

**A STUDY OF THE EFFECTIVENESS OF APPROACHES USED
BY DEVELOPMENT PROGRAMS IN THE PROVISION OF
BUSINESS DEVELOPMENT SERVICES TO MICRO AND SMALL
ENTERPRISES IN MAKUENI DISTRICT "**

BY

NDUVA, JOSEPHINE K.

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**A MANAGEMENT RESEARCH PROJECT
REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE
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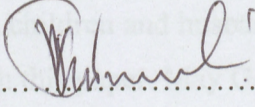
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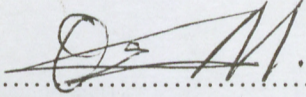
DECLARATION

This is my original work and has never been presented for any degree award in any other university.

Signed  Date 23/10/07

Nduva Josephine K.
D61/P/7336/03

This research project has been submitted for examination with my approval as the university supervisor.

Signed  Date 23/10/2007

Dr. Martin Ogutu
Senior Lecturer, Department of Business Administration,
School of Business, University of Nairobi

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This paper is dedicated to Business Development Services providers and facilitators in Makueni District. You have been playing an important role of developing the district. To my family; my children and husband-Joram, thank you for being there for me all along as I struggled with this paper. May God bless you!

A big thank you to the School of Business, University of Nairobi for admitting me to their prestigious MBA programme, and for their vehemence in upholding the academic discipline. A lot of thanks go to my Supervisor, Dr Ogum who supported me without any complaints. His positive criticism, suggestions and prompt comments gave me the impetus to refine and produce quality work.

Above all, I owe a lot to my classmates. They deserve special recognition. We struggled together on week-ends and holidays to beat deadlines. I also thank my family members and friends for their immense moral and spiritual support, in particular, my children, my husband, my in-laws, friends and house helps for walking with me the entire journey. Their understanding and encouragement gave me hope and strength to face the challenges I faced.

Despite all this able assistance, I accept full responsibility for any flaws in the writing of this paper.

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ABBREVIATIONS AND ACRONYMS

BDS	Business Development Services
CBS	Central Bureau of Statistics
DANIDA	Danish Development International Agency
DFID	Department for International Development
GOK	Government of Kenya
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ILO	International Labour Organization
K-map	Kenya Management Assistance Programme
MSEs	Micro and Small Enterprises
NGOs	Non-Governmental Organizations
UN	United Nations
US	United States
USAID	United States of America International Development
WCED	World commission of Environmental and Development

CHAPTER 1 INTRODUCTION

ABSTRACT

There has been an interest of BDS for MSE development and an increase of both BDS providers and facilitators in the country. However, there is a gap between what these programs' priorities and what the MSEs require for their growth. The programs have continued to offer BDS but the impact has not been felt due to possible outreach and approaches used. It is therefore important to establish how the programs are designed and the approaches used and why the MSEs are not accessing the services. This study therefore focuses on the effectiveness of the approaches used by development programs to provide BDS to the MSEs in Makueni district in an effort to reduce poverty and create employment opportunities. The study sort to achieve the following objectives; to identify the approaches development programs are using to provide BDS to MSEs in Makueni district and determine the effectiveness of these approaches in providing BDS to MSEs in Makueni district.

The descriptive research design was adopted with a focus on both qualitative and quantitative characteristics and status of the BDS facilitators in Makueni district. The study was a census survey in population of four organizations namely Agri- Business Development Component, Value Chain Based Matching Grant, Kenya Industrial Estates Ltd and Kenya BDS. Data used was collected using structured questionnaires. The data was coded and analyzed using SPSS. The results of this study provided empirical evidence that the approaches providing BDS to MSEs in Makueni district are effective.

CHAPTER ONE: INTRODUCTION

1.1 Background

The development of Micro and Small enterprises in Kenya gained interest after the ILO mission to Kenya in the early 1970s (ILO 1972). According to David and Anders (1999), in the 1950s and 60s small firms were written off as outdated forms of economic activities. The trend moved towards large firms due to the perceived economic benefits attributed to economies of large scale and global marketing technologies. However, in the late 80s there was another shift of emphasis from a managerial to an entrepreneurial economy in which growth was facilitated by small and medium enterprises. This formed a base for subsequent government policies to enhance the development of the MSE sector.

Despite the efforts made by the GOK, the growth of the sector has been hindered by various problems. Resources have been channeled to the sector through different development programs- NGOs, bi-lateral projects, multi-lateral projects and the private sector among others to support the sector. However, with all these resources, the services have been accessed by very few enterprises in the sector.

1.1.1 The Concept of Business Development Services

Unlike micro finance, the phrase BDS does not provoke an image of a finite and distinct set of services. BDS is used to describe a broad array of services, excluding finance that focus on enterprise growth and employment creation. The services include; training, information, technical assistance (consultancy and business counseling), legal and accounting services, product design, marketing and technology access. A few years ago, BDS activities focused on skills based training or one-on-one technical assistance primarily provided by practitioners. (Donor committee guidelines 2001)

Gibson (1997) argued that there were difficulties in defining precisely what was meant by good practices in BDS. He confirmed the existence of core principles that underpin the current state of the art of BDS that give a framework to guide interventions.

According to the Sessional paper no 2 of 1992, 'Small enterprise and jua Kali development in Kenya', the government recognized BDS as a solution to support the MSEs in their growth. The paper outlined the BDS providers in the country and some of the strategies used to implement the services. The leading service providers at the time were Kenya Management Assistance Programme (K-Map) and Kenya institute of Management , Kenya Institute of Business Training, Improve Your Business, District Trade Development Offices and Small business Centers. The services offered were mainly skills and business management training. Today with the increased scope in the provision of BDS, many players have registered as either BDS facilitators or providers or both.

McVay (1999) notes that BDS is an ever changing field. It has gradually shifted to focus on providing sustainable markets for BDS services by developing the capacity of commercial BDS providers. The paradigm is shifting again and practitioners have become facilitators, providing funding and technical assistance to commercial BDS providers. In the current shift, BDS programs have begun to address MSEs as a member of a value chain or larger markets. BDS programs today include the entire range of programs. However, the practitioners tend to deal with the enterprise and its environment. In most cases, since the programs tend to be market oriented, there is a reluctance to interact at the household level as opposed to the micro finance organizations. As a result, some end users may not even be aware that they are receiving BDS services since some may come embedded from a value chain member.

McVay further explains some of the existing approaches used to provide BDS; BDS market development approach: This is intended to mobilize the domestic market for a diverse range of services that are adapted to meet varied demands of MSEs on a sustainable basis. Market development ensures vibrant and competitive private sector markets of differentiated services consumed by a broad range and significant proportion of MSEs. The objective lies in the promotion of local services that are within the scale of MSEs, are affordable and accessible. The guiding principles in the BDS interventions are drawn from the need to address the failure of past strategies used in the sector. The

objective of outreach and sustainability can be achieved in well developed markets. The rationale for BDS market development projects is that the services market is not working at it's potential. The interventions should therefore be designed to correct market failures which are in the demand and supply side of the market.

Trade and Export promotion: This approach tends to increase private sector growth and link MSEs with larger businesses. An example is linking handicraft exporters with local producers. The exporters provide product design, access to new buyers, quality standards and how the producers can access credit.

Competitiveness programs: this is addressed through cluster development. Producer associations are formed in order to increase their ability to compete in the market. In many of the market driven BDS approaches, practitioners have shifted from being BDS providers to being facilitators. As a facilitator, the practitioner focuses in increasing the capacity of sustainable, market oriented firms to provide BDS services. This removes direct contact with the MSEs

The recipients of BDS services can be divided into three categories, the direct participants, indirect participants and indirect beneficiaries. The Kenya BDS program which focuses on increased smallholder participation in the avocado, passion fruit and mango value chains illustrates this. Kenya BDS as a facilitator provides contracts with lead export firms. These firms buy from and provide embedded services to smallholder MSEs that grow passion fruit, avocado and mango. It also facilitates demonstration farms and commercial nurseries in rural areas to provide quality fruit stocks. The lead firm, the demonstration and nursery owners are the direct participants. The small scale producers are the indirect participants and the community small scale farmers not interacting with any entity in the value chain are the indirect beneficiaries.

Gibson (2000) argues that, the BDS approaches must be very clear on the following: A very clear starting point, need to have details of the market context, a clear view of sustainability objective (How will the market function in the long-term), service

providers should be involved, a clear point of exit and interventions focused on market constraints and a facilitative role rather than delivery oriented.

BDS programs seek to enhance the following goals; scale of operation, outreach, impact, cost effectiveness and sustainability. In addition they hope to have impact on the MSEs, service providers, facilitators and the market place. While the Micro-finance institutions reach significant scale and becoming increasingly self-sufficient, the BDS programs are faced with the challenge of demonstrating that 'credit' is not enough to realize the full economic and social potential of the Micro and small enterprise sector. This notwithstanding, the programs complement the micro-finance practices but are hindered by lack of standard performance that is critical to objectively assess what works and what does not work.

The financial sustainability and the effectiveness of BDS is a desired goal which includes cost recovery scale and long-term implementation of the interventions. For BDS to be effective, it should be accessible to the target group who are the MSEs in a specific sector. This ensures that impact in the MSEs enterprises achieve increased incomes, level of production and growth. All the approaches used in the provision of BDS are dependent on the role of the BDS program and its policy from the donor country. The role as either a BDS facilitator or provider determines the participation of the organization at the transactional level with the MSEs.

1.1.2 Micro and Small Enterprises in Kenya

According to Wakah (1999), it is difficult to define the MSEs since size is relative. The size of an enterprise has been debatable for a long time. He argues that there is no general consensus upon the definition of small, micro or large enterprises. The classification of a business is therefore subjective. In addition, Mwangi (2001) argues that the definition of enterprises in Kenya depends on their characteristics which include, level of investments, number of employees, the turnover, the management style, the location and the market share. In the Kenyan context the MSEs have been defined by the number of employees.

According to the National micro and small enterprises baseline survey (1999), the micro and small enterprises employ between 0-50 employees.

Balance of rural and urban population where most of the MSEs are in rural based.

The National Poverty Eradication Plan of 1999-2015, focuses on the MSE sector to address the problem of unemployment and industrial transformation in the country. According to the 2003 Economic Survey, employment within the MSE sector increased from 4.2 million persons in 2000 to 5.1 million in 2002, accounting for 74.2% of the total persons engaged in employment. The sector contributed 18.4 % of the GDP. (CBS et al 1999). The survey also indicated that the sector had grown from 910,000 in 1993 to 1.3 million in 1999 out of which 66% were rural based and 48% owned by women. This proves that the sector is significant to the economy. The sector's potential has been recognized and it is expected to contribute towards the countries industrialization by year 2020. The sector provides a breeding ground for other manufacturing industries. It is also a learning environment for entrepreneurship. The sectors performance and competitiveness must therefore be increased in order to effectively respond to the challenges of creating productive and sustainable employment opportunities, promoting growth and poverty reduction in the country.

The sector has been growing fast although faced with several challenges. In the previous studies, Maalu (1990), Wakah (1999) and Mwangi (2001) identified various problems faced by the MSEs that hinder their growth. These include access to credit, lack of experience and technical training, poor record keeping, saturated markets, low demand, poor quality products, harassment by local authorities and multiple licensing.

In addition, the Sessional paper no 2 of 2005 on the 'Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction', reiterated some of the above challenges among others as unfavourable policy environment, inhibitive legal and regulatory environment, limited access to markets, limited access to financial services, inadequate access to skills and technology, limited access to infrastructure, inadequate business skills, limited linkages with large enterprises, gender inequality, limited access to information, unfavourable taxation regime, entry barriers (formal and

informal(health and safety in workplace and HIV/AIDs. The paper also identifies the following as the role of MSEs; Employment creation since the sector is labour intensive, Balance of rural and urban population where most of the MSEs are in rural based, industrial transformation by the year 2020 where the sector's potential has been recognized and provision for specialized products for the local market. Given the role of the MSEs and the GOK support, it is important that development programs design strategies that facilitate growth in the sector.

The challenges faced by the off-farm MSEs in the area included the following:

For the MSEs to thrive, they require affordable and accessible both financial as non-financial services. The financial programs offer different credit products with different terms and conditions. The BDS on the other hand focus on all the non-financial services though with different approaches depending on the organization's main objective and scope. McCormick (1999), notes that there is a significant number of external agencies who have the MSEs development in their portfolio.

1.1.3 Micro and Small Enterprises in Makueni district

Makueni district is one of the arid and semi arid lands in the country. It was curved from Machakos district in Eastern province in 1992. It covers an area of 7,965.8km² out of which 474.1Km² form the Tsavo west national park and 724.3Km² form the Chyulu game reserve. According to the National census 1999, the district had a population of 771,545 people projected to be 839,155 by 2002 with a population growth rate of 2.8%. The district has a rural self-employment of 15%, urban self-employment 8% and other 2%. There are 158,411 unemployed people.

According to the 2004 baseline survey of financial services in Makueni district, the following are the sources of income in the area- Farming, wage employment, livestock keeping, business, transfers from relatives, forestry, beekeeping and others. There are 46,251 off-farm enterprises within the manufacturing, construction, trade and services sectors Out of these, 51% are between 1-5 years old. The structure of the enterprises by gender indicated that 44.3% of the MSEs were owned by women. 77% of the MSEs had at least one worker. Majority of the MSEs have Gross Annual sales of between Kshs

20,001-50,000. More than half of the household income comes from MSE activities. There are 52,955 on-farm enterprises which include cereals and pulses, vegetables, fruits, livestock, traditional cash crop majority being cotton with an average of 5.7 acres. Majority of these enterprises are family owned although a distinctive 16.4 % are owned by women. 60% of the households earn more than half of the households' income from these MSEs.

The challenges faced by the off-farm MSEs in the area included the following; Insufficient finance, lack of markets and marketing support, business management (costing of products), poor or lack of working places, harassment by local authorities, lack of proper skills and poor infrastructure. The on-farm MSEs indicated lack of farm inputs, finance, diseases, small size of productive land, poor markets and lack of management skills. However market related issues were the most significant to all the MSEs.

Makueni district has several development programs with varied interventions and implementation approaches. However the target group is the same as seen in the MSEs profile of the district. The target is the rural poor who endeavour to complement farming which is hindered by the poor climatic conditions in the area. With improved infrastructure in the district, it is anticipated that the socio-economic activities will improve.

1.2 Research Problem

For many years the MSEs development programs focused on financial services to the MSEs with minimal attention to the non-financial services which are also critical in enterprise development.

Birch (1979) argued that non-financial services were down played by most programs and this led to unbalanced enterprise development. Previous studies focused on the financial services to the MSEs. A study by Wakah (1999), concluded that non-financial services are not perceived as relevant by the MSEs although the demand was growing. Mwangi (2001) looked at the factors affecting provision of non-financial services BDS by NGOs

to MSEs in Nairobi. She concluded that there was need to build capacity of NGOs to improve their delivery systems in the provision of their services to MSEs.

There has been an interest of BDS for MSE development and an increase of both BDS providers and facilitators in the country. However, there is a gap between what these programs' priorities and what the MSEs require for their growth. The programs have continued to offer BDS but the impact has not been felt due to possible outreach and approaches used. It is therefore important to establish how the programs are designed and the approaches used and why the MSEs are not accessing the services.

Most MFIs involved in enterprise development have registered growth in the provision of financial services and have continuously developed their strategies. However, they have attempted to offer some BDS without a proper strategy since this is not their core business. Previous studies have shown that there are various services required by the MSEs but are inaccessible due to affordability and other related challenges.

In Makueni district, there are several development programs but the poverty levels do not seem to reduce. The district is one of those subjected to relief food every other year due to the climatic conditions in over 50% of the area. This study therefore focuses on the effectiveness of the approaches used by development programs to provide BDS to the MSEs in Makueni district in an effort to reduce poverty and create employment opportunities.

For the purposes of this study, MSEs were defined according to the 1999 National Baseline survey of MSEs (CBS *et al*, 1999). This includes all businesses employing up to 50 employees. Micro enterprises employ up to 10 workers. In addition, since the study has a rural focus, the agri- businesses were also considered.

1.3 Research Questions

- i. What are the approaches used by development programs to provide BDS to MSEs in Makueni district,

- ii. What Business Development Services are offered by above programs to MSEs in Makueni district, and
- iii. How effective are the approaches used to provide BDS to MSEs in Makueni district.

1.4 Research Objectives

The study sought to achieve the following three objectives:

- i. To identify the approaches development programs are using to provide BDS to MSEs in Makueni district,
- ii. To identify Business Development Services offered by above programs to MSEs in Makueni district, and
- iii. To determine the effectiveness of the approaches used to provide BDS to MSEs in Makueni district.

1.5 Significance of the study

The MSE sector has proven to be significant in the economic development of Kenya. It is therefore imperative that concerted efforts should be made to support the sector. The study can enlighten individual MSEs on BDS and available approaches as they seek to maximize gains from their business.

The civil society, policy makers, planners and other practitioners, can benefit from the study as they seek to promote income generation in a range of weaker economic context especially the rural areas. The government is in a position to review its policy framework in the sector. This leads to an improved and enabling environment for enterprise growth in the sector. The donors can get an insight on the approaches used by the development programs with a view to harmonize this with their policy framework on possible funding in the sector. Finally, this study adds to the existing knowledge on the MSE sector development.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This is the systematic analysis of documented information related to the problem under study. The chapter reviews previous studies and other publications related to the study

2.2 Importance of small and Medium Enterprises

Birch (1979), noted the economic downturn of the late 1970s and rapid increases in unemployment provided an immediate spur to interest in an entrepreneurial economy. Micro enterprise development is considered a key component of strategy for economic growth and poverty alleviation in Kenya. The MSEs have Micro finance, BDS and an enabling environment as the three enabling pillars which link them to greater opportunities for growth. It also includes integrating their favourable terms into the formal economic and connecting them to expanded information and networks.

Heinemann (1991), argues that the initial interest in small firms was linked to unemployment growth rate. According to him, small firms are more open, organizational structure means that barriers to change are reduced and information flows occurred on a need to know rather than bureaucratic procedures.

David and Anders (1999) note that poverty alleviation must be a self-reliant participatory development. That this should be an 'educational empowering process' in which people in partnership with each other and with those able to assist them, identify problems and needs, mobilize resources to plan, manage and control and assess the individual and collective activities they themselves decide upon. This he refers to as 'participatory action research'. The involvement of the target beneficiaries in any program ensures that all the priorities of each of the stake holders are taken into consideration while upholding the programs implementation policy.

2.3 Development aid as a tool for modernization

The idea of modernization was seen as a logical extension of economic growth theories. Over 500 years ago Adam Smith developed his ideas on how to pursue the wealth of nations based on economic growth and a free-market economy. Additionally, the process of modernization leaves almost automatically to exclusion of some people, legitimizing inequity. Development aid is essentially a post Second –world War concept built on the US initiative by president Trauman on bi-lateral and UN technical assistance. He argued that development needed modern technical and scientific knowledge which was to be started with the under developed economies. The developed countries expected benefit from expanded economies and industrial trade. Motives behind aid differ and include national and commercial self interest and political goals. Most of the aid to African countries is less efficient compared to other countries as a result of inefficiencies.

Anders (1999)

David and Anders (1999) noted that in the 1980s aid increased dependency in the sub-Saharan Africa. Conditionalities of the donors 'self- imposed rights' to connect demands for changes in socio-political systems to more financial inducements. The new trend in development aid has borrowed from the neoliberalism which has formed the backbone of policies formulated by the World Bank and IMF. This advocates for a bottom-up approach for development where the beneficiaries have a voice.

Lotz (1977) argues that the success or failure of community based organizations is based on competence of the change agent or lack of participation by the community. He observes that to avoid donor or government dependency, capacity building on individuals and community is key to success of any project.

Hitchins, Elliott & Gibson (2004), explains that BDS, agricultural extension, rural livelihood and other disciplines can address economic weaknesses more effectively when interventions are shaped by a market development approach. They add that this represents an opportunity for development agencies to forge a new coherent framework to overcome the damage and waste that can result from lack of synergy.

2.4 The nature of development programs

Williams and Eade (1995), noted that the UN publication 'the realization of the right to development (1991)' which was followed by a global consultation on the right to development as a human right concluded that development is not a fundamental right but a basic human right, which fulfils the aspiration of all people to achieve the greatest possible freedom and dignity both as individuals and members of societies in which they live. Effective development however, must be sustainable.

According to the World Commission on Environment and Development (WCED) in the 1987 in the Brundtland report defined sustainable development as the process of change in which exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potential aspirations. This implies that sustainable development is not about defending the status quo: it is about changes.

Development programs are either government agencies, Non-government organizations or private sector entities. Due to the limited governments development budgets, most economies have relied on donor funding for development especially the disadvantaged areas like the rural areas and reach the poor in the society. Williams and Eade (1995), argues that throughout the 1980s, alongside the global and national policies for economic growth, there has been an increasing emphasis on the potential role of development programs especially NGOs in economic initiatives. Despite some successes, most programs have been short-lived and fail to have a lasting impact on poverty. This is partly due to a narrow focus on technical interventions, they have been seen as an alternative rather than a complementary, they are limited by wider international and national economic and political processes and policies and they have failed to take into account the impact of national and international economic trends, such as inflation rates.

Baker (2000) notes that despite billions of dollars spent on development assistance each year, there is still very minimal about the actual impact of projects on the poor. Majority

of governments and institutions, are reluctant to carry out impact evaluations because they are perceived as expensive and politically sensitive. Some evaluations are also criticized because they come about too late or do not answer the right questions. Another constraint could be the limited availability and quality data.

Gibb (1999) argues that development agencies supporting enterprise development should have an entrepreneurial culture that promotes strategic thinking as opposed to formal methods of planning. The employees must understand the business development process to appreciate the BDS required at each stage of development. He further emphasizes the need to develop effective partnerships and networks as a means to reduce transactional costs around distinctive business development issues eg supply chains, technology transfers and marketing linkages.

Harper (1998) attributes the poor performance of development agencies to lack of strategic thinking required for re-positioning within a dynamic environment. There is need therefore to understand the approaches used by these programs to position themselves in a changing environment given that the MSE sector is also constantly changing.

2.5 Current program design and implementation

Lusby and Panlibuton (2004) argues that during the last few years, many donors and practitioners have tried to use a combination of sub-sector and value chain analysis and support (BDS) market assessment that provide a more comprehensive, dynamic understanding of the market systems that engage and affect MSEs.

Miehlbradt and McVay (2005), identifies two current program designs: 1) Value chain based approach: The private sector and agricultural-development initiatives commonly use the value chain approach. Through the value chain, the smaller and even poorer MSEs are reached. Successful efforts have indicated that the poor can substantially increase their incomes and economic security through participation in global markets through value chains. This is done through embedded services between the MSEs and

exporters, and 2) Cross-sector business Service Markets: These are business services that are applicable to enterprises in a variety of sectors and sub-sectors. The aim is to improve competitiveness of MSEs by increasing their use of valuable business services. The programs using this strategy use a vibrant of business services market as an essential part of the enabling environment for private-sector growth and for the participation of small enterprises in private-sector growth and for the participation of small enterprises in private-sector growth. One particular area of innovation is the integration of financial services with other business services. Several organizations are working to bridge that gap by promoting links between providers of financial services and business services. An example of this initiative is in Indonesia where Swisscontact is promoting links between banks aiming to increase lending to MSEs and BDS providers. Several other organizations are promoting innovative models to increase MSEs access and use of technology and information services. What ultimately determines the selection and use of one delivery mechanism in preference to another, is a function of policy, budget and target MSEs.

2.6 The breadth and diversity of BDS

Hitchins, Elliott & Gibson (2004), notes that BDS cannot be confined within a specific boundary to describe it in completeness like the financial services that are specific. BDS can be delivered in three different forms; Specialized fee-based services, offered to MSEs as distinct services for which a fee is made; Embedded services, which are included within an economic transaction for another product or service. This could be product design and development or quality control offered by an exporter and informally provided services, to MSEs on information, knowledge or social relationships.

2.7 BDS and Financial Services

According to Mcvay (1999), while micro finance institutions are reaching scale and becoming increasingly self-sufficient, BDS programs are faced with the challenge of demonstrating that 'credit' is not enough to realize the full economic and social potential of the MSE sector. However, BDS programs are emerging as an important complement

to micro finance. The best practices are hindered by the lack of a standard performance measure that can help programs objectively assess what works and what does not work. Many of the BDS programs are still in their product development phase still struggling to scale up their operations.

Gibson (1997) argues that Business Development Services have not been subjected to the same degree of comprehensive, systematic analysis as microfinance. This is a fact that has been realized by most development agencies.

The development of micro finance without BDS will lead to a minimal growth of enterprises. The enterprises require more than finance. MSEs require access to technology, raw materials, skills training and information on market opportunities. Harper M and Finnegan G (1998)

Marketing was cited as the most severe business problem in most of the MSEs in Kenya representing about 34.1% of all the problems (CBS et al 1999). It is therefore apparent that credit alone cannot lead to enterprise growth. The BDS programs must therefore design strategies that will build the capacity of MSEs for sustainable growth within a dynamic environment. Goldmark (1999), noted that BDS offered in conjunction with credit often faced low demand while stand-alone services were more likely to enjoy greater popularity among enterprises

Mwangi (2001) argues that finance is a key element for MSEs to succeed in their drive to build production capacity, create jobs and contribute towards poverty reduction. He further adds that the MSEs cannot acquire or absorb new technologies nor expand to compete in the global market or business linkages with the large firms. However BDS are equally important. Today no enterprise will thrive on finance alone. The enterprises require BDS that include development of market linkages, product development and design, advertising and other services to remain in business.

2.8 The lessons learned from BDS

McVay and Miehlbradt (2001) noted that one cannot set up a BDS-program without first taking into account on the one hand the demand for BDS and on the other hand existing supply of services, both from subsidized NGOs or governments as well as private sector. They also emphasized that the market for BDS for small enterprises is not perfect. According to them, the small enterprises in the poor and remote areas do not have access to adequate BDS and they gave reasons, included: i) Lack of BDS providers in the local and remote areas, ii) Lack of BDS providers focusing on small or micro enterprise, iii) Inappropriate and undesirable services for the specific needs of the target groups, iv) Appropriate services are available , but there are so few suppliers that prices are high and the waiting is long, v) BDS providers lack skill in business management and marketing themselves, offering a limited service range using limited promotion strategies, vi) BDS providers lack market information about the service characteristics of small enterprises , and vii) Small enterprises lack information on available services and their benefits.

The market development approach aims at expanding the market instead of duplication. It therefore tries to address the existing gaps even if it takes the form of a temporary subsidy to stimulate the creation of new and competitive BDS interventions. They recommend that it is important to share experiences and lessons learned in the BDS field with other practitioners, so as to suggest new modalities which can be shared within the market development approach.

Phillips and Steel (2003) established that through the Kenya Voucher program implemented between 1992 and 2002, there is need to identify key constraints on the business environment in order to target areas with likely return and identify market information failure. This will determine the type of subsidy instrument and an implementation structure.

Halder (2003), observed that the Bangladesh Rural Advance committee developed an integrated sector-specific approach to enterprise development for poor illiterate women who lack adequate knowledge and technical know how on how to operate an enterprise

successfully. The women are able to access credit, training on improved technology and marketing of finished products.

In Kenya, a BDS forum supported by DANIDA was held in Naivasha in October 2004 where over 15 BDS development programs were represented. The dominating donors were DFID, USAID and DANIDA. The forum identified the need for all BDS programs to get a clear identity on their respective strategies. This was seen as critical given the fact that for a market development approach to work in the MSE sector, there should be a significant difference between a BDS provider and a facilitator. This would minimize market distortion of the services. It was also clear that organized MSEs had a better chance to access affordable BDS although the institutional capacity remained a challenge.

Monitoring of BDS programs remains a challenge because most organizations did not have a well established MIS. Most programs assumed that they would just use there existing MIS to monitor the BDS activities. To date this is still a challenge because the issues to be captured are intensive while the programs remain with a very lean staff with a view to reduce administration costs and increase outreach though local BDS providers.

The programs operating in the rural areas did not design the approaches used from a baseline line or study within the local areas, they just duplicated what the programs were implementing elsewhere with very minimal adjustments.

Innovativeness and creativity was evident in the programs with larger and more flexible budgets that accommodated product design and development. This made it possible to try out prototypes before they were rolled out for full implementation. However since most projects had time limits, then most of the programs learnt on the job as they designed some of the initiatives for the first time. Consultancy within the BDS fraternity was expensive and staff seemed to rotate from one program to the other creating a shortage within the field due to lack of training in the BDS approaches.

The report highlighted the experience of Kenya Gatsby Trust, which emphasized that ‘cut and paste of BDS approaches will not work. The facilitator has to be willing to integrate BDS with the ground realities’

2.9 Emerging challenges in BDS

Hitchins, Elliott and Gibson (2004) noted that over the last few years with the interest in BDS for economic growth, changes have been observed in the approaches used by the development programs. They observed that through the different programs or agencies experience sharing forums, programs have been forced to share their approaches and challenges faced during their implementation. They also identifies the following challenges; 1) operational and intervention challenges; the programs have the challenge to develop the right people, developing the right interventions and using the right analytical and implementation tools and to ensure that the approaches are consistent with analysis, 2) getting out of the ‘BDS box’; this recognizes the need to avoid the generic business services that have abroad application across industries to focus on the strategic sectoral trends that can guarantee impact. This implies focusing on the specialized services. The challenge therefore is to ensure that the service market focus is integrated into the to the sectoral development programs, 3) monitoring and evaluation; the programs are faced with the challenges of assessing performance. The programs are expected to identify the effect of their efforts at different levels for operational, accountability and lessons learnt and 4) the relevance challenge; how relevant is BDS market development approach in situations of economic weakness? This challenges the extent to which the approach is applicable to situations where constraints to development are pervasive and poverty most acute.

Mcvay and Miehlsbradt (2005), observed that the BDS field was struggling with it's identity because the field appeared narrow and limited, particularly to those outside the enterprise development specialty. They saw two challenges that were yet to be addressed; Acquisition of market- oriented principles and practices in the private sector development and how to accelerate the right kind of integration of poor people into the economies and markets.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the general methodology that was used to conduct the study. It specifies the research design, target population, sampling design, data collection method and instruments, and data analysis and interpretation.

3.2 Research Design

A research design is a plan, structure and strategy conceived so as to obtain answers to research questions. It provides a framework for planning and conducting a study. The study was conducted through a census survey. This was preferred because our target population was small. The survey was appropriate as it enabled the researcher to obtain information from a broad category of respondents, covering whole population frame, which is important for comparison generalization purposes.

The descriptive research design was adopted with a focus on both qualitative and quantitative characteristics and status of the BDS programmes in Makueni district. The descriptive design is description of state of affairs as it exists at present (Mugendi, 1999). He further noted that with these methodology data about variables or subjects as they are found in a social system or society are obtained. Generally these design deals with incidences of, distribution and relationships of variables. For practical considerations of time, accessibility and economy, the study employed both qualitative and quantitative methods. Mugendi (1999), points out that, there is no convincing evidence that qualitative and quantitative methods are incompatible.

3.3 Target Population

Laurel and Lunenfeld (2005) define the target population or the universe of a study of all the members of a real or hypothetical set of people, events or objects to which an investigator wishes to generalize the results of the research study. Mugendi (1999) defines the population as an entire group of individuals, events or objects having common observable characteristics. The target population was all the development programs

offering BDS to MSEs in Makueni district. According to the information from the Makueni district development office as at July 14, 2006, there were 4 development programs that offered BDS to MSEs in Makueni district. The programs are spread within the several divisions in the district.

3.4 Data collection

Data was collected using a structured questionnaire. A questionnaire is a series of written questions on a given topic. These questions are either open ended or closed. The instrument was considered appropriate for the study because all the respondents are literate. It was also less costly in terms of time and, it was more flexible for busy respondents.

Questionnaires collected primary data. This data captured the details on the development program from the employee's point of view. In addition, it brought out the program's implementation status. The questionnaires were structured consisting of both open ended and closed questions, which provided both qualitative and quantitative data. The questionnaires were administered to the district top management team leaders or BDS specialist in charge of the program or activities in Makueni district. They were administered to at least two people from each development program. The personnel considered was expected to be either in Makueni district or Nairobi where the programs head quarters are based. The research tools were administered through a face to face interview with the chosen respondents and the required information recorded. The questionnaire was designed in a way that ensured that the captured qualitative information could be coded for analysis.

3.4.1. Instrument Validity

Validity according to Laurel and Lunenfeld (2005) referred the degree to which a test measures what it purports to measure. A pilot study was conducted to evaluate the validity of the research instrument. The purpose of pre-testing was to assess the clarity of the items on the instrument so that those items found to be inadequate in measuring the

variables could either be discarded or modified to improve the quality the research instrument. During the pre-test study, the researcher discussed each item on the questionnaire with the respondent to determine its suitability, clarity and relevance for the purpose of the study. Thereafter, a mock analysis was conducted to check the validity and reliability of the instrument. The necessary modifications were made on the instrument before it was finally used for the proposed study.

The researcher sought assistance of research experts, experienced lecturers to help improve the validity of the instrument.

3.4.2 Instrument Reliability

Mugendi (1999) defines reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability of the instrument will be tested using the split half method. This method involves splitting the items on the test into two halves (odd and even items). The odd numbered items will be placed in one sub-test while the even numbered ones are placed in another test. The scores of the two sub sets will be computed for each individual and the two test scores correlated using the Pearson product moment correlation coefficient. If the correlation is high, it will imply that the instrument is reliable.

3.5 Data analysis

Data analysis is the process of systematically searching, arranging, organizing, and breaking data into manageable units, synthesizing the data, searching for pattern, discovering what is important and what is to be learned. Interpretation and analysis of data was done using a statistical package for social scientists (SPSS) to ensure objectivity. The data collected was coded and entered in a computer, after which analysis was done. Descriptive statistics in the form of pie charts, contingency tables and bar graphs were used to interpret the data. Measures of association were used to examine the relationship between the independent and dependent variables. Data was presented in

tables. The mean scores for each attribute were calculated and the standard deviation used to interpret the respondents deviation from the mean.

The results were presented on frequency distribution tables, pie charts and bar charts. Here the interest was focused on frequency of occurrence across attributes of measures. Pie charts on the other hand were used to display data on variables with two or more attributes. Frequency tables were used to display data across all variables. For each variable with more than three attributes, information on the frequency of accuracy and percentage were displayed.

4.2.1 Response rate

A total of four organisations were targeted for this study and a questionnaire was sent to each one of them. All the four questionnaires were administered and duly completed. The survey therefore achieved a response rate of 100%, which was adequate for the purpose of the study. These are Agri- Business Development Component, Value Chain Based Matching Grant, Kenya Industrial Estates Ltd and Kenya BDS.

4.2.2 Period of operation in Makueni

At the time of the study, there were 4 BDS development programs operating in Makueni. Table 4.1 below shows that Agri- Business Development Component, which has been operational for 4 years, Value Chain Based Matching Grant fund has been operational for two years, Kenya Industrial Estates Ltd has been providing BDS in Makueni for the last 24 years and Kenya BDS for 3 years.

Table 4.1: Period of operation in Makueni district

Name of program	Type of program	No. of years
Agri- Business Development Component	BDS facilitator	4 years
Value Chain Based Matching Grant fund	BDS facilitator	2 years
Kenya Industrial Estates Ltd	BDS facilitator	24 years
Kenya BDS	BDS facilitator/ Donor	3 years

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents data analysis, findings and discusses results. The chapter starts with giving general information on the BDS programs. Then approaches used to provide BDSs are provided next. Effectiveness of approaches providing BDSs is discussed at the end of this chapter. Descriptive statistics and frequencies are used in presenting these details after they are analyzed.

4.2 General information

4.2.1 Response rate

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2.	Value Chain Based Matching Grant fund	BDS facilitator	2 years
3.	Kenya Industrial Estates Ltd	BDS facilitator	24 years
4.	Kenya BDS	BDS facilitator/ Donor	3 years

All these four programs are BDS facilitators except the Kenya BDS that is also a donor agency. The target beneficiaries are individual MSEs drawn from different sectors.

4.3 Approach design and BDS offered

4.3.1 Approaches used by programs

Table 4.2 below shows that the Agri- Business Development Component and Kenya BDS both use Sub- sector and value chain approaches, Value Chain Based Matching Grant fund uses Value Chain Based approach and Kenya Industrial Estates Ltd uses the integrated approach.

Table 4.2: Approach used by BDS program

	NAME	Approach used
1.	Agri- Business Development Component	Sub- sector approach and value chain
2.	Value Chain Based Matching Grant fund	Value Chain approach
3.	Kenya Industrial Estates Ltd	Integrated approach
4.	Kenya BDS	Sub- sector approach and value chain

4.3.2 Approaches Design

Table 4.3 below shows both Agri- Business Development Component and Kenya BDS are designed according to the MSE needs while Kenya Industrial Estates Ltd and Value Chain Based Matching Grant Fund were designed by consultants to replicate a design through lessons learnt elsewhere in the world.

Table 4.3: Approach design

	NAME	Approach Design
1.	Agri- Business Development Component	MSEs needs
2.	Value Chain Based Matching Grant fund	Consultant
3.	Kenya Industrial Estates Ltd	Consultant
4.	Kenya BDS	MSE needs

4.3.3 How were the BDS approaches introduced to staff

Table 4.4 below shows how the BDS approaches were introduced to staff. Agri- Business Development Component and Kenya Industrial Estates Ltd offered specialized training to their staff while Value Chain Based Matching Grant fund and Kenya BDS hired BDS specialists.

Table 4.4: How were the BDS approaches introduced to staff?

	Program	Method used to introduce the program
1.	Agri- Business Development Component	Specialized training, in-house training
2.	Value Chain Based Matching Grant fund	BDS specialists hired
3.	Kenya Industrial Estates Ltd	Specialized training
4.	Kenya BDS	BDS specialists and on-job training

4.3.4 Business Development Services offered by the programs

Table 4.5 below shows Business Development Services offered by the programs. Agri-Business Development Component offer Training, Market linkages, and product design and development services. Kenya Industrial Estates Ltd offer Training, Market linkages and sub-contracting services, Value Chain Based Matching Grant fund offer Training, Market information and linkages and Kenya BDS offer Training, Market linkages, sub-contracting, product design and development services.

Table 4.5: Business Development Services offered by the programs

	Program	Services offered
1.	Agri- Business Development Component	Training, Market linkages, and product design and development
2.	Value Chain Based Matching Grant fund	Training, Market information and linkages
3.	Kenya Industrial Estates Ltd	Training, Market linkages and sub-contracting
4.	Kenya BDS	Training, Market linkages, sub-contracting and product design and development

4.3.5 Objectives of Business Development Services programs

Table 4.6 below shows the objectives of the 4 BDS programs. Agri-Business Development Component focuses on sustainable income of small holder farmers and MSEs. Kenya Industrial Estates Ltd's objective is to enhance industrialization especially in rural areas. The Value Chain Based Matching Grant Fund is Strengthen competitiveness and raise value adding in products and services offered by MSEs while Kenya BDS focuses on the how to Link small holders with markets and access to necessary skills for competitiveness

Table 4.6 Objectives of different Business Development Services programs

	Program	Objectives
1.	Agri- Business Development Component	Increase sustainable income of small holder farmers and MSEs in Makueni
2.	Value Chain Based Matching Grant fund	Strengthen competitiveness and raise value adding in products and services offered by MSEs.
3.	Kenya Industrial Estates Ltd	Enhance industrialization especially in rural areas
4.	Kenya BDS	Link small holders with markets and access to necessary skills for competitiveness

4.4 Effectiveness of the approaches

4.4.1 Coverage of the program

In terms of physical coverage, each of the four programs has its presence in Makueni district. All the four programs are well represented in all the high potential market centres in the district. These are Nunguni, Kibwezi, Sultan Hamud, Mtitwa Andei , Matiliku and Wote. In terms of population coverage, each programs indicated that it covered over 10,000 persons in the district.

4.4.2 Growth in target beneficiaries

To determine how effective the programs have been in terms of outreach, they were required to provide the growth of their target beneficiaries in terms of the MSEs and services offered. The rate of growth was calculated and presented in percentages. The dashes indicate the figures were not provided or the program was not in operation.

4.4.2.1 Agri- Business Development

Table 4.7 shows the growth target beneficiaries of Agri- Business Development Component. From the table the number of MSEs accessing the services grew from 0.9 in 2003 to 2.4 in 2006. The number of MSEs purchasing the services also grew from 0.4 in 2003 to 3.8 in 2006 while the number of MSEs who became aware of the services offered grew from 20 in 2003 to 30 in 2006. Amount of sales by MSEs grew from 0.6 in 2003 to 1.5 in 2006. The service providers grew from 1.8 in 2003 to 3.4 in 2006 and the services offered grew from 0.6 in 2003 to 2 in 2006.

Table 4.7: Target beneficiaries of Agri- Business Development Component

	2001	2002	2003	2004	2005	2006
Number of MSEs accessing the services	0	0	0.9	1.2	2	2.4
Number of MSEs purchasing the services	0	0	0.4	1.2	2.6	3.8
Number of MSEs aware of the services	0	0	20	25	28	30
Amount of sales/turnover by the MSEs	0	0	0.6	1.4	0.8	1.5
Number of service providers	0	0	1.8	2.2	3.2	3.4
Number of services and products	0	0	0.6	1.2	1.2	2

4.4.2.2 Kenya Industrial Estates Ltd

Table 4.8 shows the growth target beneficiaries of Kenya Industrial Estates Ltd. From the table the number of MSEs accessing the services grew from 1.5 in 2002 to 24 in 2006. The number of MSEs purchasing the services also grew from 0.01 in 2002 to 1.2 in 2006 while the number of MSEs who became aware of the services offered grew from 1.9 in 2002 to 15 in 2006. Amount of sales grew from 0.9 in 2002 to 1.5 in 2006. The number of services and products had a growth of 0.1 in 2002 and 0.2 in 2006.

Table 4.8: Target beneficiaries of Kenya Industrial Estates Ltd

	2001	2002	2003	2004	2005	2006
Number of MSEs accessing the services	0	1.5	4.5	8	12	24
Number of MSEs purchasing the services	0	0.01	0.6	0.3	0.9	1.2
Number of MSEs aware of the services	0	1.9	4.6	2.5	8.2	15
Amount of sales/turnover by the MSEs	0	0.9	1.6	1.5	0.9	1.5
Number of service providers	0	0	0.1	0	0.2	0.9
Number of service and products	0	0	0.1	0	0.2	0.2

4.4.2.3: Target beneficiaries of Kenya BDS

Table 4.9 shows the growth target beneficiaries of Kenya BDS. From the table the number of MSEs accessing the services grew from 1.2 in 2004 to 2 in 2006. The number of MSEs purchasing the services also grew from 0.12 in 2004 to 1.5 in 2006 while the number of MSEs who became aware of the services offered grew from 1.2 in 2004 to 2.2 in 2006. Amount of sales by MSEs grew from 2.5 in 2004 to 3.6 in 2006. The number of service providers increased from 1.2 in 2004 to 2.0 in 2006 while the services and products increased from 0.6 in 2004 to 1.9 in 2006.

Table 4.9: Target beneficiaries of Kenya BDS

	2001	2002	2003	2004	2005	2006
Number of MSEs accessing the services	-	-	-	1.2	1.6	2
Number of MSEs purchasing the services	-	-	-	0.12	0.8	1.5
Number of MSEs aware of the services	-	-	-	1.2	1.5	2.2
Amount of sales/turnover by the MSEs	-	-	-	2.5	2.8	3.6
Number of service providers	-	-	-	1.2	1.5	2.0
Number of service products	-	-	-	0.6	1.2	1.9

4.4.2.4: Value Chain Based Matching Grant fund

Table 4.10 shows the growth target beneficiaries of Value Chain Based Matching Grant fund. From the table the number of MSEs accessing the services grew from 0.9 in 2005 to 1.8 in 2006. The number of MSEs purchasing the services also grew from 1.5 in 2005 to 1.9 in 2006 while the number of MSEs who became aware of the services offered grew from 5 in 2005 to 8 in 2006. Amount of sales by MSEs grew from 1.5 in 2005 to 3.2 in 2006. The number of service providers increased from 0.2 in 2005 to 0.4 in 2006 while the services and products increased from 1.2 in 2004 to 1.4 in 2006.

Table 4.10: Target beneficiaries of Value Chain Based Matching Grant fund

	2001	2002	2003	2004	2005	2006
Number of MSEs accessing the services	-	-	-	-	0.9	1.8
Number of MSEs purchasing the services	-	-	-	-	1.5	1.9
Number of MSEs aware of the services	-	-	-	-	5	8
Amount of sales/turnover by the MSEs	-	-	-	-	1.5	3.2
Number of service providers	-	-	-	-	0.2	0.4
Number of service products	-	-	-	-	1.2	1.4

4.4.3 Program sustainability and cost-effectiveness

To establish whether the programs are sustainable and cost-effective, they were asked to rate several resource indicators using five likert scale, where a scale of 1 meant not effective and scale of 5 was very effective. The table 4.11 below shows that human resource, office equipment and management information system had a mean of 4 while transport and finances had a mean of 3. Their standard deviations from the true mean were within the acceptable range. This shows that these resources have been effective in enabling programs implement the approaches and offer BDS to their target beneficiaries.

Table 4.11: Performance of resource indicators used in the BDS approaches

Factor	Mean	Standard Deviation
Human resource	4	0.800
Transport	3	1.532
Office equipment	4	0.734
Finances	3	1.666
Management inf. system	4	0.730

4.4.4 Effectiveness of the approaches in achieving the Program objectives

A five point likert scale was used to rate how the approaches used were effective in achieving the programs objectives. Mean scores were generated for each of the approach. From the table 4.12 below the approaches: value chain, cross-sector business service markets, Integrated approach and Sub sector approach scored a mean 4, rating them Quite effective. Market approach to BDS provision was rated as averagely effective having scored a mean score of 3. Their standard deviations from the true mean were within the acceptable range. This results show that these approaches were effective in enabling programs achieve their set objectives to their target beneficiaries.

Table 4.12 Effectiveness of the approaches used by Programs

Indicator	Mean	Standard Deviation
Value Chain	4	0.730
Cross-sector business service markets	4	0.859
Integrated approach	4	0.642
Sub sector approach	4	0.606
Market approach to BDS provision	3	1.125

four BDS programs. It was found that the programs adapted different approaches in the provision of BDS to their target beneficiaries. Agri- Business Development Component adapts the sub- sector approach and value chain. Value Chain Based Matching Grant fund adapts the value chain approach and Kenya Industrial Estates Ltd uses the integrated approach while Kenya BDS uses the sub- sector approach and value chain. The designs are in line with the approaches used in the rural areas with an agri-business orientation.

The programs have appreciated that though they are in the same district with a similar target group, they have designed their approaches to fit the different MSME needs, organizations' policy and budgets. This confirms Lesby and Paulbator (2004) and Michlbach and MoVay (2005) arguments on a combination of sub-sector and value chain analysis and support (BDS) market assessment that provide a more comprehensive dynamic understanding of the market systems that engage and affect MSMEs. Michlbach and MoVay (2005) identified the value chain based approach as one of the private sector and agricultural development initiatives commonly used. This approach ensures that the smaller and poorer MSMEs are reached. This is also clearly seen through the case of Kenya Industrial Estates that uses the integrated approach to provide both financial and non-financial services.

From the foregoing, the following conclusions can be drawn. The BDS programs are using different approaches that cut across the needs of the different MSMEs. This means that the programs are promoting innovative models to increase MSMEs access with varied

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

This chapter presents summary, conclusions of the findings of the study and suggests some policy implications. At the end of the chapter, limitations and areas for further research are provided.

5.2 Summary, discussions and conclusions

The first objective of the study sought to identify the different approaches used by the four BDS programs. It was found that the programs adapted different approaches in the provision of BDS to their target beneficiaries. Agri- Business Development Component adapts the sub- sector approach and value chain, Value Chain Based Matching Grant fund adapts the value chain approach and Kenya Industrial Estates Ltd uses the integrated approach while Kenya BDS uses the sub- sector approach and value chain. The designs are in line with the approaches used in the rural areas with an agri-business orientation.

The programs have appreciated that though they are in the same district with a similar target group, they have designed their approaches to fit the different MSE needs, organization's policy and budgets. This confirms Lusby and Panlibuton (2004) and Miehlbrant and Macvay (2005) arguments on a combination of sub-sector and value chain analysis and support (BDS) market assessment that provide a more comprehensive, dynamic understanding of the market systems that engage and affect MSEs. Miehlbradt and McVay (2005), identified the value chain based approach as one of the private sector and agricultural-development initiatives commonly used. This approach ensures that the smaller and poorer MSEs are reached. This is also clearly seen through the case of Kenya Industrial Estate that uses the integrated approach to provide both financial and non-financial services.

From the foregoing, the following conclusions can be drawn. The BDS programs are using different approaches that cut across the needs of the different MSEs. This means that the programs are promoting innovative models to increase MSEs access with varied

needs. Without a good approach and understanding the ground realities it would be difficult to reach the MSEs.

The second objective sought to identify Business Development Services offered by the BDS programs to MSEs in Makueni district. The programs offer a range of BDS services to their beneficiaries. Agri-Business development component offer training, market linkages, product design and development services. Value chain based matching grant fund offer training, market information and linkages to its clients, while Kenya Industrial Estates Ltd and Kenya BDS offer Training, market linkages, sub-contracting and product design and development services. From the analysis, it is evident that some of the programs offer similar services. Training, market information and linkages, product design and development are common services accessed by the MSEs especially in the agricultural based sectors.

All the four programs are BDS facilitators except Kenya BDS that is also a donor agency. Most BDS programs are facilitators that target private-sector service suppliers with technical assistance and incentives to encourage them initiate and launch new services and enter new markets. This creates competitiveness among the players involved. The findings are similar to earlier work by Miehlebradt and Mcvay (2003). The duo added that these programs have a rural-based focus and they target people at the poverty and of the low income spectrum. Though they are diverse, they are engaged in the small scale sector.

From the foregoing, the following conclusions can be drawn. The BDS services offered by the four programs are typical of those offered by the large BDS facilitators and they are accessed by the MSEs only when they need them to improve their businesses and are also willing to make a financial commitment. Technical training, market information and linkages are the basic services that are required by rural based MSEs. These MSEs are disadvantaged by location though they would like to reach more markets whilst remaining competitive.

The third objective sought to determine the effectiveness of the approaches used, the study considered effectiveness in terms of outreach to target beneficiaries, ability of the MSEs to pay for the services, and available infrastructure. All the four programs are well represented in all the high potential market centres in the district. These are Nunguni, Kibwezi, Sultan Hamud, Mtito wa Andei, Matiliku and Wote. In terms of population coverage, each program indicated that it covered over 10,000 MSEs in the district.

From the study, there was a marked increase in the target beneficiaries accessing and purchasing services from all the four programs. In addition, the increased amount of sales from the MSEs accessing the services, indicate a continued access and reliance to useful services for their enterprises. Effective programs attract business people who value the service they receive and are willing to pay for that service.

To establish whether the programs are sustainable and cost-effective, several resource indicators used by these programs were analyzed using their mean score and standard deviation. Human resource, office equipment and management information system had a mean of 4 while transport and finances had a mean of 3. Their standard deviations from the true mean were within the acceptable range. With a sound management information system, services like market information and linkage are easily facilitated by the programs. Performance monitoring and data collection on the participating MSEs can also be easily done. The results showed that these resources have been effective in enabling programs implement the approaches and offer BDS to their target beneficiaries.

Mean scores and standard deviation were generated for each of the approach to measure its effectiveness in achieving the programs objectives. The approaches: value chain, cross-sector business service markets, integrated approach and Sub sector approach scored a mean 4, rating them quite effective. Market approach to BDS provision was rated as averagely effective having scored a mean score of 3. Their standard deviations from the true mean were also within the acceptable range. The value chain, cross-sector business service markets, Integrated approach and Sub sector approach are designs that have ability to focus on the smaller levels of the MSEs. These results show that these

approaches were effective in enabling programs achieve their set objectives to their target beneficiaries.

From the foregoing, the following conclusions can be drawn. To determine the effectiveness of a BDS program, infrastructural support is important. This will ensure efficient and effective access to the target beneficiaries and the beneficiaries' access to the available services. Market information and linkages for example require a very good management information system and well skilled personnel. This also supports the program's monitoring and impact assessment to establish whether the implementation is on schedule. The value chain approach and cross sector approaches are most effective because they reach different levels of the MSEs and appreciate that MSEs have diverse needs that require different entry points to be addressed.

5.3 Limitations of the Study

The study faced difficulties in pursuit of drawing firm conclusions regarding effectiveness of approaches providing BDS to MSEs in Makueni district. Among the problems that the study faced is inadequate time. This is because the study applied survey and micro data, which is time consuming, and expensive due to the data collection techniques adopted. Capturing all aspects therefore, is not possible due to time constraints.

The study used descriptive statistics to assess effectiveness and obtained valid information for this purpose. However, the reliability of the method and validity of the responses depended much on the explicit presentation of the organization to the interviewees. Much as the study made explicit the organization, the results are still considered as approximations. Also the primary data is unreliable, use of the secondary data could have been better. It could have been interesting to carryout the study using regression analysis and use of current scientific methods such as Evaluation Value Added (EVA) and profitability ratios to evaluate effectiveness.

5.4 Areas for further research

To judge whether approaches providing BDS to MSEs in Makueni district are effective or not more secondary data especially financial is required as well as other relevant secondary data such as program structure. Hence this analysis ought to be extended to incorporate all the relevant secondary data. There is need to do further research using regression analysis and use of current scientific methods such as Evaluation Value Added (EVA) and profitability ratios to determine effectiveness.

5.5 Implications for policy and practice

Investment by the government in infrastructural development is central and critical to the MSEs. Through an improved road and communication network, the MSEs shall access markets and information to improve their businesses. The Sessional Paper No. 1 of 1986 on Rural Trade Promotion Centres, sought to provide water, power, telecommunication, market centres and access roads. The Sessional Paper No. 2 of 1994, advocated rural centres for MSE development and new service industrial parks for large and medium scale industries. These papers recognized that the infrastructural policies in Kenya have been representative of regional differences. Unfortunately, implementation has been slow or non-existent in some areas. The government should try and differentiate between the rural and urban based MSEs and appreciate that their needs are not the same in all aspects. With a clear access to MSEs, the BDS programs stand to improve their outreach and support to a clearly defined clientele.

A well defined BDS policy by the government and BDS programs shall ensure that transactions with the MSEs are clear. A reduced focus is seen from the BDS programs studied but here it is still important that the unique characteristics of the rural MSEs are recognized in the formulation and implementation of a BDS policy. These include the difficulties in accessing the rural enterprises, infrastructure deficiency and the seasonality of rural MSEs. This policy will make a lasting impact on the growth of the MSE sector to the extent that it incorporates the underpinnings of sustainability as a basic principle.

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APPENDICES

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APPENDICES

Appendix I: Research instrument

Section one: Introductory letter

I am currently an MBA student with the School of Business, University of Nairobi. For the management research project towards the award of a Master in Business Administration degree, I am expected to carry out a research project on a topic of my choice. I therefore plan to carry out *a study of the effectiveness of approaches used by development programs in the provision of BDS to MSEs in Makueni district.*

Your organization, which is one of the BDS programs in Makueni, has been selected for this study and I therefore request you to complete the attached questionnaire for the study. The information and data provided is needed for academic purposes only and will be treated confidentially.

The complete research project is expected for submission to the University of Nairobi and a copy will be made available to you on request.

Thank you in advance

Yours faithfully,

Josephine Nduva

MBA student

Section two: Survey Questionnaire

Note: The information in this questionnaire will be used strictly for academic purposes only and will be treated with utmost confidentiality.

Questionnaire No..... Date.....
Position of the respondent.....

Part A: Bio-Data

- 1. Name of development program.....
- 2. For how long has the program been operating in Makueni district?
- 3. Is your program one of the following? Mark as appropriate
BDS facilitator [] BDS provider []
Donor agency [] Others (Please specify)
- 4. What are your program objectives?
.....
.....
- 5. Who are your target beneficiaries?
Individual MSEs [] Sector members (please specify).....
Others (Please specify).....

PART B: Approach design and BDS offered

- 6 (a) What approach (es) do you use in your program? Mark as appropriate
Value Chain Based approach []
Cross-sector business Service Markets []
Integrated approach []
Sub-sector approach []
Other (Please specify).....
- 7. How was the approach designed? Mark as appropriate
Consultant []
MSEs needs []
Duplication of other programs []
Other (Please specify).....

8. How was the BDS approach introduced to the staff?
- | | | | |
|-----------------------------|-----|-------------------|-----|
| Specialized Training | [] | In-house training | [] |
| On-job training | [] | No training | [] |
| Other (Please specify)..... | | | |
9. What BDS are offered through your approach? Mark as appropriate
- | | | | |
|------------------------------|-----|-------------------------------------|-----|
| Training | [] | Consultancy | [] |
| Counseling | [] | Technology development and transfer | [] |
| Marketing information | [] | Sub-contracting | [] |
| Market linkages | [] | Product design and development | [] |
| Other (please specify) | | | |
10. (a) How do you provide the specific BDS to your target beneficiaries? (Please refer to Part A Question 5)
-
-
- (b) Do you follow up to find out whether your services are implemented?
- Yes [] No []
- (c) If yes, what methods do you use?.....
-
-

Part C: Effectiveness of the approach (es)

11. Outreach to the MSEs:
- a) What is your coverage area within Makueni district?
-
-
- b) What is your **total target population** in your coverage area within Makueni district?
-
-
12. How do the MSEs get to know about your program approach and services that can be accessible to them?
-
-
13. How do you reach your target beneficiaries?.....
-
-

14. What are the indicators that justify your outreach policy?

.....

.....

15. Please indicate your target beneficiaries’ profile in the table below;

	2001	2002	2003	2004	2005	2006
Number of MSEs accessing the services						
Number of MSEs purchasing the services						
Number of MSEs aware of the services						
Amount of sales/turnover by the MSEs						
Number of service providers						
Number of service products						

16. To what extent would you rate the following resources in enabling you implement the approach? *(Using a 5 pointer where 1=not at all effective, 2=Effective to a little extent, 3=Averagely effective, 4=Quite effective and 5=very effective)*

Human resources	1[]	2[]	3[]	4[]	5[]
Transport	1[]	2[]	3[]	4[]	5[]
Office equipment	1[]	2[]	3[]	4[]	5[]
Financial	1[]	2[]	3[]	4[]	5[]
Management Information System	1[]	2[]	3[]	4[]	5[]
Others (Please specify).....	1[]	2[]	3[]	4[]	5[]

17. How do you rate the effectiveness of the approaches in meeting your programs objectives?

(Using a 5 point pointer where 1=not at all effective, 2=Effective to a little extent, 3=Averagely effective, 4=Quite effective and 5=very effective)

Value chain based approach	1[]	2[]	3[]	4[]	5[]
Cross-sector business Service Markets	1[]	2[]	3[]	4[]	5[]
Integrated approach	1[]	2[]	3[]	4[]	5[]
Sub-sector approach	1[]	2[]	3[]	4[]	5[]
Other (Please specify).....	1[]	2[]	3[]	4[]	5[]

18. What sustainability strategies do you have?

.....

.....

19. In what ways do you collaborate or network with the other development programs in Makueni?.....

.....

.....

20. What suggestions do you have to improve on the effectiveness of the approaches used in your program?

.....

.....

.....

THANK YOU FOR YOUR CO-OPERATION

Appendix II: List of Development Programs Providing BDS in Makueni District

	NAME	Location
1.	Agri- Business Development Component	Wote town, Makueni district
2.	Value Chain Based Matching Grant fund	Nairobi
3.	Kenya Industrial Estates Ltd	Sultan Hamud/kibwezi, Makueni district
4.	Kenya BDS	Nairobi