TAX INCENTIVES AND GROWTH OF SMALL AND MEDIUM SIZED ENTERPRISES IN NAIROBI COUNTY

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DECLARATION

This research is my original work and has been submitted for an award in any other university

Signature…………………………..... Date ……………………………….

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Thank you all and God Bless you

DEDICATION

I dedicate this work to my mum Teresia Chebii, my dad Peter Kamuren and my sister Wendy Cherono. May God grant you a long life full of joy. I am forever indebted to you.

ABSTRACT

In a low income country such as Kenya, the role of SMEs is crucial in pushing the country's social economic development agenda. SMEs are highly perceived to be the accelerators of growth and innovation in the economy (Braunerhjelm, 2012). However, SMEs face challenges with regard to financing, disproportionate regulatory burdens and competition failures compared to large entities. An attractive business environment is therefore important to minimize the impact of these obstacles and aims at providing a level playing ground for firms of all sizes. Reduction of the tax burden for SMEs through issuing incentives will free up funds to be used in innovation and efforts to access global markets and ultimately ensure business growth. The study's objective was to determine the effect of tax incentives on growth of SMEs in Nairobi City County Kenya. This study was guided by the normative theory, political systems theory and the resource based view theory. The research employed the descriptive research design. The population was all the 1539 SMEs operating in Nairobi CBD. Stratified random sampling was used to derive 155 respondents which were used as the sample. Primary data was collected from the respondents by use of self-administered structured questionnaires containing closed ended questions. The questionnaires were administered through the drop and pick method. Out of the 155 questionnaires issued, 121 were successfully filled and returned translating to a 78% response rate. The collected data was edited and coded and fed into the SPSS computer package to generate both inferential and descriptive statistics. The inferential statistics was undertaken by performing two regressions on each of the independent variable against growth. The study found p values of 0.000 at 95% level of confidence on the association between each of the independent variables (tax exemptions and investment allowances) on growth of SMEs in Nairobi, County. This shows that the model adopted for this study was significant and that tax incentives affect the growth of SMEs. From the data analysis, it can be concluded there are various tax incentives that have been formulated to accelerate the growth of SMEs although their practical implementation has not been fully realized. The study recommends that policy formulations by the Kenyan government to accelerate the growth of SMEs should have user and stakeholder input before being concretized in order to prevent dormancy and to facilitate the desired growth trajectory. The government should also provide frequent trainings to SMES on the available incentives which could leverage on to boost their growth

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LIST OF ABBREVIATIONS

CBD	Central Business District
EPZ	Export Processing Zones
GDP	Gross Domestic Product
GoK	Government of Kenya
KNBS	Kenya Bureau of Statistics
KRA	Kenya Revenue Authority
MSME	Micro, Small and Medium Enterprises
MUB	Manufacture Under Bond
R&D	Research and Development
SMEs	Small and Medium Sized Enterprises
SPSS	Statistical Package for Social Sciences
TREO	Remissions and Exemption Office

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The theory behind the use of tax incentives to promote the growth of small and medium sized enterprises (SMEs) is derived from the theory of net present value (NPV) decision principle. The rule states that organizations commit their resources to research and development and capital assets provided that the present value from an extra unit of capital spend on research and development exceeds or is equal to the cost of the extra unit. Therefore, it is considered that firm would consider tax implications while estimating the value of their expenditure decisions since any reductions in the cost of capital attributed to the tax policy results to increased expenditure (Hasson and Brokelind, 2014). When enterprises thrive, economic growth is realized, it is for this reason that the Kenyan government has put in place different tax policies such as the tax incentives policy to offer assistance to SMEs through promotion of trade and investment and hence growth of small businesses (Karingi, 2005).

According to Ranti, Uwalomwa and Chineye (2016), Kenyan small scale enterprises face challenges such as infrastructural deficiency, difficult and unfavorable operating environment, inadequate funds for financing, difficulties in obtaining licenses and trade permits, poor working environment and exploitative taxes inform of double taxation or high tax rate. High tax rate act as a disincentive to enterprises for expansion and investment since it leaves them with inadequate funds for re-investment which in the long run discourages investment, output levels and the overall firms' productivity (Ranti and Kingsley, 2016).

The proposed study was guided by three theories which are; the normative theory, political systems theory and the resource based view theory. The normative theory explains the contribution of the institutional structures initiated by government to advancement of various incentives not forgetting the constraints faced by the government and other players experience (Cocran, 1999). On the other hand, the political systems theory of entrepreneurship argues that the political system creates favorable laws, adequate infrastructure, security to entrepreneurs, provide subsides and incentives, create promoting policies, favorable taxation systems and procedures and can motivate individuals to engage in entrepreneurship (Hoselitz, 1917) while the resource based view states that exhibiting strategic resources provides an enterprise with a unique opportunity to create competitive advantages and performance over its competitors which in the long run helps the organization enjoy strong profits and growth over time(Barney's 1991).

1.1.1 Tax Incentives

Tax incentives are special offerings by tax agencies granting preferential provisions to certain investments or taxpayers (Klemm, 2010). Tax incentive can also be described as provisions that grant any activity or person favorable conditions that vary from the normal tax legislation provisions (KRA, 2016). Tax incentives include; tax holiday, reduced tax rates on profits, reduced tariff on imported equipment, accelerated depreciation, increased tariff to protect domestic market and loss carried forward for tax purpose. Keen (2013) further describes tax incentives as all the strategies and measures that provide for better tax treatment to specific activities or sectors.

In Kenya, tax incentives can be classified into either export promotion incentive or investment promotion incentive. Examples of investments promotion incentive are the investment deductions allowance which was implemented to accelerate investments in physical assets for instance machinery, industrial buildings, industrial building allowances that was advanced to encourage investment in buildings used for industrial purposes like allowance that was advanced to encourage investors to delve into the mining sector which was capital intensive. On the other hand, the export promotion incentives constitute three key schemes namely the EPZ, the Tax Remissions and Exemption Office (TREO) and Manufacture Under Bond (MUB). The purpose of EPZ's was to accelerate economic activity and FDI while TREO and MUB purely promoted manufacture for export (Githaiga, 2013).

Governments across the globe utilize tax incentive to promote economic activities and investment by enterprises, they introduce these incentives to boost some crucial sectors of the economy where they appear dormant or lacking completely (Kaplan, 2011). Incentives increase return on capital thus making investments more attractive and in turn increases the firm's profitability. Despite the above benefits, tax incentives are rated poorly in investment climate and have been reported to be redundant since the investments they purport to support would still have been executed without them. Their fiscal cost could also be high which reduces the opportunities for much needed public spending on infrastructure, social support or public services requiring higher taxes on other undertakings (James & Sebastian, 2014).

The Kenyan government has developed the EPZ development programme which seeks to nurture Kenyan exporters with most local Kenyan shareholding. Among the tax incentives advanced under this programme are; perpetual exemptions from customs import duty and VAT on machinery, inputs- raw materials, certain petroleum fuel and office equipment. In some instances, a tax incentive could be restricted to selected companies in the sector mostly those with very high corporate goal (value addition through domestic processing and technology transfer and employment creation).

1.1.2 Business Growth

SMEs contribute a lot towards a country's economy by inculcating entrepreneurial skills, offering employment and innovation. The promotion of SMEs in the informal sector results to development that could be sustained through the limited resources in Africa. The SME contributed to more than 50 percent of newly created jobs in 2005 (Economic Survey, 2006). All firms are established on the basis of achieving different common objectives. These objectives are; profit maximization, fair dealings with suppliers and welfare of employees. In order to know whether these objectives are met, an organization has to device on means of gauging the extent of meeting these objectives or to which extent the firm is profiting the owners.

Business growth is gauged using parameters such as profits, sales turnover, employees ,level of technology adoption and market share (Marc, 2010). There is no standard measure of growth (O‟Gormoma, 2012). He opines that neither of these options presents itself as the most appropriate measure. Marry (2004) argues that the growth of an enterprise is reflected through increased market share, increased sales and new and improved. 'The mind-set of an entrepreneur that guides all decision making for SME's is a fundamental factor in the extent and rate of growth of the business' argues McGrath, (2008).This has been emphasized by Hashimoto (2011) who states that firms grow because they have resources which are not fully utilized within the firm and entrepreneurial motivation exists which is so profit seeking.

The three main challenges that SME's faced by business owners are lack of financial support and business opportunities to grow, poor business practices and little business diversification. It is difficult for SME's to realize full growth without adequate financial capital (SME-RC, 2012). SME's choose the capital structure based on the factors that prescribe the various costs and benefits linked to debt and equity financing. According to Joshua & Nicholas (2009), capital structure refers to a specific measure of equity and debt used by an enterprise to run its operations. According to Nichter and Goldmark (2005), business growth can be described as the increase in the total number of employees over time since the owners may not be sure about the number of employees over time though they may not have maintained the written records which are reliable.

1.1.3 Small and Medium sized Enterprises

These are enterprises that have being financed a few individuals who operate their businesses within given geographical boundaries, with a limited number of employees and are less dormant compared to larger firms in (Longenecker, Petty, Palich and Moore 2006). The common upper limit designating an SME is 250 employees for medium sized enterprises and 50 employees for small enterprises (OECD, 2012). The development of resilient SMEs forms a crucial aspect of Kenya's goals to be a globally competitive with high living standards by 2030 (GOK, 2007).

Technological advancements, new entrants to the market, increased liberalization, increased living standards compels SMEs to strengthen inter-firm linkages, raise efficiency levels and align accordingly to changes in the market. Additionally, increased integration into the global economy allows SMEs to participate in international supply chains networks and value chains. This allows SMEs to adopt new technologies and rise up in the value chain. In order to compete globally, its mandatory for SMEs to harness knowledge and technology so as to develop products of higher quality.

The emergence of SMEs in each sector of the economy has been indicative of investor's interest in Kenya's economy even as these SMEs struggle to fight to survive (UNTCAD, 2014). The Kenyan government has introduced many initiatives to boost the SME sector which is crucial towards the realization of Vision 2030. "SMEs are instrumental in creating equity between the needs of the marginalized areas that are occupied by poor individuals thus promoting equitable income distribution as well as competitiveness (GoK, 2012).

SME's play a crucial role every countries' economic growth: they act as the main source of entrepreneurial skills, employment and innovation. The promotion of SME's more so those in the informal sector form an ideal pathway to development which could be particularly sustained using the resources in Africa. The Economic Survey (2006), revealed that the SME sector was accountable for over 50% of new jobs availed in 2005. All firms are established on the basis of achieving a number of common objectives. These objectives include profit maximization, maximization of wealth, fair dealing with suppliers, and welfare of employees. In order to know whether these objectives are met, an organization has to device on means of gauging the extent of meeting these objectives or how well a firm is generating value for the owners.

1.2 Research Problem

In a low income country such as Kenya, the role of SMEs is crucial in ensuring that the country's social economic development agenda is achieved. SMEs are highly considered to be the accelerators of innovation and growth in the economy (Braunerhjelm, 2012). However, SMEs face challenges with regard to financing, disproportionate regulatory burdens and competition failures compared to large entities. A favorable business environment is therefore important to minimize the impact of these barriers and seeks to provide a level playing ground for firms of all sizes. Reduction of the tax burden of SMEs through issuing incentives will free up funds to be used in innovation and efforts to access global markets and ultimately ensure business growth (OECD, 2015). This can be achieved through alignment of tax-environment to the environmental specific growth needs for SMEs (Andersson, 2012).

The typology for SME tax incentives in Kenya depends on factors including firm size, firm age, input- output and the sort of activities performed by the SME (Matovu, 2010). Despite the significant contribution of tax incentives to SMEs' growth, unequal treatment the taxpayer's hampers with the efficiency of and tax system's efficiency and thus tax incentive's social benefits have to be weighed against related costs (Busom, 2014). As part of the big four Agenda, the government has aligned policies under the agriculture sector to boost small holder production and reduce initial cost of investment. A recent tax exemption policy was witnessed in 2017 when the government exempted materials used in the construction of storage facilities from VAT.

Empirical studies have shown different views on tax incentives as an accelerator for business growth. A school of thought believes that tax incentives promote business growth while others argue that it reduces the accruable revenue to the government. Globally, Uwaume and Ordu (2014) undertook a study on the impact of tax incentives on economic growth in Nigeria. The survey established that sufficient tax incentives enhance industrial growth and economy. These findings contradict with Holban (2007) who studied the contribution of tax incentives to development and welfare of the society and concluded that tax incentives only puts the income needs for survival of businesses under consideration ignoring the overall benefits that would have been accrued by the society at large if the same income had been used for provision of public goods. The findings by Holban were further affirmed by Tilahun (2017) in his research on the challenges of tax incentives on tax revenue. The author cited different challenges associated with the issuing of tax incentives such as complexity of the legal framework, lack of coordination with administrative procedures, administrative under capacity and poor mechanisms of monitoring and controlling which all lead to reduction of the overall revenue that would have been collected for fulfillment of other national development agendas.

Studies by Akinyomi and Chukwumerije (2011) looked into effect of the tax incentives on the performance of SMEs in Rivers State, Nigeria. The findings revealed that there exists a significant positive association between tax incentives and growth and development of SMEs. This study was similar to Twesega (2019) who delved tax incentives on growth of SMEs in Rwanda and found a strong positive and significant association between tax incentives and SMEs' growth. Although the two studies seemed to have produced consistent findings on the relationship between business incentives and business growth, the findings were not conclusive as the prior only focused on performance which is only one aspect of growth.

Locally, Murage (2012) executed a survey on the effect of tax incentives on investment of EPZ establishments in Kenya. The survey explored the different types of tax incentives offered to the EPZ firms and their effect on business investments. The findings were that tax incentives result to increase in profit, sales as well as business investments. A closely related study was conducted by Kuria (2016) in an investigation on impact of tax incentives on the performance of EPZs. The results revealed that corporate income tax investment, excise duty incentive, VAT incentives and custom duty incentive exhibited a positive and significant association with EPZ firms' performance as measured using total number of jobs and ROA. The two studies produced similar findings but the findings were not clear since different measurements of performance were adopted thus the findings do not form sufficient grounds for argument. Wangechi (2014) sought to ascertain the effect of taxation on SMEs' growth in Voi sub-county. The research focused more on tax administration and how tax remittance reduced the profits that would have been reinvested to expand the business as opposed to tax incentives which will contribute to more business gains. The findings showed that higher tax rates have a significant impact on growth of SMEs in Voi County.

From the foregoing, disputing findings exist on the effect of tax incentives on business growth with some stating that it allows small business owners to reinvest the funds that would have been otherwise committed to payment of taxes in expansion of the enterprises while others state that tax remittance reduces revenue collection by the government which would have been used to provide public goods such as adequate infrastructure which is important for business growth. Moreover, majority of the studies have examined tax incentives from the angle of business welfare and economic growth and not specifically growth of SMEs. Therefore, the current research seeks to analyze the tax incentives available for SMEs and measure the extent to which these incentives have contributed to growth of SMEs in Kenya. This yields the research question; what is the effect of tax incentives on the growth of Small and Medium Sized Enterprises in Nairobi, County?

1.3 Research Objective

The general objectives of this study were;

i. To determine the tax incentives available growth of small sized enterprises in Nairobi County

ii. To establish the extent to which tax incentives affect the growth of small and medium sized enterprises in Nairobi County.

1.4 Value of the Study

The research will be useful to the government, tax revenue authorities and policy makers. It will avail a framework for the through evaluation of tax policies, provide the basis for redesigning the tax incentive model and identify the inadequacies in the current tax system. The policy makers will also understand whether the present existing tax incentives only benefit the business owners in terms of their revenue earnings or contribute to enterprise growth which generates appropriate economic benefits. Understanding these dynamics will enable the government to design the most appropriate typology for issuing of tax incentives.

This study would also be useful to prospective investors seeking to invest on various SMEs as a result of tax incentives these businesses benefit from. The scheme could also be promote correct investments and secure private investor proposals. The potential investors will understand when type of tax incentives available, whether applicable for all sectors or specific sectors and whether continuous or seasonal. This will offer effective evaluation of business decisions and ensure informed judgments.

The results will also act as reference to scholars, students and researchers who may wish to undertake studies in the same or correlated field. The findings will also be used by analysts in identifying gaps through distinguishing proof in related areas. The survey contributes significantly to mechanical improvements among individuals in general division. The results of the study will also be used to assess the existing tax theories and determine whether the purported prepositions hold.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section presents the data and information related to the purpose of the study from the available theoretical and empirical literature on the topic. The areas discussed in this chapter include the theoretical foundation of the study, tax incentives for SMEs, measures of growth of SMEs, tax incentives and growth of SMEs, empirical review and the conceptual framework.

2.2 Theoretical Foundation

This section describes and discusses three theories related to the study namely the Political System Theory, Normative Theory and the resource based view.

2.2.1 Normative theory

The Normative theory was propagated by Cochran (1999). The model explains the how the existence institutional government structures create different incentives and the constraints faced by the governments. The incentives stipulate a clear development path and various governments may transition in different ways some of which might not be effective. Tax administrative reforms and tax policy-making therefore evolve symbiotically and simultaneously. The institutional theory provide an holistic framework which could be used to articulate the development of tax policy administrations across cultures over time.

According to Chua (1995), every incentive is associated with certain merits and demerits and it is thus extremely hard to ascertain the ones that are effective since different economies are faced with different circumstances and challenges.

The proxies for establishing what works for a particular economy include budgetary constraints, the nature of investment being courted, the tax administration's competence, the extent to which the government stimulates investment, the available tax planning opportunities and the extent of revenue leakages.

Shah and Boadway (1995) postulate that any incentives allocated by politicians and public servants are potentially open to corruption and abuse. Therefore, there exists a strong believe that all potential investors should have access to incentives which is possible through transparent allocation criteria. Conversely, adequate incentives for investment should be availed to firms to promote positive growth. Therefore, each potential investment needs receives incentive specific to the precise situation.

The Normative theory is useful in illustrating the factors influencing the tax incentives' efficiency in impacting the growth of firms as well as the benefits and costs of tax incentive in the naton. Despite its contribution to enterprise growth, the theory has been criticized for lack of theoretical foundation (Saez & Stantcheva (2016)). The authors argue that the normative theory does not quickly develop a theoretical foundation since it can be analyzed from various perspectives depending on the context and circumstance. Unless a deeper analysis or reading is undertaken, it is hard to the topic to which the theory is being attributed.

2.2.2 Political System Theory

The political systems theory of entrepreneurial growth was developed by Hoselitz(1917). The theory argues that the political system create favorable laws, adequate infrastructure, security to entrepreneurs, fair taxation system, provide subsides and incentives, creation of promoting policies and can encourage individuals to engage in entrepreneurship. The state can provide an enabling environment for upcoming entrepreneurs. Therefore, the contribution of the political system can meaningfully lead to entrepreneurial advancement. The source of resources emanating from the judgment of government owners constitutes of entrepreneurial element in the government action. Lack of these elements implies that ownership, direction and judgment would basically imply monopoly powers as implied in the economic theory (Karol, 2013).

Hoselitz argues Japanese entrepreneurs flourished since their political system could integrate appropriately with different sectors such as the agricultural, industrial, handicraft industries, old-style and current social structure and labour intensive technologies. Boulding documents that the political structure is the pivotal factor for entrepreneurial growth in Russia and France. However, it didn’t flourish before 1917 since the creative ability lacked expression. Hoselitz opines that France trailed behind since his political system failed to give adequate enticements to entrepreneurs (Salemo, 2008).

The political systems theory of entrepreneurship is considered to be beneficial over other theories found in public literature since it does not rely on the anti-social, economically inefficient. The theory enlarges the potential scope of political entrepreneurship and could include definite bureaucratic functions other which may be decided through a political process. Even through the state does not directly control resources, it may regulate the flow of resources within the economy through different policy initiatives and regulatory frameworks. The entrepreneurs make decisions regarding use of resources but are beholden by higher authorities (Foss and Glein, 2010). The theory is applicable to the research since it emphasizes the function the government plays in bringing up enterprise development through different policy initiatives

2.2.3 Resource Based View Theory

The Resource based theory (Barney's 1991) argues that having strategic resources provides an enterprise with a unique opportunity to create competitive advantages and performance over its rivals which in the long run helps the organization enjoy strong profits and growth over time. The focus of the RBV is on the correlation between firms limited resources and firm growth performance. Grant (1991) asserts that the overall extended success of any enterprise is based upon the internal firm resources offering it, the capabilities of the firm in using available resources to develop a competitive advantage contribution to the growth of the firm in a market (Peteraf, 1993). Resources, strategy implementation, and performance inter-dependence are central to the resource based theory of competitive advantage (Hunt, 2000).

The RBV of competitive advantage is an influential theoretical framework used in this research to highlight the essence of tax incentives in accruing a firm competitive advantage which facilitates firm’s growth activities (Stiftung, 2002). Tax incentives stand out as an important resource to the firm in that it saves the firm additional costs that would have been used for payment of taxes which are otherwise invested in other projects such as acquisition of modern equipment or adoption of new innovations which translate to firm growth. Lastly the theory will be suitable for application in this framework to compare how the use of tax incentive as a resource within different enterprise can help with gaining a competitive edge to the firms advantage while creating value on existing resources to maximum benefits.

2.3 Empirical Review

The subject of tax incentives has become a topic of interest in current times. This is mainly due to the fact that a significant amount of business profits are channeled to payment of taxes which reduces the anticipated profits or even business sustainability (Kitsios and Patnam, 2016). Globally Rapuluchukwu, Ibukun and Belmoondo (2016) examined the effect of fiscal incentives on the productivity of the firm using firms in Cameroon. The survey contained specific measures of measuring the beneficiary status of firms from various groups of fiscal incentives for instance profit tax exemption, import duty exemption and , export financing. The study concluded that the preposition for government involvement in firm endeavors could be inclined towards reward of outputs thus providing an integral component of industrialization.

Ordu and Owaume (2014) undertook a survey to examine the effect of tax incentives on economic development of Nigeria between the time frame 2004 and 2014. The study's population involved 51 respondent from management, tax payers and staff of chosen manufacturing firms in the South political zones of Nigeria. The research established that sufficient tax incentives enhanced industrial growth and economic development and recommended the government to waive certain corporate taxes to assist them mature more so at their early stages. The government shouldn't focus on revenue that is lost at this point since the benefits will surpass in the long run what's lost in the early stages.

Alhulial (2014) delved into effects of tax incentives on the sales performances of eco-friendly cars in Japan. The results showed that tax incentives have a strong positive effect on sales of eco-friendly cars. The above study creates a gap since it's evident that tax incentives were advanced in this case not only for the purposes of business growth but to promote the purchase of environmental friendly vehicles in order to control pollution of the environment and conserve natural resources.

Murage (2012) did a study on the impact of tax incentives on investment by Kenyan EPZ firms.The population of the study included 104 EPZ firms in Kenya. The findings were that investments by EPZ firms increase with increase in tax incentives, sales and profits. The influence of tax incentives on investments by EPZ companies was however found to be insignificant. The research recommended the government to adopt other incentives apart from tax to boost sales.

Onyango (2015) explored the influence of tax incentives on performance of four-star hotels in Nairobi City County. The survey's findings revealed that there exists a negative association between industrial deductions and investment reduction and performance of hotels of this classification. Other findings were that depreciation allowances had a positive impact on financial performance of the four star hotels in the County. The above study only used financial measures to measure performance yet tax incentives my affect other factors in the organization which may not be depicted through financial measurements and thus the study should have study should have considered the use of both financial and non financial measures.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The section represents the techniques, methods and approaches which the investigator employed in data collection to achieve the intended outcome. The research methodology guides and gives direction on the direction to be followed by the investigator to get answers to issues in which he is concerned (Kothari, 2004)

3.2 Research Design

Kothari (2004) describes a research design as an outline, system or plan which is employed to seek responses for a research problem. It gives a description of how the study addressed the research's objectives. To choose a research design, one has to consider the kind of data required, where and how it will be collected and how the data will be analyzed and interpreted. The study employed a descriptive survey design whereby the descriptive perspective is classification as per the analysis method and pertains using variables to understand the phenomenon under study but does not explain why it is so.

Khan (2008) notes that a descriptive research design is utilized where the researcher wants to find out the state of affairs as they exist. Cooper & Schindler (2008) also point out that a research design that is descriptive gives a valid and accurate representation of the variables of the study and this becomes helpful when responding to the research question. Kothari (2004) also informs that a survey design comprises collection of data from a specific population to determine the state of the phenomenon under study according to one or more variables.

3.3 Population of the Study

Burns and Burns (2008) defines population as the attribute of interest from which a researcher can draw deductions. According to Kothari (2004), population refers to a group of individuals, things, elements, events, households that are well-defined and which are being examined. A research should have a population onto which the study's findings are generalized. The population of this study was the 1539 SMEs operating in Nairobi Central Business District (Nairobi County Government Licensing Department, 2018)

The target population involves SMEs from different sectors as depicted in Table 3.1

Table 3.1:Population Distribution

Classification of SMEs	**Population**
Trade	247
Transport	231
Hospitality	211
Agriculture	205
Technical and Professional	217
Education	207
Manufacturing	221
TOTAL	**1539**

Source: Nairobi County Government, 2019

3.4 Sample Procedure

The research used proportionate stratified random sampling technique where the population was split into seven strata depending on the sector the firm is operating in. Simple random sampling methodology was then applied within each stratum to select a sample from the population. Stratified sampling enables the investigator to representatively sample each subgroup in the population hence higher statistical precision. Simple random sampling avoids biased selection and ensures that every object stands an equal opportunity of being chosen hence satisfying the statistical regularity principle, which proposes that random selection of a sample implies that it possesses similar attributes as the entire population. Since stratified sampling technique has high statistical precision, it requires a small sample size hence the study utilized the Mugenda and Mugenda (2003) rule that any sample of between ten and forty percent of the population is representative enough and worthwhile making deductions about the population hence the study took 10% of the target population of 1539 hence obtaining a sample of 155 SMEs as respondents.

Table 3.2: Sample Size

Classification of SMEs	Population	Sample size
Trade	247	25
Transport	231	23
Hospitality	211	21
Agriculture	205	21
Technical and Professional	217	22
Education	207	21
Manufacturing	221	22
TOTAL	**1539**	**155**

Source: Nairobi County Government, 2019

3.5 Data Collection

According to Jensen (1976), data collection involves obtaining and measuring information of interest in a systematic manner in order to enable a researcher come up with answers for the research questions. The study was purely rely on primary data Sources. The primary data was obtained from the selected sample of SMEs operating in Nairobi CBD through use of structured questions comprising closed ended questions. The first section covered the general information about the respondents and their businesses, the second section covered the different tax incentives available for SMEs while section C measured the extent to which growth has been realized in the organization etc. The questionnaire was administered to the owners or managers of the managers of the small and medium sized enterprises.

3.6 Data Analysis

Saunders, Thornhill & Lewis (2009) stated that the data collected should be processed in order to obtain more meaningful information. The collected data must be cleaned, coded and should be analyzed properly. The study's descriptive elements were analyzed using descriptive statistics in form of percentages and frequencies . Regression analysis was carried out by the researcher in order to establish how tax incentives influence the growth of small and medium sized enterprises in the Nairobi, CBD. Regression analysis was utilized to determine the association between the dependent variable (growth) and the independent variables (tax exemptions and investment allowances)

The linear regression model of the study was as depicted below;

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 \; \varepsilon$

Where;

Y= Growth

$\beta 0$= Constant (coefficient of intercept)

X_1= Tax exemptions

X_2= Investment allowances

ε= Error term

$\beta_{1,}$ β_2 = Regression coefficients of the independent variables

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research looked into tax incentives and growth of small and mediums sized enterprises in Nairobi, County. This section therefore presents findings based on the proposed methodology and procedures. The chapter comprised of the following sections; response rate, background information, tax incentives, growth, regression analysis and discussion of the findings. The findings are presented in terms of tables and figures as shown below;

4.2 Response Rate

For the survey, of the 155 questionnaires administered to the respondents, 121 were fully received back. The overall response rate for the study was as presented in Table 4.2

Table 4.3 : Response rate

Response	Frequency	Percentage (%)
Returned	121	78%
Unreturned	34	22%
Total	**155**	**100%**

Source: Researcher (2019)

The output in Table 4.2 indicate a 72 % response rate. Thus the response rate was suitable for analysis as per Mugenda and Mugenda (2008) that a 70% response rate and above is good for analysis and making inferences

4.3 Demographic Characteristics

The researcher sought to establish basic characteristics such the duration in which the business has been in operation, the duration in which the respondents have been working for the firms and the number of employees. To explore these factors, an analysis of frequencies was undertaken after which the output was presented as shown below.

4.3.1 Duration Worked in the Organization

The research resolved to ascertain the duration to which the various respondents had been working for their organizations. The findings were as shown in Table 4.4 below;

Table 4.4 : Duration Worked

	Frequency	Percentage
1-5 years	62	51.20%
5-10 years	45	36.60%
10-15 years	14	12.20%
Total	121	100%

Source: Researcher (2019)

The research resolved to ascertain the duration to which the various respondents had been working for their organizations. The responses as shown in Table 4.4 above show that the majority 51.20 % had worked for the organization for a period ranging between 1-5 years followed by 36.60% while the least, 12.20% had worked for between 10-15 years. It can be deduced that the respondents were better placed to provide data related to the study as most had been in the organization for a reasonable number of years understood the available tax incentives and the level of utilization by the organization as well as growth parameters.

4.3.2 Duration in Operation

The study sought to establish the duration to which the firms had been in existence. This was done to establish the size and growth of the firm. The findings were as shown in Table 4.5 below

Table 4.5 : Duration in Operation

	Frequency	Percentage
Below 10 years	44	36.60%
11-20 years	59	48.80%
Over 20 years	18	14.60%
Total	121	100%

Source: Researcher (2019)

The study sought to establish the duration to which the firms had been in existence. The findings revealed that 48.8% of the businesses had been in operation for 11-20 years, 36.60% for below 10 years while 14.60% had been running for over 20 years. It can therefore be said that majority of businesses had been in existence for longer periods thus a good indicator of growth and sustainability.

4.3.3 Number of employees

The study undertook an investigation of the number of employees working for different enterprises. This was performed in order to determine the size of the firm as well as to ascertain whether there were adequate employees to perform different tasks as well as determine the size of the business.

Table 4.6 : Number of employees

	Frequency	**Percentage**
Less than 50	32	27%
50-100	24	20%
101-200	29	24%
Over 200	35	29%
Total	**121**	**100%**

Source: Researcher (2019)

The study undertook an investigation of the number of employees working for different enterprises. This was undertaken so as to establish the size of the firm as well as to ascertain whether there were adequate employees to perform different tasks as well as determine the size of the business. The results indicated that the number of employees among the categories presented was nearly uniform precisely 29% (less than 50), 27% (51-100), 24% (101-200) and 20% (51-100).

4.4. Tax Incentives

The study's first objective was to establish the extent to which different tax incentives had been availed to SMEs. This was achieved by asking the respondents to give their opinions on the extent to which the various types of tax incentives had been implemented.

4.4.1 Tax Exemptions

The study purposed to ascertain the extent to which different tax exemptions had been availed to SMEs. The respondents were presented with statements related to tax exemptions and asked to rate in the five point likert scale. The findings were as shown in Table 4.7 below

Table 4.7 : Tax Exemptions

Tax exemptions	N	Mean	Std. Deviation
The business is exempted from certain taxes tariffs and excise duty on importation of machinery	121	3.85	.965
Tax compliance costs of the business have reduced due to tax holidays	121	3.64	.964
Most back-end taxes for trade of SME shares are eliminated by the government	121	3.42	.856
The business uses tax free weekend to collect information about their customers which it uses to create loyalty programs	121	3.34	1.136
The business receives temporal exemptions for certain activities	121	3.25	1.012
Most back-end taxes for trade of SME shares are eliminated by the government.	121	3.13	.681
The enterprise receives back-end exemptions on capital gains tax	121	2.93	.728
Overall mean	**121**	**3.37**	**0.894**

Source: Researcher (2019)

From the findings as shown in Table 4.7 above, most attributes were rated to a moderate extent as confirmed by a grand mean of 3.335. Precisely; the means and standard deviations were; the business is exempted from certain taxes tariffs and excise duty on importation of machinery (M= 3.846, SD- 0.964), tax compliance costs of the business have reduced due to tax holidays (M- 3.641, SD- 0.964), most back-end taxes for trade of SME shares are eliminated by the government (M- 3.421, SD- 0.856), the business uses tax free weekend to collect information about their customers which it uses to create loyalty programs (M- 3.337, SD- 1.136), the business receives temporal exemptions for certain activities (M- 3.246, SD- 1.012), most back-end taxes for trade of SME shares are eliminated by the government (M- 3.133, SD- 0.681), the business receives reduces tax obligations during a period of time in the year (M-3.120, SD-0.808) and the enterprise receives back-end exemptions on capital gains tax (M- 2.933, SD-0.728). The overall mean of 3.335 implies that although there exists are many tax exemptions documented in policy, most have not been successfully implemented. Although the respondents agreed with statements such as the existence tariff and duty exemptions on importation of machinery for production, most disagreed that incentives such as back-end exemptions on capital gains existed.

4.4.2 Investment Allowances

The study resolved to establish whether there were investment allowances for SMEs. The respondents were presented with statements related to the existence of investment allowances and asked to rate using a scale of 1-5. The findings were as shown in Table 4.8 below

Table 4.8: Investment Allowances

	N	Mean	Std. Deviation
The government offers special trade zones for establishment of business enterprises by potential investors	121	3.67	1.224
The business receives a reduction in tax rates for borrowed funds for investment	121	3.33	1.184
The business receives depreciation allowances on its assets	121	3.25	0.964
The business has ever received some form of Corporate income tax incentives	121	3.07	1.363
The business receives some percentage of tax relief on value invested in innovation	121	2.85	1.106
Average	**121**	**3.23**	**1.168**

Source: Researcher (2019)

The results as indicated in Table 4.8 above shows that majority of the respondents agreed that the government offers special trade zones for establishment of business enterprises by potential investors (M- 3.666, SD- 1.224) followed by the business receives a reduction in tax rates for borrowed funds for investment (M- 3.246, SD- 0.964) then, the business has ever received some form of Corporate income tax incentives (M- 3.066, SD- 0.363) while the least mean recorded was on business receives some percentage of tax relief on value invested in innovation (M- 2.845, SD- 1.106). The study produced an overall mean 3.231 implying that investment allowances had to a moderate extent been availed by the government. While investment allowances such as special trading zones and depreciation allowances were somehow visible, others such as corporate tax income incentives and relief in value invested in innovation had been realized to a small extent. The average standard deviation of 1.168 implies that the responses were dispersed around the mean response.

4.5 Business Growth

The study undertook an assessment to ascertain the rate in which the business has been growing over the last three years. To achieve this, the study examined the extent to which the different indicators of growth have been achieved. The responses were rated in a five point Likert scale of 1-Strongly disagree and 5-Strongly agree

Table 4. 9: Business Growth

	N	Mean	Std. Deviation
The business has registered an increase in its sales revenue over the last three years	121	4.43	.728
The market share of the business has increased for the last three years	121	4.24	1.189
The innovative capabilities of the business have been increasing over time	121	4.13	.681
The asset base of the business has been expanding significantly for the last three years	121	4.03	.809
The business has diversified into new line of activities compared to the last three years	121	3.97	.765
The has more branches compared to the last three years	121	3.87	1.137
Increase in the ability to attain new customers	121	3.86	1.224
The business has more employees compared to the last three years	121	3.70	1.178
Average	**121**	**4.03**	**0.964**

Source: Researcher (2019)

From the above analysis, it is evident that the SMEs have registered substantial growth over the last three years as evidenced by a grand mean of 4.042. The individual means recorded were; the business has registered an increase in its sales revenue over the last three years (M= 4.433, SD- 0.728), the market share of the business has increased for the last three years (M- 4.243, SD- 1.184), the innovative capabilities of the business have been increasing over time (M- 4.133, SD- 0.681), the asset base of the business has been expanding significantly for the last three years (M- 4.033, SD- 0.808), the business has diversified into new line of activities compared to the last three years (M- 3.967, SD- 0.764), the has more branches compared to the last three years (M- 3.867, SD- 1.137), increase in the ability to attain new customers (M- 3.857, SD- 1.224) and The business has more employees compared to the last three years (M- 3.700, SD- 1.179). The average standard deviation was 0.963 implying that the responses were largely dispersed around the mean response.

4.6 Regression Analysis

A regression analysis was performed in the study to determine the relationship between each independent and business growth

4.6.1 Relationship between Tax Exemptions and Business Growth

Tables 4.10, 4.11 and 4.12 as shown below shows the model summary, analysis of variance and regression coefficients on the relationship between tax exemptions and growth of SMES.

Table 4.10 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.350[a]	.122	.115	.91456

Source: Researcher (2019)

a. Predictors: (Constant), Tax exemptions

Table 4.11 : Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	13.888	1	13.888	16.604	.000[b]
	Residual	99.534	119	.836		
	Total	113.421	120			

Source: Researcher (2019)

Table 4.12 : Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.409	.316		7.611	.000
	Tax exemptions	.325	.080	.350	4.075	.000

As indicated in the Table 4.10 the variable growth can be predicted by 12.2% by tax exemptions with a standard error of 0.915. This means that 12.2 % of the changes in growth is determined by the variation in tax exemptions while the other 87.8% is attributable to other factors not related to the study.

Testing the significance can be seen in the ANOVA table. From the table it is evident that at 95% confidence level, the model was found to be statistically significant as shown by a p value of 0.000. Therefore, tax exemptions was significant in predicting business growth.

The coefficients of determination table shows that tax exemptions has a significant effect on growth of SMEs (β= .325, t=4.075, p<0.000). The finding implies that 32.5 of change in growth is attributable to a unit change in tax exemptions. As per the SPPS version 23 generated output the equation for the relationship becomes:

$$Y=\alpha+\beta_1X+e$$

$$y = 2.409 + 0.325 x + 0.316$$

where x is independent variable (Tax exemptions)

y is dependent variable (Business Growth)

e is the error term

α is the constant

4.6.2 Relationship between Investment allowances and Business Growth

Tables 4.13, 4.14 and 4.15 as shown below shows the model summary, analysis of variance and regression coefficients on the relationship between investment allowances and growth of SMES.

Table 4.13 : Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.430[a]	.185	.178	.78484

Source: Researcher (2019)

a. Predictors: (Constant), Investment allowances

Table 4.14 : Analysis of Variance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.667	1	16.667	27.058	.000[b]
	Residual	73.300	119	.616		
	Total	89.967	120			

Source: Researcher (2019)

Table 4.15: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.794	.433		4.143	.000
	Investment allowances	.556	.107	.430	5.202	.000

Source: Researcher (2019)

a. Dependent Variable: Growth

As indicated in the Table 4.13 the variable growth can be predicted by 12.2% by investment allowances with a standard error of 0.785. This means that 18.5 % of the changes in growth is determined by the variation in investment allowances while the other 81.5% is attributable to other factors not related to the study.

Testing the significance can be seen in the ANOVA table. From the table it is evident that at 95% confidence level, the model was found to be statistically significant as shown by a p value of 0.000. Therefore, investment allowance was significant in predicting business growth.

The coefficients of determination table shows that investment allowances has a significant effect on growth of SMEs (β= .556, t=5.202, $p<0.000$). The finding implies that 55.6% of change in growth is attributable to a unit change in investment allowances. As per the SPPS version 23 generated output the equation for the relationship becomes:

$$Y=\alpha+\beta_1X+e$$

$$y = 1.794+ 0.556\ x$$

where x is independent variable (Investment Allowances)

y is dependent variable (Business Growth)

e is the error term

α is the constant

4.7 Discussion of the Findings

Governments across the globe use tax incentives to promote economic activities and investment by establishments, they introduce these incentives to boost some crucial sectors of the economy where they are dormant or lacking completely (Kaplan, 2011). Incentives increase return on capital thus making investments more attractive and in turn increase the firm's profitability (Njuguna, 2015). Despite the above benefits, tax incentives have generally rank low among small and mediums sized enterprises and have been reported to be nonexistent and redundant (James & Sebastian, 2014).

The study found the businesses receives huge tax exemptions on certain tariffs and excise duty on importation of certain commodities which is true following recent policies such as the recent tax exemption policy was witnessed in 2017 when the government exempted materials used in the construction of storage facilities from VAT while most disagreed with the applicability of some such as back- end exemptions and temporal tax exemptions. However, it can be deduced from the overall mean of 3.335 there were different tax exemptions for SMEs designed to boost their growth. These findings agree with Rapululuchukwu (2016) that tax exemptions increase the level of profits of business by allowing the funds that would have been committed to tax payments to be re-invested in the business thus growth.

The study also found that there were different investment allowances available for SMEs. The analysis shows that the government offers special zones for establishment of business enterprises. This was found to have been implanted to the largest extent probably due to the need attract foreign investors or attract individuals to engage in export trade which improves economic growth. Other incentives such as depreciation allowances, reduction of tax on investment and corporate tax incentives were found to have been slightly implemented. The respondents however disagreed that the business receives innovation incentives which can be explained by the fact that innovation is an internal strength of the firm which describes its competitiveness in the market.

In practice capital expenditure on machinery/building used for manufacture is entitled to an investment deduction equal to 100% of the cost. It can be said from the above findings that the issue of investment allowances could be biased in that it might favour certain businesses such as export firms or foreign investors. These findings agree with Philips (2010) that investment allowances show same negative implication with respect to neutrality, simplicity and transparency as depreciation scheme.

From the regression analysis model on the effect of tax exemptions on the growth of SMEs, the study found that there exists statically significant association between tax exemptions and growth of SMEs and investment allowances and growth of as evidenced by p values 0.000 for both tests. This therefore implies that tax incentives can be used to predict the growth of SMEs in Nairobi, County. These findings concur with Edgcomb (2012) that tax incentives have significant impact on growth and performance of small enterprises and Simiyu (2018) who found that government interventions have a positive effect on growth of SMEs when properly managed from formulation to implementation

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter looks at the summary of findings, conclusion, recommendations, limitations, suggestions for further research and implication of the study to the theories, practice and the government.

5.2 Summary of Findings

The study's objective was to determine the effect tax incentives on growth of small and medium sized enterprises in Nairobi City County. The study used two theories namely the political systems theory and normative theory. The research employed the descriptive research design. The population was all the 1539 SMEs operating in Nairobi CBD. Stratified random sampling was used to derive 155 respondents which were used as the sample. Primary data was collected from the respondents by use of self-administered structured questionnaires containing closed ended questions. The study used field data to derive findings. The demographic information results indicated that most employees had worked for their firms for longer periods hence had proper understanding of the tax incentives enjoyed by the business. The findings also indicated that the number of employees had over time increased which was a good indicator of growth. Furthermore, most enterprises were found to have been in existence for between 11-20 years which is a long period thus a good sign of sustainability and growth.

The findings the different attributes of tax exemptions such as the business is exempted from certain taxes tariffs and excise duty on importation of machinery, tax compliance costs of the business have reduced due to tax holidays , most back-end taxes for trade of SME shares are eliminated by the government, the business uses tax free weekend to collect information about their customers which it uses to create loyalty programs, the business receives temporal exemptions for certain activities, most back-end taxes for trade of SME shares are eliminated by the government, the business receives reduces tax obligations during a period of time in the year and the enterprise receives back-end exemptions on capital gains tax produced an aggregate mean of 3.335 implying to some extent, that the government had formulated various tax incentives to promote the growth of small enterprises .

The analysis on investment allowances shows that the government offers special zones for establishment of business enterprises. This was found to have been implanted to the largest extent probably due to the need attract foreign investors or attract individuals to engage in export trade which improves economic growth. Other incentives such as depreciation allowances, reduction of tax on investment and corporate tax incentives were found to have been slightly implemented. The respondents however disagreed that the business receives innovation incentives which can be explained by the fact that innovation is an internal strength of the firm which describes its competitiveness in the market. The regression analysis output produced a R square values of 0.122 and 0.185 for the effect of tax exemptions and investment allowances on growth respectively implying that tax incentives explained a small proportion of growth and was not a major determinant. Also, at 95% confidence level, the models were found to be significant as depicted by a p value of (p=0.000) implying that entrepreneurial tax incentives have a significant impact on growth.

5.3 Conclusions

Following the study's findings it can be said that tax incentives has a positive and significant impact on growth of SMEs as measures by increased number of employees, increased customer satisfaction, increased profitability and penetration into new markets. The study found that although many tax incentives have been documented in policy, their practical applicability remains low. The study found that while tax exemptions such as excise duty exemptions on importation of machinery were highly evident, others such as tax exclusion on funds invested in innovation were not visible. Similarly, the study notes that the government to a large extent offers investment allowances such as the EPZ while ignoring others such as depreciation allowances which might be of benefit to the small business owner. Concerning the effect of tax incentives on growth of SMEs, it was concluded that tax incentives have a statistically significant relationship with growth of SMEs at 0.05 significance level. It was therefore imperative for the government to introduce new tax incentives and fully implement the existing ones so as to accelerate the growth of SMEs in the country.

5.4 Recommendations

Based on the study's results, the study makes the following recommendations; Further policy initiatives by the Kenyan government to accelerate the growth of SMEs should have user and stakeholder input before being concretized in order to mitigate against negative effects on SMEs to facilitate the desired growth trajectory. Therefore, for the government to realize the desired economic growth and even the big four agenda, policy design should be more inclusive and sensitive to the needs of SMEs and more so ensure fairness in gender equality. The policy initiatives must relate to tax incentives, business infrastructure and other regulatory regimes.

The government should also strengthen its partnerships with the private sector, promote higher value added services, increase coordination among various government value adding entities, dealing with SME promotion and set quantifiable targets through frequent monitoring of performance of different policy interventions. This is bound to boost SME growth. The government should also provide frequent trainings on the available incentives which they can leverage on to boost their growth.

5.5 Limitations of the Study

Because of confidentiality policy of different firms, it was difficult to obtain all the required information as some of the respondents were seeking approval from their bosses or business owners. This also explains why the researcher was only able to receive back 78% of the questionnaires issued. The research focused one respondent firm leaving aside others which could be more resourceful. This could have left out important information that is vital for the study. The knowledge on the available tax incentives by different enterprises might be varying.

5.6 Suggestions for Further Research

Further research should be conducted to test and validate the research findings using the qualitative approach to ascertain if the same findings hold. Further studies should be carried out on more potential predictors of growth since in this study, 87.8 and 81.5% variance in growth for tax exemptions and investment allowances remained unexplained.

The same study can also be cusing a wider population to include firms of all sizes and not only SMEs

Since the study was highly quantitative, a qualitative study with an interview guide would have generated detailed qualitative data that capture opinions, believes and value expressions by respondents. A detailed study of ways to maintain and sustain growth should be carried out

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Appendix I: Questionnaire

SECTION A: Demographic information

Please tick the appropriate box that corresponds to your answer.

1. How long have you been an entrepreneur?

a) 1-5 years [ ]

b) 5-10 years [ ]

c) 10-15 years [ ]

d) Over 15 years [ ]

2. For how long has your current business been in operation?

Below 5years ☐

5to 10 years ☐

Above 10 years ☐

3. How many employees are there in your business?

a) Less than 50 ( ) b) 51 – 100 ( ) c) 101 – 200 ( ) d) Above 200 ( )

SECTION B: Tax Incentives

5. Rate the extent to which you agree with the following statements on the applicability of the stated types of tax incentives offered by the government to the firm. Use a five point Likert Scale of 1- Very little extent; 2- Little extent; 3-Moderate Extent ; 4-Large extent 5- Very large extent

Tax exemptions	1	2	3	4	5
The business receives reduces tax obligations during a period of time in the year					
The business is exempted from certain taxes i.e. tariffs and excise duty					
The business uses tax free weekend to collect information about their customers which it uses to create loyalty programs					
The enterprise receives back-end exemptions on capital gains tax					
Most back-end taxes for trade of SME shares are eliminated by the government					
Tax compliance costs of the business have reduced due to tax holidays					
Most back-end taxes for trade of SME shares are eliminated by the government					
The business has receives temporal exemptions for certain activities					

Investment allowances	1	2	3	4	5
The business has ever received some form of Corporate income tax incentives					
The business receives some percentage of tax relief on value invested in innovation					
The business receives a reduction in tax rates for borrowed funds for investment					
The government offers special trade zones for establishment of business enterprises by potential investors					
The business receives depreciation allowances on its assets					

Section C: Business growth

6. To what extent do you agree with the following statements regarding the growth of your business over the last three years? The scale below will be applicable:

1=very small extent, 2=small extent, 3=moderate extent, 4=Large extent, 5=to a very large extent.

Business Growth	1	2	3	4	5
The business has registered an increase in its sales revenue over the last three years					
The market share of the business has increased for the last three years					
The innovative capabilities of the business have been increasing over time					
The asset base of the business has been expanding significantly for the last three years					
The operational costs of the business have been reducing over time					
The business has diversified into new line of activities compared to the last three years					
The business has registered increased profits over the last three years					
The has more branches compared to the last three years					
The business has more employees compared to the last three years					