also growing. Given the rapid rural-urban migration and deficiency to absorb this migration, MSEs have become important urban economic activities and providers of urban employment (Wolday and Gebrehiowot, 2005). In cities and towns of Kenya, MSEs and informal sector in general are the predominant income generating activities; they have a significant contribution to local economic development and used as the basic means of survival (Berger, 1991).

The Government of Kenyan recognizes the contribution of the small enterprises to the Kenyan economy. It has come up with the department of micro and small enterprise development. The department is a result of the merger of the division of small scale & Jua Kali (hot sun) enterprises and the directorate of applied technology. This department is responsible for the formulation and implementation of policies and strategies for the development of MSEs as well as offering Business Development services to the MSE sector. Although huge amounts of money have been spent on MSEs through projects and programs in recent years, their impact on survival and development of the enterprises has been low, as their mortality rate remained high (Atieno, 2006).

Although most governments have recognized the potential of MSEs to create employment and contribute to poverty eradication, in many cases this potential is not being fulfilled (Blim, 1999). A study conducted on MSEs’ problems by Engelmann and Isiaho (2005), showed that three categories of constraints are predominant in MSE sector. These are access to capital, problems of market especially access to markets as well as accessing other non-financial services (Litondo, 2010).
Research findings of Wolday and Gebrehiowot (2005) which focused on MSEs in major urban centers in Kenya revealed that access to markets and finance are the most important constraints of this sector. The report of Africa Development Bank (ADB) denoted that in addition to lack of sufficient financing, lack of entrepreneurship skills is another constraint of MSEs in Kenya. The report emphasized that the existence of this entrepreneurship problem is partly due to traditional values and norms (Philips and Steel, 2003). Some of the key growth indicators in businesses in Kenya that have been identified by African Development Bank include business profits, increase in the number of employees in MSEs, opening of new branches, increased sales volumes as well as increase in market access (Kenya Economic Report, 2009).

MSEs Growth has been embraced as the main way of encouraging overall growth of the economy in the verge of attaining Vision 2030. Various bodies have been providing various development services such as infrastructures, trainings, technological services and networking as well as enhancing market access to the MSEs in order to enhance their growth. The government also understands that the growth of MSEs enhances creation of jobs to many unemployed people and it also opens up opportunity to many youths (Fitum, 2002). Kenya economic survey 2012 estimates shows that MSEs contributes about 18% of GDP and the sector employs 77% of the employees in Kenya.

1.1.1 Business Development Services

In Kenya, it is widely recognized that, the government and donors have supported MSE in a variety of ways, which include both financial and non-financial services. They have understood that non-financial service, currently known as Business Development Services (BDS), is among the important factors that can improve the growth of operators in the country. The government of Kenya highly recognizes the importance of MSEs growth due to the role they play in elevation of economic growth. In 2010/2011 fiscal year, the government allotted Ksh 3.8 billion revolving fund for the support of growth of Micro and Small Enterprises (MSEs). The funds were aimed at enabling the subsector to support industrialization and enhance growth. The government has
been on the front line in advancing funds which are used in provision of business development services to the subsector (Bocquier, 2005; Entrepreneurial Programming and Research on Mobiles, 2009).

The government of Kenya outlined MSEs development Agencies have increased a number of technological services and networking programs with an aim of spreading BDS to small and growing entrepreneurs. The regional areas especially the provinces also developed MSE promotion strategies based on their context, and in tandem with the federal MSEs development strategy. The government has structured various structured regional micro and small enterprises development agencies to facilitate implementation of the strategies (Government of Kenya, 2008).

Fitsum (2002) revealed that business-like approach to BDS provision for MSEs is a new concept in Kenya. The authors clearly denoted that BDS are needed for viable MSEs development as much as micro-finance, yet they seem to be much less emphasized than microfinance in Kenya. BDS in Kenya is very limited, and often services are less effective as they are not tailored to the needs of individual businesses (Philips and Steel, 2003). BDS providers are operating under different modalities, which are, few working on commercial basis, while almost all of the BDS are fully subsidized and offered free of charge. However, it is believed that these services do have various impacts on the business especially in the large ventures. This study seeks to determine whether BDS contribute to growth of small scale businesses.

1.2 Statement of the Problem

USAID (2006) indicates that Business Development Services have in the past played a vital role in businesses performance as well as growth in Kenya. There are variety of organizations, NGOs and associations that offer Business development services. However, most of the organizations such as K-Map and ApproTech finally closed their operations in 1998 after an attempt to offer technological services to the MSEs in order to enhance their growth. The closure of such organizations which offer essential Business Development services is alarming. However, with
few BDS facilitators, MSEs continue to increased growth. Although the Business Development Services are essential, Macharia (2007) noted that the area is rarely researched effectively and it has not been established whether the services have impacted on the growth of businesses or not.

The Government of Kenya (2003) contends that most of these BDS facilitators and providers have scaled up their interventions in accessing BDS to enhance growth of MSEs since 2003. Study by USAID (2004) argues that most of these Business development services have significantly focused on women enterprises, Agriculture and Horticulture. This information concur with a national survey by Wolday and Gebrehiwot (2005) which concluded that BDS markets in Kenya require clarity on the implication of BDS on the growth of MSEs. Therefore, on this basis, this study established that BDS have implication on the growth of MSEs (Duncombe, Kintu and Nakangu, 2006). Therefore this study sought to fill in the gap and focused on determining the implication of BDS on the growth of Micro and Small enterprises in Gikomba market, Nairobi.

1.3 Research objectives
1.3.1 General Objective

The general objective of this study was to find out the implication of BDS on the growth of MSEs in Gikomba Market, Nairobi.

1.3.2 Specific Objectives

The specific objectives of the research shall be to:

i) To determine whether market access has implication on the growth of Micro and small enterprises in Gikomba market, Nairobi.

ii) To establish whether technological services have implication on the growth of Micro and small enterprises in Gikomba market, Nairobi.

iii) To find out the implication of networking to the growth of Micro and small enterprises in Gikomba market, Nairobi.
iv) To determine whether the entrepreneurial training has implication on the growth of Micro and small enterprises in Gikomba market, Nairobi.

1.3 Research questions

To enhance the study, the following questions will be very critical for the study.

i) What is the implication of market access on the growth of Micro and small enterprises in Gikomba market, Nairobi?

ii) What is the implication of technological services on the growth of Micro and small enterprises in Gikomba market, Nairobi?

iii) Does networking have an implication on the growth of Micro and small enterprises in Gikomba market, Nairobi?

iv) What is the implication of entrepreneurial training towards the growth of Micro and small enterprises in Gikomba market, Nairobi?

1.4 Significance of the study

This study is very crucial to the policy makers since they will be able to understand the implications of BDS on the growth of the businesses. With such knowledge, they will be able to formulate various policies that would favor provision of such services to the businesses. Various development partners would certainly benefit from this study. They will acquire knowledge concerning what needs to be done in order to elevate business growth through BDS. Researchers will also benefit from this study. The research will offer literature to those researchers who would wish to carry out research on the same topic in future.

1.5 Scope of the study

The study was carried out in Gikomba area in Nairobi Kenya which is located in East African region and is categorized as a developing nation. In the 2009 Kenya National Census, the country’s population was 38.6 Million with 65 percent being the youth (KNBS, 2010). As a
result of increase in population, various enterprises have been established in order to take advantage of the increasing demand for various products. Therefore, the number of MSEs have increased and various agencies have been set up to provide Business Development Services to them (GOK, 2010).

1.6 Limitations of the study

One constraint that faced this study was the problem of full disclosure of information by the business operators. It is established that some respondents feared disclosing information with the view that it would be accessed by the Kenya Revenue Authority, which would put their businesses at risk. The researcher mitigated this problem by assuring the respondents that the information they gave in this study was purely confidential and for academic purpose only.

The researcher being a part-time student, he did not have ample time to carry out the study effectively. The researcher therefore engaged research assistants in the collection of the data on his behalf. Additionally, difficulties obtaining relevant secondary data during field work were another problem that limited the paper from covering wide varieties of users and the BDS provided to them in the past. It is worth noting that this study area has not been widely researched, particularly in Kenya. Therefore, the researcher had difficulties accessing data from previous studies. To avoid this problem, the researcher gathered data from various sources including the BDS providers in order to have adequate information. Secondary data helped in conducting comparisons on the contributions of BDS through time.
2.1 Introduction

This chapter covers a review of literature related to the study. It begins with a review of the concept of Business Development Services and a brief review of the role it has played. The chapter also evaluates various BDS aspects including the demand for the services in the business. A theoretical and conceptual framework has been included in this chapter.

2.2 Theoretical Framework

2.2.1 Approaches of BDS Delivery

In the literature reviewed, generally two approaches are identified in providing BDS: a) traditional interventions (supply driven approach) and market development interventions (demand driven approach).

2.2.2 The Traditional Approach

The traditional approach focuses on provision of BDS at the level of transaction: directly providing services to MSEs through public BDS providers or permanently subsidizing services delivered by other BDS providers (Donor Committee, 2001). In the traditional approach, donors and governments have tended to substitute for underdeveloped BDS markets, possibly crowding out existing or potential commercial providers of services. Traditional approaches have failed to achieve high outreach. Access to services by a large proportion of the target population of MSEs is low, since the numbers of MSEs served is limited by the amount of subsidies available. In addition, institutional sustainability has been low, since programs often cease when public funds are exhausted. This effect has often been masked in industrialized countries by the much greater level of funding available (Philips and Steel, 2003).
2.2.3 BDS Market Development Approach

Gebrehiwot and Wolday (2004) emphasized that similar to the revolution in microfinance; there is also a revolution in delivery of BDS. They highlighted that the new market development approach represents a radical shift from the focus on the supply driven and subsidized BDS given to limited MSE operators to the development of demand-driven vibrant BDS market to a large number of MSEs. The goal of market development interventions is to overcome the market failures that lead to a gap between supply and demand for services and take advantage of opportunities to expand the service market for MSEs (USAID, 2003). The intention is to have numerous unsubsidized, private sector suppliers in a competitive and evolving market where MSEs buy the BDS of their choice from a wide selection of products offered.

The market development perspective recognizes that the provision of operating subsidies to particular providers may crowd out other private sector providers, who do not receive subsidies. Fitsum (2002) noted that market development programs tend to promote as many suppliers as the market will bear. These BDS professionals added that, some programs also stimulate demand by providing information about services and marketing, or by temporarily discounting services. They emphasized, main activity of a subsidized BDS program is not direct service provision. It is, rather, market research, provision of information for consumers, new product development, supplier training, monitoring and evaluation, and activities aimed at facilitating market improvement by increasing demand and improving supply (Moyi, 2003).

BDS market development approach differs fundamentally in its vision, objective, point of intervention, duration of involvement and approach toward subsidies. Experts in the BDS field have judged this change in approach so significant that they are calling it a paradigm shift.

2.3 The concept of Business Development Services (BDS)

According to Donnerand (2009) BDS has as a range of non financial services to business offered on a formal or informal basis. This includes: training and skill development, technical and
managerial assistance; developing, adapting and promoting new technology, accessing markets and giving market support, providing a physical infrastructure and advocating policy (Elias, 2005). BDS is also categorized into; operational and strategic business services (Fitsum, 2002). Operational services refer those services needed for day to day operations, such as information and communications, management of accounts and tax records and other services. The strategic services are those services used by enterprises to address medium and long term issues in order to improve business performance, market access and competitiveness.

2.3.1 Roles of BDS

It is clear that BDS may have significant importance in reducing costs and improving productivity and competitiveness of businesses. Even though each service has its own relevance in a given business, most BDSs are interlinked and complementary to each other. For example, information service can facilitate or lead to the creation/diffusion of innovative ideas within and between enterprises which further improve market and non market linkage among and between enterprises (Sutherland, 2000). Networking services can also contribute toward the same: by reducing cost and improving competitiveness and capacity. Some BDSs roles are explained as follows. USAID (2003) see innovation activities as a driving-force for business success and economic development. According to them, innovation includes creating new products; service; ideas; production and procurement processes; organizational and administrative processes; and other activities which can improve business performance (Philips and Steel, 2003).

2.3.2 MSE Demand for Specific Types of Business Development Services

Although the development literature says little about the demand for business services by MSEs, we can draw some inferences from studies carried out in other fields and piece together a basic profile of MSE demand for the services. This section provides a summary of the nature of MSE demand for several categories of business development services.
2.4 Empirical review

2.4.1 Enterprise Networking and Its Implications on MSEs' Growth

According to Elias (2005), enterprise networking refers to creation of relationship between enterprises, enterprises and institutions that solve problems which are solely unsolvable and to take advantage of collective action. Philips and Steel (2003) explains networking as long term contact between small business owners and external actors (person or organization) in order to obtain information, moral support and other resources. He further state four components of entrepreneurial networks: actor, resources, activities and linkage. These help to strengthen relationship among stakeholders and improve business performance and competitiveness. For example, according to Reinecke and White (2004) small enterprises have different problems that link with their smallness but can be solved through networking. Such problems include: limited capacity to produce standardized and good quality product; difficulties in achieving economies of scale in the purchase of input like raw material, equipment, finance, and consultancy services; and limited opportunity for technology, training, through innovation services obtained from public and NGOs’ intervention (USAID, 2003).

Gibson (1999) argue that networking solves problem of smallness through enhancing horizontal integration which allows group of enterprises to help each other and solve their common problems, through integration to achieve economies of scale, capacity to supply large orders; vertical integration that promote specialization; enter firm cooperation for collective learning and information sharing to improve product quality and design, and enter into profitable market segment; and presence of a shared local development vision and partnership among different stakeholders. Friedland and Robertson (2004) have also explained in the same way. Some argue contribution of vertical networking to innovation.

Fitsum (2002) has stated networking role in development and acquisition of new resources and production capacities. In addition, some argue that, compared to the weak network, strong network among enterprise has more benefit in terms of building trust, fair interaction, smoothing
trading, and ensuring continuities of activities due to integrated action for problem faced in the process (USAID, 2003). All the above mentioned concepts are important for what we are going to explore with regard to BDS in influencing handloom sectors (Philips and Steel Williams, 2003).

2.4.2 Marketing Services and Their Implications on MSEs’ Growth

Agricultural economists, economic anthropologists, and others have investigated the operations of the local markets in which small producers participate. The studies show that small producers make use of a variety of services supplied by marketing intermediaries. Concerning the nature of MSE demand for these services, there are service areas for which demand is high, as evidenced by the willingness of MSEs to pay sometimes dearly for the services that marketing intermediaries offer (Philips and Steel, 2003).

For example, in the course of their regular dealings with marketing intermediaries, micro and small-scale entrepreneurs routinely pay for services that help them face numerous marketing or market access problems, ranging from securing needed inputs and technologies to marketing their outputs. Depending on the types of opportunities available, marketing and input supply services may be provided to MSEs by small wholesalers, brokers, or other commercial intermediaries, most of which are MSEs themselves (Fantahun, 2003).

When market demand or production levels are low, MSEs may not be able to command the attention of the suppliers or buyers with whom they might like to deal, and thus may face a restricted choice of service suppliers and terms of trade. Nevertheless, the ready response of small producers to new market opportunities and the willingness of these producers to deal with market intermediaries who offer them the best service choices indicate that strong demand exists for a variety of services that can help MSEs solve their market access problems (Gibson, 1999). The cost of services obtained from buyers and suppliers is usually hidden in the selling and purchase prices the MSE operator is offered. In some cases, MSEs may have the opportunity to organize themselves into larger coalitions to take advantage of economies of scale in selling.
products and purchasing inputs, and to enable them to access a broader array of services with more favorable terms (USAID, 2003).

In addition to documenting the demand by MSEs for these services, case studies of market development programs, carried out by commercial firms and development organizations provide evidence that there is considerable additional scope for meeting the demands of MSEs for a diverse array of marketing-related services in both time-tested and innovative ways. Perhaps because indicators of effective demand for marketing services by small producers have always been evident, market development or market access programs supported by donor organizations have been more commercially oriented than other types of support programs. Even when initial subsidies have been used, service providers working in the marketing area have generally been expected to cover their costs over time (Philips and Steel, 2003).

2.4.3 Technology Supply Services and Their Implications on MSEs’ Growth

The demand for new technologies is usually directly related to new market opportunities. Once small producers become aware of new opportunities, the challenge shifts to acquiring the capacity to supply what the market demands. This often requires the acquisition of new skills, management techniques, and know-how, as well as tools and equipment all important aspects of technology development (Gibson, 1999). Since the processes of market development and technology mastery tend to be directly related, the primary sources of technology information, equipment, and advice and training on new production or processing technologies for small producers are the product buyers and input suppliers with whom the producers interact in their normal commercial dealings (USAID, 2003).

A review of technology development and dissemination programs reveals there is likely to be strong demand from small producers for services that help them respond to new market opportunities and that are available on terms and conditions that permit them to profit from the adoption of new technologies. Successful technology development programs undertaken by NGOs have generally recognized the existence of market demands for new production
technologies and have incorporated various mechanisms to respond to these demands in their program operations.

The case studies of Technoserve operations in Ghana and ATI’s program in Senegal illustrate the ways in which NGOs have built on identifiable areas of demand to help small producers participate in viable commercial operations. Other examples of technology dissemination programs undertaken by profit seeking firms demonstrate how economic development goals can be achieved by building on commercial demand for new technologies (Fantahun, 2003).

2.4.4 Entrepreneurial Trainings and Their Implications on MSEs’ Growth

Although there is strong evidence of demand for marketing services and selected technology development and supply services, the evidence of the willingness of small producers to pay for training services is spottier. Few development programs have attempted to charge small producers for training services. As a consequence, there is little basis for assessing the demand for these services or even for determining whether they are addressing the priority problems of program participants (Muraya, 2006).

In some cases, participation in training programs is mandatory to some MSEs especially when credit providers dictate that loan recipients take part in a training program on credit management as a condition for receiving a loan. Recently, however, MSE training programs have begun to focus more on cost recovery and, as a result, are looking at cost-sharing payment provisions that not only help cover operating costs but also provide a means of assessing client demand for particular types of course offerings (Gagel, Fantahun and Bartels, 2004). Voucher systems used in training programs are one example. The most notable example of a training program using vouchers to subsidize part of the costs of participation by MSEs is one developed in Paraguay with funding from the Inter-American Development Bank.12 Under this program, participants are given vouchers worth approximately ksh 2000 and allowed to choose from courses offered by a range of pre-qualified training institutions (GOK, 2000).
Under the terms of this program, the institutions must charge more than the cost of the voucher for the program, so that participants end up paying a portion of the costs out of their own pockets. Courses must last at least 15 hours and have no more than 25 students per class. Participants must attend at least 75 percent of the sessions before the training institution can redeem the vouchers (Gebrehiowot and Wolday, 2005). The strong demand among micro and small-scale entrepreneurs and their employees to participate in this program, even when their out-of-pocket costs were equal to or greater than the value of the vouchers, provides strong evidence that MSEs will pay for training programs that meet their particular needs. By putting the choice of courses and training institutions into the hands of micro entrepreneurs, this program has also helped stimulate a response by institutions to offer courses that respond to the needs of their clients (Elias, 2005).

2.5 Summary of the Literature Review and Research Gaps

This chapter reviewed Business development services that have been offered to businesses with the emphasis on the contributions they have made especially to the growth of MSEs. The first part centered on the concept and roles that BDS have played to in the business environment in the past. Service under BDS umbrella that have been considered in the empirical review include technological supply services, networking, market access and entrepreneurial education.

It is worth noting that during the literature review, number of gaps have been identified by the researcher which this study wishes to fill in. there were no studies that were found to have focused on contributions of BDS to the growth of MSEs in Kenya. a study that was carried by Macharia (2007) focused more on the effects of BDS on the business performance. Therefore, there is no enough information regarding the contributions of BDS to MSEs growth in Kenya. This study therefore focuses on filling in this gap. The researcher wishes to carry out the study in businesses located in Gikomba in Nairobi Area.
This study sets out to lay focus on five important variables in the verge of determining the contributions that BDS makes towards the growth of MSEs. The following table represents a conceptual framework for the study.

**Figure 2.1: Schematic Diagram**

**Source: Author (2011)**

Technological supply services are essential in enhancing telecommunication and money transfer services, internet access amongst others. These are services that are very essential in enhancing continuity and smooth running of ventures. In the light of economic stability, the government is able to offer technological services as opposed to situations where the economy of the country cannot support these vital services. This leads to enhanced growth of Businesses which is evident in the growth indicators such as increased sales volumes, increased employees as well as opening of new branches.

Markets accesses enable enterprises to sell their products and services to various markets which increase their sales volume as well as profitability. When MSE are offered these BDS, they are placed in a better position to elevate their growth. This is also subject to various factors such as the government policies guiding trade as well as political stability.
Networking has been stipulated as very paramount components of enhancing growth of MSEs. This enables the businesses to form linkages as well as access essential services search as counseling which enable business people enhances their business operations. Networking services links up MSEs with other organizations that offer services that are critical to business operations. For instance, the government organizes forums and seminars where MSEs are allowed to interact with other Business services providers such as the financial institutions. This enhances effective cooperation and business growth ensues..

Education and training enables business people to gain operational and strategic skills which enable them to elevate their business operations. As a result, business persons are able to handle business related issues and formulate strategies that enhance growth of their businesses
3.1 Introduction

This chapter is divided into eight subsections and covers research design, population of the study, sample size and methods of data collection. The research paper did not seek to dwell on precedent deficiencies that had been evidenced in other studies. The data from different MSEs around Gikomba area in Nairobi through questionnaires and secondary sources enabled the researcher to come up with a comparative study of the contributions of BDS to businesses. A critical analysis followed later. Data and information gathered from the respondents offered the comparative component in the research and helped to clarify the reality on the ground.

3.2 Research design

A cross-sectional descriptive survey method was utilized in this study. This is because it allowed data to be collected on a large population. Elias (2005) argues that cross-sectional descriptive research design usually describe a behavior or a particular type of subject. This type of design allows data to be collected on individual characteristics alongside information about the outcome.

3.3 Target Population

The target population for this study was all the 13636 Micro and small scale enterprises located in Gikomba area. This includes 8240 microenterprises and 5380 small enterprises (GOK, 2011).
### Table 3.1: Target population

<table>
<thead>
<tr>
<th>category</th>
<th>Population</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>8240</td>
<td>60.5%</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>5396</td>
<td>39.5%</td>
</tr>
<tr>
<td>Total</td>
<td>13636</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: GOK (2011)

### 3.4. Sampling Design and Procedures

Following research advisor’s techniques, the researcher calculated the sample size from a population of 13,636 at 1.1%. The study therefore had a sample size of 150 (Research Advisor, 2006). The researchers utilized stratified sampling techniques in selecting the elements from the target population. There were two strata; microenterprises comprise of 8240 and small enterprises (5380). Using stratified sampling technique, 60.5% of the 150 will give 91 elements from microenterprises and 39.5% comprises of 59 elements from small enterprises.

### Table 3.2: Sample size

<table>
<thead>
<tr>
<th>category</th>
<th>Population</th>
<th>Multiplier Factor</th>
<th>Sample size</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>8240</td>
<td>0.011</td>
<td>91</td>
<td>60.5%</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>5380</td>
<td>0.011</td>
<td>59</td>
<td>39.5%</td>
</tr>
<tr>
<td>Total</td>
<td>13636</td>
<td>0.011</td>
<td>150</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Author (2011)

### 3.5. Data Collection Instruments

Both primary and secondary methods of data collection were utilized in this study. A questionnaire with closed ended and open ended questions was employed in the collection of data. Engelmann and Isiaho (2005) argue that questionnaires are the best instruments for
collection of data since they are easier to administer and they provide data that can be easily analyzed.

3.5.1 Validity and reliability of the Instruments

The questionnaires were prepared and presented to the supervisors in research in the institute to assess their face validity. The expert determined whether there are inconsistencies and ambiguity in the items and the necessary adjustments were made before the study in order to enhance collection of data, which increased validity of the study measures. Prior to actual data collection, the researcher will pilot the questionnaires in order to test their validity. Blim (1999) argued that validity is the degree of success which technique or an instrument is measuring what it purposes to measure. The researcher pretest the instruments through piloting 7 respondents who did not take part in the study. The ambiguities noted in the research instrument questions were corrected in order to enhance their validity.

Reliability is defined as be fundamentally concerned with issues of consistency of measures (Blim1999). There are three prominent factors related to considering whether a measure is reliability: stability, internal reliability and inter-observer consistency. In this study, internal reliability was considered. Sutherland (2000) suggested that a multiple-item measure in which each answers to each questions are aggregated to form an overall score, we need to be sure that all our indicators are related to each other.

3.5.2 Data Collection Procedure

The questionnaires were distributed by two research assistants to the sampled 170 MSE’s respondents. The duly filled questionnaires were collected from the respondents after one day. There are numerous ethical considerations that the researcher observed during the study. The respondents’ information was protected in the research and confidentiality was observed as well. The researcher obtained the respondents’ consent before carrying out the study. In cases where
deceptions were used, they were clarified later to the respondents in order to enhance their understanding on the reason why they had to be used.

3.6. Data Analysis and presentation

Data was edited once the data collection process was completed. Coding was done in order to translate responses into specific categories. The quantitative data from the questionnaire was analyzed using descriptive statistics. Qualitative data was analyzed using SPSS software. Presentations were done through the use of pie charts and tables.
CHAPTER FOUR
RESEARCH FINDINGS

4.1 Introduction

This chapter is concerned with discussing data findings, analysis, and interpretation of data in relation to research objectives and research questions, and presentation of the finding. The data collected was analyzed using the Statistical method, percentages, and graphical representation and the outputs presented in tabular form and in pie chart and tables of frequencies are used to arrive at conclusive opinions. The chapter includes a brief background of the research area, the characteristics of the MSEs entrepreneurs located at Gikomba in Nairobi. The respondents' views concerning the relationship between their businesses and their business growth are presented.

4.2 General Information

The research recorded the respondent's general information for the sake of making a critical analysis. The information recorded included; age, gender, educational levels and their marital status.

Table 4.1 General Information

<table>
<thead>
<tr>
<th></th>
<th>gender of the respondent</th>
<th>age of the respondent</th>
<th>years of service in current position</th>
<th>academic qualification</th>
<th>type of business</th>
<th>manufacturing</th>
<th>trading</th>
<th>service</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>1.43</td>
<td>1.88</td>
<td>2.42</td>
<td>1.47</td>
<td>1.37</td>
<td>3.46</td>
<td>1.63</td>
<td>3.00</td>
</tr>
<tr>
<td>Median</td>
<td>1.00</td>
<td>2.00</td>
<td>3.00</td>
<td>1.00</td>
<td>1.00</td>
<td>4.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Mode</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Std Deviation</td>
<td>.498</td>
<td>.844</td>
<td>1.065</td>
<td>.658</td>
<td>.485</td>
<td>1.267</td>
<td>.485</td>
<td>1.385</td>
</tr>
<tr>
<td>Variance</td>
<td>.248</td>
<td>.713</td>
<td>1.135</td>
<td>.433</td>
<td>.235</td>
<td>1.604</td>
<td>.235</td>
<td>1.919</td>
</tr>
<tr>
<td>Maximum</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Sum</td>
<td>143</td>
<td>188</td>
<td>242</td>
<td>147</td>
<td>137</td>
<td>346</td>
<td>163</td>
<td>300</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011
The table above shows the analysis of the general information of the respondents and the businesses they operate in Gikomba area. The table shows the mean, median, mode, standard deviation as well as the variance in each component to help and evaluate understand the general information about the industry.

4.2.1 Response rate of the respondent

Initially, the questionnaires were distributed to 150 respondents, 91 from microenterprises and 59 in the small enterprises. Out of these the respondents, only 89 (59.3%) from microenterprises and 54 (40.7%) respondents from small enterprises responded effectively to the questionnaire representing 92% of the total sample. The reason behind this response rate was that some respondents did not hand in the questionnaires therefore the necessary feedback was not obtained.

Source: Survey Data, 2011

Figure 4.1: Analysis of Response Rate
4.2.2 Age of the Respondent

The results revealed that, majority of the respondent were between the ages of 26-30. This comprised of 37% of the total respondents as shown in the figure below (Figure 4.2). Those between the age brackets of 30-35 were 30%. Those who were over 35 years comprised of 21%, while the ages of below 25 years were 12%. Generally, it appears that the young people are the ones who run businesses in Gikomba area. This is not a surprise since Fantahun (2003) had stipulated that the emerging business trend indicate that more and more young people have become business oriented owing to overemphasis of entrepreneurial education in various institutions of learning.

Longer neck Moore and Petty (2000) acknowledge that typical business people start their firm when they are almost 30 years old. They attributed this to the fact that at this age, individuals are concerned with building their lives. Most of them have been boosted by the Youth enterprise Fund given by the Ministry of Youth Affairs.

Source: Survey Data, 2011

Figure 4.2: Age of the Respondents
4.2.3 Gender of the respondents

The study gathers information on the gender of the respondents involved in MSEs’ businesses in Gokomba area. This information was helpful in establishing the gender that has been substantially involved in businesses around this area. The results were as indicated in the table below.

Table 4.2: Gender of the respondent

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Male</td>
<td>57</td>
<td>57.0</td>
<td>57.0</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>43</td>
<td>43.0</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

The table above indicates that the largest number of respondents who took part in the study was males with 57%. The number of females who participated in the research comprised of 43% of the entire samples. This could be attributed to the fact that the largest number of entrepreneurs in this area are males. Fitsum (2002) argued that men make up a large section of informal businesses and microfinance very often involves self-employment in the informal sector. This research reveals similar results as more males are business operators in Gokomba area, this implies that more men are dominating and encouraging BDS providers to help improve their business.

4.2.4 Education level of the respondents

The study sought to establish the education level of the respondents. Most of the businesses people in the area have attained basic education level which could have helped them operate their businesses efficiently.
The researcher inquired on the level of education that the respondents had acquired. It was reported that 27% of the respondents had attained education up to certificate level, 33% of the respondents had diploma. The number of graduate comprised of 19% of the respondents. Those with Master Degree composed 14% of the respondents. Others who included PHD levels entailed 7% as indicated in pie chart above. We can therefore observe from these findings that most of the respondents have the basic education. This may partly explain that they understand the basics of business operations.

Macharia (2007) acknowledged that strategic awareness by the owner manager with the key factors in the successful growth and development of small enterprises. This implies that the more one is educated the better they are and capable of managing their business.

4.2.5 Business types

There were three basic category of businesses in Glkomba area; manufacturing, trading and service businesses as indicated in the table below (Table 4.3). Basically, manufacturing
businesses had four main types of businesses, trading had two main types and service businesses had four common types.

### Table 4.3: Types of Businesses

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid textile</td>
<td>36</td>
<td>36.0</td>
<td>36.0</td>
<td>36.0</td>
</tr>
<tr>
<td>metal</td>
<td>13</td>
<td>13.0</td>
<td>13.0</td>
<td>49.0</td>
</tr>
<tr>
<td>food</td>
<td>20</td>
<td>20.0</td>
<td>20.0</td>
<td>69.0</td>
</tr>
<tr>
<td>drinks</td>
<td>31</td>
<td>31.0</td>
<td>31.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td><strong>Trading</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>wholesale</td>
<td>37</td>
<td>37.0</td>
<td>37.0</td>
<td>37.0</td>
</tr>
<tr>
<td>trading</td>
<td>63</td>
<td>63.0</td>
<td>63.0</td>
<td>100.0</td>
</tr>
<tr>
<td>retailing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>education</td>
<td>9</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>restaurant</td>
<td>47</td>
<td>47.0</td>
<td>47.0</td>
<td>56.0</td>
</tr>
<tr>
<td>repairing</td>
<td>23</td>
<td>23.0</td>
<td>23.0</td>
<td>79.0</td>
</tr>
<tr>
<td>transportation</td>
<td>21</td>
<td>21.0</td>
<td>21.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Survey Data, 2011*

The tables above analyses the number of businesses represented in the study, the business type and the industry they operate. Retail Trading seems to be the largest industry operated by most businesses in the area under the trading businesses. In the service industry, restaurant has the highest number of businesses which comprise of 47% of the total service businesses. Textile businesses have the largest number of businesses in the manufacturing industry. The businesses comprises of 36% of the total businesses in that industry.
From the figure above, it is clear that most businesses located at Gikomba area operate in the manufacturing industry. Textile seem to have been a major type of businesses available in the area. Most businesses especially the microenterprises operate textile type of businesses in the area. Businesses dealing with education were the least in the area.

**Implications of BDS on MSEs growth**

The study established that BDS has implications on the growth of MSEs located in Gikomba area. For instance, it was noted that BDS enhanced businesses’ growth in the area; market access provided avenues whereby the businesses could sell their products and services, technological services enhanced business operations, networking programs were effective in forming links.
with various business associates and entrepreneurial training enabled the businessmen to enhance their business operations. The table below shows the statistics on the responses on those variables.

**Table 4.4: Implications of BDS on MSEs growth**

<table>
<thead>
<tr>
<th>Survey Data, 2011</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>BDS has been effective in enhancing market access of MSE's products and services</th>
<th>BDS has been effective in enhancing technological programs and supply services</th>
<th>BDS has been effective in enhancing the operation of MSE's</th>
<th>BDS has been effective in enhancing the growth of MSE's</th>
<th>BDS has been effective in enhancing entrepreneurial training offered to the MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Valid 100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Missing 0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean 2.36</td>
<td>2.34</td>
<td>2.68</td>
<td>3.23</td>
<td>3.08</td>
</tr>
<tr>
<td>Median 2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Mode 1</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Std. Deviation 1.418</td>
<td>.781</td>
<td>1.254</td>
<td>.973</td>
<td>1.468</td>
</tr>
<tr>
<td>Variance 2.011</td>
<td>.611</td>
<td>1.573</td>
<td>.947</td>
<td>2.155</td>
</tr>
</tbody>
</table>

From the above table, it is apparent that the business growths have had implications on the growth of MSEs. Networking programs so far seem to have contributed significantly to the growth of the MSEs with a mean of 3.23. Close to this to the entrepreneurial education which has a mean of 3.08 and a standard deviation of 1.468.

**4.3 Responses as per Research questions**

**4.3.1 Implication of market access on MSEs’ Growth**

Market accesses have been established to be one of the main businesses development services that helps businesses in improving their efficiency. The researcher sought to find out whether
marketing access enhances business growth. The table below summarizes the findings from the study.

Table 4.5: Market Access Enhancing Growth of MSEs

<table>
<thead>
<tr>
<th>Micro enterprises</th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>24</td>
<td>34</td>
<td>15</td>
<td>10</td>
<td>6</td>
<td>89</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>23</td>
<td>16</td>
<td>6</td>
<td>3</td>
<td>6</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>47</td>
<td>50</td>
<td>21</td>
<td>13</td>
<td>12</td>
<td>143</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

From the above table (Table 4.6), it is apparent that BDS have effective in enhancing the market accessibility to the MSEs located around Gikomba Area. 33% of the respondents strongly agreed that the BDS enabled them their business to access market for their products. Additionally, 35% agreed on the same issue. However, there was a group of respondents (15%) who were undecided on the issue, most of who said that they have not been in the business long enough to experience the impact of BDS. 9% of the respondents disagreed that BDS allows they businesses to gain market. 8% of the respondent strongly disagreed on the issue stating the fact that there lacks proper structures for enhancing BDS on their businesses and therefore, it appears that the services are offered to selected businesses. Overall, it can be concluded that BDS have significant implications on enhancing market access to the MSEs. It was established that various exhibitions and trade fair organized by the government and NGOs significantly enable them to gain information on untapped market and help them market their products.
4.3.2 Implication of technological services on MSEs' Growth

Technological services are named some of the business development services that are important for businesses. The study indicated that MSEs in Gikomba area have experienced these services as indicated below.

Table 4.6: Technological Supply Services Enhancing Business Operations

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid strongly agree</td>
<td>20</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>agree</td>
<td>31</td>
<td>31.0</td>
<td>31.0</td>
<td>51.0</td>
</tr>
<tr>
<td>undecided</td>
<td>18</td>
<td>18.0</td>
<td>18.0</td>
<td>69.0</td>
</tr>
<tr>
<td>disagree</td>
<td>23</td>
<td>23.0</td>
<td>23.0</td>
<td>92.0</td>
</tr>
<tr>
<td>strongly disagree</td>
<td>8</td>
<td>8.0</td>
<td>8.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Survey Data, 2011*

From the above table, it can be clearly seen that technological supply services significantly enhance the growth of the businesses. 20% of the respondents in the study strongly agreed that these services enhance their business growth. 31% of them also concurred on the issue. It was however noted that there is still a profound proportion of the business people who are not aware whether the services contributes to their business growth or not. Most of them indicated that their businesses have not yet received adequate technological supply services; hence they cannot completely attribute them to increased growth. It is worth noting that there is a section of the respondents who felt that the services cannot be attributed to growth in their businesses. This includes 23% of those who disagreed and 8% of those who strongly disagreed. This was attributed to the fact their businesses did not utilize technology to a large extent. However, Wolday and Gebrehiwot (2005) argued that majority of the business people do not understand...
that some services such as technological supply services benefits all businesses either directly or indirectly. This is true because all the businesses currently rely on technology such as the use of phones in communication to the customers.

Technological services are provided by different parties such as the government and NGOs. Below is a table with a summary of some of the services provided to MSEs in Gikomba, in Nairobi.

**Table 4.7: Supportive Technological Supply Services**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid internet services</td>
<td>9</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>phone services</td>
<td>53</td>
<td>53.0</td>
<td>53.0</td>
<td>62.0</td>
</tr>
<tr>
<td>others</td>
<td>38</td>
<td>38.0</td>
<td>38.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Source: Survey Data, 2011**

As indicated in the above table (Table 4.7), 53% of the businesses in Gikomba area use phone services for the purpose of their businesses. 9% of the businesses utilize Internet services in enhancing their business operations. Other services which include the use of telex consist of 38%. This is a clear indication that technological services are imperative in enhancing business operations.

### 4.3.3 Implication of Networking on MSEs’ Growth

Networking services are considered among the most important Business Development services provided to enterprises. This study established that networking services have substantial implications on the growth of MSEs. The following is a table that summarizes the findings from the respondents concerning this aspect.
Table 4.8: Business networking programs have enhanced growth of MSEs

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>29</td>
<td>35</td>
<td>12</td>
<td>11</td>
<td>2</td>
<td>89</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>18</td>
<td>13</td>
<td>10</td>
<td>6</td>
<td>7</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47</td>
<td>48</td>
<td>22</td>
<td>17</td>
<td>9</td>
<td>143</td>
</tr>
<tr>
<td><strong>%</strong></td>
<td>33%</td>
<td>34%</td>
<td>15%</td>
<td>12%</td>
<td>6%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

The study clearly established that networking services have an implication on the growth of the MSE businesses as shown in above table (Table 4.8). Concerning the issues, 33% and 34% strongly agreed and agreed respectively. A small percentage (15%) of the population was undecided about it. Additionally, 12% and 6% of the respondent disagreed and strongly disagreed respectively, indicating that only a small population of the MSEs cannot attribute the services to their businesses growth. Blim (1999) contended that networking services open avenues for businesses to form partnership with various entities which increases opportunities for businesses enhancement. Majority of the respondents concurred to this views since the largest percentage of business people stated that networking services have helped them gain new customers and open up links for more business partnership. This lead to increased profits as summarized in figure 4.5 below.
Figure 4.5: Increased Profits Due To Networking

The respondents agreed that as a result of networking services, their profits have significantly increased. As portrayed in the above diagram, 88% of the businesses sited the fact that networking services allowed them to acquire numerous customers and increase their sales volumes. As a result, their profits increased profoundly. The findings concurred with Blim (1999) argument that networking services are essential in elevating the profit of businesses as a result of availed platform where businesses people interact with potential customers.

4.3.4 Implication of Entrepreneurial Training on MSEs’ Growth

Entrepreneurial training is a tool used to ensure that people are equipped with all the business management tools in order to enhance efficiency in businesses. The study established connection between entrepreneurial training and business growth as indicated below.
The table above (Table 4.9) clearly demonstrates the respondent’s responses concerning implications of entrepreneurial training on the growth of their businesses. It became apparent that enter entrepreneurial training significantly enhances growth of their businesses. As portrayed in the table, 38% of them significantly agreed on the issue where as 35% agreed. Most of them said that they have been attending short courses on entrepreneurship organized by the government through the Ministry of Youth Affairs and NGOs. It should be noted that 22% of them were undecided whereas 4% and 1% disagreed and strongly disagreed respectively. The reason most gave for their disagreement was that the training seems to be unequally provided to various businesses. Previously, it has been established that entrepreneurship training is an effective aspect that enables business people to learn how to manage their businesses. Through various trainings, the business people get the tactics of enhancing their business operations and this enhances growth of businesses (Fitsum, 2002).
Table 4.10: Benefits Accrued From Engaging In Entrepreneurial Training

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>increased customer service</td>
<td>31</td>
<td>31.0</td>
<td>31.0</td>
<td>31.0</td>
</tr>
<tr>
<td>increased business growth</td>
<td>23</td>
<td>23.0</td>
<td>23.0</td>
<td>54.0</td>
</tr>
<tr>
<td>improved business management</td>
<td>27</td>
<td>27.0</td>
<td>27.0</td>
<td>81.0</td>
</tr>
<tr>
<td>all the above</td>
<td>19</td>
<td>19.0</td>
<td>19.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

The above table indicates the benefits the businesses in Gikomba area accrued as a result of entrepreneurial training. Increased business growth comprised of 23% of the listed businesses. It was established that after all other benefits such as increased customer services and improved business management lead to improved MSEs growth in the area.

4.4 Measures of growth

This study concentrated on several business measures in order to establish whether BDS have had implications on the growth of business located in Gikomba area. The following table summarizes the findings from the respondents.
The study established that BDS have contributed to the growth of businesses as analyzed using diverse indicators. Majority of the respondents contended that profits have increased in their businesses. The mean for this indicator is 1.59 with a standard deviation of 0.494. Apart from this, the business people have experienced increased return to investment, increased sales volume, expanded businesses in terms of opening new branches and they have employed more employees.

<table>
<thead>
<tr>
<th>N</th>
<th>Valid</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>1.45</td>
<td>1.46</td>
<td>1.41</td>
<td>1.42</td>
<td>1.59</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td>Mode</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.500</td>
<td>.501</td>
<td>.494</td>
<td>.496</td>
<td>.494</td>
<td></td>
</tr>
<tr>
<td>Variance</td>
<td>.250</td>
<td>.251</td>
<td>.244</td>
<td>.246</td>
<td>.244</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Survey Data, 2011
The figure above shows the respondent’s reactions on the implication of Business development services on the sales volume of their businesses. 76% of the respondents agreed that BDS has led to an increase in their sales volume. Most of the respondent’s attributed an increase on the sales volume to networking services that allows them to acquire new customers and market access services through various fairs and exhibitions that allows them to market their products. Only 24% of respondents did not feel that BDS had an implication on the sales volume. Having such a large figure that indicates that BDS contributes to increased sales volume stipulates that businesses have attained significant growth. Most of the respondent agreed that market access has substantially opened up market for the products sold by those businesses. Gagel, Fantahun and Bartels (2004) had similar views when they argued that BDS can be said to be a major driver for the generation of new markets which has an effect on increasing the sales volumes.
Based on the above figure, it is appropriate to mention that BDS contributes to an increase in the rate of return. 55% of the respondents said that as a result of increased growth emanating from various Business Development services, their business have increased the rate of investments. However, 45% of them did not attribute the increase to enhanced BDS provision. The results are very important because they indicate that in general, BDS has to a greater extent enhanced the growth of MSEs. It should be remembered that increased rate of investment is one of the basic indicator of growth of businesses (Philips and Steel, 2003).
From the above figure, it is beyond doubts that BDS have an implication on the business growth since the MSEs have been able to employ more workers. 72% of the respondents felt that as a result of numerous BDS provided to them, they have experienced growth in the last five years and this has led to the need for more employees. However, 28% of them did not seem to have employed more workers. The results seem to support Moyi (2003) arguments that Business Development services has emerged as an avenue for employment creation due to tremendous growth that has been observed over the years. Perhaps the smaller percentage of those businesses that did had not employed more staffs could be as a result of increased outsourcing of services.
It was noted that most businesses have opened new branches as a result of growth. For the last five years, 52% of the respondent recorded to have opened more branches both in Gikomba area and elsewhere. This indicates that the services have had significant implications on the MSEs. 48% of the respondent however had not experienced opening of new branches in their businesses.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study. This section outlines the basic findings based on the objectives of the study. The chapter makes conclusion of the whole study and thereafter recommendations are also outlined.

5.2 Summary

The main purpose of the study was exploring the implications of BDS on the growth of the MSEs in Gikomba Market, Nairobi. The specific objectives of this study included to determine whether market access has implication on the growth of MSEs, establishing whether technological services affected the growth of MSEs, finding out the implication of networking to the growth on MSEs growth and determining the implications of entrepreneurial education on MSEs’ growth. Increases in benefits from BDS were measured to analyze the implication of BDS programs on the growth of MSEs.

As noted earlier, markets is one of the Business Development Services that have enhanced the growth of MSEs located at Gikomba area. This is particularly true for those enterprises that engaged in various exhibitions and trade fairs that were carried out as well as taking advantages of various workshops and seminars held regularly. Only very few small-scale business operators indicated that they did not receive these services. This indicates that to a large extent, BDS has been offered to numerous businesses located in the area, more importantly, the services have led to growth of enterprises. This would appear to suggest that most MSEs have experienced marketing and selling to distant markets, where they may be able to find better price advantages.

It is argued by various BDS providers that the main strategy for serving MSEs is to foster vibrant, competitive, private-sector markets for business development services. The notion is that more MSEs will have access to higher-quality services through the development of commercial
markets, in which MSEs acquire services through business transactions rather than receive services for free. It can be concluded that BDS program continues to increase outreach, and a key strategy is to develop BDS markets. Accordingly, this has led to growth of MSEs at two levels: in the overall market it has led to increase of sales volume due to expanded market and among MSEs served as a direct result of program activities, it has led to increased profits.

Technological supply services have been crucial in the business world today. Technology entails being familiar with the current trends that will improve the efficiency and productivity of the enterprise. From the findings, it is apparent that most MSEs have enjoyed technology services provided to them which has included bench marking processes, internet services, telephones and use of machines, for instance computers which have enhanced the operations of businesses and offered faster, reliable and accurate results. Being conversant with the current modes of transactions as well as technological programs that ease business operation is very essential. Kenya ICT federation is a body that has been active in ensuring that businesses located in Gikomba area gain information regarding the ICT services that could enhance businesses. The overall effect is improved MSEs growth which include increase in businesses efficiency that has led to connection to various markets and as a consequence, there is increased sales volumes and return to scale.

Majority of the businesses included in the survey recorded having received a great deal of networking services. The links are provided through various seminars held at different occasions, and through the ministry of trade and industry. Many businesses have recorded significant improvement in as a result of these services. Many respondents indicated having noted a substantial increase in the links of many auxiliary service providers including the financial institutions. Although this does not have a direct connection to the growth of the MSEs, the findings show that to a laugh extent, networking services increases links with those partners who enable the businesses to grow and therefore, the MSEs were able to expand their businesses and open up more branches.
The study established that entrepreneurial education has significant impacts on the growth of numerous MSEs located at Gikomba area. Many businesses people around this area have taken advantages of entrepreneurial education courses provided by education institutions. Majority of them have encountered entrepreneurial courses in their education curriculum. This has lead to improved business operations. As a result, the enterprises have taken advantage of increased profits and by opening more branches and employing more workers in order to enhance business operations.

5.3 Conclusion

A central aim of most BDS programs is to help MSEs grow, so that they can improve the livelihoods of families, generate employment, and contribute to economic growth. Hence, the study had stipulated indicators that would help in assessing the growth of various enterprises as a result of business development services. This implication measurement framework focused on assessing the existing MSEs' BDS market in Gikomba area by conducting a survey on the MSEs operators. The study established that the four essential services; market access, networking services, technological supply services and entrepreneurial education have led to increased growth in MSEs. This was determined through various growth indicators such as increase in return on investment, employment of more workers, opening of more branches and increased profits.

Supporting MSEs through BDS is growing in Kenya. There was significant development in this sector during the last five years. The research findings revealed that there is promising and good level of MSEs growth due to BDS provision. Despite the growth noted, much is needed in order to enhance effective provision of the services across all types of businesses. As noted from the findings, some respondents felt that they have not benefited from the services and therefore they have not noted their implication on their businesses. This shows that there is need for uniformity in BDS provision to MSEs.
5.4 Recommendations

Based on the findings from this study, the researcher noticed that there some areas that have not been effectively evaluated and should be a central focus in order to enhance efficiency in business operations in the very of enhancing growth of MSEs. Some of the recommendations in this study include;

*Increased entrepreneurial training:* It was noted that most of the businesses that did not exhibit major growth were being operated by individuals who did not have entrepreneurial education. It would be very paramount for the BDS providers to promote entrepreneurial training to such group in order to enable them learn various aspects of business operations.

More technological supply services required. It was noted that most of the businesses that recorded having not received technological services were from the micro enterprises group. This indicates that more is needed to ensure that this group has access to these services in order to enhance their growth as well.

*Need for a transformed BDS approach:* There is a potential in Gikomba area to transform from the existing traditional BDS approach to market development approach. The transformation processes needs a coordinated and concerted effort by all stakeholders, including government. They should define their roles in facilitating and providing services. The selected institutions should understand their position in the market and develop strategic directions for their interventions accordingly.

*Capitalize on strength:* The programs can capitalize on their strengths bearing in mind that they are enhancing the growth of numerous MSEs. In developing competitive and sustainable services, BDS providers should introduce cost sharing mechanism phase by phase. This has to be supported with enabling regulatory framework by the government and other stakeholder, including MSE operators should develop this thinking.
5.4.1 Recommendation for Further Study

The researcher noticed that, though BDS is a very common aspect in businesses, some of the small enterprises are not aware of it. This made the researcher to realize that these kinds of services are sometimes offered discriminatively based on the types of industries the businesses operate in. Therefore, it would be very effective if further studies on this particular topic try to focus on specific industries. Afterwards, a comparison can be made on the basis of industry in order to assist the policy makers on how best the services can be provided to all businesses.
REFERENCES


USAID (2003), Business Development Services (BDS0 Resource Disk, Advancing Knowledge and Practice in the Field of BDS, Washington DC.

APPENDIX B: Questionnaire

Introduction

This questionnaire seeks information on implication of BDS on the growth of Micro and Small Enterprises at Gikomba, Nairobi Kenya. The information you give will be treated as confidential and for academic purpose only. Please respond to all items in the questionnaire.

Put a tick (✓) in the statement that relates to your situation.

Section A: Background Information

Kindly indicate the correct information by filling in the blank spaces provided.

1. **Gender**
   i) Male [ ]
   ii) Female [ ]

2. **Age**
   i) Below 25 years [ ]
   ii) 26-30 years [ ]
   iii) 31-35 years [ ]
   iv) above 35 years [ ]

3. **Years of Service in your current position.**
   i) Below 5 years [ ]
   ii) 6-10 years [ ]
   iii) 11-15 years [ ]
   iv) above 15 years [ ]

4. **Academic qualification:**
   Certificate [ ]
   Diploma [ ]
   Undergraduate [ ]
   post graduate [ ]

   Any other (specify) [ ]

5. **SCREENING**

   A. **Indicate the main business type of this establishment?**

   *(If a business is involved in more than one area, choose the one that provides the most income)*

   **Type of Business**

   Microenterprise [ ]
   Small-scale enterprise [ ]

   (1-10 Employees)
   (11-50 Employees)
<table>
<thead>
<tr>
<th>Manufacturing</th>
<th>Wood</th>
<th>Textile</th>
<th>Metal</th>
<th>Food</th>
<th>Drinks</th>
<th>Others (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading</td>
<td>Wholesaling</td>
<td>Trading Retailing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>Education</td>
<td>Restaurant</td>
<td>Accommodation</td>
<td>Repairing</td>
<td>Transportation</td>
<td>Others (specify)</td>
</tr>
</tbody>
</table>

**Section B: Implications of BDS on the growth of Micro and Small Enterprises**

The following statements are expressions of respondents' opinions concerning the implications of BDS to the growth of their businesses. Kindly indicate with a tick (✓) your view on each statement where **SA**= Strongly Agree, **A**= Agree, **UD**= undecided, **D**= Disagree and **SD**= Strongly Disagree.

<table>
<thead>
<tr>
<th>SN</th>
<th>STATEMENT</th>
<th><strong>SA</strong></th>
<th><strong>A</strong></th>
<th><strong>UD</strong></th>
<th><strong>D</strong></th>
<th><strong>SD</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business development services are vital in enhancing the growth of the businesses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>BDS has been effective in enhancing market access of MSE’s products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Technological supply services have enhanced business operations

4. Business networking programs have enhanced growth of MSEs

5. Entrepreneurial training has been offered to the MSE

Section C
Market access
a) Have your businesses gained market for your products?
   Yes [ ] No [ ]

b) Could you attribute increased market access to have resulted from the business development services provided my N.G.Os and the government?
   Yes [ ] No [ ]

c) Do the government and NGOS organize trade fairs and exhibitions for your businesses?
   Yes [ ] No [ ] Sometimes [ ] Indifferent [ ]

d) Has the volume of sales increased in the last five years due to increased market access?
   Yes [ ] No [ ]

Technological Supply services
e) Which supportive technological supply services have been provided to your businesses?
   Internet services [ ] Phone Services [ ] Others [ ]

f) If your answer is others in question (e) above, specify the technological services provided to you.......... 

g) Are there benefits that you have leaped from technological supply services in your businesses?
   Yes [ ] No [ ]

Networking
h) How has your business benefited from networking programs?
   a) Gaining more customers [ ] b) Accessing various auxiliary services providers [ ]
c) Increase in sales  

d) Has your business increased the number of employees in the last five years as a result of networking services?

Yes  No  

j) Could you attribute increased profits in your business to be as a result of networking services? Yes  No  

Entrepreneurial training

g) What are the benefits that accrue from engaging in entrepreneurial training?

- Increased customer service  
- Increased Business Growth  
- Improved business management  
- All of the above  

h) Could entrepreneurial training be attributed to the improvement in the rate of returns of your business?

I. Yes  No  Partly  

II. If your answer is partly in H(I), give reasons. 

Indicators

h) Have you opened branches to expand your business?

Yes  No  

I) Has the business increased the number of employees in the past five years?

Yes  No  

j) Have you recognized an increase in sales volume over the past five years?

Yes  No  

k) Has there been an increase in the return to investment in your business during its operations?

Yes  No  

l) Has your business experienced an increase in profits over the last five years?

Yes  No  
