

**INFLUENCE OF FREE TRADE AGREEMENTS ON
BUSINESS GROWTH OF ANIMAL FEED FIRMS IN
NAIROBI CITY COUNTY, KENYA**

TABITHA MWANGI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI**

2019

DECLARATION

This research project is my work and it has not been submitted in any university for an award of merit. Any cited work of other scholars has been referenced as required.

Signature..... Date.....

Tabitha Mwangi

D61/81612/2015

This research project has been submitted with my approval as the student supervisor.

Signature..... Date.....

Prof. Mary Kinoti

Associate Professor,

Department of Business Administration,

School of Business,

University of Nairobi

ACKNOWLEDGEMENT

I wish to express my sincere gratitude to my supervisor, Prof. Mary Kinoti for her availability, constructive criticism and guidance during project supervision.

My gratitude to the employees of Animal Feed Manufacturing firms for the support that they gave me when I was collecting data.

I also wish to thank my family, and friends for their contribution, moral support and encouragement and understanding when I was out to undertake my studies.

Last but not least, I am grateful to the Almighty God for the far that He has brought me, especially making this project a reality.

DEDICATION

I dedicate this work to my husband, Benjamin, and kids, may this serve as a motivation that you too, can make it!

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
TABLE OF CONTENTS	v
LIST OF TABLES	i
ABBREVIATIONS AND ACRONYMS	ii
ABSTRACT	iii
CHAPTER ONE:INTRODUCTION	1
1.1 Background of the Study	1
1.1.1International Business	2
1.1.2 Free Trade Agreements	3
1.1.3 Business Growth	4
1.1.4 Animal Feed Industry in Kenya	6
1.1.5Animal Feed Firms in Nairobi Kenya	7
1.2 Research Problem	7
1.3 Research Objective	10
1.4 Value of the Study	10
CHAPTER TWO:LITERATURE REVIEW	12
2.1 Introduction.....	12
2.2 Theoretical Foundation	12
2.2.1 Eclectic Paradigm Theory	12
2.2.2 Internationalization Theory	14
2.3 Types of Free Trade Agreements.....	15
2.4 Free Trade Agreements and Business Growth.....	19
2.5 Empirical Review.....	20
2.6 Summary of Literature Review.....	22
CHAPTER THREE:RESEARCH METHODOLOGY	23
3.1 Introduction.....	23
3.2 Research Design.....	23
3.3 Study Population.....	23
3.4 Data Collection	24
3.5 Data Analysis	24

CHAPTER FOUR:DATA ANALYSIS, FINDINGS, DISCUSSION,	
INTERPRETATION AND DISCUSSION OF RESULTS	25
4.1 Introduction.....	25
4.2 Response Rate.....	25
4.3 General Information.....	26
4.3.1 Ownership Structure of the Business	26
4.3.2 Duration of Service to the Business	26
4.3.3 Duration of Operation of the Business.....	27
4.3.4 Position in the Organization.....	28
4.3.5 Length of Service in Current Position.....	28
4.4 Free Trade Agreements.....	29
4.4.1 Treaty	30
4.4.2 Free Movement of Goods.....	31
4.4.3 Free Movement of People	32
4.4.4 Preferential Trade Relations.....	33
4.5 Chi Square.....	34
4.6 Discussion of Findings.....	34
CHAPTER FIVE:SUMMARY OF FINDINGS, CONCLUSION AND	
RECOMMENDATIONS.....	37
5.1 Introduction.....	37
5.2 Summary of Findings.....	37
5.3 Conclusion	39
5.4 Recommendation from the study.....	39
5.5 Limitations of the Study.....	40
5.6 Recommendation	41
REFERENCES.....	42
APPENDICES	47
APPENDIX I: RESEARCH QUESTIONNAIRE	47
APPENDIX II	50
ANIMAL FEED MANUFACTURERS IN NAIROBI COUNTY	50

LIST OF TABLES

Table 4.1 Response Rate	25
Table 4.2: Structure of Ownership	26
Table 4.3: Duration of Service	27
Table 4.4: Duration of Business Operation	27
Table 4.5 Position in the Organization	28
Table 4.6 Length of Service	29
Table 4.7: Treaty	30
Table 4.8 Free Movement of Goods.....	31
Table 4.9: Free Movement of People	32
Table 4.10 Preferential Trade Relations.....	33

ABBREVIATIONS AND ACRONYMS

ABS TCM	African Breeders Services – Total Cattle Management
ACFTA	Association of South East Asian Nations-China Free Trade Agreement
AUSFTA	Australian – United States Free Trade Agreement
FDI	Foreign Direct Investment
FSA	Firm Specific Advantage
FTA	Free Trade Agreement
GATT	General Agreements on Tariffs and Trade
KEBS	Kenya Bureau of Standards
KEPHIS	Kenya Plant Health Inspectorate Services
KRA	Kenya Revenue Authority
MNEs	Multinational Enterprises
MoLD	Ministry of Livestock Development
NBA	National Bio-Safety Authority
NEMA	National Environment Management Authority
OECD	Organization for Economic Cooperation and Development
RTAs	Regional Trade Agreements
UNCTAD	United Nations Conference on Trade and Development
WHO	World Trade Organisation

ABSTRACT

Free Trade Agreement enables countries to buy and sell goods and services to member states with limited or completely no regulations for example tariffs and quotas. Countries take part in FTAs so as to remove barriers in trade and promote global trade and ties. This research was set out to establish influence of free trade agreement on business growth of Animal Feed firms in Nairobi County, Kenya. The research adopted a descriptive form of research design that gave a picture of a situation exactly the way it took place naturally. This type of design was applied to make judgement and develop theories. The target population of this research included 30 Animal Feed Manufacturing firms that had been licensed to work and operate in Kenya. Primary data was collected using semi-structured questionnaires. Quantitative data was analyzed using descriptive statistics that includes frequencies, percentages, mean and standard deviation. Qualitative data was analyzed using content analysis. The study found that FTAs; preferential trade relations, free movement of goods and people and treaty were used to a large extent. Preferential trade relations scored the highest mean in comparison to free movement of people and goods. More to that, the research showed that most firms are locally owned and have been in operation for more than ten years. Results from Chi-square showed existence of a statistically significant association between FTAs and business growth. This implies that more businesses should take advantage of the treaties in order to experience business growth especially where free movement of goods and services is concerned. Research recommends the need for government to develop policies and frameworks that create a favorable environment for member states to engage in business, partnerships so as to strengthen ties. The underlying limitation for this research was time and resources that limited the scope of this research forcing the researcher to investigate Animal Feeds Manufacturing firms in Nairobi County only however, the findings realized in this research cannot be generalized to provide a true picture of all the Animal Feeds Manufacturing firms in Kenya. In future, researchers should do a replica of this study in a different sector other than manufacturing, and find out whether the findings gotten under this study will hold. This will inform a more meaningful conclusion as to the behaviour of variables and how they relate.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The international business provides room for nations to expand their markets for products and services that are probably unavailable in the local markets (Schuler, 2015). International business promotes good relations and ties between countries, and this creates a platform for the two countries to negotiate and agree on better terms to do business through establishing a Free Trade Agreement (FTAs). This is intended to minimize the costs of products and services including reduction of tariffs among other trade barriers (Frederick, 2014). FTAs lower the cost of doing business globally and this gives developing economies a chance to participate in international business by gaining entry and exploring markets of established countries (Baldwin & Jaimovich, 2012).

The study was anchored on Eclectic Paradigm and Internationalization theory. The choice of these theories is because of their relevance and application to this study as follows: Dunning (1992) posits that Eclectic Paradigm is also referred to as the OLI paradigm. The theory maintains that MNCs develops competitive ownership advantages in their home countries and those advantages are taken to other countries based on local advantages through Foreign Direct Investment (FDI). Internationalization theory asserts that the approach a firm employs to expand its operations in the global markets can be evaluated primarily through foreign direct investment. Abdi and Aulakh (2018) opine that firms internalize to gain enter fresh markets and to gain from specialized resources.

Animal feed industry in Kenya faces challenges that include erratic supply of raw materials and low-quality ingredients. Currently the industry imports cereal bran, soya

bean meal and oil seed cake mainly from Uganda, Tanzania and India. Ukraine is also a major supplier of wheat bran and pollard. However, through FTAs animal feeds manufacturers have been able to import goods and services at cheap prices because limited or no tax is charged thus, they do not eat on an organization's profit, which enable firms to reinvest those savings resulting to growth (Kenya Markets Trust, 2017).

1.1.1 International Business

International Business (IB) deals with issues that impact players and governments in the international context that deal with all forms of cross-border operations. It comprises of all organisation dealings involving two or more nations (Johanson & Mattsson, 2011). Additionally, it involves transactions that are devised and conducted across borders with a purpose of satisfying individual and organisational objectives. It entails that the activities of both public and private firms involve the movement of goods and services, knowledge or skill, and resources across national boundaries. International business is that it involves a wide spectrum of activities beyond just exports. International business is defined as a commercial transaction that occurs between the boundaries of a sovereign entity. International business can take place between firms, countries or both. Private companies engage themselves in international transactions to generate more revenues, profits and affluence (Lin, Liu & Cheng, 2011).

When governments are involved in international business, they are keen to preserve their image, dependency and steer economic growth. In some cases, these forms of transactions (international business) strengthen economic ties. This includes physical movement of products and services, investments and technology transfer. Today,

many firms, whether small or large, single entity or partnership or even government-owned is seeking to expand globally. The firms are also investing huge sums of money in finding the right location for a cost-efficient production base and expand the dimensions of their international business operations (Bradley & O'Reagain, 2011). The significance of international business is that firms can easily grasp new business opportunities and markets and exploit their growth potential. Firms can differentiate their products from existing markets by expanding to international markets. There is easy access to new markets through the expansion of businesses. Also, the firm can address unmet needs in the market by providing a product or service that is unavailable in the international market that the firm is targeting. Firms that might be losing their local markets get a chance to the global market. Many times, there is a cost advantage of exporting products to a different country. Firms get to enjoy cost advantages by exporting products or services to different countries (Boojihawon & Acholonu, 2013).

1.1.2 Free Trade Agreements

According to Baldwin and Jaimovich (2012), Free Trade Agreements (FTAs) are agreements that eliminate duties, reduce trade restrictions and quotas on goods and services between two or more countries (Yunling, 2010). The primary goal of FTAs is to strengthen local businesses for employment creation through an increase in trade flows between the countries involved (Sofjan, 2016). The main indicators of FTAs between member countries are the free movement of goods across national borders. Member countries negotiate for the removal or limitation of tariffs while exporting or importing products from fellow member states (Schuler, 2016). Additionally, FTAs uphold limited or complete lack of taxes for imports and exports from member countries. This is intended to ensure that products from foreign countries that are

members of the agreement are not highly-priced while compared to local products. Also, existence of preferential trade relations is also a key indicator of FTAs. According to Schuler (2016), preferential trade relations or arrangements are unilateral trade preferences where two countries agree to lower tariffs on certain products to enhance importation and exportation. FTA enables firms to venture into foreign markets at reduced cost due to the free movement of goods and people achieved through these agreements. This in turn reduces the average costs as output rises thus realizing the benefits of economies of scale. This will lead to increased demand as prices decrease for consumers (MacLeod, 2019).

Trade liberalization, in addition to economies of scale will cause an increase to product varieties leading to improved welfare (Eden & Miller, 2014). Another benefit of FTAs is increase in consumer welfare. When trade barriers are eliminated or reduced, transactional costs of imports and exports will decline. Thus, the cost of doing business in local market will decline resulting to an increase in disposable income; this in turn will increase spending and steer economic growth. According to economic theory, when consumers' level of disposable incomes increases, their welfare increase (Cofelice, 2018).

1.1.3 Business Growth

Business growth can be defined as a stage of business expansion; more options are explored to generate extra profits. Business growth is part of business lifecycle, industry growth and many firms opt for equity value creation during this stage. Business growth is realized through increasing business revenue (Williams, 2016). A business is considered to be growing when its growth is faster than other firms in the same industry or economy. Some indicators of growing businesses include increased revenues, profits which is more than the industry average sustained over a period of

time. The increase in revenues or profitability must be sustainable for the business to be considered to be growing. Business growth attracts customers, investors and retains the best employees since they are confident about the future of the firm. Although in the early stages the business might not be profitable, investors who are confident about business growth agree to take up a long-term view considering rapid revenue growth that translates to increased profits and cashflows.

According to OECD (2013) business growth gives room for the firm to invest in new products or services as well as to diversify into other business lines thus widening the scale of operations. This helps to minimize risks and explore options that may enable the firm to generate more profits (Williams, 2016). Firms benefit from economies of scale which reduce average cost of production and impact directly on prices of goods and services. The key indicators of business growth include profitability, increase in sales, increase in employees, increase customer base and shareholder satisfaction (OECD, 2013). Other indicators of business growth include global expansion of business activities. Sustained growth leads to global expansion of a business which can be realized through joint ventures, mergers and acquisition, franchising, and full market entry.

Another indicator of business growth is employee retention which is critical for global business expansion; old employees have essential knowledge and skills in business operations. Firms that are growing consider diversifying their product lines; such that when one product line sustains a loss other product lines are profitable and this prevents the business from sustaining total loss. Established businesses have huge financial muscle and capacity to invest in modern technologies and this gives them a competitive edge against stagnated firms (Williams, 2016).

1.1.4 Animal Feed Industry in Kenya

The term ‘animal feeds’ is used to refer to a vast range of feed items that comprises of feed additives, ingredients, ruminant together with non-ruminant feeds, pet foods, fish feeds, dogs, cats, and bird feeds as well feeds for other companion animals (Crawshaw, 2013). The introduction of manufactured animal feeds in Kenya was to increase livestock productivity. Following animal genetics improvement in respect to production, there is need to carefully design feed quality to meet animals, nutrition demand and at the same time enhance its genetic potential in respect to production. Today, the Kenyan animal feed industry faces various constraints that emanate from a multiple historical issue. Currently, there is a need for urgent attention in the feed industry because it operates in an uncompetitive environment. Notable issues of concern comprise of inadequate enforcement of regulations, consumer safety, raw materials supply constraints, and quality as well as the efficacy of the ingredients. It is ironical that the “Fertilizer and Animal Feeds Act 345” of 1967 addresses these issues even in its later revision in 1980 and updating by the Ministry of Livestock Session Papers on National Livestock Policy in 1981 and 2008 .

According to Ochilo et al. (2019), regulation of the feeds industry in Kenya is done by a number of organizations, which comprise of; the Ministry of Livestock Development (MoLD), the National Environment Management Authority (NEMA), Kenya Plant Health Inspectorate Services (KEPHIS), Kenya Bureau of Standards (KEBS), the National Bio-Safety Authority (NBA), and Kenya Revenue Authority. The Kenyan government has a role in the feeds industry, which is basically to monitor and regulate to make sure that the standards and requirements set in feed production are observed and also to provide the right policy as well as institutional support.

1.1.5 Animal Feed Firms in Nairobi Kenya

Although Nairobi County is not an agricultural region owing to the human population, there are about 40 licensed animal feeds manufactures (KenyaPlex.com/Business Directory). Upon manufacturing, animal feed is sold to wholesalers and retailers in different parts across the country from where farmers then access them to feed their livestock. Animal feed millers in Nairobi County have a role of producing quality animal feeds to improve the productivity of livestock products.

Additionally, they have a role of addressing the logistics challenges to ensure that farmers access animal feed in their localities. The Ministry of Agriculture and specifically under the department of livestock development has a responsibility of regulating the feed industry (ABS TCM Limited, 2013). The ministry's primary role is enforcing Acts of Parliament that either directly or indirectly impact the animal feeds industry. The Kenya Bureau of Standards (KEBS) has the mandate of regulating the quality of feed throughout the country. This involves ensuring that the raw materials imported for feed production adhere to the set quality standards.

According to ABS TCM Limited (2013), regulation of the feed industry is further done by the Association of Kenya Feed Manufacturers (AKEFEMA), the official representative of all registered feed manufacturers as well as associated businesses in Kenya. The private organization advocates for issues affecting players in the industry and also gives directions to feed manufactures on matters of quality feed.

1.2 Research Problem

Free trade agreements create business opportunities across borders for both new and existing businesses (Schuler, 2013). Through trade agreements firms can easily import or export inputs at reduced prices and impact on business growth. However, countries do not have absolute freedom when making decisions to come up with trade

agreements with other parties. For instance, members of World Trade Organization (WTO), which comprises of many countries today, have to adhere to the set rules to mitigate any possible adverse impacts on global trade (Guay, 2015).

EAC enables animal feed manufacturers in Kenya to access raw materials from neighboring East African countries at minimal tariffs leading to a decline in production cost (Ministry of Industry, Trade and Cooperatives State Department for Trade, 2017). On the other hand, COMESA has provided a common market with limited barriers among countries in the region, this has improved access to animal feeds from member countries, it has also improved quality of animal feeds since animal manufacturers must abide to the required standards of quality as provided for in the agreement (Kenya Markets Trust, 2016). Hidayatie (2014) examined the effect of agricultural exports on Indonesian economic growth and implications of the ASEAN-China Free Trade Agreement (ACFTA) on agricultural exports of Indonesia and the findings established that reduction in tariff under the Early Harvest Program (EHP) did not significantly impact on export growth in agriculture in either short or long-run. It was deduced that the role of ACFTA was not reflected on growth of agricultural exports since none of the key agricultural products had been covered by early programs of ACFTA. Udbye (2015) explored the link between FTAs and growth of imports and exports in U.S and the findings showed existence of a positive relationship between FTAs and growth of imports and exports.

Kim (2016) delved the impact of Korea-China Free Trade Agreement (FTA) on domestic small and Medium Enterprises (SMEs) and the finding established that through the establishment of Korea-China FTA. China became Korea's largest trade partner; with transaction volumes amounting to two and half (2.5) times greater than its trade with the U.S. Similarly, Korea has expanded its trading opportunities with

China especially for big corporations leading to growth. Ahlen (2016) studied the economic effect of free trade agreements with Asia on growth of the US pork industry and the study established that trade openness (in all the three countries; China, Japan and South Korea) was weakly linked to the U.S pork export demand and growth of pork industry. Hayakawa (2015) assessed the impact of adoption of FTAs on firms' performance in Thailand and the results showed that insignificant effect between FTAs and overall firm performance. Huijskens (2017) tested the effect of FTAs on the flow of bilateral trade and the results showed a positive correlation between FTAs and business growth among industrialized economies.

In Kenya, Sonjo and Ibrahim (2017) investigated the effect of international business on the growth of SMEs in Kenya and the findings established FDI lacked significant effect on growth of SMEs while exchange rate was significantly linked to growth of SMEs.

Abdillahi (2017) delved impact of trade openness on Kenya's economic growth and the findings established a strong relationship between trade liberalization and economic growth. Jepkemei (2014) studied the effect of regional trade agreement on agri-food manufacturing firms in Kenya and the results demonstrated increased exports and improved business growth as a result of creation of EAC-RTA. Wafula (2014) delved the impact of international business on growth of animal feeds manufacturing firms in Central, Rift Valley and Western Kenya and the findings revealed existence of a positive correlation between international business and growth of animal feeds manufacturing firms. Soi, Koskei, Buigut and Kibet (2013) explored the impact of international trade on Kenya's economic growth and the findings established existence of a significant and negative impact between international trade and economic growth. Karanja (2013) explored the effectiveness of international

trade on performance of animal feeds manufacturing firms in Kenya and the results revealed that international trade positively contributed towards performance of animal feeds firms.

Most studies particularly local studies (Sonjo & Ibrahim, 2017; Abdillahi, 2017; Soi *et al.*, 2013) have limited themselves to international trade and economic growth as well as SME growth and while ignoring FTA and its effect on business growth. Therefore, this study seeks to find a response to the question: What was the influence of free trade agreement on business growth of Animal Feed firms in Nairobi County in Kenya?

1.3 Research Objective

The objective of the study was to determine the influence of free trade agreement on business growth of Animal Feed firms in Nairobi County, Kenya.

1.4 Value of the Study

Various parties found the findings of this study useful in different ways. First, animal feed manufacturers appreciated the effectiveness of FTA and its impact on growth and expansion of businesses to foreign markets. Additionally, it helped to decide the appropriate strategy to employ in order to benefit their business through foreign markets expansion.

The policy industry, Ministry of Agriculture, Livestock and Fisheries used the research findings in establishing policies that could create an enabling environment for African countries to trade freely, form partnerships, build ties and promote business growth. This enhanced vision 2030 realization of a stable agricultural sector and job creation through exports growth.

Scholars learnt about the theories supporting this study, their relevance and how they related to this study. Additionally, they understood the contribution of FTA's in enhancing growth of business. Researchers with a special interest in this line of research considered using the study findings as a base for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section discusses theoretical basis for the study and the types of FTAs to enable the reader to have a deeper understanding of how the theories relate to the study. It also discusses the different types of FTAs, the conceptual discussion between FTA and business growth, empirical review and summary of the literature review.

2.2 Theoretical Foundation

This section provides a detailed coverage of theories guiding this study. The theories are Eclectic Paradigm Theory and Internationalization Theory. A proposition of the theories has been given, theoretical developments, proponents, critics and relevance to the study. Below is the discussion:

2.2.1 Eclectic Paradigm Theory

John Dunning postulated the eclectic paradigm theory in various publications (Dunning 1980, 1981, 1992). Activities of MNCs on global operations are impacted by three factors, which comprise of location (L), internationalization (I), and ownership (O) advantages. The eclectic paradigm by Dunning is equally referred to as the OLI paradigm. It describes outward FDI; it equally holds the notion that MNCs develop competitive O at their home countries and then take those advantages to other countries (based on locational benefits) through FDI. As a result, it becomes easier for MNCs to realize O benefits. Based on Dunning's reasoning, ownership and internationalization are closely connected. If an MNC enjoys ownership advantage, it is easy to internationalize. If an MNC knows a certain location, it is easier to venture in a new market.

Pak and Beldona (2007) assert that the weakness of this theory is that it tends to be too heterogenous and limits itself to the three aims of FDI. The ownership advantages that an organization derives comprise of intangible assets like management skills, knowledge, an organizational structure that comprise of natural factor like initial capital, human assets, market structure, institutional as well as the legal environment. Where an MNC has ownership advantage, it becomes easier to analyze country factors.

Ownership benefits further serve in building capabilities for MNCs through the formation of alliances, which is achieved by use of governance structures that are similar across borders in a manner that enables the development of relational assets that enable the firms to access resources. One of the key supporters of this theory: Lundan (1998) contends that in order to compete in foreign markets, the firm must have ownership advantages that are sometimes referred to as competitive advantages that could compensate for extra costs that are related to operating in abroad which are not incurred by local producers.

In line with this study, it can then be argued that it is easier for an animal feed manufacturer to enter a foreign market when it already has other subsidiaries operating in other foreign markets in the same regions. Thus, it is possible to deduce that locational advantages, market experience and infrastructural development as well as political stability enable firms to enter foreign markets and conduct their operations effectively. This view is supported by Dunning (1993) who asserts that the location plays an important role in respect to the market size, infrastructural development, natural resources, and quality of educational systems together with other elements of government and political activities.

2.2.2 Internationalization Theory

Buckley and Casson (1976), Rugman (1981), and Hennart (1982) propounded internalization theory. This is an organization-level theory that explains the reasons as to why an MNC exercise ownership over an intangible; firm-specific advantage (FSA), knowledge-based. Knowledge advantages are as a result of transactional cost economics where resolving an externality happens through a firm's hierarchy overcoming market failure cases.

Other forms of FSA like a brand advantage, organizational competences, and managerial skills are based on efficacy and are equally in harmony with the Resource-Based View (RBV) (Rugman & Verbeke, 2012). MNC organizes a host of activities in the organisation to explore firm specific advantages together with intermediate products or services. Considering that market failure might come into play, internationalization is perceived as a governance strategy in developing and exploiting FSAs. Internationalization serves as a different approach to other market for development and exploitation of new knowledge.

According to Buckley and Casson (1976), any form of market imperfection such as goods or factor markets has the possibility of enhancing pressure on MNCs to internalization. For an MNC to make FDI, the gains from exploiting FSAs must overcome the extra costs of conducting business on the global level. This theory is supported by Hymer (2016), who argues that other than the cost of running an organization, foreign firms faced other barriers like information costs, which face both foreign organizations versus rivals of host nations; discrimination by their domicile government as well as overseas governments, foreign exchange risks, and unfamiliarity hazards (Eden & Miller, 2014).

The relevance of this theory is that animal feed manufacturers prospecting to conduct business in foreign countries must explore their options and decide whether to invest directly in foreign nations, or continue with its operations at home while providing their products or services to customers in other countries. This decision is critical hence animal feed manufacturers must first get market information to minimize establishment costs and promote business growth.

2.3 Types of Free Trade Agreements

There are three forms of trade agreements namely unilateral trade agreement, bilateral trade agreements and multilateral trade agreements: unilateral trade agreement exists when one country imposes or loosens trade barriers and it is not reciprocated by another country (Schuler, 2015). A unilateral trade agreement may equally happen in a situation where a nation imposes a trade restriction like a tariff on all imports. Such a decision is influenced by the need to protect local industries against stiff competition from foreign companies.

Some conservatives attribute unilateral trade agreements as the lack of any trade agreement whatsoever. In such a definition, a country would lift all tariffs together with other restrictions on trade. It is deemed unilateral owing to the fact that other nations are not required to reciprocate. The argument here is that governments would deny citizens their rights of trading anywhere in the world in a situation where there are trade restrictions (Soi et al., 2013). In the short-run, unilateral trade policies are beneficial. This is primarily because imposing tariffs, makes the price of imports to increase, which results to cheaper local products leading to job creation and economic growth.

It is however, disadvantageous in the long-run as other countries respond by putting trade restrictions leading to decline of export products by the local companies. A

notable example of a unilateral trade agreement regionally is the one between Kenya and Uganda where Kenya allows Uganda to export its agricultural products like eggs and maize without placing any tariffs on the exports. Globally, the United States is recognized for its unilateral trade policies that are not only beneficial to other nations, but to the U.S companies as they are allowed entry into the countries that enjoy the benefits of unilateral trade policies. According to Schuler (2015), the United States is an example of a country with unilateral trade policies through the Generalized System of Preferences, which provides duty-free status for 120 countries on 5,000 imports.

This form of trade agreement advocates for cheap prices of imports for American citizens and also aims to make the nations become a bigger market for American exports. Bilateral trade agreements are formed between two countries where the two nations reach an agreement of loosening trade barriers to enhance business opportunities between the countries. In this setup, tariffs of certain products are reduced by the two countries to confer preferred trade status among the two countries (Allen et al. 2016). Generally, bilateral trade agreements cover five areas by first eliminating tariffs together with other trade taxes. As a result, parties to a bilateral trade agreement benefit from a price advantage. This is best realized in situations where each nation has specialty in different industries. Secondly, countries arrive at an agreement that products will not be dumped at cheap prices. In the case where firms dump products at cheap costs, the intention is to gain unfair market share. Upon destroying competitors, such firms then increase the prices of their products and services.

According to Rugman et al. (2012), the governments of countries in a bilateral agreement refrain from using subsidies that are unfair. In most cases, governments provide subsidies to certain industries to lower the costs of producers. This leads to an

unfair advantage to such industries while exporting to other countries. Fourth, bilateral trade agreements are used in standardizing labor standards and regulations as well as environmental protections. Lastly, they arrive at an agreement against stealing the innovative products of one another.

Regionally, Kenya has a unilateral agreement with Uganda that eases the importation and exportation of various products especially from manufacturing and agricultural sectors. At the global level, the AUSFTA pact, a trade agreement between the United States and Australia is a perfect example of a bilateral free trade agreement. The agreement advocates for the removal of taxes on various agricultural as well as textile imports and exports between the two nations (Allen et al. 2016). The bilateral trade agreement between the United States and Australia has been beneficial to the two countries because it has opened new markets to organizations from the two nations. According to Allen et al. (2016), consumers from the two nations have equally benefited from lower costs of products covered by the bilateral agreement. This reduction in costs of the final products is due to the limited tariffs imposed on raw materials, which as a result, lowers production costs.

Owing to the ease of enacting a bilateral trade agreement while compared to a multilateral trade agreement, it means that the former gets into effect faster leading to trade benefits quickly. There are however concerns with bilateral trade agreements as they cause unsuccessful firms to go out of business because they are unable to keep up with the high competition. Then there are multilateral trade agreements, which take place between three countries or more.

Frederick (2014) indicates that multilateral trade agreements is the most complex free trade agreement to concert, especially where the number of participating members are many since every member country harbors unique requests and needs. Multilateral

agreements lead to major competitive advantages to the members because they cover a huge geographical territory. One of the most notable features of multilateral trade agreements is that they make all parties treat one another the same. As such, no nation can give better trade deals to one nation that it does to other parties to the agreement. This serves in leveling the playing field but it is mostly criticized for disadvantaging emerging market economies. These economies are disadvantaged because they are smaller in size, which makes them less competitive. Ochilo et al. (2019) assert that the policies of a multilateral trade agreement increase trade for every party because their firms benefit from lower tariffs, which as a result, makes exports cheaper. Among all parties of a multilateral trade agreement, there are standardized commercial regulations.

This leads to limited legal costs for all firms because all the country members adhere to the same rules. On the part of consumers, it is equally beneficial because organizations must observe the set standards and regulations on quality and quantity. At the same time, respective governments are presented with an opportunity of negotiating trade deals at the same time. Regionally, Kenya is party to various multilateral agreements. The East African Community (EAC) is an example of a multilateral agreement that Kenya is party to. The EAC has 6 member countries that agree on various trade issues that enhance the movement of products and services across the member states countries borders without or with limited tariffs (Ochilo et al., 2019). The intention of this multilateral trade agreement is to influence the growth of members' economies.

Globally, the North American Free Trade Agreement (NAFTA) serves as a major example of a multilateral pact. Found in the North American region, the pact

advocates for the free trade of various products between Canada, the United States, and Mexico without import or export tariffs (Frederick 2014).

2.4 Free Trade Agreements and Business Growth

Free Trade Agreements assist in trade expansion into global markets by helping in overcoming real inhibitors to trade with initiatives such as preferential treatment against competitors from other countries outside such an agreement. Cheong and Cho (2009) assert that protection moves businesses towards retardation and non-competitive globally. Thus, FTAs are motivated to become true competitors as they venture to global markets and face competition from MNCs. FTAs open new markets which increases the GDP of the economies, this also by allowing new businesses to come in.

Hayakawa and Urata (2015) observed that trade among countries helps to develop sustainable growth of the countries' GDP at an increasing rate. Practically the economy of Philippines recorded an increase in its growth of GDP from 5.8% to 6.8% in the last five years. This is attributed to its openness to trade with other countries including ASEAN treaty which is a major booster of trade growth. This in turn impacts on employment by reducing both the unemployment and underemployment levels by an estimated 10%-20%.

Mattoo, Mulabdic and Ruta (2017) opine that free trade is good for both the developed and developing countries. This is true because it opens up opportunities for businesses to explore robust economies for their products' market.

In addition, it opens an opportunity for increasing commodities which has the potential for improved wealth creation. This creates opportunities for diversification which in turn reduces commodity prices thus enhancing the consumers purchasing power. It is also a protection strategy to caution businesses in times of turbulent

weathers in a specific business line and ensure that the businesses will remain afloat. It is however not always a rosy scenario where free trade exists. Ali (2011) observes that there are some of the challenges to free trade to businesses include; the creation of inequality economies. Most developing countries are unable to actively participate in the free trade advantages due to various shortcomings. These include poor infrastructure, low rate of diversification power and unequal economies among others. However, the benefits are more than the challenges and thus countries are better off with FTAs for the sake of their economies and citizens (Hannan, 2016).

2.5 Empirical Review

Cheong and Cho (2009) delved the effect of free trade agreements on business growth in the Korean republic. The study sought to establish use of FTA's, perceived gains and losses, perceptions regarding multiple origin rules, and policy, and mechanisms for institutional support. FTA's that has been adopted by Korea had been concluded mostly with developing countries. The findings established that FTA's particularly preferential tariffs were only used by one out of five enterprises. It was further established that following the conclusion of FTA's with the U.S and E.U, businesses in Korea were interested in the adoption of FTA's. Yunling (2010) studied the effects of free trade agreements on business activity of firms in the People's Republic of China.

The study did an analysis of the results from a survey that was carried out across 232 Chinese firms with regard to FTA involving use, anticipated losses, gains, perceptions of rules of origin, and policy as well as institution support mechanism. It was found that, of the surveyed firms, 45% utilized FTAs to a moderate extent. In general, Chinese firms viewed FTA's as a means of increasing access to partner markets and an opportunity for collaboration between the private sector and the government.

Udbye (2015) investigated the effect of FTA's on growth of imports and exports amongst the U.S and 20 partner countries, and if the growth was separately and collectively higher compared to a control group that comprised of 82 non-FTA's trading partners. The measurement tool included Compound Annual Growth Rates (CAGR). The findings established that FTA's showed a positive effect on U.S exports, nonetheless a slight negative impact on imports. It was further established that FTA's did not show any positive contribution on bilateral trade. Hayakawa (2015) examined the impact of use of FTA's on performance of firms in Thailand. The study explored the level of firm's utilization of FTA's schemes and established that larger firms had higher chances to engage in FTA's. The results also demonstrated that use of FTA's schemes had no effect on employment of firms but led to an increase in local inputs as well as exports.

Saygili, Peters and Knebel (2017) explored the challenges and opportunities of FTA's among African Union member states and the results showed significant welfare benefits, growth of businesses and employment opportunities and long-run growth of intra-African trade. However, these gains were unevenly distributed among member countries. The short-term effects included tariff revenue losses and adjustment costs. Also, there was a reduction in costs and benefits when sensitive products were exempt from liberalization.

Huijskens (2017) analyzed the effect of FTA's on bilateral trade flows and how the effect varies between industrialized versus unindustrialized countries. A panel dataset was used containing thirty-one (31) developed and thirty-one (31) developing economies in the period between 1995-to-2014. Regression analysis was used and the outcome disclosed that there existed a 6% rise in trade as a consequence of FTA's between countries. It was further revealed an increase on the effect of FTA's on trade

flows improved development between the two countries. However, when the country that exported had a lower status of development compared to the country that imported, this impacted trade negatively particularly if the difference was huge. However, the impact on trade was positive when the difference in status of development of the two countries was small.

2.6 Summary of Literature Review

Generally, FTA's is used as a means for firms to increase access to partner markets, minimize custom duties, reduction trade restrictions and removal of quotas for trade in products and services amidst two or more countries. The study considered more recent experiences particularly in U.S, Europe and Asia. Previous researches on FTA's on business growth were global hence the findings obtained from such studies were unique and inapplicable in the local setting (Kenya). This research brought useful and unambiguous insight into the field of macro-economic studies of global business environment through the importance of FTA's for both private and public institutions that operated within the Kenyan environment. Studies demonstrated that FTA's contributed to trade between countries and thus, when considering global marketing strategies, firms needed to consider both macro-economic and country-specific factors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter covered the research methodology that was employed by the researcher to address the research questions. Research methodology acts as a guide on how research should be carried out in order to accomplish the goals. The areas covered were as follows: research design, target population, data collection, procedure and data analysis.

3.2 Research Design

Saunders (2012) confers that a research design is describe the framework of methods selected by the researcher to integrate several components of research in a logical manner to address the research problem effectively. The study adopted a descriptive survey that gave a picture of a situation exactly the way it took place naturally. This form of design was applied to make judgement and develop theories.

With this approach, it's easy for the researcher to gather information that was related from similar demographic groupings and interpret. The design insisted on the need to determine the level of frequency when something happens or the level at which variables in a study co-vary. This design enabled the researcher to determine the influence of free trade agreement on business growth of animal feed manufacturing firms in Kenya.

3.3 Study Population

Cooper and Schindler (2008) define population as a whole group of individuals, events or objects that possess similar attributes that fit to a particular specialization. The target population for this study included 30 Animal Feed Manufacturing firms

KAM (2019), that are licensed to work and operate in Kenya as presented in Appendix II.

3.4 Data Collection

Primary data was collected using semi-structured questionnaires. The self-administered questionnaires were designed to provoke specific responses through qualitative and quantitative methods. The questionnaires consisted of three sections: The first parts had questions on general information on Animal Feeds Manufacturing firms and the respondents, the second part consisted of questions on policies and practices of FTAs as used by Animal Feed Manufacturing Firms and the third part comprised of questions on the effect of FTA on business growth of Animal Feed Manufacturing firms in Kenya. The study respondents included Finance Managers, Operations Managers, Business Development Managers. Information on Free Trade Agreement was provided by both Business Development Managers and Operations Managers, and the Finance Managers provided information on business growth. The choice of this class of respondents was because they were either directly or indirectly involved in making key decisions on Free Trade Agreements and Business growth. The questionnaires were administered through hand deliveries.

3.5 Data Analysis

Data was analyzed using descriptive statistic and inferential statistics. The first objective was analyzed using descriptive statistics and the second objective was analyzed using inferential statistics. Descriptive statistics included mean and standard deviation. Inferential statistics especially chi square was used to establish the link between FTAs and business growth of Animal Feed Manufacturing firms in Kenya. The study adopted chi square analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS, DISCUSSION, INTERPRETATION AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter provides data analysis and discussion of the results which have been done in line with the objective of this research which was establishing influence of FTAs and business growth of Animal Feeds Firms in Kenya. The chapter comprises of data analysis: on demographics, FTAs, influence of FTAs on business growth as well as a discussion of findings.

4.2 Response Rate

A census was conducted involving 30 Animal Feed firms, out of the 30 questionnaires that were successfully administered to the respondents, 29 questionnaires were filled and successfully returned, this represents a response rate of 96.67% which was considered a sufficient representation of the entire population as shown in Table 4.1.

Table 4.1 Response Rate

Class	Frequency	Percentage
Returned	29	96.6
Unreturned	1	3.4
Total	30	100

This view is supported by Fincham (2008), who argued that a response rate of 60% and above from a sample is considered as sufficient representation of the whole population, he argued that researchers should aim at achieving this response rate.

4.3 General Information

This part of the study discusses background information regarding the organization and the respondents, it provides the reader with the demographic information of the respondents, the business ownership structure and the duration in which the business has been in operation.

4.3.1 Ownership Structure of the Business

The respondents were requested to indicate the structure of ownership of their business. The results are show in Table 4.2.

Table 4.2: Structure of Ownership

Structure of Ownership	Frequency	Percent
Local Individual	21	72.4
Both Local and Foreign Individual	5	17.2
Body Corporate	3	10.3
Total	29	100.0

The findings depict that majority 72.4% of the respondents indicated that the business was locally and individually owned, 17.2% of the respondents indicated that the business was both foreign and locally owned, 10.3% of the respondents indicated that the business was owned by corporate body. This implies that most of the animal feed in Nairobi are locally owned. This finding contradict the findings of Olouch (2013) who found that most of the animal feed firms are both locally and foreign owned,

4.3.2 Duration of Service to the Business

The respondents were requested to indicate the duration that they had managed the business. The results are depicted in Table 4.3.

Table 4.3: Duration of Service

Duration of Service	Frequency	Percent
3-6 years	3	10.3
7-10 years	4	13.8
Over 10 years	22	75.9
Total	29	100.0

The findings revealed that 75.9 % of the respondents had managed the business for over 10 years, 13.8% of the respondents had managed the business for 7-10 years, 10.3% respondents had managed the business for 3-6 years and none of the respondents had managed the business for less than 3 years. This imply that the respondents had better understanding of the organization hence rich information on free trade agreement on business growth. This is consistent to the work of Mwori (2013) that experience management leads to business growth.

4.3.3 Duration of Operation of the Business

The respondents were asked to indicate the interval that the business had been in operation. The results are illustrated in Table 4.4.

Table 4.4: Duration of Business Operation

	Frequency	Percent
3-6 years	3	10.3
7-10 years	2	6.9
Over 10 years	24	82.8
Total	29	100.0

The results portray that most of the respondents (82.8%) indicated that the business had been in operation for over ten years, 10.3% of the respondents pointed out that the business had been in operation between 3-6 years while only 6.9% respondents indicated that the business had been in operation between 7-10 years. This implies that most of the animal feed firm have operated in Kenyan market more than 10 years

hence the firms have better understanding of the Kenyan market. This is study agree with the findings of Johnson (2012) who found out that the longer the business has operated the better understanding of its market.

4.3.4 Position in the Organization

The respondents were requested to indicate their position in the business. The output is provided in Table 4.5.

Table 4.5 Position in the Organization

Position in the Organization	Frequency	Percent
Head of Operations	10	34.5
Finance Manager	5	17.2
Business Development Manager	10	34.5
Marketing Managers	2	6.9
Director	2	6.9
Total	29	100.0

The outcome in Table 4.4 depicts a tie of 34.5% of the respondents, who were Head of Operations and Business Development Managers, and 17.2% of the respondents were Finance Managers. There was another tie of 6.9% respondents who were Marketing Managers and Directors. These imply that majority of the study participants served as middle level managers.

4.3.5 Length of Service in Current Position

The respondents were requested to indicate the time that they had served in their current capacities. The results are outlined in Table 4.6.

Table 4.6 Length of Service

	Frequency	Percent
Less than 5 years	8	27.6
Between 5-10 years	16	55.2
Between 10-15 years	3	10.3
Above 15 years	2	6.9
Total	29	100.0

Findings show that a majority of the study participants (55.2%) served in the current capacity between 5-10 years, 27.6% of the study participants served for fewer than 5 years, 10.3% participants served between 10-15 years and only, 6.9% of the participants served for more than 15 years. Most of the managers have worked in the firm more than five years indicating that they have rich information on free trade agreement and how it affects business growth. This is consistent to Mwangi(2015) that the longer you serve an organization the better management decision.

4.4 Free Trade Agreements

FTA was considered independent variable; the study considered the significance of establishing the views of the respondents with regard to the application of FTA indicators in the organisation. These indicators were evaluated on a Five-points Likert Scale, and there was the anticipation that the respondents would either agree:” to a very great extent”, “great extent”, “moderate extent”,” small extent”, or “not at all”. For each and every question, the response that gave a positive response to these practices got an allocation of 5 points, then 4, 3,2 and 1 for the least positive responsive respectively. A mean score of ≥ 4.5 showed that the study participants agreed to a very large extent; $3.5 \leq 4.5$ implying that the participants were in agreement to a large extent; $2.5 \leq 3.5$ implying that the participants were in agreement to a moderate extent; $1.5 \leq 2.5$; implying that the participants were in agreement to a

little extent, and a score of ≤ 1.5 meant that the participants did not agree. A SD of ≤ 1 implied that the respondents maintained similar perception in their rating of statements while, when SD exceeded 1; this meant that the participants did not agree on a statement. A total of 22 statements were utilized in evaluating FTAs among Animal Feed Manufacturing firms.

4.4.1 Treaty

The respondents were asked to point out the level at which they agreed with several aspects of Treaty in FTAs in their business using four statements. The output is given in Table 4.7.

Table 4.7: Treaty

Aspect of the Treaty	Mean	SD
The firm complies with the law that guides treaties	3.70	.84
The firm is guided by written instruments amid member states when transacting in regional trade	3.62	.72
The firm observes the principle that governs international customary law in regional trade dealings	3.87	.79
The firm complies with the general rule of common application when transacting in regional trade	3.91	.83
N=29: Mean Score	3.78	0.80

Source: Research data 2019

The findings disclose that to a great extent (mean of $3.5 \leq 4.5$), the firm: conformed to the general rule in its regional trade transactions (3.91), abides with the principle that administrates internal customary law (3.87), is observes laws that guides treaties (3.70) and written instruments among member states (3.62). The grand mean was 3.78 and standard deviation of 0.80; implying that Animal Feed Manufacturing firms complied with the components and instruments of the treaty. This implies that firm that adopt treaty comply with the general rule of common application when

transacting in regional trade. This is consistent with the findings of Mattoo, Mulabdic and Ruta (2017) opine that treaty is good for both the developed and developing countries.

4.4.2 Free Movement of Goods

The study participants were requested to indicate extent to which free movement of goods was carried out. The outcome is provided in Table 4.8.

Table 4.8 Free Movement of Goods

Free Goods Movement	Mean	SD
The firm enjoys physical movement of goods among member countries	4.10	0.78
The firm is authorized for customs procedure	3.91	0.72
The firms easily move processed and unprocessed goods between member states	3.89	0.65
The firm makes reports of physical movement of goods and services	3.99	0.75
Goods and services comply with the requirements	4.05	0.21
Members states possess the same access to products and services just like local customers	4.01	0.71
N=29: Mean Score	3.99	0.64

Source: Research data 2019

The findings show illustrate that to a great extent (mean of $3.5 \leq 4.5$), the firm: did physical movement of products and services amid member states (4.10), did comply with the requirements (4.05), had equal access to services and goods just like its local competitors (4.01), made reports involving physical movements of goods or services (3.99), had authority for custom procedures (3.91) and moved both processes and unprocessed goods easily (3.89). Grand mean is 3.99 with a standard deviation 0.64, meaning that there was free movement of goods to a great extent. This implies that firms which focus on free movement of goods enjoys physical movement of goods

among member countries. This agree with Cheong and Cho (2009) assert that protection moves businesses towards retardation and non-competitive globally.

4.4.3 Free Movement of People

The study participants were asked to point out the extent to which people moved freely locally to other countries to work, reside, offer expertise or even training. The results are shown in Table 4.9.

Table 4.9: Free Movement of People

Free Movement of People	Mean	SD
The firm hires expertise between member states	3.75	1.01
Employees do not need work permits to work to member states	3.90	.77
Employees are permitted to reside and work in a member state of their choice	3.81	.74
Employees can continue residing in a member country even upon lapse of their contract	3.69	.91
Employees get similar treatment with other nationals in terms of employment, work conditions including other social tax advantage	3.83	.91
N=29: Mean Score	3.80	0.87

Source: Research data 2019

The findings established that to a great extent (mean of $3.5 \leq 4.5$), employee: do not require permits to work in member countries (3.90), get equal rights and privileges with other nationals (3.83) and are allowed to stay and work in any member countries (3.81). It was further established that the firm appointed professionals from member states (3.75) and that employees could opt to continue staying in a member country even when the contract ended (3.69). Overall mean is 3.80, and a standard deviation of 0.87, which meant that to a great extent, there was free movement of people. This implies that free movement of people affect business growth at moderate extent in which it assist businesses to hire expertise from different countries.

4.4.4 Preferential Trade Relations

The study participants were requested to indicate the extent to which the firm benefited from preferential trade relations. The output is illustrated in Table 4.10.

Table 4.10 Preferential Trade Relations

Preferential Trade Relations	Mean	SD
Improved access to markets	4.05	0.58
Increased export volumes	4.05	0.57
Protection from other trade partners	3.90	0.68
Maximization of political and economic gains	3.85	0.90
Tariff concessions in trade dealings	4.10	0.70
Handling conflicting interest among member states in transactions	4.15	0.71
N=29: Mean Score	4.02	0.69

Source: Research data 2019

From the findings, it is clear that to a great extent (mean of $3.5 \leq 4.5$), the firm: handled conflicts from transactions among member states (4.15), got tariff concessions in its trade dealings (4.10), widened its market access (4.05), enhanced its export volumes (4.05), obtained protection from trade partners (3.90) and maximized its economic and political advantages (3.85). The overall mean is 4.02 with a standard deviation of 0.69, which is an indication that the firm benefitted to a great extent through preferential trade relations. Firms that engage in preferential trade relations get leads to access market and export volumes. This agree Ochilo et al. (2019) assert that the policies of a multilateral trade agreement increase trade for every party because their firms benefit from lower tariffs, which as a result, makes exports cheaper.

4.5 Chi Square

To ascertain the relationship between FTA and business growth of Animal Feed Manufacturing firms, the study employed Chi square (X^2).

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.632 ^a	4	.001
Likelihood Ratio	24.768	4	.000
Linear-by-Linear Association	3.092	1	.079
N of Valid Cases	29		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .41.

b. The results depict that the value of chi square statistics is 18.632

The p-value is 0.001 which imply that that the result is significant as the value is less than alpha level (5%), this means that the p-value is less compared to the designated alpha value. Therefore there is an association between FTAs and business growth. Hence, the respondents deemed FTAs as effective in influencing business growth of animal feed firms.

4.6 Discussion of Findings

The general objective was to examine the relationship between free trade agreement and business growth of animal feed manufacturers in Nairobi County. The results revealed that most of the animal feeds in Nairobi are locally owned and the findings contradict the findings of Olouch (2013) who found that most of the animal feed firms are both locally and foreign owned. On the other hand, most of the animal feed firm have operated in Kenyan market more than 10 years hence the firms have better understanding of the Kenyan market. This is study agree with the findings of Johnson (2012) who found out that the longer the business has operated the better understanding of its market. Similarly, most of the managers have worked in the firm

more than five years indicating that they have rich information on free trade agreement and how it affects business growth. This is consistent to Mwangi (2015) that the longer you serve an organization the better management decision.

In regard to treaty it was revealed that it has influenced business growth at moderate extent. This implies that firm that adopt treaty comply with the general rule of common application when transacting in regional trade. This is consistent with the findings of Mattoo, Mulabdic and Ruta (2017) opine that treaty is good for both the developed and developing countries. On the other, free good movement was at moderate extent, Animal firms focus on free movement of goods enjoys physical movement of goods among member countries. This agree with Cheong and Cho (2009) assert that protection moves businesses towards retardation and non-competitive globally.

Preferential trade relations were found that it affects business growth at moderate extent. Most animal firms engage in preferential trade relations get leads to access market and export volumes. This agree Ochilo et al. (2019) assert that the policies of a multilateral trade agreement increase trade for every party because their firms benefit from lower tariffs, which as a result, makes exports cheaper. This agree Ochilo et al. (2019) assert that the policies of a multilateral trade agreement increase trade for every party because their firms benefit from lower tariffs, which as a result, makes exports cheaper.

The view by most sampled respondents surveyed that free trade agreement significantly influenced business growth agreed with Internationalization Theory and Eclectic Paradigm Theory. Under the Internationalization theory explains the reasons as to why firms exercise ownership over an intangible; firm-specific advantage (FSA),

knowledge-based. Knowledge advantages are as a result of transactional cost economics where resolving an externality happens through a firm's hierarchy overcoming market failure cases. Similarly, Eclectic paradigm theory be argued that it is easier for firm to enter a foreign market when it already has other subsidiaries operating in other foreign markets in the same regions. Thus, it is possible to deduce that locational advantages, market experience and infrastructural development as well as political stability enable firms to enter foreign markets and conduct their operations effectively.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses major findings guided by the study objective which is determining the influence of FTA on business growth of Animal Feed firms in Nairobi County, Kenya. Other sections that have been covered include conclusion, research recommendations, short-comings and areas that future researchers can explore.

5.2 Summary of Findings

The results revealed that most of the animal feeds in Nairobi are locally owned. On the other hand, most of the animal feed firm have operated in Kenyan market more than 10 years hence the firms have better understanding of the Kenyan market. Similarly, most of the managers have worked in the firm more than five years indicating that they have rich information on free trade agreement and how it affects business growth.

The findings demonstrated that to a great extent that the firm benefitted from preferential trade relations. The firms got assistance from their trade partners in resolving trade conflicts, tax concessions were accorded during trading. It was further established that firms increased their market access, export volumes and maximized protection of their trading partners. Supporting these findings is Ahlen (2016), who indicated that FTA resulted into increase markets and exports as well as significant reduction in operational costs from tax concessions.

There was free movement of goods amid member countries to a great extent; the firms physically transferred goods among member states, and ensured that their goods and services complied with the set-out requirements. Firms from members states had

similar access to goods and services. Firms reported physical transfer of products or services and they were authorized for custom processes.

In line with these findings is a study by Kim (2016), who concludes that use of FTAs enabled member states to move goods and people between member states. Member states got equal access to services and goods.

The findings established that there was free movement of people to a great extent, employees did not need a work permit to work in any of the member countries, there was equal treatment for members with other nationals in terms of work conditions, employment terms and social tax. Also, the study found that employees were allowed to stay and work in any of the member countries even after lapse of the contract, and firms outsourced experts from any of the member countries.

Firms utilized the treaty to a great extent; firms did comply with the laws that guided treaties, there was strict adherence to the principles that oversees international customary law in regional business transactions and firms were guided by written instruments among member states when transacting in regional trade. The findings conform to the observations of Hayakawa (2015), who insisted on the importance of abiding with laws of the treaty among member states to effectively transact through FTA.

Results from Chi Square tests exhibited that FTAs was statistically associated to business growth as its p-value was less than 5% (0.001). Through free movement of goods, preferential trade relations and free movement of people Animal Feeds firms boosted their exports, outsource expertise and broaden their markets. This resulted to increased revenues, profits and business expansion. Consistent to these views are the suggestions by Huijskens (2017), who found that free movement of goods and preferential trade relations as significantly linked to firm growth.

5.3 Conclusion

It can be concluded that most of the animal feed firms are locally owned and have being in existence more than ten years, In which most of the managers have worked in the firm more than five years indicating that they have rich information on free trade agreement and how it affects business growth.

It can also be concluded that treaty influence business growth at moderate extent. This implies that firm that adopt treaty comply with the general rule of common application when transacting in regional trade. Treaty is good for both the developed and developing countries. On the other, free good movement was at moderate extent, Animal firms focus on free movement of goods enjoys physical movement of goods among member countries.

It was concluded preferential trade relations were found that it affects business growth at moderate extent. Most animal firms engage in preferential trade relations get leads to access market and export volumes. The policies of a multilateral trade agreement increase trade for every party because their firms benefit from lower tariffs, which as a result, makes exports cheaper. The policies of a multilateral trade agreement increase trade for every party because their firms benefit from lower tariffs, which as a result, makes exports cheaper.

5.4 Recommendation from the study.

The study recommends for the need the government to craft policies that encourage African states to trade freely, establish partnerships and ties. This will create a supportive environment for member states to engage in international business and open new markets for their products and services; this is part of Kenya's Vision 2030 that is intended to stabilize the agricultural sector, create job opportunities through growth of exports.

The study recommends that the government should build the capacity for firms to investment export development. This will help to create an enabling environment for reforms and sensitizing the private sector to opportunities that can emerge and removal of barriers that could affect business upon implementation of FTAs.

This is coupled with the adoption of legal and regulatory processes that make it less risky and easier for foreign firms to conduct their operations and revenue collection for the government.

Theories anchoring this research match with the study findings. Eclectic Paradigm emphasized on the advantages that the firm gets from favourable FTAs agreements and how this contributes towards improving business growth, this has been proved to be true in this study. Effective implementation of FTAs by a country results to business growth. The other theory, Internationalization theory explains how the firm increases its operations in regional and international markets. On the other hand, Animal Feeds Manufacturing firms have benefitted a lot from FTAs, they have widened their markets, regionally and globally and increased their exports. This theory is supported by this study.

5.5 Limitations of the Study

The main limitation for the study was that some of the study respondents failed to provide information to the researcher even after they were assured that the data collected was confidential and for academic purposes only. This restricted the researcher to get adequate and reliable information that could have probably resulted to more accurate and reliable findings.

Because of constraints of resources and time, the research was limited to scope and thus it was based on Animal Feeds Manufacturing firms only. A comparative research

of domestic and regional markets could be applicable in comparing FTAs adopted and their effect on business growth and expansion.

5.6 Recommendation

Future researchers should consider doing a similar research in a different sector such as Fast Consumer Moving Goods. This is intended to compare findings and provide a more detailed opinion on the kind of relationship that exists between FTAs and business growth, afterwards the researcher can draw a plausible conclusion that is guided by facts.

It would be desirable for future researchers to ponder doing a similar study in this field in countries within the region, similar in size and areas of intervention can be useful in assisting the researchers to establish the universality of FTAs and its influence on business growth.

REFERENCES

- Abdillahi, U.A. (2017). Impact of trade openness on economic growth in Kenya. *International Journal of Economics, Commerce and Management*, 5 (6), 48-86
- ABS TCM Limited. (2013). Study on the Kenyan Animal Feed and Fodder Sub-sectors. *Animal Feed Science and Technology*, 6(1). Retrieved from <https://www.dialogkenya.info/docs/RES-KenyaFeedIndustryPolicyRegulatoryIssues--2013.pdf>
- Ahlen, L. (2016). *The economic impact of free trade agreements with Asia on the US pork industry* (Doctoral dissertation, Kansas State University).
- Akwetey, L. M. (2014). Global Business Ventures, Foreign Direct Investment, Expansion, and Growth Strategies. *Global Enterprise Management, Volume II*. doi:10.1057/9781137510709.0004
- Ali, E. (2011). Impact of free trade agreement on economic growth of partner countries. *International Business and Management*, 113-21.
- Allen, D., Lim, L. K., & Winduss, T. (2016). AUSFTA and its Implications for the Australian Stock Market. *Regionalism, Trade and Economic Development in the Asia-Pacific Region*, 3(1), 212-219. doi:10.4337/9781847204400.00019
- Badinger, H. (2015). Growth effects of economic integration: evidence from the EU member states. *Review of World Economics*, 141(1), 50-78.
- Baldwin, R., & Jaimovich, D. (2012). Are free trade agreements contagious? *Journal of international Economics*, 88(1), 1-16.
- Boojihawon, K., & Acholonu, K. (2013). Internationalization Process of banks: an Exploratory Study, *African Journal of Economic and Management Studies*, 4, 244 – 266
- Bradley, F., & O'Reagain, S. (2011). Deriving international competitive advantage in SMEs through product-market and business system resource allocation, *Irish Journal of Management*, 22 (2), 19-44.
- Buckley, P.J., & Casson, M. (1976). *The future of the multinational enterprise*. London: Macmillan.
- Buckley, P.J., & M.C. Casson. (1981). The optimal timing of a foreign direct investment. *The Economic Journal* 91: 75-87
- Cheong, I., & Cho, J. (2009). *The impact of free trade agreements (FTAs) on business in the Republic of Korea* (No. 156). ADBI working paper series.
- Cofelice, A. (2018). African Continental Free Trade Area: Opportunities and Challenges. *The Federalist Debate*, 31(3), 32-35. doi: 10.2478/tfd-2018-0032

- Crawshaw, R. (2013). Food industry co-products as animal feeds. *Handbook of Waste Management and Co-Product Recovery in Food Processing*, 391-411. doi:10.1533/9781845697051.3.391
- Dunning, J.H. (1980). *International production and the multinational enterprise*, London: Allen & Unwin.
- Dunning, J.H. (1981). International business in a changing world environment, *Banco Nazionale del Lavoro Quarterly Review*, 143:351-373.
- Dunning, J.H. (1992). *Changes in the structure of international production: the last 100 years*. In M.C. Casson, ed., *The growth of international business*. London: Allen & Unwin.
- Dunning, J.H., & Rugman, A.M. (1985). The influence of Hymer's dissertation on the theory of foreign direct investment, *American Economic Review*, 75(2): 228-232.
- Eden, L., & Miller, S. (2014). Distance matters: liability of foreignness, institutional distance and ownership strategy in Michael A. Hit and Joseph L.C. Chen (eds.) the evolving theory of the multinational firm, *Advances in International Management*, 16, Amsterdam: Elsevier.
- European Commission. (2017). Agreements. Retrieved from <http://ec.europa.eu/trade/policy/countries-and-regions/agreements/>
- Frederick M, A. (2014). North American Free Trade Agreement, Case-Law. *Max Planck Encyclopedia of Public International Law*, 4, 15-26
- Fincham, J. E. (2008). Response rates and responsiveness for surveys, standards, and the Journal. *American journal of pharmaceutical education*, 72(2), 43.
- Gawronska-Nowak, B., Beck, K., & Valdivieso, P. (2019). Expert Knowledge Status Quo in the Internet Provided Public Debate on Free Trade Agreements. Meta-Analysis of Polish Literature. *Economics & Sociology*, 12(1), 248-368.
- Glatte, T. (2015). Location strategies: methods and their methodological limitations *Journal for Engineering Design and Technology*, 13, 3, 435 – 462
- Hannan, S. A. (2016). *The Impact of Trade Agreements: New Approach, New Insights*. International Monetary Fund.
- Hayakawa, K. (2015). Impacts of FTA utilization on firm performance. *The BE Journal of Economic Analysis & Policy*, 15(3), 1325-1352.
- Hayakawa, K., & Urata, S. (2015). Firm-level Impact of Free Trade Agreements on Import Prices. *ERIA Discussion Papers*, April, 33.
- Hertel, T., Hummels, D., Ivanic, M., & Keeney, R. (2010). How confident can we be of CGE-based assessments of Free Trade Agreements. *Economic Modelling*, 24(4), 611-635.

- Hidayatie, E. P. (2014). *Agricultural trade, economic growth and free trade agreements: studies of the Indonesian case* (Doctoral dissertation, Victoria University).
- Hirastuka, D., Sato, H., & Isono, I. (2009). Impacts of free trade agreements on business activity in Asia: The case of Japan
- Huijskens, R. (2017). The effect of free trade agreements on international trade: an empirical analysis for developed and developing countries. *Master Thesis International Economics, Erasmus University Rotterdam*
- Hymer, S.H. (2016). *The international operations of foreign firms: A study of direct foreign investment*. Cambridge, Mass.: MIT, (originally, Ph.D. dissertation, MIT, 1960).
- Johanson, J., & Mattsson, L.G. (2011). Internationalization in industrial systems – a network approach, strategies in global competition in banks, in Buckley, P.J. and Ghauri, P.N. (Eds), *The Internationalization of the Firm: A Reader, Academic Press, London*, 303-22.
- Kenya Markets Trust. (2017, October). Mapping animal feed manufacturers and ingredient suppliers in Kenya. Retrieved from <https://www.kenyamarkets.org/wp-content/uploads/2017/10/Summary-Report-on-Animal-Feed-Millers-and-Ingredient-Suppliers-in-Kenya-2017.pdf>
- Kim, D. J. (2016). Impact of Korea-China Free Trade Agreement (FTA) on Domestic Small and Medium Enterprises (SMEs). *Journal of International Trade & Commerce*, 12(5), 135-147.
- Lin, W., Liu, Y., & Cheng, K. (2011). The internationalization and performance of a firm: Moderating effect of a firm's behaviour, *Journal of International Management*, 17, 1, 83-95
- Luke, D. (2019). Making the case for the African Continental Free Trade Area. *Inclusive Trade in Africa*, 5-12. doi:10.4324/9780429401121-2
- Lundan, S. M. (1998). The geographical sources of competitiveness of multinational enterprises: An econometric analysis. *International Business Review*, 7(2), 115–133
- MacLeod, J. (2019). The AFCFTA in a changing trade landscape. *Inclusive Trade in Africa*, 134-146. doi:10.4324/9780429401121-9
- Mattoo, A., Mulabdic, A., & Ruta, M. (2017). *Trade creation and trade diversion in deep agreements*. The World Bank.
- Nieto, M., Soler, M., Duran, F. F. M., & Andrade, N. (2014). Free Trade Agreements and their Impact on the Economic Growth of Developing Countries. *Journal of Economics*, 2(3), 193-200.

- Ochilo, W. N., Nyamasyo, G. N., Kilalo, D., Otieno, W., & Otipa, M. (2019). Animal feed industry in Kenya. *Journal of Agricultural Science and Practice*, 4(2), 29-42
- OECD. (2013). What drives the dynamics of business growth? *OECD Science, Technology and Industry Policy Papers*, 54-69. doi: 10.1787/5k486qtttq46-en
- Pak, Y. S., & Beldona, S. (2007). Foreign ownership strategies of UK and US international franchisors: An exploratory application of Dunning's envelope paradigm. *International Business Review*, 16(5), 531-54
- Park, Y., Hong, P., & Li, S. (2016). Free trade agreements and maritime supply chain costs: Competitiveness of Korean firms. *Maritime Economics & Logistics*, 18(1), 3-18.
- Rugman, A.M. (1981). *Inside the multinationals: the economics of internal markets*, New York: Columbia University Press, (Reissued by Palgrave Macmillan, 2006).
- Rugman, A.M., & Verbeke, A. (2012). Edith Penrose's contribution to the resource-based view of strategic management, *Strategic Management Journal*, 23: 769-780.
- Sanjo, O. M., & Ibrahim, M. O. (2017). The effect of international business on SMEs Growth in Nigeria. *Journal of Competitiveness*, 9(3), 67.
- Saunders, M. L. (2012). *Research methods for Business Students*. Essex, England: Pearson Education Limited
- Saygili, M., Peters, R., & Knebel, C. (2017). *African continental free trade area: Challenges and opportunities of tariff reductions*. UN.
- Schuler, D. (2015). Free Trade, Free Trade Agreements, Free Trade Zones. *Encyclopedia of Business Ethics and Society*.
- Sofjan, M. (2016). *Assessing the economic impact of free trade agreement on Indonesia* (Doctoral dissertation).
- Soi, N., Koskei, I., Buigut, K., & Kibet, J. (2013). Effect of international trade on Economic growth in Kenya. *European Journal of Business and Management*, 5(10), 131-137.
- Stevens, C., Irfan, M., Massa, I., & Kennan, J. (2015). *The Impact of Free Trade Agreements Between Developed and Developing Countries on Economic Development in Developing Countries*. Overseas Development Institute.
- Udbye, A. (2015). A comparative study of export, import and bilateral growth rates for the twenty countries before and after the FTA's. *A paper submitted to the Academy of International Business US West Chapter Conference, Seattle, University of Puget Sound*

- UNCTAD. (2019). The continental free trade area: Making it works for Africa. Retrieved from https://unctad.org/en/PublicationsLibrary/presspb2015d18_en.pdf
- Williams, S. (2016). The importance of business growth. *Business Intelligence Strategy and Big Data Analytics*, 2013-2018. doi:10.1016/b978-0-12-809198-2.00003-8
- WTO. (n.d.). Regional trade agreements. Retrieved from www.wto.org: https://www.wto.org/english/tratop_e/region_e/region_e.htm#rules_ita
- Yunling, Z. (2010). The impact of free trade agreements on business activity: A survey of firms in the People's Republic of China.
- Zaheer, S. (2015). Overcoming the liability of foreignness, *Academy of Management Journal*, 38(2): 341-363.

APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

Introduction

This questionnaire is meant to collect data on FTAs and business growth of Animal Feed firms in Nairobi County in Kenya. The information collected will be treated with a high level of confidentiality and for its designated use as an academic research.

Section A: Demographic Information

- 1 Location of the business
- 2 What is the ownership structure of the business?
Local Individual { } Both Local and Foreign Individual { }
Foreign Individual { } Body Corporate(s) { }
- 3 For how long have you owned/managed this business?
Less than 3 years { } 3-6 years { }
7-10 years { } Over 10 years { }
- 4 How long has your business been in operation?
Less than 3 years { } 3-6 years { }
7-10 years { } Over 10 years { }
- 5 What is your position in this organisation?
 - a) Head of Operations/Plant manager []
 - b) Finance Manager []
 - c) Business Development Manager []
 - d) Marketing Managers []Any other position/please indicate_____
- 6 How long have you been in this position?
 - a) Less than 5 years []
 - b) Between 5 to 10 years []
 - c) Between 10 to 15 years []
 - d) Above 15 years []

PART B: Adoption of Free Trade Agreements by Animal Feeds Manufacturing firms

A free trade agreement (FTA) is a treaty between two or more countries to facilitate trade and do away with trade barriers. This is aimed at creating an open and a competitive level international market for products and services.

4. Please indicate the extent to which FTAs are adopted by your organisation. Use the following rating: Tick appropriately. 1-Not used 2-Small Extent 3- Moderate extent 4- Great Extent 5-Very great extent.

		1	2	3	4	5
	Treaty					
1.	The organisation abides with the law that governs treaties					
2.	The organisation refers to written instruments between member states when engaging in regional trade					
3.	The organisation complies with the principle of governing international customary rules when engaging in regional trade					
4.	The organisation abides to the general rule of common application when engaging in regional trade					
	Free Movement of Goods					
1.	The organisation enjoys physical movement of goods between member states					
2.	Authorization for customs procedure (inward processing)					
3.	The organisation moves unprocessed and processed goods between member states					
4.	The organisation reports physical movements of goods and services					
5.	There is free movement of goods between member states without restrictions or additional costs					
6.	Goods and services comply to the requirements					
7.	Member states have similar access to goods and services just like local customers					
	Free Movement of People					
1	The organisation hires expertise between member states					
2.	Employees do not need work permits to work in other member states					

3.	Employees are allowed to reside in any of the member countries and work				
4.	Employees could still choose to reside in a member country even after lapse of employee				
5.	Employees are accorded similar treatment with other nationals in terms of access to employment, work conditions among other social tax advantages				
Preferential Trade Relations					
1.	There is increased access to markets of developed countries				
2.	The organisation enjoys huge export volumes				
3.	The organisation enjoys protection from other trading partners				
4.	Through liberalization the organisation is able to maximize political and economic gains from trade				
5.	The organisation enjoys tariff concessions in trade dealings				
6.	Through product exclusion, the organisation is able to deal with conflicting interest between two counties engaging in a transaction				

PART C: BUSINESS GROWTH

6. Kindly provide approximate figures on the parameters outlined in the table below.

Criterion	Unit Measure	2016	2017	2018
Sales	Kshs. (m)			
Profits	Kshs. (m)			
Market share	%			
Range of products (time)	No.			
Cost efficiency (cost)	%			

THANK YOU ALL FOR PARTICIPATING

APPENDIX II : ANIMAL FEED MANUFACTURERS IN NAIROBI COUNTY

- 1 Economy Farm products
- 2 Hemco feeds Ltd
- 3 Pembe feeds Industrial area
- 4 Unga farm care (E.A)
- 5 Nutrimix ltd
- 6 Pioneer feeds ltd
- 7 Tarime supplier's ltd
- 8 Sirari feeds
- 9 ABS TCM ltd
- 10 Alltech E.A.ltd
- 11 Dandora millers
- 12 Eagle Vet k ltd
- 13 Joeliz bone meal ltd
- 14 Modern ways supplier's ltd
- 15 Nairobi feed manufacturers ltd
- 16 Step Seed Millers ltd
- 17 Tam feeds ltd
- 18 Twiga chemical industries ltd
- 19 Vet care k ltd
- 20 Twin brothers
- 21 Zagros singapo ltd
- 22 Goldstar Feeds
- 23 Ultravetis E.A.
- 24 Adc feed mills
- 25 Belfast miller's ltd
- 26 Cooper K Brands Ltd
- 27 ByGrace Animal feeds ltd
- 28 Hika Animal feeds ltd
- 29 Stanchem Products
- 30 Alpha Grain Millers Ltd