FACTORS AFFECTING THE PERFORMANCE OF SMALL AND MICRO ENTERPRISES (SMEs) TRADERS AT CITY PARK HAWKERS MARKET IN NAIROBI COUNTY, KENYA

By

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2013

DECLARATION

I declare that this project is my original work and has not been presented in any other university or any higher learning for examination.

Signed: …….. **Date: ……**

Nabintu Ntakobajira
L50/65064/2010

This project has been submitted for examination with my approval as University Supervisor.

Signed: …….. **Date: ……**

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DEDICATION

This research project is dedicated to my family. My husband Zahinda Chihinda for allowing me time off to carry out this research and complete my Master's Degree. He has been a great source of motivation and inspiration throughout the research work.

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ABBREVIATIONS AND ACRONYMS

SMEs:	Small and Micro Enterprises
IS:	Information systems
KNBS:	Kenya National Bureau of Statistics
KBEMS:	Kanji's Business Excellence Measurement system

ABSTRACT

The ever changing business environment requires firms to adapt quickly to associated new challenges and competition, and presents particular problems for small businesses given their small size and limited resources. Small businesses increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded the preserve of smaller businesses. In fact, reliance on domestic markets for business growth is a thing of the past for many SMEs. The study sought to establish the factors affecting the performance of small and micro enterprises (SMEs) traders at city park hawkers market in Nairobi County, Kenya. The study sought to achieve the following objectives: establishing how accessibility to business information services affects the performance of SMEs traders at city park hawkers market in Nairobi County; examining how access to finance affect performance of SMEs traders at city park hawkers market in Nairobi County; determining how the use of technological input in payment system affect the performance of SMEs traders at city park hawkers market in Nairobi County and examining how the availability of managerial experience affect the performance of SMEs traders at city park hawkers market in Nairobi County. The study applied survey research design on a sample of 47 SMEs Traders. The study employed the use of questionnaires to collect primary data through interviews as research tools since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. For the main purpose of this research, the study collected primary data and compare it with the available secondary data for the literature review. Descriptive statistics was used mainly to summarize the data. This included percentages and frequencies. Tables and other graphs were used as appropriate to present the data collected for ease of understanding and analysis. The study concludes that access to business information services affected the performance of the business to a great extent. The study further concludes that access to finance affected performance of SMEs. It affected performance to a great extent because it limited the entrepreneurs' ability to take advantage of opportunity as and when they arose. The study further concludes that technology affected the businesses to a very great extent by facilitating communication with both the supplier and customers, by easing the transportation of goods and by easing the marketing of our products. The study concludes that most of the respondents measured the performance of the business the number of customers and that the Government policy and regulations affect the performance of the business to a very great extent. Managerial experience affected the performance of SMEs of SMEs to a great extent.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises all over the world are defined differently. In almost all economies, small businesses are vital for sustained growth. Evidence available indicates that Small and Micro enterprises played a major role in the growth and development of all leading economies in Asia (United Nations, 2001). In United States of America (US), small businesses provide approximately 75 percent of the net jobs added to the economy and represent 99.7 percent of all employers. There were approximately 22.9 million small businesses in 2002 in US. According to Uganda Bureau of Statistics (2004), the value of goods and services created or generated by small and medium enterprises was USD 1,363,733 million of the total USD 2,360,157 million; thus a contribution of 58%. They employed 2,704,127 people, representing 56% of employment size. In addition, they are responsible for human resource and entrepreneurial development, poverty alleviation and improved quality of life, resource mobilization, business adaptability and sustainability. A high failure rate is a huge negative for an economy, especially a developing economy with limited capital. Baseline survey of 1999 defines SMEs as those non Primary enterprises (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the formal or informal sector which employ 1-50 people. Micro enterprises are those that employ 10 or fewer workers, while small scale enterprises are those that employ 11-50 workers. According to this survey on a small proportion of SMEs employ 11-50 people.

Small enterprises include a variety of firms, village handicraft makers, small machine shops, restaurants and computer software shops firms that possess a wide range of sophistication and skills and operate in very difficult markets and social environments. The owners may or may not be poor, some are dynamic, innovative and growth oriented while others are traditional lifestyle enterprises that are satisfied to remain small (Hallberg, 2000).

Small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Harris and

Gibson, 2006; Sauser, 2005; van Eeden, Viviers and Venter, 2004 and Arinaitwe, 2002). While the contributions of small businesses to development are generally acknowledged, entrepreneurs face many obstacles that limit their long-term survival and development. Research on small-business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2002). Scholars have indicated that starting a business is a risky venture and warn that the chances of small-business owners making it past the five-year mark are very slim. They should therefore develop both long-term and short-term strategies to guard against failure (Sauser, 2005; Monk, 2000).

A positive relationship has been documented between small-business development and economic growth in developed countries (Harris and Gibson, 2006; Monk, 2000; Sauser, 2005; Birch, 1987; Birch, 1981). However, far less research has been conducted on this relationship in developing countries. Studies in small-business development and performance are necessary in countries like Kenya because of the dissimilarities in the process between developed and developing countries (Arinaitwe, 2002). It is also essential to understand the factors influencing small-business performance in African countries because they are significantly different from those facing developed countries. These Factors include: access to business information services, availability of managerial experience, Government Policy and Regulations, technological input in payment system and access to finance.

1.1.1SMEs in Kenya

SMEs account for the majority of firms in developing countries and have a large share of employment, they are labour intensive, they are less efficient and pay low salaries and fringe benefits as compared to large firms and they lack job security because of their high mortality rates (Hallberg, 2000). Most activities characterized as SMEs are very small, majority of them operate in rural areas, they are owned and operated by women and they tend to be concentrated in a relatively narrow range of activities such as knitting, dressmaking, retail trading etc and they are more likely than those headed by male to operate from home (Mead and Liedholm, 1998).

According to Gray, Cooley and Lutabingwa (1997), there is no generally-accepted definition of a small business because classifying businesses as "large-scale" is a subjective and qualitative judgment. In countries such as the USA, Britain, and Canada, small-scale business is

defined in terms of annual sales and the number of paid employees. In Britain, a small-scale business is defined as an industry with annual sales of 2 million pounds or less and with fewer than 200 paid employees. In Japan, small-scale industry is defined according to the type of industry, paid-in capital, and number of paid employees. Consequently, small- and medium-scale enterprises are defined as those in manufacturing with 100 million yen paid-up capital and 300 employees, and those in the retail and service trades with 10 million yen paid-in capital and 50 employees.

In Kenya, "micro-enterprises" are those with 10 or fewer workers, "small enterprises" have from 11 to 50 workers, and "medium enterprises" have from 51 to 100 workers. Censuses indicate that micro-enterprises comprise the lion's share of enterprises in Kenya, while there are a few medium enterprises (Parker and Torres, 1994).

The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). According to Amyx (2005), one of the most significant challenges is the negative perception towards SMEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone.

Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes. Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, *et al.,* 2006). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development (Oketch, 2000; Tomecko & Dondo, 1992; Kiiru, 1991).

Education is one of the factors that impact positively on growth of firms (King and McGrath, 2002). Those entrepreneurs with larger stocks of human capital, in terms of education

and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 1998). Infrastructure as it relates to provision of access roads, adequate power, water, sewerage and telecommunication has been a major constraint in the development of SMEs (Bokea, Dondo & Mutiso, 1999).

As with many developing countries, there is limited research and scholarly studies about the SME sector in Kenya. The 1999 National Baseline Survey conducted by Central Bureau of Statistics, ICEG and K-Rep Holdings provides the most recent comprehensive picture of SMEs in Kenya. Mead (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of small and micro enterprise sector. When the state of the macro economy is less favorable, by contrast, the opportunities for profitable employment expansion in SMEs are limited. This is true especially for those SMEs that have linkages to larger enterprises and the economy at large. Given this scenario, an understanding of the dynamics of SMEs is necessary not only for the development of support programmes for SMEs, but also for the growth of the economy as a whole.

Given the role played by SMEs in Kenya, a study that specifically addresses factors within the business environment that affects their performance potential is very important. In line with Reinikka and Svensson's (2001) postulate that the rate of economic growth is positively associated with the rate of investment, factors in the business environment which constrain investment could in turn be the root cause of the poor economic performance of the manufacturing sector in Kenya. The removal of the impediments to entrepreneurship could be a powerful mechanism for growth. To fill the identified gaps, this paper tries to examine the specific factors that affect performance of SMEs in Nairobi considering a case of SMEs traders at the City Park Hawkers market in Nairobi County, Kenya (viz., investment in productive assets, high tax, and limited access to market and productive resources such as loans and business services (BSs), while controlling for owners' attributes and firms' characteristics. The paper adds to the existing body of knowledge on the issue as it utilizes advanced analytical approaches, viz., a linear regression model and a logic model, which provide for the control of other variables.

1.2 Statement of the Problem

The ever changing business environment requires firms to adapt quickly to associated new challenges and competition, and presents particular problems for small businesses given their small size and limited resources. Small businesses increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded the preserve of smaller businesses. In fact, reliance on domestic markets for business growth is a thing of the past for many SMEs. Consequently, they need to identify, prioritize and effectively tackle these challenges in order to be more competitive and relevant in the business world. The Government of Kenya has placed a lot of emphasis on development of SMEs as a means of encouraging self-employment, poverty reduction and accelerating economic growth. Despite their significance, recent studies show that SMEs fail within the first few months of operation. Studies also show that it is hard for the SMEs to access finances from the financial institutions since they lack proper financial records as a requirement.

SMEs are affected by a host of factors. Hallberg (2000) identified limited capital, limited accessibility to business information services, limited access to finance affect performance, limited use of technological input in payment system among other variables as key factors affecting the performance of SMES. Sauser (2005) argued that SMEs face fierce competition from large well established firms but noted that the SMEs capitalize on their innovativeness and ability to customize their offerings hence gain competitive advantage over their competitors. Kazemy, Yaghoubi, Ghodsi and Saghafi (2011) did evaluate the Effective Factors on Survival of SMEs using a case of study of Iran. Their findings showed that human, marketing and financial factors were effective on survival of SMEs in the studied population. Zindiye (2008) did an empirical investigation into the factors affecting the performance of small and medium enterprises in the manufacturing sector of Harare, Zimbabwe. The findings indicated that high rate of inflation and other economic factors such as foreign currency shortage, interest rate and exchange rate affected SMEs' performance negatively. Rauf (2007) studied HRM sophistication and SME performance using a case of readymade garment manufacturers and exporters in Lahore, Pakistan.

From the above discuss, it is evident that many studies have been done on factors affecting the performance of SMEs. However, the studies conducted are in different context and

may not apply wholesomely to the Kenyan context. From these literature evidences, this study sought to investigate the factors affecting the performance of small and micro enterprises (SMEs) traders at city park hawkers market in Nairobi County, Kenya

1.3 Purpose of the Study

The study sought to establish the factors affecting the performance of small and micro enterprises (SMEs) traders at city park hawkers market in Nairobi County, Kenya.

1.4 Objectives of the study

The study sought to achieve the following objectives:

i. To establish how accessibility to business information services affects the performance of SMEs traders at city park hawkers market in Nairobi County.
ii. To examine how access to finance affect performance of SMEs traders at city park hawkers market in Nairobi County.
iii. To determine how the use of technological input in payment system affect the performance of SMEs traders at city park hawkers market in Nairobi County.
iv. To examine how the availability of managerial experience affect the performance of SMEs traders at city park hawkers market in Nairobi County.

1.5 Research Questions

The study answered the following research questions:

i. How does the availability of business information services affect the performance of SMEs traders at city park hawkers market in Nairobi County?
ii. To what extent is the performance of SMEs traders at city park hawkers market in Nairobi County affected by access to finance?
iii. Does the use of technological input in payment system affect the performance of SMEs traders at city park hawkers market in Nairobi County?
iv. To what extent does availability of managerial experience affect the performance of SMEs traders at city park hawkers market in Nairobi County?

1.6 Significance of the study

What is the value of this study? First, in a globalized economy, there is increasing recognition that identifying the problems facing small-business management in a non-Western context may be meaningful in terms of the types of assistance the West may provide (finance, training, management, and technology).

Second, the economy of Kenya is growing rapidly, and Kenya has opened its borders to international business. Therefore, scholars and practitioners should understand the level of small-business development, which plays a significant role in providing ancillary services to multinational corporations.

Third, it is essential to determine whether small-business management practices and policies developed in the West are valid in a non-Western country.

Fourth, the study draws management and policy-makers' attention to the urgent need for specific management practices to enhance the effectiveness and sustainability of small-businesses in Kenya.

Finally, from an academic perspective this study's insights should contribute to the future development of this line of research, particularly in a developing country like Kenya. Therefore, the present study is of significant value to practitioners and scholars alike.

Given the importance of small business to a nation's economic growth, and also the role that small business plays in poverty reduction, this study postulates that an understanding of the factors affecting small businesses performance in Kenya is a vital first step in managing and avoiding the massive failure of these small businesses.

1.7 Assumptions of the study

It is assumed that all respondents in the sample can read and write in English and that respondents will give an honest account of events. It is also assumed that respondents' will cooperate willingly and there will be a 100% respond rate in order to validate the results of the study. It is also assumed that questionnaires will be returned in time and duly completed. It is assumed there will no natural calamities during the study.

1.8 Limitations of the study

The respondents might decline to answer the questions for the fear of victimizations especially where such information may be viewed as leaking company secrets. The researcher will assure the respondents of confidentiality in all the responses they give.

The respondents might give the situations as it should be instead of giving the situation as it is. The researcher will use both closed and open ended questions in the data collection instruments; this will curb this situation of untruthful answer. The researcher will also use both primary and secondary data to mitigate against the situation.

1.9 Delimitations of the Study

The scope of this study will be City Park Hawkers market in Nairobi County. This is because the population of this market is a representative sample of SMEs in Nairobi and this saves also on time and money.

1.10 Definition of significant terms used in the study

Micro enterprises: Enterprises employing 10 or fewer workers.

Small Scale Enterprises: those enterprises employing 11-50 workers.

Credit scoring techniques: This involves the use of statistical models by lenders to approve loans to SMEs by predicting the probability of default.

Collateral: Assets pledged by the business as security for a loan, so that in the event that the borrower defaults, the collateral may be sold, with the proceeds used to satisfy any remaining debt obligations

Loan: to lend especially money on condition that it will be returned.

1.11 Organization of the study

Chapter one captures the background of the study, the statement of the problem, purpose of the study, objectives and significance of the study. It also covers the research questions, assumptions made in the study, limitations and delimitations. The chapter also captures definitions of key terms used in the study. Chapter two captures the literature review literature

and theories related to factors affecting the performance of SMEs. Chapter three captures the research methodology used to conduct the study. Also, it is structured into reaserach design, target population, sample size and sampling procedure, pilot testing, data collection procedure, data analysis techniques and methods and operational definition of variable. Chapter four presents the result of the study findings. Chapter five presents the summary, discussions, conclusions and recommendation on specific factors affecting the performance of SMEs.

1.12 Summary

This chapter summarizes the background information pertaining to the study and clearly illustrates the performance of SMEs in Kenya situation. Statement of the problem is thereto given stating the need of the research and more specifically indicating the major concern of the study variables. Furthermore, the study will be valuable to various organizations more so to the SMEs and government as it will guide in formulation of favorable policies that will enhance performance of SMEs without imposing strict condition to them.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature and theories related to growth in business sectors and factors affecting it. This is in line with giving the study and problem in question a theoretical perspective and conceptualization that would aid in carrying out the study.

2.2 Concept of Small and Micro Enterprises (SMEs)

Each country tends to derive its own definition based on the role of small-scale enterprises are expected to play in the economy and the programme of assistance designed to achieve that goal. Varying definitions among countries may arise from differences in industrial organization at different levels of economic development in parts of the same country (Anamekwe, 2001). For instance, Sule (1986) suggested that a firm that can be regarded as micro or small in an economically advanced country like United States of America, Great Britain or Japan, given their high level of capital intensity and advanced technology, may be classified as medium or even large in a developing country like Nigeria. Definitions also change over time, owing to changes in price levels, advances in technology or other considerations. In the United States of America, the Small Business Administration (SBA, 2003) has various definitions for small businesses depending on the type of industry. Manufacturing and mining businesses with fewer than 500 employees are considered small businesses while businesses in wholesale trade enterprises must have fewer than100 employees. For other enterprises, such as retail and construction, businesses are classified based on annual revenue. However, the criteria such as turnover and volume of output are strongly influenced by management effectiveness and efficiency, which vary from one industry to another (Ajayi, 2002).

2.3 Factors influencing performance of small businesses

Prior research has shown that a number of factors affect the performance of small-businesses, especially a lack of capital or financial resources. However, the degree to which limited financial resources alone are a major obstacle is still debatable. Studies by Dia (1996), Godsell (1991), Hart (1972), and Harper (1996) found that additional capital is often not required

and can be overcome through creativity and initiative. Kallon (1990) found that the amount of capital needed to start a business is significantly negative when related to the rate of growth for the business. He also found that access to commercial credit did not contribute to entrepreneurial success in any significant way, and, if it did, the relationship would be negative (Kallon, 1990).

On the other hand, some researchers have argued that small businesses are under-capitalized. Business owners in Africa tend to depend upon their own or family savings and access to capital remains a challenge. Most of them cannot meet the requirements for commercial loans, and those who do find such loans expensive (Gray, Cooley, and Lutabingwa, 1997, Kiggundu, 1988, Trulsson, 1997 and Van Dijk, 1995). For example, Kallon (1990) found that 65.6% of the firms studied depended entirely upon personal savings for capital, 10.9% had access to family savings, 9.4% used commercial banks, and 7.8% drew resources from partners, shareholders, and other sources.

Keyser et al. (2000) found that in Zambia, a lack of starting capital was a common problem for entrepreneurs, as only 24% received a loan to start their business. Another study by Koop, de Reu, and Frese (2000) found that the amount of starting capital was positively related to business success. In short, research on the role of capital in determining the success or failure of small businesses in Africa is contradictory, thus magnifying the importance of this study is aim to provide a better understanding of the role of capital in the success or failure of small business in Africa.

Administrative problems have been cited as a major cause of failure for small businesses. A study by Kazooba (2006) revealed that poor recordkeeping and a lack of basic business management experience and skills were major contributors. Researchers also identified inexperience in the field of business, particularly a lack of technical knowledge, plus inadequate managerial skills, lack of planning, and lack of market research (Lussier, 1996, Mahadea, 1996 and Murphy, 1996).

Other negative factors that have been identified include corruption, poor infrastructure, poor location, failure to conduct market research, and the economy (Kazooba, 2006 and Mambula, 2002). For example, Kiggundu (2002) identified "Kalabule" (Ghana) and "Magneto" (Uganda) as two practices that challenge African entrepreneurship. Each refers to illicit,

improper, or illegal business conduct that are used to criminalize entrepreneurial activities so those in positions of control and influence can make fast and illegal money. In addition to undermining the legal framework, national integrity, and regulatory system, corruption also undermines the trust and confidence of business owners (Langseth & Stapenhurst, 1997 and Pop, 2002). Practically every African country has its own version of corruption at a great cost to entrepreneurs, the economy, public administration, and society. An understanding of the specific impact of corruption on small business development is crucial in terms of developing strategies to address the issue.

2.4 Access to business information services and performance of SMEs

Access to business information services has been identified as one area that needs attention from governments and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development. Many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya & Hussain, 2007). Access to information has however been not given the same attention as other constraints to growth of SMEs like access to finance, markets, technology or training.

Accessing business information services has over the years been greatly enhanced with the emergence of various information and communication technologies. In developed countries, because of well-developed information and communication technologies (ICTs) infrastructure and easy access to computer hardware and software, SMEs enjoy easy access to business information services. In developing economies there are many challenges regarding ICTs infrastructure and the cost of IT hardware and software. This in itself has created many problems in the area of business information services for the SMEs sector. As governments and business service providers try to address the many challenges facing the SME sector, it is also important that the present use of ICTs in accessing business information services be identified in order to provide more development support in this area (Levy, 2000).

2.5. Access to Finance on performance of SMEs

Lack of access to credit/ finance is almost universally indicated as a key problem for SMEs. Credit constraints operate in variety of ways in Kenya where undeveloped capital market

forces entrepreneurs to rely on self-financing or borrowing from friends or relatives which is not enough to enable SMEs undertake their business activities optimally. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. There are various financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs. Numerous money lenders in the name of Pyramid schemes came up, promising hope among the 'little investors,' which they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing SMEs in Kenya (Wanjohi and Mugure, 2008).

Finding start-up finance for the business is the biggest hurdle that many entrepreneurs go through. Even after getting started, getting sufficient finance to sustain business growth is another problem. Research findings by McCormick et al (1996), Daniels et al (2003) Kinyanjui (2006) show how SMEs are constrained by finance. Studies undertaken by Kiiru, Mirero and Masaviro (1988) for Kenya Rural Enterprise Programme (K-Rep) confirm that a major constraint within the small business enterprise sector is financing. In the study carried in Nairobi among small manufacturing enterprises, Nyambura (1992) established that finance was rated among the biggest problem. In South Africa Eeden (2004) finance was also cited as one of the most prominent constrains. The problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs.

Insufficient financing is as much a problem as lack of finance as Yankaya a consultant for an NGO Techno-Serve observes (Daily Nation 20.6.06). He notes that the proliferation of MFI has not substantially improved financing options for growth-oriented enterprises. Group lending and regular weekly interest payments are necessary cures to enable small-scale entrepreneurs without collateral to access credit but the same attributes tie down growth-oriented clients. As a result of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders from customers. The profit Margin are usually little to support growth. Harper (1984)

notes that businesses like grain millers and tailors are unable to compete with large manufactures of ready-made goods because they have to wait until a customer provides them with raw material or money to buy it. Some may be unable to get started until a customer pays the deposit, which will be used to buy the raw material.

Access to finance is essential for improving SME competitiveness, as SMEs have to invest in new technologies, skills and innovation. Access to finance issues cannot be resolved by implementing financing schemes or programs in a vacuum. There are institutional issues covering a spectrum from the macro level to the micro, which are accompanied by capacity deficiencies (Basil, 2005). A wide spectrum such as this may only be tackled by mainstreaming SME development in national frameworks. It is also noteworthy to add that effort to resolve access to finance issues is not solely the responsibility of governments. SMEs need to take a better initiative than pointing it out as their number one obstacle: they need to mobilize joint advocacy and recommendations, based on sound analyses, through their membership organizations. Most significantly, SMEs must implement sound business practices and continuously invest in good internal management systems: in accounting, planning, financial, operations and human resource management.

Due to lack of funding, business membership organizations usually operate without qualified and professional management staff and are unable to benefit from specialist inputs and research, upon which they should base their advocacy efforts. Lack of funding and “free riding” problems also constrain these structures in developing and delivering appropriate information, facilitation, and networking services to their membership. Their weaknesses work in almost a vicious circle eroding the expectations of members, in turn, resulting in further funding, representation and capacity problems. Though SMEs play an important role in economic growth and employment creation, they are commonly constrained by finance.

SMEs identify financing, especially medium to long-term finance, as their topmost obstacle to growth and investment. These obstacles come at two levels. In least developed economies, and in some transition and developing economies deficiencies in both the macroeconomic and microeconomic environments pose challenges: high budget deficits and unstable exchange rates and legal, regulatory and administrative environment poses major obstacles to access of SMEs to financing. In some economies, capital may just not be available,

property rights regimes may not allow ownership of land, markets for transfer of immovable assets may be very underdeveloped, credit and collateral legislation may not allow certain assets that SMEs commonly have access to, to be used as collateral (e.g. future acquired property), absence of registries for mortgages and pledges may increase risks to lenders, contract enforcement and asset liquidation may be hampered due to weaknesses in legislation and in the judiciary (Kinyanjui, 2006).

The obstacles may be due to organizational capacity weaknesses: For example, in least developed economies, business services markets in accounting, auditing, financial management and legal counsel may be so underdeveloped that SMEs may not be able to access or afford such services: essential services they would need when they approach banks and other types of lenders. In more advanced developing countries, where there is reasonable progress in the fundamental institutions, SMEs may still face challenges in accessing formal finance in the form of bank loans, guarantees, venture capital, leasing and so on. For instance, although SMEs are by far the largest group of customers of commercial banks in any economy, loans extended to SMEs are often limited to very short periods, thereby ruling out financing of any sizable investments. Moreover, due to high-perceived risks in SME loans, access to competitive interest rates may also limit.

In many developing economies, banks prefer to lend to governments, which offer less risk and higher returns, crowding out most of the private sector from the financial system. The problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs. As a result of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders from customers. Capital is therefore necessary for the long-term survival and growth of small enterprises. It should also be noted that more money than required can be much of a problem as less money. More money means high cost for money in terms of interest and may also lead to un-worthwhile investments.

The formal financial institutions sees SMEs as high risky and commercially unviable locking them out the situation is worse in the rural areas where most SMEs are located. The present legal and policy framework for financial services is less supportive of smaller borrowers

and needs to be addressed. The banking act prohibits MFI's from taking deposits from customers for re-investments; this act should be reviewed so that MFI's can build strength to finance SMEs. The post office act prohibit post bank from lending and the co-operatives act does not provide for effective supervision of the savings and credit co-operative societies (SACCO's). Despite the increasing number of MFI's, the rural SMEs are starved as MFI's are not in the rural areas because of limited resource base and lack of institutional capacity to provide wide range of financial services.

Most studies (Ngobo, 1995; Kibera and Kiberam, 1997; Chijoriga and Cassiman, 1997), point to finance as one of the key constraints to small enterprise growth. This is worsened by the absence of financial markets in the developing countries. Small enterprise owners cannot easily access finance to expand business and they are usually faced with problems of collateral, feasibility studies and the unexplained bank charges. This means that they cannot access finance to enable them to grow. In a study by Ngobo (1995), he makes a detailed analysis of finance as a constraining factor and includes collateral, interest rates, extra bank charges, inability to evaluate financial proposals and lack of financial management skills as hindrances to small enterprise growth. Under developed financial markets impose additional constraints. There are no financial instruments and no independent financial sources that is market driven.

Lack of access to credit/ finance is almost universally indicated as a key problem for SMEs. This affects technology choice by limiting the number of alternatives that can be considered. Many SMEs may use an inappropriate technology because it is the only one they can afford. In some cases, even where credit is available, the entrepreneur may lack freedom of choice because the lending conditions may force the purchase of heavy, immovable equipment that can serve as collateral for the loan. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance.

2.6 Technological Input in Payment System on performance of SMEs

Introduction to Information systems (IS) provide major opportunities to SMEs for obtaining added value through exploitation of the information resource. IS are also a major driver

of strategic change. There is less evidence of small and medium enterprises (SMEs) investing in information systems to capture similar benefits. While many SMEs have taken a reactive approach to investment in IS/IT, primarily focused on cost. Hagmann and McCahon (1993) describe the adoption of IS by an SME for strategic competitive advantage. More recently, Levy and Powell (2000) report that SMEs do in fact align their IS strategy to the strategic context, as defined by the level of customer dominance, to capture both cost advantages and value added benefits.

Because of their smallness these enterprises end up using a cheap technology which is usually not top of the range. This results into high costs of production and un- competitiveness. For instance small enterprises cannot afford to use computers or even where they have a computer, to continuously upgrade their equipment. Therefore they cannot compete with large enterprises. This may not be the case in the developed countries where because of market opportunity and likely success due to environmental enabling factors, it is easier to secure new technology. Besides, this technology originates from the developed countries and unlike in the developing countries where it must be imported, it is relatively cheap.

2.7 Availability of Managerial Experience on performance of SMEs

Many SMEs owners or managers lack managerial training and experience. The typical owner or managers of small businesses develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill, 1987). Although this attitude is the key strength at the start-up stage of the enterprise because it provides the creativity needed, it may present problems when complex decisions have to be made. A consequence of poor managerial ability is that SMEs owners are ill prepared to face changes in the business environment and to plan appropriate changes in technology.

Majority of those who run SMEs are ordinary lot whose educational background is lacking. Hence they may not well be equipped to carry out managerial routines for their enterprises (King& McGrath, 2002). Management skills relate to the owner/manager and the

enterprise. Bennet (1997) defines management as concerned with the deployment of material, human and finance resources with the design of organization structure. Haimann (1977) looks at management as a process of getting tasks accomplished with and through people by guiding and motivating their efforts.

According to Cant and Lightelm (2003) in a survey of small business failure maintain that entrepreneurs often have good ideas and are competent but they do not have a clue on how to run a business and have no underlying appreciation of business fundamentals. Professional experience has been cited as an important factor affecting many aspects of entrepreneurial firms. Experience takes many guises and breadth of experience is shown to be an important factor driving the performance of firms, with the number of previous jobs positively related to new firm performance (Lumpkin and Marvel 2007). Thapa (2007) found a positive association between education and small business success. The likelihood of failure was also found to be associated with the owner/manager's work experience prior to business launch and education.

Human capital is the most critical agent of SME performance. The recruitment of academically qualified employees is a necessary start for sustainable human capital development in all organizations. Human capacity has become a critical index of competition in the world of business to the extent that the development of such capacities through training has become top priority in designing the strategic plan of business organizations (Tim & Brinkerhoff, 2008).

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Education and skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. Studies suggest that those with more education and training are more likely to be successful in the SME sector (King and McGrath, 2002). As such, for small businesses to do well in Kenya, people need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained college level education (Wanjohi and Mugure, 2008).

Management is therefore necessary to enable group or business goals to be accomplished through the functions of planning, staffing, directing, controlling activities, coordination and directing. Personal characteristics of the owner/manager were interpreted by Larson and Clute (1979) as lack of experience among small business managers who happen to be the owners leading to poor performance and consequently to business failure. Bamback and Lawyer (1979) also identified poor management as the root cause of many failings and poor performance of small business. Nzioka (1995) in the role of education in business performance notes that one of the things that hold back the development of small – business is the need for better management. Good management means need for proper planning, control, organizing skills and proper staffing with qualified and competent employees.

Harper (1984) observes that the growth of many enterprises of all sizes, suggest that the scarcity of competent managers is a more serious constraint on economic development. As the enterprise becomes larger, the more need for managers to plan, coordinate and control the activities of the enterprise. The owner who is likely to be the manager of the small enterprise may not have the training, skills and experience to steer the operations of the business successfully

hence affecting business performance. He/she may operate in a very rigid environment sometimes not dictated by sound business and management decision but by social and cultural norms. The inability to keep proper records, to separate business operations from personal, manage cash flow and growth is likely to affect business performance.

2.7. Theoretical Framework

There are various modern financial management and performance measurement theories on SMEs that have been used over the years. The most common know is signaling theory, pecking order theory and the balanced scorecard.

2.7.1 Signaling Theory

Signaling theory rests on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finances made available to the enterprise. In other words, flows of funds between an enterprise and the capital market are dependent on the flow of information between them (Emery *et al,* 1991). Keasey *et al*. (1992) writes that of the ability of small enterprises to signal their value to potential investors, only the signal of the disclosure of an earnings forecast were found to be positively and significantly related to enterprise value amongst the following: percentage of equity retained by owners, the net proceeds raised by an equity issue, the choice of financial advisor to an issue (presuming that a more reputable accountant, banker or auditor may cause greater faith to be placed in the prospectus for the float), and the level of underpricing of an issue.

2.7.2 The Pecking Order Theory

This is another financial theory, which is to be considered in relation to SMEs financial management. It is a finance theory which suggests that management prefers to finance first from retained earnings, then with debt, followed by hybrid forms of finance such as convertible loans, and last of all by using externally issued equity; with bankruptcy costs, agency costs, and information asymmetries playing little role in affecting the capital structure policy. A research study carried out by Norton (1991b) found out that 75% of the small enterprises used seemed to make financial structure decisions within hierarchical or pecking order framework .Holmes et al.

(1991) admitted that POF is consistent with small business sectors because they are owner-managed and do not want to dilute their ownership. Owner-managed businesses usually prefer retained profits because they want to maintain the control of assets and business operations.

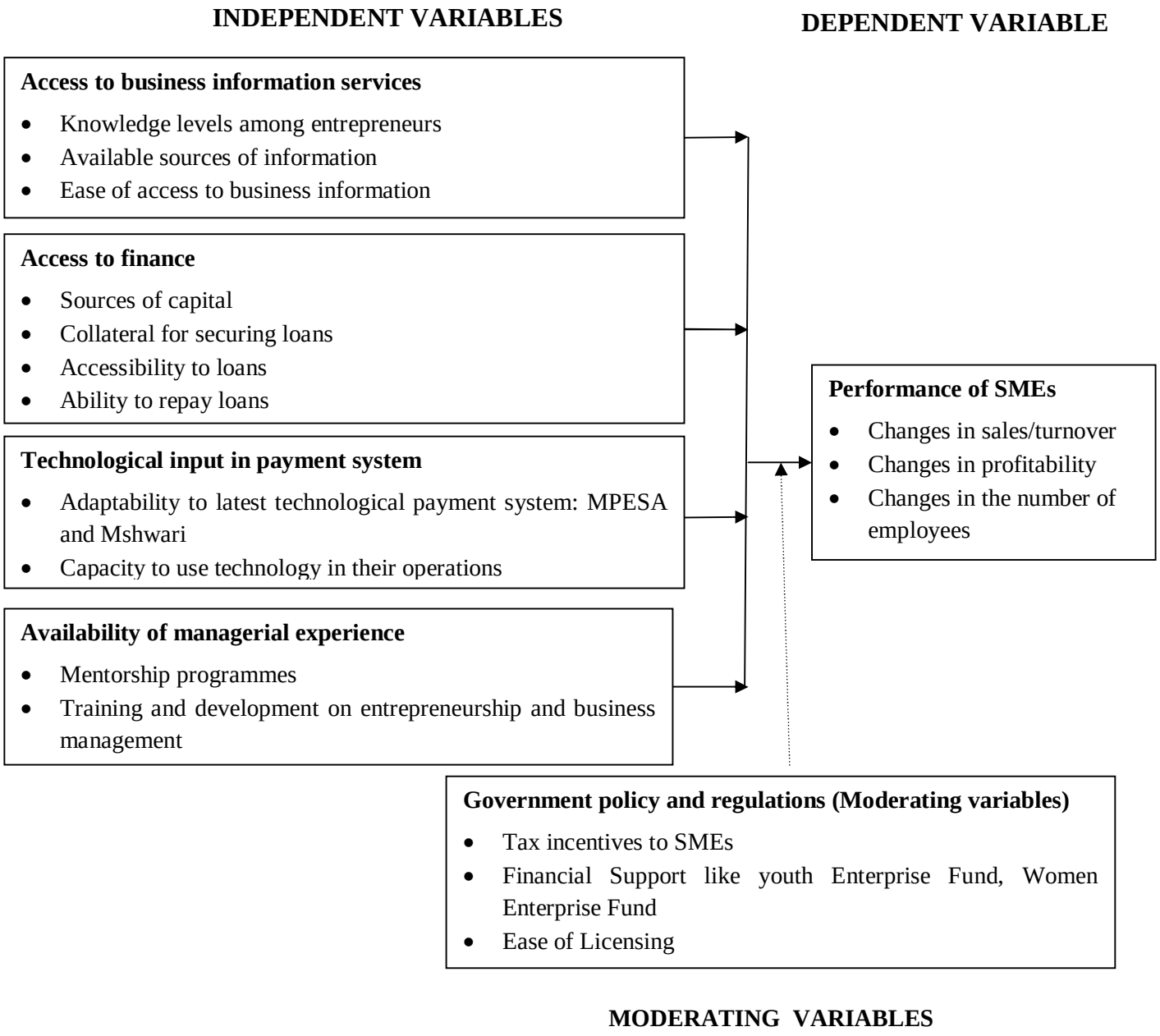
2.7.3 The Balanced Scorecard

BSC suggests managers to view organization's performance from four dimensions, customer perspective, internal perspective, innovation & learning perspective, financial perspective (Kaplan and Norton 1996). BSC incorporates financial and non-financial measures in one measurement system. The objectives and measures of BSC are derived from an organization's vision and strategy. The Balanced Scorecard provides executives with a comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures. According to Kaplan & Norton (1996) the balanced scorecard not only allows the monitoring of present performance, but also tries to capture information about how well the organization is positioned to perform in the future. Furthermore, the Balanced Scorecard has evolved to become a core management tool, in that it helps CEOs not only to clarify and communicate strategy, but also to manage strategy. In practice, companies use the BSC approach to accomplish four critical management processes, clarify and translate vision and strategy, communicate and link strategic objectives and measures, plan, set targets, and align strategic initiatives and enhance strategic feedback and learning.

2.8 Conceptual framework

A conceptual is defined as an element of the scientific research process in which a specific concept is defined as a measurable occurrence or in measurable terms that basically gives a clear meaning of the concept. According to Mugenda and Mugenda (2003) conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables. In this study, the dependent variable is performance of SMEs while independent variables are access to business information services, access to finance, technological change, Government policy and regulations and availability of managerial experience.

Figure 2.1



2.8.1 Government policy and regulations

The Kenya government's policy for industrialization and commerce soon after independence in 1963 was geared towards expansion of overall output focusing on large scale enterprises (Aleke, 2003). According to this policy, the assumption was that only such enterprises

could contribute towards growth. It was however much later in the 1970's that it was realized that the large enterprises were not growing fast enough to solve unemployment problems.

Attention was thereafter focused on small enterprises. The government policy before and thereafter has not been very favorable to the small enterprises. Harper (1984) observes that governments that are concerned with the promotion of small enterprises should examine the impact of its policies and programmes on the small businesses, Mann *et al* (1989) makes similar observation that government regulation about wages, taxation, licensing and others are among the important reasons why informal sector business develops. Without careful attention, government policies could crush the small business sector of any economy.

While many countries have acknowledged that small enterprises have an important role in their economies, not much effort has been done to facilitate their growth. They have to compete for finance, markets, personnel, and utilities like any other business unit (Mutazindwa, 1997). In a few countries especially India, there has been affirmative action to promote small enterprises over a long period. In Uganda, the Government has only paid a lip service. In fact, the Uganda Investment Authority (UIA) which was set up to promote investments in Uganda was not attractive for the small entrepreneur. The UIA would only support proposals from companies with more than US$50,000 to invest. The development banks in the country did not have programmes for small enterprises.

It is only the non-governmental organizations and specialized financial institutions that have come in to assist small enterprises (Balunywa and Sejjaaka, 1997). It is easier for a large enterprise to get land for industrial development and a license to operate the business than the small operator. Large enterprises get easy access to utilities than small enterprises. Consequently there is no enabling environment to promote small operators.

2.9 Summary

Studies by Dia (1996), Godsell (1991), Hart (1972), and Harper (1996) found that additional capital is often not required and can be overcome through creativity and initiative. Keyser et al. (2000) found that in Zambia, a lack of starting capital was a common problem for entrepreneurs, as only 24% received a loan to start their business. Access to business information

services has been identified as one area that needs attention from governments and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development. Many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya & Hussain, 2007).

Finding start-up finance for the business is the biggest hurdle that many entrepreneurs go through. Even after getting started, getting sufficient finance to sustain business growth is another problem. Research findings by McCormick et al (1996), Daniels et al (2003) Kinyanjui (2006) show how SMEs are constrained by finance. Studies undertaken by Kiiru, Mirero and Masaviro (1988) for Kenya Rural Enterprise Programme (K-Rep) confirm that a major constraint within the small business enterprise sector is financing. In the study carried in Nairobi among small manufacturing enterprises, Nyambura (1992) established that finance was rated among the biggest problem. Because of their smallness these enterprises end up using a cheap technology which is usually not top of the range. This results into high costs of production and un-competitiveness. For instance small enterprises cannot afford to use computers or even where they have a computer, to continuously upgrade their equipment.

Majority of those who run SMEs are ordinary lot whose educational background is lacking. Hence they may not well be equipped to carry out managerial routines for their enterprises (King& McGrath, 2002). Management skills relate to the owner/manager and the enterprise. Bennet (1997) defines management as concerned with the deployment of material, human and finance resources with the design of organization structure. Harper (1984) observes that the growth of many enterprises of all sizes, suggest that the scarcity of competent managers is a more serious constraint on economic development. As the enterprise becomes larger, the more need for managers to plan, coordinate and control the activities of the enterprise. From the above studies, limited studies if any have concentrated on the factors affecting the performance of small and micro enterprises (SMEs) traders at city park hawkers market in Nairobi County, Kenya. This study will therefore seek to fill this research gap.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was adopted in conducting the study in order to achieve the study's objective which is to find out the factors that influence the performance of SMEs Traders at City Park Hawker's market in Nairobi County, Kenya. The chapter is thus structured into research design, target population and sample, data collection and data analysis.

3.2 Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). The researcher will apply a descriptive design because the study seeks to answer the why, how and when of the problem under study. There are a number of advantages of descriptive research, however the two main benefits of this research method is being able to use various forms of data as well as incorporating human experience. It gives researchers the ability to look at whatever they are studying in so many various aspects and can provide a bigger overview as opposed to other forms of research.

Descriptive research involves field survey where the researcher goes to the population of interest to ask certain issues about the problem under the study. Mugenda and Mugenda (2003) describes descriptive research design as a systematic, empirical inquiring into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because the inherently cannot be manipulated. Inferences about relationships between variables are made from concomitant variables.

The research design was a survey conducted on a sample of small and medium sized enterprises (SMEs) within the City Hawkers' market, Nairobi County. According to Owens (2002), survey research designs has the advantage of uniqueness since information gathered is not available from other sources, having unbiased representation of population of interest and standardization of measurement as same information is collected from every respondent.

3.3 Target Population

The target population will consist of all the SMEs operating within the City Hawkers' Market in Nairobi County. From the records of City Council of Nairobi, there are156 registered business operators in City Hawkers Market. The businesses in operation are mainly in Food (37), clothing (63), beverages (16), services (20) and curio vendors (20).

Category	Frequency
Food vendors	37
Clothing Vendors	63
Beverages Vendors	16
Services Vendors	20
Curio Vendors	20
Total	156

3.4 Sample size and sampling procedure

The section also discusses the sampling procedure and how the sample size is arrived at. The sampling design refers to the sampling method used to arrive at the sample size.

3.4.1 Sample size

According to Mugenda and Mugenda (2003), a sample of 10-30% is good enough if well-chosen and the elements in the sample are more than 30. This study will use proportionate sampling technique to select a sample of 30% of the population. This gives a sample size of 47 respondents as indicated in the table 3.2 below. The sampling frame will include: food vending, clothing, beverages, curio and services vendors. The sample will be as follows:

Category	**Frequency**	**Sample Proportion**	**Sample Size**
Food vendors	37	30%	11
Clothing Vendors	63	30%	19
Beverages Vendors	16	30%	5
Services Vendors	20	30%	6
Curio Vendors	20	30%	6
Total	156		47

3.4.2 Sampling procedure

The study applied proportionate sampling technique where 30% of the population in each sampling frame was selected to participate in the study. For the exact individuals to participate in the study, the researcher used simple random sampling technique as it offers every member of the population an equal chance of being included in the sample.

3.5 Research instrument

The study employed the use of questionnaires to collect primary data through interviews as research tools (Kothari, 2005). Gall and Borg (1996) points out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. They further observe that questionnaires have the added advantage of being less costly and using less time as instruments of data collection. The questionnaire, which will be semi-structured, will be administered through drop and pick-later method to the sampled population. For the main purpose of this research, the study will collect primary data and compare it with the available secondary data for the literature review. The research design is chosen because the study is not confined to the collection and description of the data, but sought to determine the existence of certain relationships among the research variables (Mugenda and Mugenda, 2003).

In a self-administered questionnaire the respondents had the advantage of asking the interviewer to clarify a question when it is not clear to them (Chandran, 2004). Self-administered questionnaires allow the participants to respond to the questions by themselves and at their own pace. They ease the respondents' burden by giving them the time to think through their responses (Monsen & Horn, 2008).

3.6 Pilot Testing

3.6.1 Validity of the Instruments

The researcher carried out a pilot study to pretest the validity and reliability of data collected using the questionnaire. According to Berg and Gall (1989) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which to be employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept.

Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

The content validity of the research instrument will be evaluated through the actual administration of the pilot group. The study will use both face and content validity to ascertain the validity of the questionnaires. Face validity is actually validity at face value. As a check on face validity, test/survey items are sent to the pilot group to obtain suggestions for modification (Lacity and Jansen, 1994). Content validity draws an inference from test scores to a large domain of items similar to those on the test (Polkinghorne, 1988). Content validity is concerned with sample-population representativeness i.e. the knowledge and skills covered by the test items should be representative to the larger domain of knowledge and skills (Cronbach, 1971).

3.6.1 Reliability of the Instruments

According to Shanghverzy (2003) reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures.

The researcher selected a pilot group of 10 individuals from the target population to test the reliability of the research instrument. The aim is to correct inconsistencies arising from the instruments, which ensure that they measure what is intended. The survey instruments will be subjected to overall reliability analysis. A coefficient of 0.70 or more implies that there is a high degree of data reliability.

3.7 Data collection procedure

The researcher administered the questionnaires to the relevant respondents in an effort to achieve the necessary information. Research assistants were used to assist the researcher in gathering the information. The assistants were trained so that they understand the research study and what is expected of them. The research assistants were trained on the aspects of the questionnaire and how to handle the respondents to ensure that they observe ethical considerations. Self-administered questionnaires allow the participants to respond to the questions by themselves and at their own pace. They ease the respondents' burden by giving them the time to think through their responses (Monsen & Horn, 2008).

3.8 Data Analysis Techniques and methods

The questionnaire was checked for completion and reliability of the data. The quantitative data was then be coded and analyzed using descriptive statistics such as percentages and mean and standard deviation. Descriptive statistics was used mainly to summarize the data. This included percentages and frequencies. A Likert scale and the use of Statistical Package for Social Sciences (SPSS version 17.0) were employed to aid in the coding, entry and analysis of the data obtained through the questionnaires. Tables, Pie charts and other graphs were used as appropriate to present the data collected for ease of understanding and analysis. Measures of central tendency will be applied (mean, median, mode and percentages) for quantitative variables.

Pearson's correlations analysis was be conducted at 95% confidence interval and 5% confidence level 2-tailed to determine the relationship between the variables in affecting the performance of SMEs. If the relationship established is found to be positive, then this will indicate that there is a correlation between the factors and the performance of SMEs Traders at City Park Hawkers Market, Nairobi County.

3.9 Ethical issues in Research

According to Mugenda and Mugenda (2003) a researcher must confirm to the principle of voluntary consent where the respondents willingly participate in research. Informed consent should be based on the information regarding: the purpose of the research study, identification of the researcher, any benefits that may be received. Mugenda (2008) notes that participation in research is voluntary and subjects are at liberty to withdraw from the study at any time without any consequences. The researcher was required to communicate this to the respondents before the start of the study. The researcher through the trained assistants ensured that all respondents fully understood all the details pertaining to the study. No respondent was forced to take part in the study but this was done voluntarily.

According to Bryman and Bell (2007) plagiarism refers to passing off another person's work as if it were your own, by claiming credit for something that was done by someone else. It is taking and using another person's thoughts as if they were your own. Utmost care was taken to ensure that all work borrowed from other scholars was acknowledged.

3.10 Operational definition of variables

Table 3.1: Operational definition of variables

Objectives	Variables (Independent)	Indicators	Measurement scale	Data analysis method	Study design	Tools of Analysis	Specific Tool
To establish the specific factors affecting the performance of SMEs in Nairobi using a case of the City Park Hawkers' market	Accessibility to business information services	- Source of information - availability of adequate business support -adoption of information and communication technologies - Government Effort to address business information	-Interval -Nominal -Nominal -Interval	Descriptive and explanatory	Descriptive and explanatory	Central tendency dispersion, and causal relationship	Mean, standard deviation, regression and correlation analysis
To establish the specific factors affecting the performance of SMEs in Nairobi using a case of the city Park Hawkers' market	Access to finance	- stability of financial markets - source of capital - credit availability - conditions imposed (collateral, interest rates, extra bank charges)	-Interval -Nominal -Nominal -Interval	Descriptive and explanatory	Descriptive and explanatory	Central Tendency Dispersion, and causal relationship	Mean, standard deviation, regression and correlation analysis
To establish the specific factors affecting the performance of SMEs in Nairobi using a case of the City Park Hawkers' market	Technological input in payment system	-	-Interval -Nominal -Nominal -Interval	Descriptive And Explanatory	Descriptive and Explanatory	Central Tendency Dispersion, and causal relationship	Mean, standard deviation, regression and correlation analysis
To establish the specific	Lack of	- level of education	-Interval	Descriptive	Descriptive	Central	Mean,

factors affecting the performance of SMEs in Nairobi using a case of the City Park Hawkers' market	managerial experience	- experience in business - duration in business - technical knowledge on business - procedures used in procurement and management - Age of the business	-Nominal -Nominal -Interval	And Explanatory	and Explanatory	Tendency Dispersion, and causal relationship	standard deviation, regression and Correlation analysis

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This section basically presents the result of the study findings based on research questionnaires. This section is subdivided into descriptive and Regression results.

4.2 Questionnaires Response Rate

The study targeted the 47 respondents as the sample size for the study. Of the 47 administered questionnaires, 43 questionnaires were completed and returned giving a response rate of 91% which is excellent in research. According to Mugenda and Mugenda (2003), above 70% is an excellent response rate, 60% response rate is good while 30% is not viable.

Table 4.1: Response Rate

	Frequency	Percent
Respondents	43	91
Non-Respondents	4	9
Total	47	100

4.3 Descriptive Results

This section presents the results of the study findings based on the demographic characteristics of the respondents:

4.3.1: Kind of business

The study sought to establish the kinds of business are involved in. The findings were shown in the Table 4.2.

Table 4.2: Kind of business

Kind of business	Frequency	Percent
Food	13	30
curio	11	26
Clothing	7	16
Beverages	8	19

Services	4	9
Total	43	100

From the findings shown above, 30% of the respondents are food business, 26% are in curio business, 16% are in clothing business, 19% are in beverages business while 9% are offering services. This shows that the respondents were drawn from various business types hence more appropriate in finding out the factors affecting their performance in the market. The various business types included in the study makes the study more exhaustive in establishing the factors affecting performance of SMEs in Nairobi.

4.3.2 Length of operation in the business

The study sought to establish the number of years the respondents have being in business. The findings were indicated in the Table 4.3.

Table 4.3: Length of operation in the business

Length of business	**Frequency**	**Percent**
Less than 2 years	7	16
Between 3-5 years	10	23
Between 5-8 years	19	44
Between 9-11 years	4	9
More than 11 years	3	7
Total	43	100

From the research findings 16% had being in operation for less than 2 years, 23% for between 3-5 years, majority (44%) for between 5-8 years, 9% for between 9-11 years, and 7% for more than 11 years. These findings show that the respondents had operated in the market for different period ranging from less than 2 years to more than 11 years. These findings show that the respondents had operated their business within the market for a long period hence are more informed on the factors affecting SMEs performance.

4.3.3 Age of the respondents

The researcher further sought to establish the ages of the respondents. The findings were indicated in the Table 4.4.

Table 4. 4: Age of the respondents

Age	**Frequency**	**Percent**
Below 20 years	2	5
between 21-30 years	11	26
Between 31-40 years	19	44
between 41-50 years	8	19
Above 50 years	3	7
Total	43	100

From the data findings, 5% of the respondents were below 20 years, 26% were between 21-30 years, 44% were between 31-40 years, 19% were between 41-50 years and 7% were above 50 years. The age of the respondents was important as different age groups have different challenges in operating their businesses. Young businessmen may not be having enough experience and capital to grow their businesses while aged businessmen may be.

4.3.4 Highest Level of Education

The researcher sought to find out the respondents highest level of education. The data findings were indicated in the Table 4.5.

Table 4. 5: Highest Level of Education

Highest level of education	**Frequency**	**Percent**
Primary	10	23
Secondary	14	33
College	7	16
University	9	21
None	3	7
Total	43	100

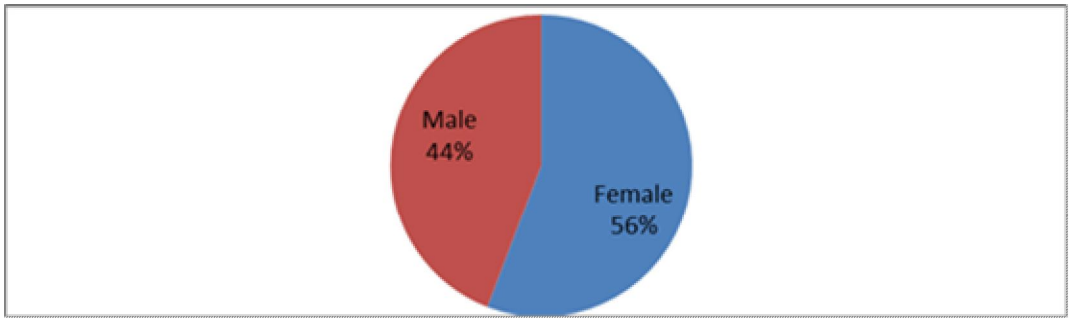
From the findings, 33 % of respondents indicated that had secondary school as their highest level of education, 21% said they were university graduates, 16 % of the respondents were college graduates while only 7% had no formal education. These findings show that the respondents had attained different levels of education. Education levels affect the management levels hence the higher education level attained by the businessman the more it is assumed that

they can make better decisions to grow the business. This however may vary from one businessman to another.

4.3.5 Gender

The study sought to establish the gender of the respondents. The research findings were indicated in the Figure 4.1.

Figure 4.1: Gender



From the findings above, the study established that most (56%) of the respondents were female and that 44 % were male. These findings show that a majority of the respondents were female. Female are more in the SMEs sector largely because of their limited access to capital. Women have limited collateral and in addition they have to attend to other house chores which leave them with limited time to do business. As such, they are limited in their operations to SMEs.

4.4 Access to Business Information Services

The study sought to determine the extent to which access to business information services affect the performance of the business.

4.4.1 Accessibility to business information services on the performance of business

The study sought to establish the influence of accessibility to business information services on the performance of business in City Park Hawkers market. The respondents were required to score the level of their agreement with various statements on the business information services. The scale ranged from 1-5 where 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree. The study computed means and standard deviation to help measure the

respondents feeling about the influence of accessibility to business information services on the performance of business. The findings were in table 4.6.

Table 4.6: Accessibility to business information services

(Statement)	Mean	Std. Deviation
Business information is readily available to us at City Park Hawkers market	4.1111	.92796
The information available is relevant for our business	4.0000	.86603
The information available informs us of the changes in the business environment	4.8889	.33333
The information available inform us of the business registration requirements	4.7778	.44096
The information necessary for our business growth is availed on time	4.6667	.50000

On whether the business information was readily available to them at City Park Hawkers market they agreed as shown by a mean of 4.1111. Oshikoya and Hussain (2007) argue that accessing business information services has over the years been greatly enhanced with the emergence of various information and communication technologies. The businessmen could easily communicate with different players in the market using their mobile phones hence were able to access information concerning the operations of their systems on time.

When asked whether the information available was relevant for their business they also agreed as supported by a mean of 4.0000. For the businessmen to make better decisions, the information available needs to be timely and accurate. With the advancements in communication technology, the businessmen were able to access information concerning their operations in a timely manner hence better decision making on matters affecting the performance of their businesses (Levy, 2000).

On whether the information available informed them of the changes in the business environment, the respondents strongly agreed as supported by a mean of 4.8889. Oshikoya and Hussain (2007) argues that accessing business information services on a timely basis helps businessmen to develop mechanisms that would enable them face the challenges and emerge successful in their businesses. Due to the developments in telecommunications industry, the businessmen were able to access information on a timely basis hence able to develop quality decision in countering the challenges that could face them in their operations.

On whether the information available informed them of the business registration requirements they also strongly agreed as indicated by a mean of 4.7778. Kazooba (2006) argues that the developments in telecommunication industry have leveraged business operations especially in as far as registration details are concerned because information is readily availed in different platforms that can be accessed by businessmen. Kazooba (2006) mentions the use of internet as a key communication link between regulation agencies and businessmen.

When asked whether the information necessary for their business growth was availed on time, they agreed as supported by a mean of 4.6667. In order for businessmen to make timely and quality decisions concerning their business operations, it is important that they access information about the market in a timely manner. Koop, de Reu, and Frese (2000) established that information needs to be timely and accurate for businessmen to rely on when making their decisions.

4.4.2 Access to Business Information Services

The study sought to determine the extent to which access to business information services affect the performance of the business. The data findings were indicated in the table 4.7.

Table 4.7: Access to Business Information Services

Access to Business Information Services	Frequency	Percent
Very great extent	14	33
Great extent	19	44
Moderate extent	7	16
Little extent	1	2
Very little extent	2	5
Total	43	100

The findings indicated that most respondents (44%) indicated that access to business information services affect the performance of the business to a great extent, 33% to a very great extent,16% to a moderate extent 2% to a little extent and 5% to a very little extent. Access to information is an important element for all businesses regardless of size. For the SMEs surveyed in this study, business information especially concerning market performance patterns and trends are important in the preparation of budgets that are to govern their operations.

4.5 Access to Finance

The study sought to establish the influence of access to finance on the performance of business in City Park Hawkers market.

4.5.1 Source of capital

The study sought to find out the source of capital for the businesses. The research findings were indicated in the Table 4.8.

Table 4.8: Source of capital

Source of capital	Frequency	Percent
Savings	23	53%
Bank Loan	14	33%
Donations from family and friends	5	12%
Other (Specify)	1	2%
Total	43	100%

From the data findings, majority (53%) of the respondents got their capital from savings, 33% from bank loans, 12% from donations from family and friends and 2% from other sources. Capital is an important determinant of business success. Koop, de Reu, and Frese (2000) found that the amount of starting capital is positively related to business success. It is through availability of capital that a business will be able to meet its obligations as and when they fall due. Capital availability will enable the organization and a businessman to implement their strategies in a timely manner for the success of the organization.

4.5.2 Sufficiency of the source of income business

The study sought to find out the sufficiency of the source of income business. The data findings are presented in the Table 4.9.

Table 4.9: Sufficiency of the source of income business

Sufficiency of the source of income business	Frequency	Percent
Very sufficient	2	5
Sufficient	9	9
Moderately sufficient	17	40
Less sufficient	9	21
Not sufficient at all	11	26
Total	43	100

The study sought to find out how sufficient the source of income was for the business. From the research findings majority (40%) of the respondents indicated that the source of income for the business moderately sufficient, followed by 26% of respondents who indicated that the sources were not sufficient at all, 21% said it was less sufficient, 9% said it was sufficient and only 2% said it was very sufficient. There are different sources of capital available to businessmen. For SMEs, a majority of them use capital from own savings, contribution from friends and family. As Wanjohi and Mugure (2008) noted, financial constraint remains a major challenge facing SMEs in Kenya. Wanjohi and Mugure (2008) added that insufficient financing is as much a problem as lack of finance because without enough finances, the businessmen will not be able to execute their businesses as opportunities strike hence lose out on them.

4.5.3 Effects of the challenges to the business

The study sought to establish the effects of the challenges to the business the findings are present in the table 4.10.

Table 4.10: Effects of the challenges to the business

Effects of the challenges to the business	Frequency	Percent
Reduced sales due to limited stocking	21	49
Reduced the variety of goods I sale	13	30
Limited my taking advantage of economies of scale	7	16
Limited my taking advantage of economies of scale	2	5
Total	43	100

From the data findings, 49% said that there was reduced sales due to limited stocking, 30% said that there was reduced the variety of goods they sale 16 indicated that it limited their

taking advantage of economies of scale and 5% represented the others. Limited stocking which arises from the entrepreneurs' inability to access more stock to meet market demands limits their operations and profitability. This is because the entrepreneurs will not have enough stock hence will keep on shopping from time to time which may in turn be expensive. Because of their limited capital, SMEs will sale a limited variety of goods and have limited economies of scale if any (Chijoriga and Cassiman, 1997).

4.6 Technological input in payment

The study sought to find out whether technological changes affected the business. The research findings were indicated in the figure 4.11.

Table 4.11: Effects of Technological Changes to the Business

	Frequency	Percent
Yes	37	86%
No	6	14%
Total	43	100%

The findings indicated that most 86% of the respondents indicated technological changes affected the business while only 14% of the respondents said no. These findings show that technological changes greatly affect the performance of SMEs. Through technological changes, the SMEs are able to access latest information and ways of doing things in order to leverage their operations.

4.6.1 Effects of technology to businesses

The researcher sought to indicate the ways in which technology has affected their businesses. The research findings were indicated in the figure 4.12.

Table 4.12: Effects of technology to businesses

Effects of technology to businesses	Frequency	Percent
By facilitating communication with both the supplier and customers	11	26
By easing the transportation of goods	4	9

By easing the marketing of our products	19	44
By offering a new distribution channel	9	21
Total	43	100

From the study findings, 26% of the respondent said it affected by facilitating communication with both the supplier and customers, 9% said by easing the transportation of goods, majority 44% indicate that it affected by easing the marketing of our products and 21% said it affected by offering a new distribution channel. Advancements in technology have influenced the way business is conducted. It has revolutionalized the payment systems and the manner in which businesses conduct their marketing activities. These changes in technology affect the ability of SMEs to reach certain market segments hence have a direct impact on their performance. Technological advancements can ease communication with suppliers and customers thus facilitating smooth flow of goods from the suppliers to customers.

4.6.2 The extent to which technology affected the businesses

The researcher sought to find out the extent to which technology affected the businesses the data findings are indicated in the table 4.13.

Table 4.13 the extent to which technology affected the businesses

	Frequency	**Percent**
Very great extent	9	21
Great extent	4	9
Moderate extent	18	42
Little extent	7	16
Very little extent	5	12
Total	43	100

The findings indicated that most 37% of respondents indicated that technology affected the businesses to a very great extent, 33% to a great extent, 21% to a moderate extent 7% to a little extent and 2% to a very little extent. From the above responses, it is evident that changes in technology moderately affected the performance of SMEs as supported by the highest response rate of 42%. This could largely be attributed to ease of accessibility to mobile phones in Kenya

which has ensured that all Kenyan can use mobile phone payment system provided they are registered as per the laws.

4.7 Availability of Managerial Experience

The study sought to establish the influence of availability of Managerial Training and Experience on the performance of business in City Park Hawkers market. The respondents were required to score the level of their agreement with various statements on the Managerial Training and Experience. The scale ranged from 1-5 where 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree. The study computed means and standard deviation to help measure the respondents' feedback about the influence of availability of Managerial Training and Experience on the performance of business. The findings were in table 4.14.

Table 4.14: Availability of Managerial Experience

Statement:	Mean	Std. Deviation
Are you well prepared to face changes in the business environment and to plan appropriate changes in technology?	4.0000	1.00000
Managerial skills as the most important constraint faced	4.1111	.92796

When asked whether they are well prepared to face changes in the business environment and to plan appropriate changes in technology the respondent agreed to a mean of 4.0000 and a std. deviation of 1.00000. On whether the Managerial skills as the most important constraint faced the respondent agreed to a mean of 4.1111 and a std. deviation of .92796. Managerial experience is important in any business because it determines the quality of decisions made and how they impact on the performance of an organization. By seeking to understand the managerial experience of entrepreneurs in the study area, the study is able to determine how the entrepreneurs have been able to utilize their managerial experience for the success of their organizations.

4.7.1 Managerial Experience and Performance of Business

The study sought to establish the extent to which availability of managerial training and experience affect the performance of business in City Park Hawkers market. The data findings are indicated in the table 4.15.

Table 4.15: Managerial experience and performance of business

Statement	Frequency	Percent
Very great extent	9	21%
great extent	4	9%
Moderate extent	18	42%
little extent	7	16%
Very little extent	5	2%
Total	43	100%

The findings indicated that majority 42 % of respondents indicated that, managerial experience affected the businesses to a moderate extent, 21% to a very great extent, 16 % to a little extent 12 % to a very little extent and 9% to a great extent. Managerial experience is important in guiding the path which an organization is to follow in order to arrive at the designated goal. Managers control that acts of other staff and guide them to ensure that they build synergy for the attainment of organizational goals. Managerial experience among SMEs is important as it will influence the manner in which the SMEs operation hence how it is able to interact with the environment. Through better and experienced management, an organization is able to access financial assistance as the financial and other recorded requested by lenders may be easily availed. Management is therefore necessary to enable group or business goals to be accomplished through the functions of planning, staffing, directing, controlling activities, coordination and directing (Bamback and Lawyer (1979).

4.8 Performance of SMEs

The study sought to establish how the respondents measure the performance of the business.

4.8.1 Measure the Performance of the Business

The researcher sought to determine how the respondents measure the performance of the business. The research findings were indicated in the table 4.16.

Table 4.16: Measure the Performance of the Business

Statement	Frequency	Percent
Using Sales	12	28
Using Number of customers	27	63
Using Number of employees	4	9
Total	43	100

From the study findings, majority 63% of the respondent said they measure the performance of the business the number of customers, 28% measure using scales and 9% measure using the number of employees. Business performance can be measured using different yardsticks. Sales represent the amount purchases that the organization has been able to release for generation of income/revenue.

4.8.2 Effectiveness of the measure of performance in measuring the business

The study sought to determine Effectiveness of the measure of performance in measuring the business. The research findings were indicated in the figure 4.17.

Table 4. 17: Effectiveness of the measure of performance in measuring the business

	Frequency	Percent
Very effective	8	19%
Effective	20	47%
Moderately effective	11	26%
Less effective	3	7%
Not effective	1	2%
Total	43	100%

From the study findings, 19% said it was very effective, 47% said it was effective, 25% indicated it was moderately effective, 7% said it was less effective while 2% indicated it was not effective.

4.9 Government Policy and Regulations

The study sought to establish whether the government of policies and regulations could affect the performance of SMEs at City Hawkers market, Nairobi County.

4.9 1 Government of Kenya policies and Regulations and Business

The study sought to establish whether the government of Kenya policies and regulations affected their businesses at City Hawkers market. The research findings were indicated in the figure 4.18.

Table 4.18: Government of Kenya policies and regulations and business

	Frequency	Percent
Yes	38	88
No	5	12
Total	43	100

The findings indicated that 88% of the respondents said yes and only 12% of the respondents said no. Government policies and regulation affect the operations of SMEs at City Hawkers market.

4.9.2 Effects of Government policies and regulations to the businesses

The researcher asked the respondents to indicate how the government policies and regulations have affected your businesses. The findings are indicated in the table 4.19.

Table 4.19: Effects of Government policies and regulations to the businesses

Statement	Frequency	Percent
Through taxation	21	49
Through licenses	13	30
Through liberalization of the economy	3	7
Through creation of support funds	5	12
Through provision of training and development	1	2
Total	43	100

As per the research findings, majority (49%) indicated that the government policies and regulations have affected your businesses through taxation, 30% said it was through licenses, 12% through creation of support funds, 7% said it was through liberalization of the economy and 2% said it was through provision of training and development.

4.9.3 The extent to which the Government policy and regulations affect performance of business at City Hawkers market

The study sought to establish the extent to which the government policy and regulations affect the performance of the business at City Hawkers market. The research findings were indicated in the figure 4.20.

Table 4.20: Government policy and regulations effects performance of business

	Frequency	Percent
Very great extent	27	63
great extent	9	21
Moderate extent	4	9
little extent	1	2
Very little extent	2	5
Total	43	100

The findings indicated that majority 63% of respondents indicated that the government policy and regulations affect the performance of the business to a very great extent, 21% to a very great extent, 9 % to a great extent 9 % to a moderate extent 5 %very little extent and 2% to a little extent.

4.10 Correlation Analysis of the dependent and the independent variables

The data presented before on access to information, access to finance, technological input in payment system and availability of managerial experience were computed into single variables per factor by obtaining the averages of each factor. Pearson's correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed to establish the amount of correlation, direction and significance. Table 4.21 below indicates the correlation between factors (access to information, access to finance, technological input payment system and availability of managerial experience) and financial performance of SMEs. According to the table, there is a positive relationship between financial performance of SMEs and access to information, access to finance, technological input payment system and availability of managerial experience of magnitude 0.132, 0.066, 0.238 and 0.362 respectively. However, the positive relationships were very low as they lied below a threshold of 0.5 which might be due to the ordinal nature of the data collected since the magnitude of the respective factors could not be established.

Table 4.21: Correlation Matrix of staff performance of SMEs and study independent variables

	access to information	access to finance	technological input payment system	managerial experience	Financial Performance of SMEs
access to information (r)	1.000				
(p) Sig. (2 tailed)					
access to finance (r)	0.161	1.000			
(p) (2 tailed)	0.006				
technological input payment system (r)	0.118	0.116	1.000		
(p) Sig. (2 tailed)	0.031	0.67			
managerial experience (r)	0.008	-0.062	0.225	1.000	
(p) Sig. (2 tailed)	0.07	0.009	0.0045		
Financial Performance of SMEs (r)	0.132	0.066	0.238	0.362	1.000
(p) Sig. (2 tailed)	0.08	0.567	0.054	0.006	

4.11 Regression

Table 4.22: Coefficients

Model	Dependent variables	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.923	.082		1.602	.121
	access to information	.453	.232	.711	7.937	.002
	access to finance,	.879	.093	.292	3.678	.001
	technological input payment system	.532	.034	.041	.882	.003
	availability of managerial experience	.755	.741	.094	.092	.002

a. Dependent Variable: Financial performance of SMEs

The established regression equation by the study was

$Y = 1.923 + 0.453 X_1 + 0.879 X_2 + 0.532 X_3 + 0.755 X_4$

From the above regression model, holding access to information, access to finance, technological input payment system and availability of managerial experience constant, financial

performance of SMEs in Nairobi would be 1.923. It is established that a unit increase in access to information would cause an increase in financial performance of SMEs by a factor of 0. 453, a unit increase in access to finance would cause an increase in financial performance of SMEs by a factor of 0.879, also a unit increase in technological input payment system would cause an increase in financial performance of SMEs by a factor of 0.532 while a unit increase in availability of managerial experience would cause an increase in financial performance of SMEs by a factor of 0.755. This infers that there is a positive relationship between financial performance of SMEs with access to information, access to finance, technological input payment system and availability of managerial experience.

Table 4.23: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.875(a)	0.766	.761	.21232

a. Predictors: (Constant), access to information, access to finance, technological input in payment system and availability of managerial experience.

Adjusted R^2 is called the coefficient of determination and tells us how the financial performance of SMEs was affected by r access to information, access to finance, technological input payment system and availability of managerial experience. From Table 4.22 above, the value of adjusted R^2 is 0.761. This implies that, there was a variation of 76.6% in financial performance of SMEs with access to information, access to finance, technological input payment system and availability of managerial experience. The 23.9% remaining implies that there are other factors that affect the performance of SMEs in Nairobi.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summary, conclusions and recommendations on the specific factors affecting the performance of. Based on the findings in chapter four, the study gives a summary, recommendations and suggestions for further research. The recommendations are based on the objective of the study.

5.2 Summary of Findings

From the findings of the study discussed in chapter four above, the study established that accessibility to business information services affected the performance of SMEs as supported by a high mean on the respondents responses. On whether the business information was readily available to them at City Park Hawkers market they agreed to a great extent indicating that business information was readily available to entrepreneurs hence were able to make timely and quality decision to propel their business operations forward. Oshikoya and Hussain (2007) argue that accessing business information services has over the years been greatly enhanced with the emergence of various information and communication technologies. The information available was relevant for their business as it informed them of the changes in the business environment and business registration requirements. Kazooba (2006) mentions the use of internet as a key communication link between regulation agencies and businessmen. The information available to the entrepreneurs in this market was necessary for their business growth. On access to business information services, the study noted that access to business information services affected the performance of the business to a great extent.

On whether access to finance affected performance of SMEs, the study established that it did affect performance to a great extent. First the study established that the sources of capital for SMEs differed ranging from own savings, bank loans, and donations from family and friends among other sources. However, the entrepreneurs in this market were found not to have enough

capital to finance their business operations. They only had access to moderate capital which limited their ability to take advantage of opportunities as and when they arose.

On how the use of technological input in payment system affected the performance of SMEs, 86% of the respondents indicated technological changes affected the business while only 14% of the respondents said no. It affected by facilitating communication with both the supplier and customers, easing the transportation of goods, easing the marketing of our products and offering a new distribution channel. Technological input in payments affected the flexibility of entrepreneurs in the distribution and payment of their goods. Many entrepreneurs had a functional mobile phone which was enabled with mobile money transfer.

On the availability of managerial experience and its effects on the performance of SMEs, the study established that the entrepreneurs were well prepared to face changes in the business environment and to plan appropriate changes in technology. The Managerial skills were found to be the most important constraint faced the respondent. Management skills among the entrepreneurs were limited thus good management was not always available among the entrepreneurs because majority of the businesses were family owned and relied heavily on the owner for decision making. Managerial experience is important in any business because it determines the quality of decisions made and how they impact on the performance of an organization

5.3 Discussion of findings

On accessibility to business information, the study established that information available to the businessmen was relevant for their business as it informed them of the changes in the business environment and on business registration requirement. These findings are in contrast to what Oshikoya & Hussain (2007) found out that many firms in Africa operated in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures. The businesses in Nairobi seem to be operating in an environment characterized by good information networks hence have easy access to relevant information for their businesses. As Levy (2000) indicated, governments and business service providers try to address the many challenges facing the SME sector through provision of information on business performance and opportunities. With the widespread of mobile phone

usage in Nairobi, the business men are in a position to access relevant information on market performances in time hence make relevant decisions that promote financial performance.

On access to Finance, the respondents indicated that they mainly used savings as their source of income complemented with bank loans and donations from family and friends. These funds gotten through the above mentioned sources. These findings are consistent with those of Chijoriga and Cassiman (1997) who identified finance as one of the key constraints to small enterprise growth among SMEs. Ngobo (1995) also added that lack of access to credit/ finance is almost universally indicated as a key problem for SMEs. As such, the growth and performance of SMEs may be greatly affected by their access to finance. Limited access to finance means that the entrepreneurs may not be in a position to take on opportunities as and when they arise.

On technological input payment system, the study established that technological changes affected businesses to a great extent. They did this by facilitating communication with both the supplier and customers, easing the transportation of goods, easing the marketing of our products and offering a new distribution channel. As Hagmann and McCahon (1993) indicated, the adoption of information technology promotes the competitiveness of SMEs hence offering them an opportunity to maximize their financial performance. However, because of their smallness these enterprises end up using a cheap technology which is usually not top of the range (Levy and Powell, 2000). The SMEs in Nairobi also made use of technology but to a limited extent because of their limited resources.

On the availability of managerial experience, the study established that the entrepreneurs were well prepared to face changes in the business environment and to plan appropriate changes in technology. The entrepreneurs had limited managerial skills as the most important constraint faced. It affected business performance to a great extent. As Hill (1987) indicated, most SMEs have the business owner as the manager. The typical owner or managers of small businesses develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept.

5.4 Conclusion

From the presentation of chapter four and summary above the study concludes that access to business information services affected the performance of the business to a great extent. The study further concludes that accessibility to business information services affected the performance of SMEs. The business information was readily available to them to entrepreneurs hence were able to make timely and quality decision to propel their business operations forward. The information available was relevant for their business as it informed them of the changes in the business environment and business registration requirements. The information available to the entrepreneurs in this market was necessary for their business growth.

The study further concludes that access to finance affected performance of SMEs. It affected performance to a great extent because it limited the entrepreneurs' ability to take advantage of opportunity as and when they arose. The sources of capital for SMEs differed ranging from own savings, bank loans, and donations from family and friends among other sources. The entrepreneurs in this market were found not to have enough capital to finance their business operations.

The study further concludes that technology affected the businesses to a very great extent by facilitating communication with both the supplier and customers, by easing the transportation of goods and by easing the marketing of our products. Technology provided payment options to entrepreneurs thereby expanding their payment options.

Finally the study concludes that most of the respondents measured the performance of the business the number of customers and that the government policy and regulations affect the performance of the business to a very great extent through taxation, licenses, through creation of support funds and through liberalization of the economy.

The availability of managerial experience affected the performance of SMEs of SMEs to a great extent. The entrepreneurs were well prepared to face changes in the business environment and to plan appropriate changes in technology. Managerial skills were found to be the most important constraint faced the respondent. Managerial experience is important in any business

because it determines the quality of decisions made and how they impact on the performance of an organization

5.5 Recommendations

1. From the above presentations of summary and conclusion, the study makes the following recommendations on the specific factors affecting the performance of SMEs in Nairobi. The study recommends that business information services need to be made accessible to all business people in the market. Although the entrepreneurs accessed necessary business information, this information was limited and was only available to a limited number of entrepreneurs. This study therefore recommends that infrastructure be put in place to increase the sharing of information among entrepreneurs to promote the growth and performance of such enterprises.

2. On access to Finance, the study recommends that the Government of Kenya works out modalities on how to finance SMEs. This has been promoted to some extent by the creation of several funds like the Youth Development Fund and Women Development Fund. This would promote accessibility to pre-requisite capital necessary for the growth and development of SMEs in Kenya.

3. It further recommends that technology be included in aspects of the business to facilitate communication with both the various stakeholders in business. By doing this, the SMEs will benefit from the ease of transportation of goods, marketing and pricing of their commodities.

4. Finally the study recommends that the government policy and regulations that affect the business should be looked into so that to ensure they do not affect the performance of the business in a negative way.

5.6 Suggestions for future study

This study concentrated on factors affecting the performance of SMEs in Nairobi with specific reference to City Park Market. To facilitate generalization of the findings, this study recommends that another study be carried out to determine the factors affecting the performance of SMEs in rural settings. This will help bring to the fore the factors affecting their performance.

5.7 Contribution to Knowledge

The study covered factors affecting the performance of SMEs in Nairobi with specific reference to City Park Market. To this end, four factors including accessibility to business information, accessibility to finance, technological input in payment and managerial experience were shared. This study has shown that for SMEs to realize their full potential, it is important that all these aspects are made available. This study adds to other existing literature on factors affecting the performance of SMEs in Nairobi. It therefore provides necessary knowledge for formulation of policies targeting SMEs in General and Nairobi in particular.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION OF RESEARCHER TO RESPONDENT

10 November 2012

Ref: letter of introduction of researcher to respondent

Sir/Madam,

My name is Nabintu Ntakobajira, a student of the University of Nairobi. I am conducting and academic research on the factors that affecting the performance of Small and Micro Enterprises (SMEs) traders at city park hawkers market in Nairobi County, Kenya.

I am therefore kindly requesting your cooperation to enable me gather the necessary information. I assure you that your views will be treated with confidentiality and the research will not be used for nay financial gains. This survey is completely voluntary and anonymous. If there is any reason to terminate, feel free to leave however please note that your participation to this survey will be much appreciated. I therefore request your participation in this survey by filling out the questionnaire attached to this personally and honestly within a week after you receive it. The research assistant will collect the questionnaire after one week. .

Kindly remember that this study is useful to the society as it promotes awareness-raising and advocacy.

Yours sincerely,

Nabintu Ntakobajira

APPENDICE II: QUESTIONNAIRE

Section A: Demographic Characteristics of respondents

1. What kind of business are you involved in?

   a) Food ( ) b) curio ( ) c) Clothing ( )

   d) Beverages ( ) e) Services ( )

   Others (Specify) _____

2. How long have you been in this business?

   a) Less than 2 years ( ) b) Between 3-5 years ( )

   c) Between 5-8 years ( ) d) Between 9-11 years ( )

   e) More than 11 years ( )

3. Please indicate your age

   a) Below 20 years ( ) b) between 21-30 years ( )

   c) Between 31-40 years ( ) d) between 41-50 years ( )

   e) Above 50 years ( )

4. Indicate the highest level of education completed below:

   a) [Primary] b) [Secondary] c) [College] d) [University] e)[None]

5. Gender: a)[Female] b) [Gender]

Section B: Access to Business Information Services

Here are some statements as regards the influence of accessibility to business information services on the performance of business in City Park Hawkers market. On a scale of 5-1 where

5=strongly agree, 4= agree, 3= neutral, 2= disagree, 1= strongly disagree, please indicate your level of agreement with each statement by ticking.

Statement: **Access to Business Information Services**		5	4	3	2	1
6.	Business information is readily available to us at City Park Hawkers market					
7.	The information available is relevant for our business					
8.	The information available informs us of the changes in the business environment					
9.	The information available inform us of the business registration requirements					
10.	The information necessary for our business growth is availed on time					

11. To what extent does Access to Business Information Services affect the performance of your business?

a) Very great extent ( ) b) great extent ( )

c) Moderate extent ( ) d) little extent ( )

e) Very little extent ( )

Section C: Access to Finance

12. What was the source of capital for your business?

a) Savings ( ) b) Bank Loan ( )

c) Donations from family and friends ( )

d) Other (Specify) _____

13. How sufficient was this source for your business?

a) Very sufficient ( ) b) Sufficient ( )

c) Moderately sufficient ( ) d) Less sufficient ( )

e) Not sufficient at all ( )

14. What challenges does accessibility to capital expose your business to?

_____

_____

_____

15. How have these challenges affected your business?

a) Reduced sales due to limited stocking ( )

b) Reduced the variety of goods I sale ( )

c) Limited my taking advantage of economies of scale ( )

d) Other (please specify)

_____

_____

Section D: Technological input in payment

16. Has technological changes affected your business?

a) Yes ( ) b) No ( )

17. Kindly indicate the way in which technology has affected your business.

a) By facilitating communication with both the supplier and customers ( )

b) By easing the transportation of goods ( )

c) By easing the marketing of our products ( )

d) By offering a new distribution channel ( )

e) Other (please specify)

_____

_____

_____

18. To what extent has technology affected your business?

a) Very great extent ( ) b) Great extent ( )

c) Moderate extent ( ) e) Little extent ( )

d) Very little extent ( )

Section E: Availability of Managerial Experience

Below are some statements as regards the influence of availability of Managerial Training and Experience on the performance of business in City Park Hawkers market. On a scale of 5-1 where 5=strongly agree, 4= agree, 3= neutral, 2= disagree, 1= strongly disagree, please indicate your level of agreement with each statement by ticking.

Statement: **Availability of Managerial Experience**	5	4	3	2	1
19. Are you well prepared to face changes in the business environment and to plan appropriate changes in technology?					
20. Managerial skills as the most important constraint faced					

21. To what extent does Availability of Managerial Experience affect performance of business?

a) Very great extent ( ) b) Great extent( )

c) Moderate extent ( ) d) Little extent ( )

e) Very little extent ( )

22. In your own opinion, how has the Availability of Managerial Experience affect performance of business?

_____

_____

Section F: Performance of SMEs

23. How do you measure the performance of your business?
    a) Using Sales ( )
    b) Using Number of customers ( )
    c) Using Number of employees ( )

24. How effective is this measure of performance in measuring your business?
    a) Very effective ( )
    b) Effective ( )
    c) Moderately effective ( )
    d) Less effective ( )
    e) Not effective ( )

Section G: Government Policy and Regulations

25. Has the government of Kenya policies and regulations affected your businesses at City Hawkers market?

    a) Yes ( ) b) No ( )

26. Please indicate how the government policies and regulations have affected your businesses.

    a) Through taxation ( )

    b) Through licenses ( )

    c) Through liberalization of the economy ( )

d) Through creation of support funds like Youth Enterprise Fund, Women Enterprise Fund among others ( )

e) Through provision of training and development ( )

f) Other please specify

_____

_____

_____

27. To what extent does the government policy and regulations affect the performance of your business at City Hawkers market?

a) Very great extent ( ) b) Great extent ( )

c) Moderate extent ( ) d) Little extent ( )

e) Very little extent ( )

Thank for your time and answers