

**DETERMINANTS OF GROWTH OF SMALL AND MEDIUM
MANUFACTURING ENTERPRISES WITHIN INDUSTRIAL AREA,
NAIROBI COUNTY**

BY

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STUDENT'S DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the research proposal contains no material previously published or written by another person except where due reference is made in the research project itself.

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ABSTRACT

The purpose of this study was to investigate the determinants of growth of Small and Medium-Sized Enterprises within Industrial Area, Nairobi County. The study was based on a population of 77 respondents with the response rate being 92%. The study made use of structured questionnaires to collect primary data from the owners/managers of the SMEs being studied. Primary data was used since it is more accurate. The study established that access to finance, entrepreneurial competencies and age of the firm has a strong relation to the growth of SMEs. The findings revealed that all these factors are necessary to the growth of SMEs. The study concluded that easier access to finance enabled the owners/managers to conduct the operations of their businesses smoothly and efficiently. In addition to that, the study also concluded that entrepreneurial competencies such as adequate leadership skills, marketing skills, networking skills and creative and innovative skills had an impact on the growth of SMEs and such skills can be used as a source of competitive advantage. Moreover, the study also concluded that the age of the business is vital for its growth since as a business grows older, there is advancement in technology uses, accumulated knowledge on customer relationships and increased supplier channels which leads to increased profit margins hence there is growth in the business. The study recommended that financial institutions should develop better policies which make it easier for SME owners to access finances which lead to the growth of SMEs. One of the limitations of this study is that it only focused on three variables that affect the growth of SMEs while there are many more variables to be studied.

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DEDICATION

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LIST OF ABBREVIATIONS

GDP: Gross Domestic Product

KAM: Kenya Manufacturing Association

KNBS: Kenya National Bureau of Statistics

SMEs: Small and Medium Enterprises

SPSS: Statistical Package of Social Sciences

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CHAPTER ONE

INTRODUCTION

1.1 Background Information

There are more than 200 million unemployed people in the world today. According to a report by the World Bank, emerging market countries must establish another 600 million jobs by 2030, mainly in Africa and Asia, so as to keep the employment rates constant. The private sector is the main instrument of employment creation and the source of every 9 out of 10 jobs in the world. Within the private sector, SMEs constitute more than half of jobs worldwide. In emerging countries, SMEs provide for two-thirds of formal private sector jobs and 48% of all informal private sector jobs. In economies which are developed, fast-growing SMEs, often dubbed as gazelles, make up for majority of the new employment creation (World Bank, 2019). SMEs are of importance to both developing and developed countries as they contribute to economic growth and employment.

SMEs are the heartbeat and backbone of the Kenyan economy. They provide employment opportunities for more than three-quarters of the working population in the country and play a major role in the industrialization and growth effort of this country. SMEs contributed 34% to the country's Gross Domestic Product in 2016. SMEs play a central role in economic development through the creation of job opportunities and their impact on the society. There is need to develop more and more SMEs as they support all sectors of the Kenyan economy and contribute remarkably to revenue generation and industrialization (International Trade Centre, 2019).

Small and Medium Sized Enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries (OECD, 2005). According to the European Union, the most frequent upper limit denoting an SME is 250 employees. Small and Medium Enterprises are increasingly becoming recognized as major drivers of economic growth, productivity, innovation and employment, and are broadly accepted as an important aspect of economic dynamism (Hisrich, 2014). According to estimates done by the World Bank, 600 million jobs need to be created by the year 2030 so as to absorb the expanding global workforce, thus this makes SME growth and development a key priority for many governments in various parts of the world. Visser, (2013) argued that SMEs are the

backbone for emerging economies and are a main source of revenue for majority of people in rural and urban communities. The exponential growth of SMEs in any economy is an indicator for a positive change for a country, especially indicated by profitability and market share. In addition to that, Hamel and Sapienza (2014) reveal that in the present business conditions, where the product and business model life cycles are short-lived, such qualities are positively connected with improved development and growth of enterprises.

The upsurge of global markets realized over the last decade has triggered competition in both developed and developing countries, thereby forcing entrepreneurs and policy makers to adopt market-oriented policies. The fact that the number of SMEs has grown in number in these countries indicated that efficient SMEs have had the ability to employ new strategies so as not to only maintain, but also enhance their competitiveness in a globalized economy (Mateev & Anastasov, 2010). In the OECD economies, SMEs account for over 95% of the enterprises, and around 70% of employment, which creates a large opportunity for new jobs (OECD,2009). Given the importance of SMEs in all economies globally, the growth of SMEs is necessary for economic recovery and development.

In Africa, SMEs take part in a huge role in macro economy (Okpara, 2011). There has been an increase in the emergence of SMEs in Sub-Saharan Africa. The Global Entrepreneurship Monitor (GEM) in 2010, reveals that there has been a rise in the number of small businesses being established in the following countries; Angola, Ghana, South Africa, Uganda and Zambia. It also showed that Ghana registered the highest number, which was 40% of established owned businesses in Africa, followed by Uganda at 27%. These are both remarkably higher than in China and Brazil. Eniola and Ektebang (2014) argued that SMEs make up about 70% to 90% of the business establishment in the manufacturing sector.

According to the Business daily Africa (2020),SMEs in Kenya are defined as businesses which have between 1 and 99 employees. In addition to that, Mugodo (2014) argues that the SME industry in Kenya is characterized by the employment between 50 to 200 employees and capital assets of a great amount of about Ksh. 2 million, excluding property. The contribution of the SME sector towards Kenya's economy is massive in terms of employment and the increase in GDP. It comprises of 25% of all businesses, creates employment opportunities for over 80% of the people in the workforce and contributes 25% of the GDP (KEPSA, 2016). Small business

enterprises have been recognized as a crucial strategic sector for promoting growth and social development in Kenya (Wawira, 2013). SMEs cover broad areas of economic activities, but this study focuses on SMEs in the manufacturing sector. Despite the importance of SMEs to the growth of the Kenyan economy, there are many challenges which hinder their growth.

The current status of SMEs in terms of financing is generally characterized by the absence of adequate funds to support the growth and development of SMEs (Moreira, 2016). Zhou, (2011) argued that the main source of financing of SMEs remains the bank credit loans despite the high costs associated, the unavailability of credit in the market, the assets needed as collateral and the banks' risk adverse policies to give loans to SMEs because they are considered to be very risky. Some of the factors that hinder the growth of SMEs in Kenya are; limited access to the market, limited access to information, inadequate finances and unfavorable regulations and policies from the government among others (ROK, 2005). Access to finances is really vital for the growth of SMEs not just in Kenya, but around the world too.

Entrepreneurship has been viewed as the procedure and decision making activities used by owners and managers of SMEs to aid in growth of the business (Kropp, 2011). Frank, (2014) reveals that entrepreneurship is composed of three dimensions which are innovativeness, risk-taking and pro-activeness. Hence, entrepreneurship is considered to be an essential aspect for the growth of a firm. A study conducted by Frank, Kessler and Fink (2014) shows a positive connection between entrepreneurship and the growth of a business, only in cases in which a dynamic environment is integrated with high access to financial capital and when a stable environment is integrated with low access to financial capital. It is argued that certain contextual factors and entrepreneurial growth dimensions contribute to the growth of SMEs (Mugure, 2017). Entrepreneurial competencies, which are represented by entrepreneurial orientation, is seen as a potential source of competitive advantage (Jantunen, 2014). Lumpkin, (2013) argued that entrepreneurial competencies supports the growth of a business differentially along the lines of proactiveness, innovativeness and risk-taking propensity according to specific context. This study will purpose to establish whether there is a connection between the entrepreneurial competencies and growth of SMEs in the Kenyan economy.

When it comes to the age of a company and its performance, older companies outperform younger companies because they have more experience, have the advantage of learning, and are

not subject to the risks of being new (Malik, 2019). Older businesses are able to outperform younger enterprises due to these important qualities and the efficient application of processes. Moreover, younger firms are prone to “liabilities of newness” which refer to a number of poorly understood factors leading to higher failure rates. Conversely, older businesses, are prone to inertia, are bureaucratic, lack the flexibility to make fast changes to changing circumstances, and are more likely to fall behind younger, more agile enterprises in terms of performance. Cadogan, Diamantopoulos, and Siguaw (2020) agree, arguing that as businesses get older and more experienced, they become more bureaucratic and rigid.

Currently, with the outbreak of the Covid 19 pandemic in the first quarter of 2020 resulted in economic decline across the globe as countries put in place measures to mitigate the spread of the virus. According to the Kenya Association of Manufacturers (2020), the global manufacturing output has dropped by 6%, 11.2% and 1.1% in the first, second and third quarters of 2020 respectively. The growth of the SME sector has not been spared either as this pandemic has affected the growth of the economy globally.

1.2 Problem Statement

Problems affiliated with the growth of SMEs are diversified. As a result, owners of SMEs are progressively venturing into SMEs either as sole proprietors or as partners so as to diversify their risk, strengthen their partnerships, and form associations that can stand up for and persuade the government for better business environments (ILO,2015). In Kenya, SMEs are continually constrained by inadequate access to finances which may be due to their size and inadequate entrepreneurial skills and competences to promote the growth of their businesses. Ramsden (2013) argued that SMEs prosper in an environment that encourages business growth and where the regulatory regime is transparent and the decisions made always favour growth.

According to the Kenya National Bureau of Statistics (2013), three out of every five SMEs established in Kenya shut down within the first two years of operation. The growth of SMEs in the country majorly contributes to economic growth of the country, hence not only the government, but also other public and private organizations have realized that it is really important to invest in the SME sector. Consequently, these bodies encourage individuals to be creative and innovative and start their own SMEs, which will increase the number of

employment opportunities and eventually lead to an increase in the GDP, hence improving the economic sector.

In order to tackle this situation, research studies have been conducted by previous researchers with a key focus on the factors that determine the growth of SMEs. A study was conducted by Heinonen (2011) to establish the factors that affected the growth of SMEs in Kosovo. The findings of the study revealed that factors which affected the growth of SMEs in Kosovo were such as inadequate access to finance, competition, corruption, globalization, laws and regulations, managerial competencies and lack of skilled labour. This study aims to have a deeper understanding of how access to finance and the managerial competencies which can also be called the entrepreneurial competencies affect the growth of SMEs in the manufacturing industry in Kenya.

A study was conducted by Kinyua (2014) to reveal the factors affecting the performance of Micro, Small and Medium-sized enterprises (MSMEs) in the Jua Kali industry in Nakuru Town. The findings of that study were entirely based on the performance of MSMEs and it was established that factors such as the managerial skills, access to finance and the macro environment significantly affected the performance of MSMEs. Some of the limitations of this study is that it only focused on the performance of MSMEs and not their growth. In addition to that, the study only focused on MSMEs and not SMEs. The proposed study aims to establish whether the same factors affect the growth instead of performance of SMEs rather than MSMEs.

Another study was conducted by Yeboah (2015) to investigate the factors that affect the growth of SMEs using an empirical perspective of SMEs in the Cape Coast Metropolis, Ghana. The study revealed that the educational qualification of the entrepreneur and the size of the enterprise had the largest influence on the growth of SMEs. One of the limitations of this study is that it was not able to establish any external factors that affect the growth of SMEs. The proposed study aims to investigate not only the internal factors that affect the growth of SMEs but also the external factors such as access to finances.

In addition to that, Elif, (2016) studied the impact of firm age on the profitability of Turkish firms listed on Borsa Istanbul. The results revealed that there is a negative and convex relationship between firm age and profitability measured by return on assets, return on equity or gross profit margin. This suggests that younger firms start to see a decline in their profitability

from the beginning but they may become profitable again at an old age. The proposed study will seek to find out whether or not the same is true for SMEs in the manufacturing industry in Kenya.

From the existing literature discussed, there are little research studies conducted on the relationship between the influence of access to finances, influence of entrepreneurial competencies and influence of size of the firm as determinants for the growth of SMEs. Therefore, this study sought to investigate the influence of access to finances, influence of entrepreneurial competencies and influence of size of the firm as factors affecting the growth of SMEs in Kenya, with the main focus being the Manufacturing enterprises within Industrial Area, Nairobi County.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study is to investigate the determinants of growth of Small and Medium-sized Enterprises in the manufacturing sector, in Nairobi County.

1.3.2 Specific Objectives

The study will be guided by the following specific objectives;

- i. To evaluate the influence of access to finance on the growth of Small and Medium-sized Enterprises in the manufacturing sector in Nairobi County.
- ii. To examine the influence of entrepreneurial competencies on the growth of Small and Medium-sized Enterprises in the manufacturing sector in Nairobi County.
- iii. To assess the influence of the age of a firm on the growth of Small and Medium-sized Enterprises in the manufacturing sector in Nairobi County.

1.4 Research Questions

The study will be guided by the following research questions;

- i. What is the influence of access to finance on the growth of Small and Medium-sized Enterprises in Nairobi County?
- ii. What is the influence of entrepreneurial competencies on the growth of Small and Medium-sized Enterprises in Nairobi County?
- iii. What is the influence of the age of a firm on the growth of Small and Medium-Sized Enterprises in Nairobi County?

1.5 Significance of the study

This study is expected to be of significant importance to the following stakeholders;

1.5.1 Small and Medium-sized Enterprises

The SMEs in Nairobi County will benefit from this study in that they will get a deeper understanding on the determinants of growth of the SMEs and how they can use this information to benefit themselves by improving their growth. It is hoped that the results of this study will enable the SMEs to form strategies which will support their growth and give them competitive advantage not only in the Kenyan economy but also in the Global market. This study will contribute to focus on key constraints which hinder the growth of SMEs and providing the possible solutions to mitigate those issues. This will help SMEs know how to overcome the challenges that they will encounter during their growth.

1.5.2 Government of Kenya

The findings of this study would be beneficial to the government of Kenya in that this study will enable the government to come up with favourable policies such as favourable tax policies and licencing which provide a conducive business environment for the growth of SMEs. This study will also provide the government with essential information which can guide the government in the planning for investment of SMEs in the economy in the future so as to promote economic growth and also the location of SMEs within Nairobi County.

1.5.3 Financial Institutions

The results of this study would enable financial institutions to develop better access to financing for SMEs through offering better lending rates, terms and conditions and collateral requirements that are needed in order for the SMEs to receive financing. The financial institutions should focus on strengthening the SMEs because as they do so, they also increase their performance and growth.

1.5.4 Researchers

The study findings would be of importance to universities and other institutions that carry out research as this study would contribute to the pool of additional literature and new topics for idea generation. These findings may provoke further research so as to have a deeper understanding on the various other factors other than the ones discussed in the study that affect the growth of SMEs.

1.6 Scope of Study

The study targeted the owners/managers of SMEs operating within Industrial Area, within Nairobi County and are registered with the Nairobi County Government and the Kenya Association of Manufacturers. This study is limited to only SMEs that have been in operation in industrial area, Nairobi County.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of the theoretical and empirical literature pertaining to the determinants of growth of SMEs. The chapter discusses the available theoretical frameworks indicating their proposition and implication to the study. The empirical literature is also reviewed so as to have a look at the methodology and findings obtained by other researchers. The chapter concludes with an overview of the conceptual framework and a summary of the literature review.

2.2 Theoretical Review

The study will be based on three main theories which are the Resource Based theory, the theory of psychological or trait entrepreneurship and the Stochastic Firm Growth theory.

2.2.1 Resource Based Theory

The Resource Based Theory was initially introduced by Penrose(1959), who proposed that resources which are owned, distributed and used efficiently would have a better yield than industrial structure employed. However, this theory was later developed by Wernerfelt (1984) whereby he viewed the firm as an important resource hence the firm was viewed from a resource based view. The Resource Based Theory aims at explaining how resources in an organization may be utilized in attaining competitive advantage as well as progress. According to this theory, organizations have varying capabilities and resources which are essential factors of performance(Grant, 1991). Therefore, the level of competitive advantage of a firm will be based on the efficiency in the resource maximization(Goshal, 2002).

According to the Resource Based Theory, the resources are categorized to include both physical utilities and human capabilities which are necessary for the achievement of set organizational objectives (Lin & Wu, 2014). One of the assumptions of this theory is that the resources in an organization are heterogenous. This assumption simply suggests that if all companies have the same type and quantity of resources, the strategies used by these companies will be the same. The other assumption of this theory is that the resources in an organization are immobile. This assumption states that resources cannot be moved from one organization to another. However, based on the assumptions, it is not always the case to say that resources in an organization are heterogenous and immobile.

Additionally, the theory has faced criticism of failure to account for the effect of environmental factors (Rothaermel, 2012). Despite this, the various empirical studies which have been conducted have confirmed the relevance of the Resource Based Theory in explaining the differences in performance of organizations which have been attributed to differences in resources (Wade & Hulland, 2004). According to Wade and Hulland (2004), the SMEs have differentiated resources in terms of assets and organizational competencies, and this results in the differences in growth of the firms. The main determinants affecting the growth of the SMEs originate mainly from within the firms. Hence for the SME to experience growth, they should have the necessary resources and fully maximize their use.

2.2.2 Theory of Psychological/Trait Entrepreneurship

This theory introduced by McClelland's (1961) postulate that an individual's psychological constitution influences the majority of his entrepreneurial behaviour. Need for high success, risk-taking, foresight, aggression, proactiveness, and inventiveness are among the psychological attributes. High intelligence, decisiveness, sound judgment, and sensitivity to environmental changes are among the others. As per Lumpkin and Dess (2006), there is a link between psychological characteristics and entrepreneurship. People with a certain set of psychological characteristics may have an inclination for entrepreneurship. According to trait theorists, an individual's inborn talents naturally make him an entrepreneur.

Bwisa (2011) further argues that to become a successful entrepreneur, the difference is generally the attitude (internal) and the capacity to judge and foresee the scenario at hand. Successful entrepreneurs have been recognized as having a high demand for achievement, a high tolerance for ambiguity, a high centre of control, and a high willingness to take risks in previous research investigations. The theory thus proposes that the nature of the entrepreneur, in terms of being opportunity driven, imaginative and creative, demonstrating high levels of managerial abilities, being positive, devoted, and persevering, and thriving in a competitive environment, will have an impact on the growth of SMES.

2.2.3 Stochastic Firm Growth theory

The Stochastic Firm Growth Theory was proposed by Gibrat (1931) and it forms a baseline for explaining growth of organizations. The theory holds that the survival and growth of a firm is dependent on its internal competencies and capacities (Geroski, 1995). The theory further indicates that those organizations having favourable internal conditions will grow while those

with unfavourable internal conditions will either decline or remain stagnant in size (Hart, 2000). Various scholars including Ericson and Fakes (1995), Jovanovic (1982) and Pakes and Ericson (1998) have supported the importance of the model in describing growth rate and growth probability in firms.

The relevance of this theory to the study is that for SMEs, age is an element of organisational capability (Ural & Acaravci, 2006). It therefore falls within scope of theorised relationship between firm capability and growth. A firm begins to age from inception. The aging process can be altered, the firm support systems can be reinvigorated and a new lease of life introduced. According to this theory, the age of a firm will affect its ability to leverage their resources and capabilities.

2.3 Empirical review

2.3.1 The relationship between growth of SMEs and Access to finance

A study was conducted by Voulgaris et al. (2003) to investigate the determinants affecting the growth of SMEs in the Greek Manufacturing Sector. The study utilized panel data of a random sample of 143 firms from the manufacturing SMEs sector in Greece. Regression analysis was used to determine the explanatory factors for rapid sales growth. As a result, the factors found to influence significantly manufacturing SMEs growth in Greece are profitability, liquidity, reliance on long term debt and employee productivity.

Heinonen (2011) studied the factors affecting the growth of SMEs in Kosovo. This study was a case study of three Kosovar SMEs and together with previous literature a conclusion of internal and external factors influencing growth can be reached. The primary data was collected through qualitative interviews with managers of the researched companies. The study found out that there are several factors affecting growth of Kosovar SMEs such as lack of access to finance, competition, corruption, globalization, laws and regulations, management competence, lack of skilled labour and low investment in innovation, technology and marketing. The lack of access to finance affects the growth of SMEs negatively.

Moreira (2016) conducted a study on the impact of growth of SMEs in Europe when the access to finance is increased, and the respective correlation between credit evaluation and accounting ratios. The study utilized a sample of 1327 enterprises, and it was conducted by a multiple regression econometric model. The purpose of this analysis was to identify the relationship

between growth, solvency, and liquidity accounting ratios. The findings of the study revealed that the growth of SMEs is strongly dependent on the access to finances. In addition to that, Moreira (2016) addressed the government decision makers with recommendations to ease the access to finance.

A study was conducted by Bunyasi, Bwisa and Namusonge (2014) to investigate the effect of access to entrepreneurial finance to growth of SMEs in Kenya. A sample of 142 SMEs was used in this study as a representation of the entire population. Primary data was collected through interview guides, structured and semi-structured questionnaires which were administered to the owners and managers of SMEs. The data was analysed using the Statistical package for Social Sciences (SPSS) version 20. The findings of the study showed that access to entrepreneurial finance has a positive influence on the growth of SMEs. A recommendation of the study is that the government should support the legal and regulatory framework that strengthens the financial infrastructure as the same time build capacity of the financial institutions to enhance SMEs access to finances.

Bongomin, Ntayi, Munene and Malinga (2017) conducted a study to establish the moderating effect of financial literacy in the relationship between access to finance and the growth of SMEs in developing economies like Uganda. The research design used in the study was a cross-sectional research design and the data was collected from 169 SMEs located in Jinja and Iganga central markets. ModGraph, which is an excel program, was used to test for the moderating effect of financial literacy on the relationship between access to finance and growth of SMEs in developing economies. The study established that there is a positive and significant moderating effect of financial literacy on the relationship between access to finance and growth of SMEs in developing economies. Furthermore, the study also showed that financial literacy and access to finance also have positive and significant positive effects on the growth of SMEs in developing economies. The study also highlights the importance of financial literacy in promoting access to finance, which is necessary for the growth of SMEs in developing economies. The study however only focused on Uganda's developing economy. In addition to that, the study was purely cross-sectional, hence it ignored the characteristics of SMEs which could be investigated using a longitudinal research design.

A study was conducted by Ibidunni and Kehinde et. Al (2018) to present data on the relationship between financing strategies, entrepreneurial competences and business growth of technology-based SMEs in Nigeria. The data was collected through copies of structured questionnaires which were administered to 223 SME owners and financial managers. Through the use of descriptive and standard multiple regression statistical analysis, the data revealed that venture capital and business donations significantly influenced profit growth of technology-based SMEs. In addition to that, the data also showed that technology-based SMEs can enhance their access to financing through capacity building in entrepreneurial competencies, such as acquiring the right skills and attitude.

2.3.2 The relationship between growth of SMEs and Entrepreneurial competence

Sitharam and Hoque (2016) investigated the internal and external factors that affected the growth of SMEs in KwaZulu-Natal, South Africa. The study was a cross-sectional study conducted among 74 SMEs owners/managers who were members of the Durban Chamber of Commerce via online using anonymous questionnaire. The findings of the study revealed that technological advancement improve the performance of SMEs. As pertains to the challenges, most of the respondents viewed competition as a major challenge. However, this study was not able to establish any significant effect of the technological advancement and competition on the growth of SMEs.

A study was conducted by Yeboah (2015) to investigate the determinants of SME growth using the empirical perspective of SME in the Cape Coast Metropolis, Ghana. The research framework was adopted from Storey (1994). Data was gathered from administering questionnaires to 121 SMEs in the Cape Coast Metropolis and analysed descriptive statistics and the Cramer's V statistical test. The findings of the study reveal that the educational qualification of the entrepreneur and the size of the enterprise had the most significant influence on SME growth. The study was however not able to establish any external determinants to the growth of SMEs and this proposed study will aim at investigating this.

Sarwoko and Frisdiantara (2016) conducted a study on growth determinants of SMEs in Indonesia. This study empirically tested the three factors for growth of small businesses which are the individual factors, the organizational factors and the environmental factors. The study was conducted in SMEs assisted in the district of Malang, using a sample of 52 owners/managers

of SMEs, which were taken by purposive sampling, analysis techniques using Path Analysis. The results revealed that individual factors directly affect the growth of the business, as well as an indirect effect through organizational factors. The study was more specific on the exact individual factors which affect the growth of the SMEs and the proposed study will tend to shed more light into this.

Tarus, and Ng'ang'a, (2013) conducted a study on how much the growth of SMEs is affected by work ethics or lack of it. The study employed ex post facto survey design among small manufacturing enterprises in Eldoret Municipality with respondents sampled through proportionate random sampling in clusters based on geographical location. The study established a significant relationship between work ethics and growth of SME. The study was however not able to establish any other determinants to the growth of the SMEs apart from work ethics and this proposed study will aim at investigating this.

Kinyua (2014) studied the factors affecting the growth and performance of SMEs in the Jua Kali sector in Nakuru town. The study adopted a survey research design and employed a stratified random simple sampling. Primary data was collected from 262 study respondents using structured questionnaires. The data was analysed descriptively and inferentially and presented through figures, tables and percentages. The findings indicate that; access to finance had the potential to positively affect growth of SMEs; management skills were found to affect growth of SMEs positively and significantly; macro environment factors were found to significantly affect growth and Infrastructure did not significantly affect performance of SMEs in the study area.

A study was conducted by Tehseen and Ahmed et al. (2019) to investigate the influence of two dimensions of entrepreneurial competencies, namely, strategic competency and ethical competency on the growth of SMEs and secondly, to investigate the role of network competence as a mediator among these understudied variables. The data used in this study was collected from wholesale and retail-based SMEs in Malaysia through a standard structured questionnaire. The data was analysed using the PLS-SEM approach. The findings of the study did not reveal a direct effect of strategic and ethical competencies of entrepreneurs on growth of SMEs. However, the study found out that these competencies were influential in driving the growth of SMEs when network competence was used as a mediator.

2.3.3 The relationship between growth of SMEs and Age of the Firm

Gunu and Adamade, (2015) examined the relationship between firm age and financial performance using a pooled and disaggregated dataset for manufacturing industries in Nigeria. Manager's views about the studied variables complemented findings of the secondary data analysed. An inverse relationship was found existing between firm age and financial performance for the panel dataset and heterogeneity defined the nature of the age-performance relationship. Also, managers do not vary in their views on the nature of firm age influence on financial performance. The study concluded that sustainable development can be fostered through managerial practices for resources and capability renewals processes at firm level in Nigeria.

Elif, (2016) studied the impact of firm age on the profitability of Turkish firms listed on Borsa Istanbul. Using a dataset covering the years between 2005 and 2014 and consisting of 302 non-financial firms per year on the average, a fixed effects model with robust standard errors is estimated. Results reveal that there is a negative and convex relationship between firm age and profitability measured by return on assets, return on equity or gross profit margin. This suggests that younger firms start to see a decline in their profitability from the beginning but they may become profitable again at an old age.

In one such study, Majumdar (2017) found that older firms have lower return on sales ratios using a dataset of 1,020 Indian companies. However, a study by Ghafoorifard et al. (2014) provided evidence to the contrary. The authors analyzed the relationship between firm size, age and financial performance in 96 listed companies listed on Tehran Stock Exchange for the period from 2008 to 2011 and documented a positive relationship between a firm's age and its Tobin's Q ratio. A positive relationship between firm age and profitability was also documented by Kipesha (2013) for microfinance institutions in Tanzania and by Osunsan et al. (2015) for SMEs in Uganda.

Pervan, et al., (2017) performed dynamic panel analysis based on a sample of 956 firms operating in Croatian food industry during the 2005-2014 period in investigating the influence of age on firm performance: evidence from the Croatian food industry. The result of the analysis showed that age negatively affects firm's performance. As firms get older, benefits of their accumulated knowledge in all crucial aspects of the business (technology, supply channels,

customers relations, human capital and financing costs) become overcome with their inertia, inflexibility and ossified by accumulated rules, routines and organizational structure. This compares to Loderer & Waelchli (2018) who investigated the relationship between firm age and performance using a dataset consisting of 10,930 listed US firms and covering the years between 1978 and 2004. Their empirical results showed that as firms get older, their return on assets, profit margins, and Tobin's Q ratios deteriorate.

2.4 Research Gap

According to the International Labour Organization (2015), accessibility to Finance is among the major determinant as to whether the SMEs will grow or collapse. This is attributed to the fact that access to finances facilitates the SMEs to secure the required resources, recruit qualified personnel and enable actualization of the ideas of the entrepreneur which promotes the growth of the SME (Becchetti & Trovato, 2002). However, Marlow (2014) argued that most if SMEs experience difficulties in sourcing the required finances leading to lack of credit and finances to grow the organizations. While those which can secure external finances tend to find the capital cost to be relatively high (Rwigema, 2014).

In addition, the financial institutions mostly do not consider SMEs to be assessable to credit and finance ventures (ILO, 2015). From the studies discussed in the empirical review, we can conclude that the findings conducted by various researchers on the factors affecting the growth of SMEs reveal that the access to finances is significant for the business growth. Some of the limitations encountered in the previous studies is that the studies focused on SMEs in other countries other than Kenya. This study aims at establishing whether the same factors affect the growth of SMEs in the manufacturing industry in Nairobi County, Kenya.

Entrepreneurial competencies are termed as the fundamental characteristics of the owner, founder or entrepreneur in charge of overseeing the operations of the SME (Bird, 2011). These include attributes which are essential to drive the organization's growth as well as profit maximization. Man, and Lau (2013) categorised the entrepreneurial competences into six main categories namely strategic competencies, opportunity competencies, organizing competencies, conceptual competencies, commitment competencies and relationship competencies. These competencies act as motives, skills, attitude, knowledge, abilities and behavioural tendencies on how management of the SME is undertaken.

Macpherson and Holt (2007) established that the managerial competencies and knowledge is among the most important factors for successful and continuous growth of the SME. The entrepreneur should be competent enough in understanding the current market trends, emerging management and organization techniques and changing technologies. These competencies will aid in proper implementation of the firm's strategic plans and efficient decision-making processes. However, Hainan (2011) argued that most of the entrepreneurs may choose not to expansively grow their organizations in fear of personal control over the firms, accumulation of debts or reluctance to pass the management duties to professional. Due to this contradiction, this study aims to provide clarity on how entrepreneurial competencies can influence the growth of SMEs in Nairobi County.

Older companies benefit from their cumulative experience. They may obtain expertise in production sectors, customer service, employee understanding and requirements, and working with a variety of stakeholders (Sulub, 2014). They could also reap the benefits of the reputation impact hence provide them a competitive edge over young and emerging businesses. Murigu (2015), for example, supports this viewpoint. Some older businesses, on the other hand, have been accused of bureaucracy and reluctance to change, resulting in a negative correlation between performance and company age. Other research that looked at the link between firm age and performance came up with contradictory findings. Malik (2019) discovered that profitability and business size, as well as firm age, have a favourable association. (Salman & Yazdanfar, 2012; Dogan, 2013) discovered no link between firm age and performance. Hence previous research which has been conducted do not really provide an in-depth analysis on the influence of the age of the firm on the growth of the firm. This study proposes to provide a deeper understanding of the influence of the age of the firm as a determinant for the growth of SMEs.

2.5 Conceptual Framework

The conceptual framework depicts a graphic or diagrammatical representation of the interrelation of the study variables (Mugenda & Mugenda, 2008). For this proposed study, the independent variables will be the various determinants of the growth of SMEs including accessibility to finance, entrepreneur competencies and SME age, while the dependent variable will be the growth of the SMEs. The conceptual framework of the study is shown below.

Independent Variable

Accessibility to Finance

- Internal Funding
- External Funding
- Other sources of capital

Entrepreneurial Competence

- Managerial Competence

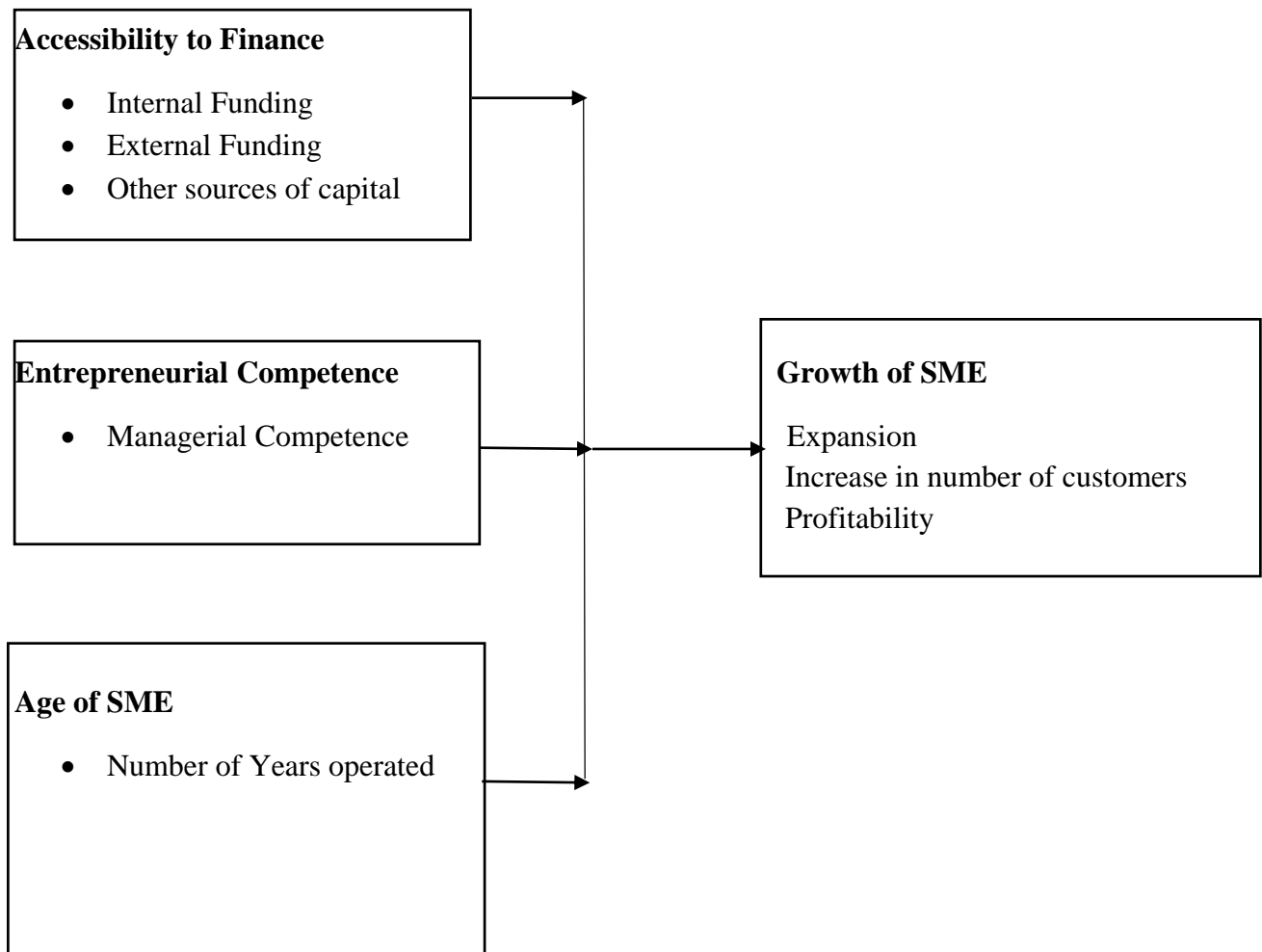
Age of SME

- Number of Years operated

Dependent Variable

Growth of SME

- Expansion
- Increase in number of customers
- Profitability



Source: Author(2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used in this study. It consists of the research design, the target population and sampling, the methods of data collection, data analysis methods, validity testing and the ethical issues that the researcher put into consideration. This chapter reveals how the researcher will collect data, how the data will be analyzed and where the data was collected from.

3.2 The Research Design

The Research Design refers to the plan and structure of investigation so as to acquire answers to the research questions. A research design is used to structure the research and to show how all major parts of the study being conducted, including the blueprint for collection, measurement and analysis of data, work together to address the central research questions in the study. It is also the capability to accomplish the objectives in connection with the purpose of the research through empirical evidence that is required economically (Cooper & Schindler, 2014).

There are a number of research designs which exist which include; descriptive, exploratory and causal-comparative (Collins & Hussey, 2015). This study adopted a descriptive correlational research design which was quantitative in nature. According to Creswell (2014), descriptive research attains information that has to do with the current status of phenomena and explains what exists regarding the variable in a specific situation while correlational research is used to identify relationships that are predictive using correlations or statistical techniques.

A descriptive correlational approach was used in this study so as to cover a great variety of variables and their interrelations so as to reveal the extent to which conditions in a situation are connected (Tavakoli, 2015). The descriptive correlational approach was the most preferred one for this study because it enabled the researcher to acquire in-depth information on the determinants of growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County. This research design was considered the most appropriate by the researcher because of the need to recognize and describe what factors influenced the growth of SMEs in the manufacturing sector to a larger population and to attain a deeper understanding of the relationship between the independent and dependent variables that were being studied.

3.3 Population and Sampling

3.3.1 Population

Population refers to the total collection of subjects which have common noticeable characteristics that the researcher wishes to make some inferences (Cooper & Schindler, 2014). Population is the universe of all members of a real or hypothetical set of people, events or objects to which a researcher desires to generalize the results (Borg & Gall, 2013). The target population refers to a group of individual objects or items from which a sample is taken for a specific study (Kombo & Tromp, 2009). The target population for this study consisted of owners/managers of SMEs in the manufacturing sector, in Industrial Area, Nairobi County.

According to the Kenya Association of Manufacturers, there were 77 registered SMEs in Industrial Area, in Nairobi as at August 2021 (KAM, 2021). The study targeted owners/managers of SMEs in the manufacturing sector in industrial area, that have been operating for less or more than one year at the time of the study.

3.3.2 Sampling technique

A sample is a carefully chosen sub-group as a representative of the entire population in terms of characteristics (Gall & Borg, 2012). According to Trochim (2006), sampling is the choosing of a segment of the population that represents the target population. Cooper and Schindler (2014), portray sampling techniques as the methods in which the sample is chosen. There are various types of sampling techniques which include; the probability and non-probability sampling techniques (Sekaran & Bougie, 2015). Probability sampling methods are used for quantitative studies where the subjects of the sample are selected based on known probabilities. Non-probability sampling methods are used for qualitative studies so as to establish theories where the subjects of the sample are not selected based on random sampling methods.

According to the Kenya Association of Manufacturers, there were only 77 registered SMEs in Industrial Area. This population was not large enough to warrant sampling hence a census was therefore be conducted. A census attempted to gather information from all the elements in a target population. The data collected from this census was more accurate, reliable and up-to-date hence the reason why the researcher chose it as the most preferred method. This ensured that the findings are more accurate, reliable and valid with regards to the determinants of growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County.

3.4 Data Collection

Data collection methods refers to the collection of data with the aim of analyzing it so as to make conclusions from the data collected (Cooper & Schindler, 2014). This study adopted the Structured questionnaire as a method of collecting primary data. A questionnaire is a good tool for gathering structured data (Saunders et. Al, 2016). The structured questionnaires comprised of both open-ended and closed-ended questions. The closed-ended questions included a five point Likert scale.

The questionnaire comprised of four sections. The first section consisted of general questions which sought to establish the respondent's demographic data such as the number of employees in the business, the highest level of education attained and the number of years that the business had been in operation. The second section dealt with the first research question regarding the influence of access to finance on the growth of SMEs in the manufacturing sector in industrial area, Nairobi County. The third section dealt with the second research question regarding the influence of entrepreneurial competencies on the growth of SMEs in the manufacturing sector in industrial area, Nairobi County. The fourth section of the questionnaire dealt with the third research question regarding the influence of the age of a firm on the growth of SMEs in the manufacturing sector in industrial area, Nairobi County.

The data was collected through the administration of the questionnaires to the various owners or managers of the SMEs in the manufacturing sector in industrial area, Nairobi county. The respondents filled in the questionnaires by answering the questions on the questionnaires as per the instructions given. The questionnaires which had been filled correctly and have been reviewed for completeness were then gathered together for data analysis.

3.5 Data Analysis

Data analysis is the process of bringing order, structure and meaning to large amounts of data collected (Cooper & Schindler, 2003). Responses from the questionnaires that were administered were carefully reviewed for completeness and consistencies after collection. Each item in the questionnaire was allocated a numerical representation and the responses from each respondent were coded using a defined coding scheme. When the coding was completed, the data was analyzed using Microsoft Excel.

Descriptive statistics was used to analyze the data that was collected from the questionnaires. Descriptive analysis was conducted in order to establish the frequency and percentage distributions, the mean and the standard deviation. The results from the descriptive analysis conducted were presented in tables and graphs.

3.6 Validity Testing

Validity establishes whether the research truly measures that which it is planned to measure or how truthful the research results are (Joppe, 2000). Before the data collection began, all aspects of the questionnaire as a form of data collection underwent a pilot test. Cooper and Schindler (2011) explained that a pilot test is carried out in order to detect weakness in the design, instrumentation and to provide proxy data for selection of the probability sample. A pilot test also permitted the researcher to identify and eradicate any problems that may have existed in the design of the questionnaire, (Malhotra et. Al, 2010) and investigated the reliability and validity of the measures used in the questionnaire (Sekaran, 2003). A pilot test with 10% to 30% of the sample test respondents is acceptable for testing the reliability and validity of the research study instrument (Cooper & Schindler, 2011).

For this study, a pilot study was conducted on a sample of 12 respondents who were given the questionnaires. The researcher conducted a pilot study on 15% of the sample so as to have a more accurate test on the validity and reliability of the questionnaire. The researcher made amendments to the questionnaires based on the results of the pilot study so as to ensure its effectiveness.

3.7 Ethical issues

The researcher ensured that there was confidentiality of the identity of the respondents and the information that was gathered from them. Confidentiality refers to a situation in which the researcher knows the identity of the respondents but takes steps to keep the identity from being discovered by others (Evergreen, 2021). The researcher used fictitious names unless in situations whereby there was written permission which had been explicitly granted to use real names for persons and organizations. The researcher also ensured that the fictitious names were not transparent and only the data which had informed consent is used.

The researcher avoided coercing the respondents for any information. All the data which was collected through the questionnaires was given out willingly by the respondents after the researcher sought permission to obtain such information.

The information presented by the researcher was not manipulated in any way by the researcher after collection and analysis of the data. This enhanced the accuracy of the information that was gathered using the questionnaires as there was no data manipulation.

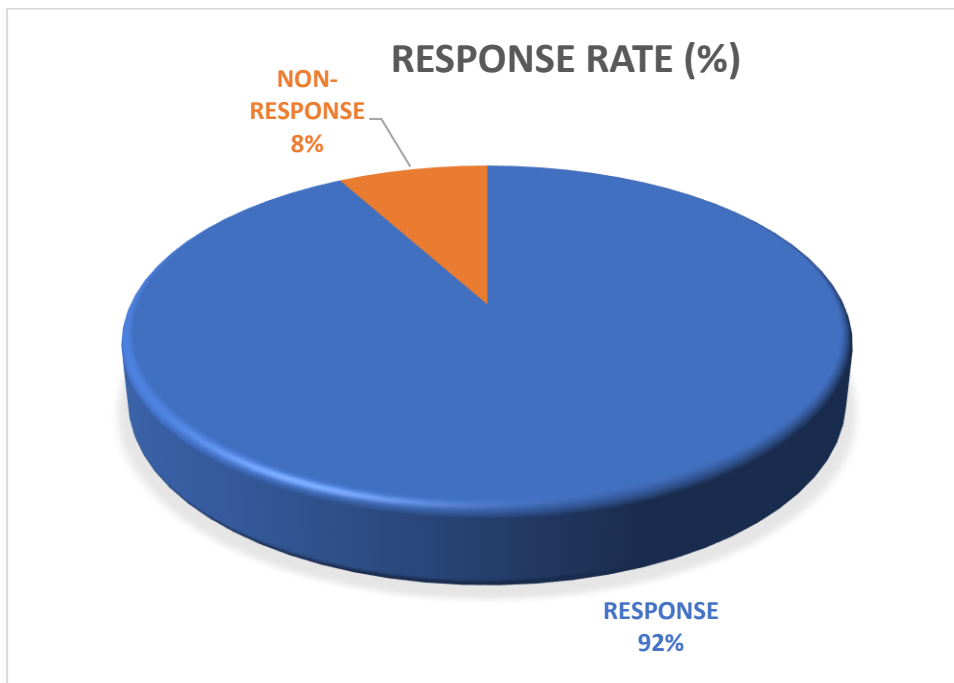
CHAPTER FOUR RESEARCH RESULTS AND FINDINGS

4.1 Introduction

This chapter consists of the research results and findings based on the three specific objectives. The first section presents the descriptive analysis of the respondents' demographic information. The second section reveals findings of the influence of access to finance on the growth of Small and Medium-sized Enterprises in the manufacturing sector in Nairobi County. The third section reveals findings of the influence of entrepreneurial competencies on the growth of Small and Medium-sized Enterprises in the manufacturing sector in Nairobi County. The fourth section reveals findings of the influence of the age of a firm on the growth of Small and Medium-Sized Enterprises in Nairobi County. A summary of the major findings is presented at the end of this chapter.

A total of 77 questionnaires were administered to owners/managers of SMEs in the manufacturing sector in Industrial area. Out of the 77 questionnaires administered, 71 were filled and returned. This indicates a response rate of 92% as presented in Figure 4.1

Figure 4.1: Response Rate



Source: Author (2021)

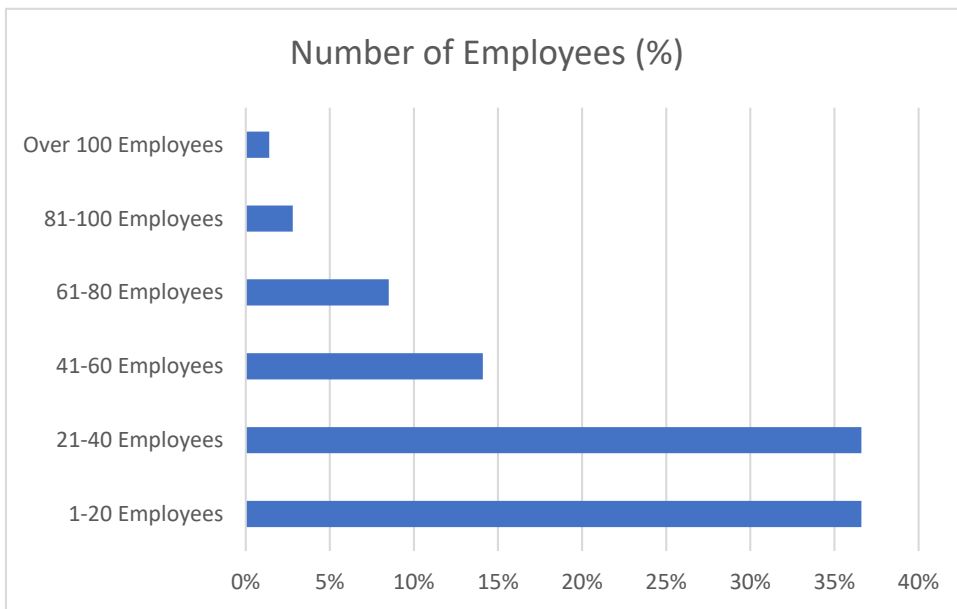
4.2 Demographic Information

In this section, results from the demographic information sought from the respondents are presented. The demographic information included the number of employees in the business, the highest level of education qualification and the number of years the business has been in operation.

4.2.1 Classification of Respondents by number of employees in their business

The distribution of respondents by the number of employees in the business is shown in Figure 4.2. The figure shows that majority of the businesses have between 1-40 employees

Figure 4.2: Classification of Respondents by the Number of Employees

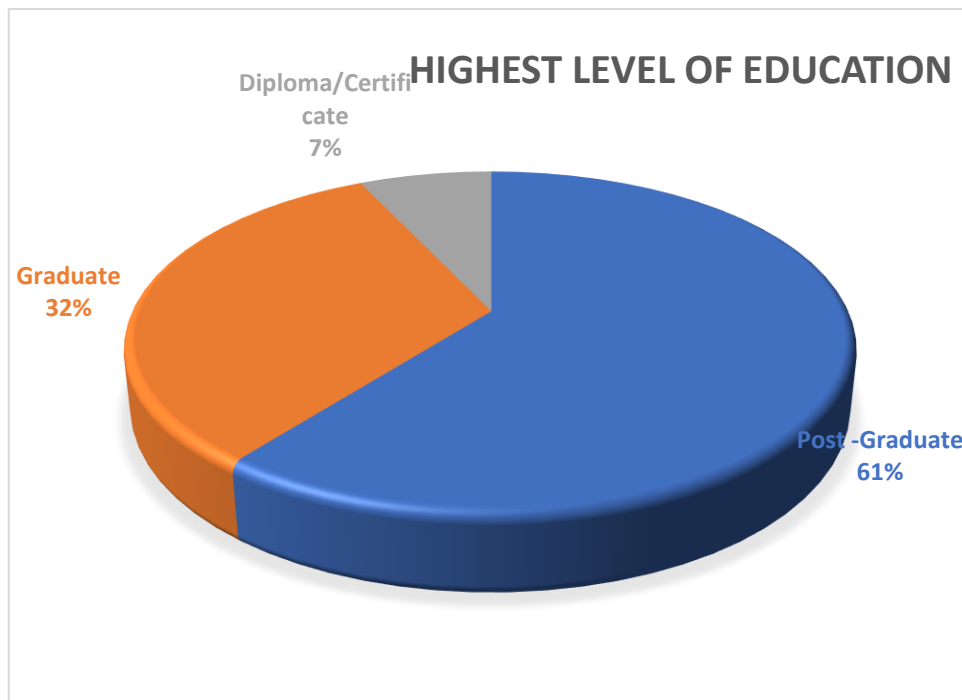


Source: Author (2021)

4.2.2 Classification of Respondents by Highest level of education qualification

Figure 4.3 shows the distribution of respondents by the highest level of education attained by each individual. The figure reveals that majority of the owners/managers of the SMEs being studied have Post-graduate degrees. This just shows that most SME owners/managers have post-graduate education.

Figure 4.3: Classification of respondents by their highest level of

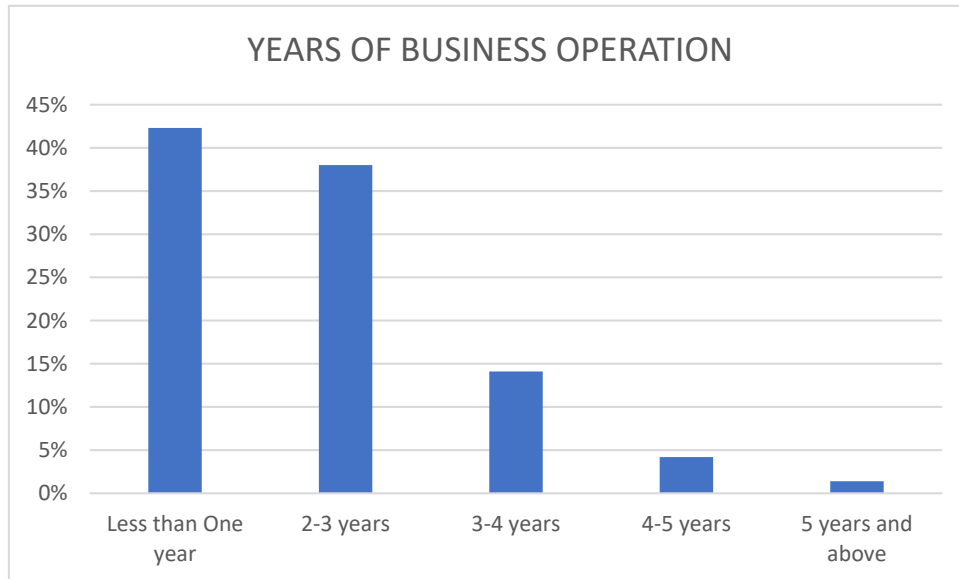


Source: Author (2021)

4.2.3 Classification of Respondents by Years of Business Operation

Figure 4.4 shows the distribution of respondents according to the number of years that their business has been in operation. The figure reveals that 42.3% of the respondents had operated their businesses for less than one year, 38% of the respondents had operated their businesses between 2-3 years, 14.1% of the respondents had operated their businesses between 3-4 years, 4.2% of the respondents had operated their businesses between 4-5 years and 1.4% of the respondents had operated their businesses for 5 years and above.

Figure 4.4: Classification of Respondents by Number of years operated



Source: Author (2021)

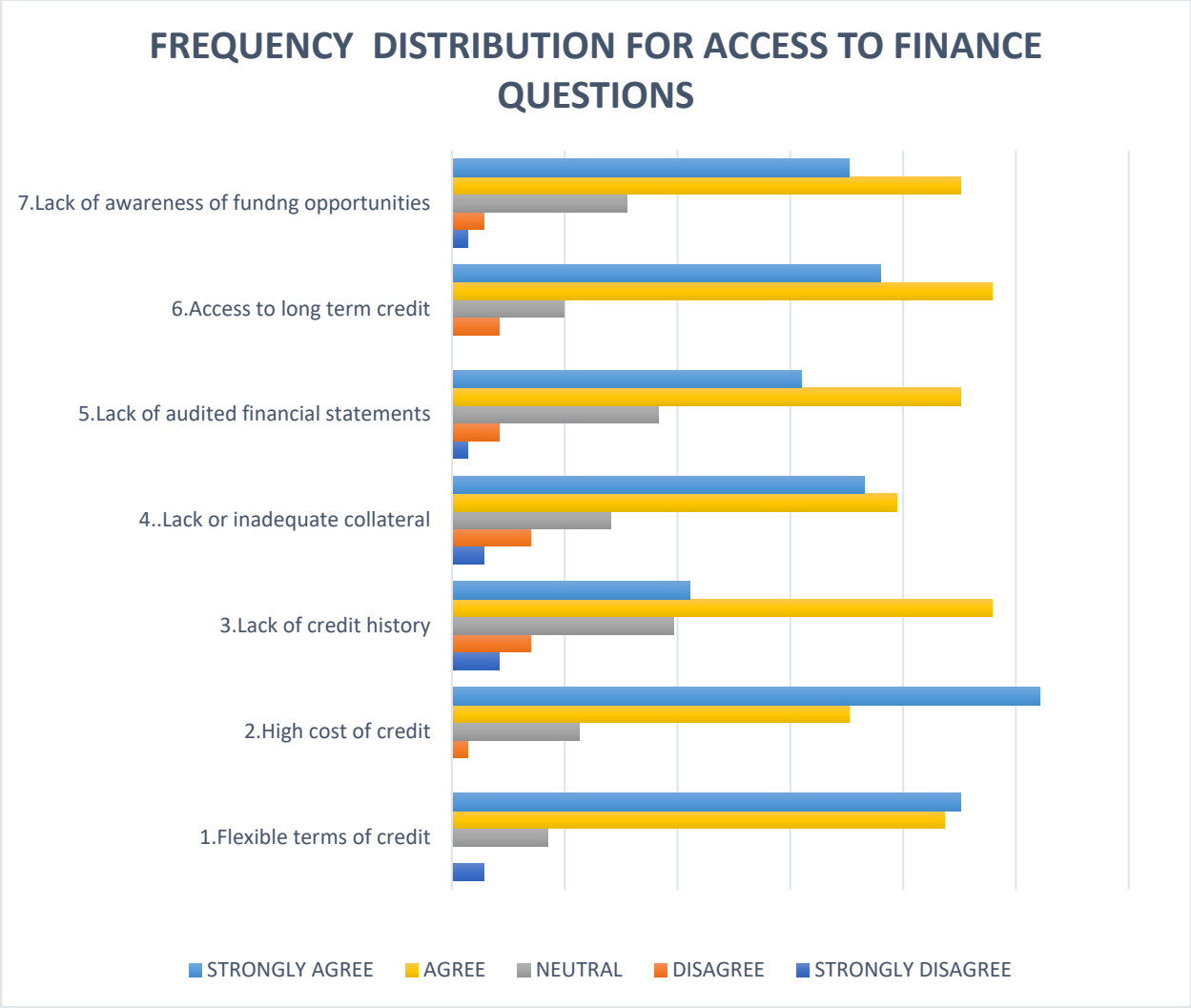
4.3 Influence of Access to Finance on the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County

The second part of the questionnaire sought to establish the relationship between access to financing and the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County from the respondents. Access to finance was measured by four items namely; Profit Margin, Sales Turnover, Market Share and Asset Value.

4.3.1 Descriptive statistics for the influence of access to finance on the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County

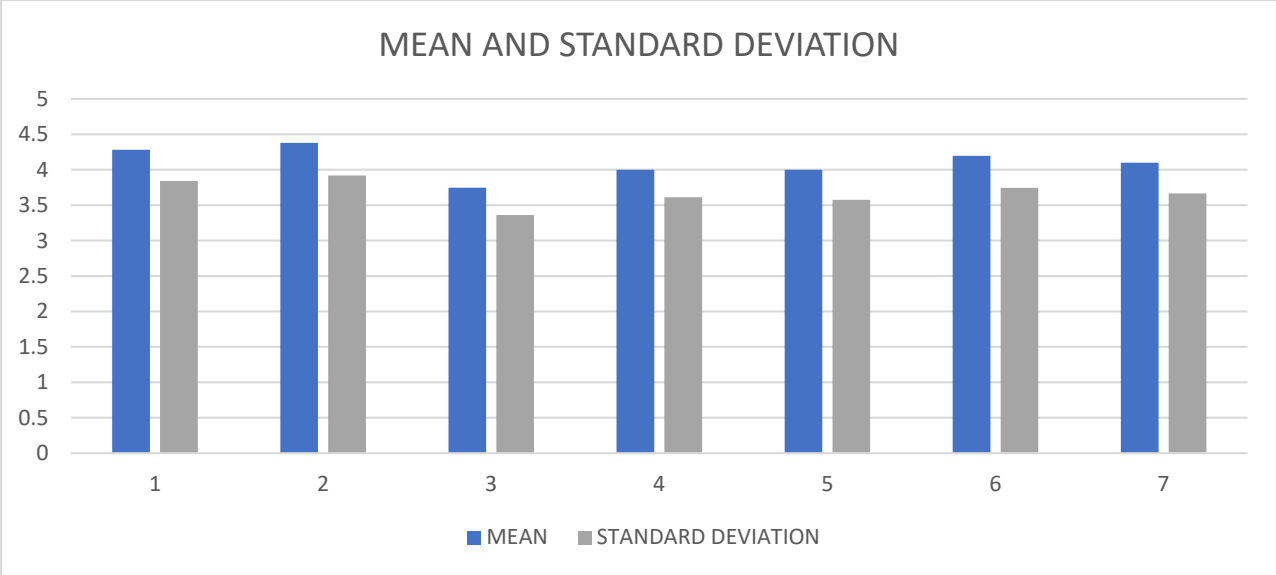
Figure 4.5 presents the Frequency Distribution of the respondent's level of agreement or disagreement for the influence of access to finance on the growth of their businesses. The respondents were asked to answer the questions by indicating their opinion on given statements using a 5-point Likert scale. The Mean and standard deviation were also computed. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$).

Figure 4.5: Frequency Distribution



Source: Author (2021)

Figure 4.6: Mean and Standard Deviation



Source: Author (2021)

The graphs above represent the response rate of the respondents on the influence of access to finance on the growth of their businesses. Majority of the respondents representing a response rate of 45.1% extremely agreed that flexible terms of credit from Financial Institutions has influenced the growth of their business. 43.7% of the respondents moderately agreed that flexible terms of credit have contributed to their business growth. However, there were some respondents, 8.5% of them, who were neutral about the flexible terms of credit influencing the growth of their business and very few were in disagreement. In addition to that, majority of the respondents strongly agreed that the high cost of credit has influenced the growth of their businesses in that when the cost of credit are high, it is harder for the business owners/managers to access the necessary finances needed to run the business efficiently.

The research findings also revealed that most of the respondents agreed that the lack of credit history for long term credit from financial institutions has affected the growth of their businesses. Moreover, there were many respondents, 19.7% of them, who were neutral about whether the lack of credit history for long term credit affected the growth of their businesses. 39.4% and 36.6% of the respondents agreed and strongly agreed that inadequate collateral for long term credit from financial institutions has affected the growth of their SMEs. This is because when a business has inadequate assets to use as collateral when taking long term credit, the chances are that the financial institutions will be reluctant to give such businesses long term credits.

In addition to that, 45.1% of the respondents agreed on the fact that lack of audited financial statements for long term credit from financial institutions has influenced the growth of their business. However, there were some disagreements from 4.2% of the respondents on the same issue. There is also a superior number of respondents who moderately agree and extremely agree that access to long term credit with affordable interest rates has largely influenced the growth of their business. Furthermore, many respondents have agreed that the lack of awareness of funding opportunities for long term credit by Financial institutions has affected the growth of their businesses. However, 15.5% of the respondents still remain neutral on the same issue.

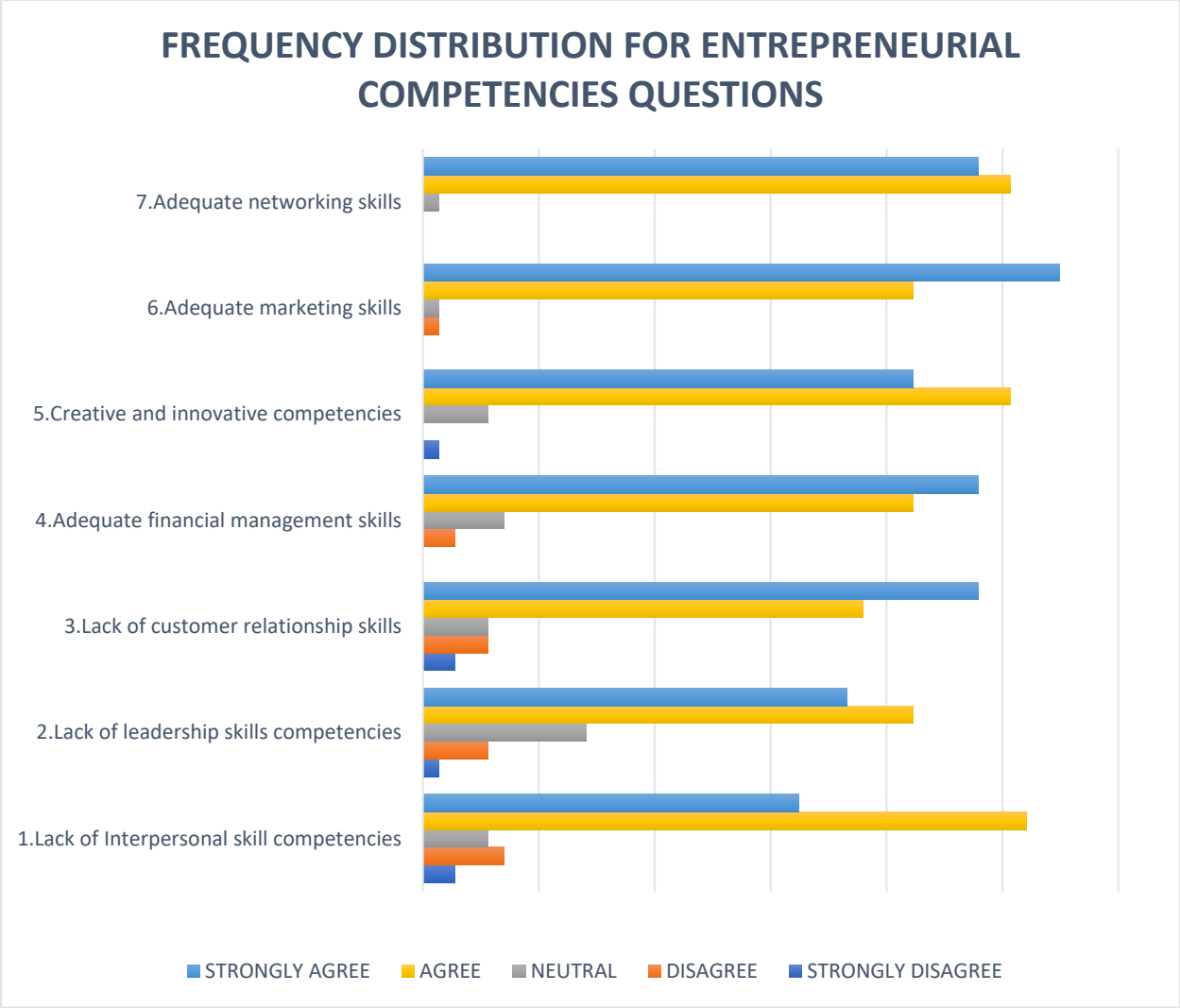
4.4 Influence of Entrepreneurial Competencies on the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County

The third section of the questionnaire sought to establish the relationship between entrepreneurial competencies and the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County from the respondents. Entrepreneurial Competencies was measured by increase in the number of employees.

4.4.1 Descriptive statistics for the influence of Entrepreneurial Competencies on the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County

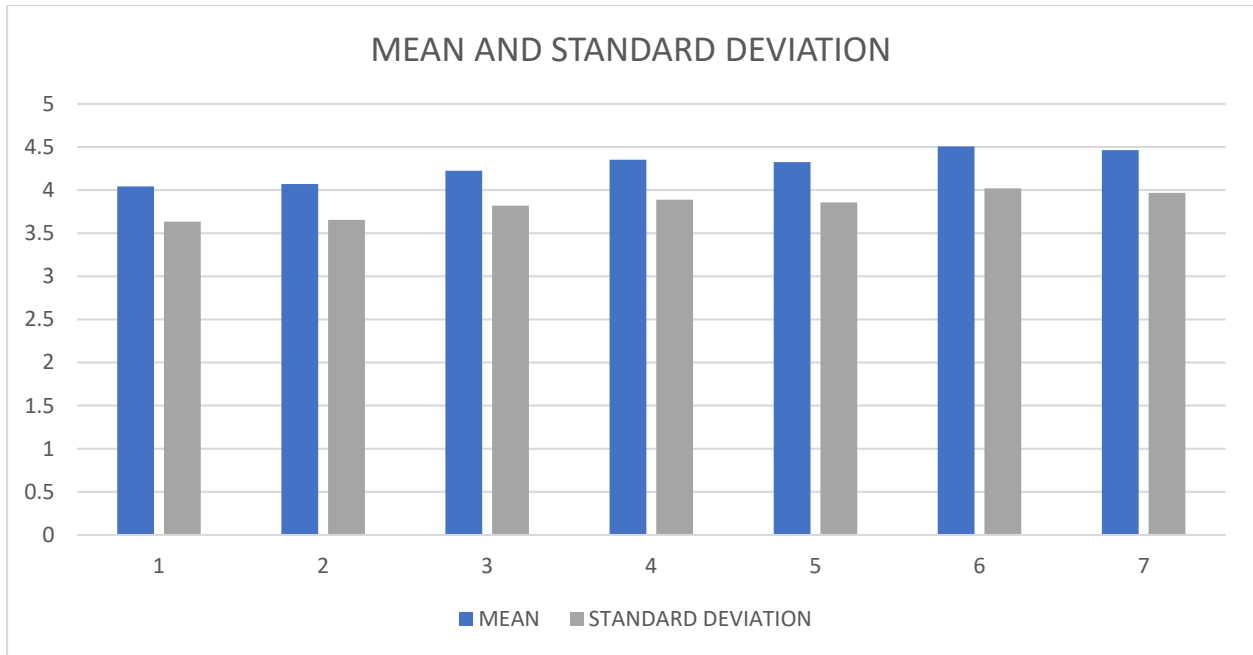
Figure 4.7 presents the Frequency Distribution of the respondent's level of agreement or disagreement for the influence of Entrepreneurial Competencies on the growth of their businesses. The respondents were asked to answer the questions by indicating their opinion on given statements using a 5-point Likert scale of 1-5. The Mean and Standard deviation were also computed. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$).

Figure 4.7: Frequency Distribution



Source: Author (2021)

Figure 4.8: Mean and Standard Deviation



Source: Author (2021)

The figures above present findings of the research in which majority of the respondents, 52.1%, moderately agree with the fact that interpersonal skill competencies of the employees has affected the growth of their business. However, 5.6% of them remained neutral and 7% of the respondents disagreed with this. 42.3% of the respondents also moderately agreed that leadership skills competencies are an important factor to the growth of a business. 36.6% of the respondents agreed that the leadership skills competencies were extremely important in influencing the growth of SMEs while 14.1% were neutral and 5.6% were in disagreement.

Moreover, a majority of the respondents, 47.9% of them, extremely agreed that customer relationship skills influenced the growth of their business. Both 47.9% and 42.3% of the respondents extremely and moderately agreed that adequate financial management skills influenced the growth of their businesses. In addition to that, more than half of the respondents agreed that creative and innovative competencies influenced the growth of their SMEs. Businesses need to be continually creative and innovative so as to retain its existing customers and attract more customers. Furthermore, there was a huge number of respondents who seemed to agree that adequate marketing and networking skills influenced the growth of their businesses.

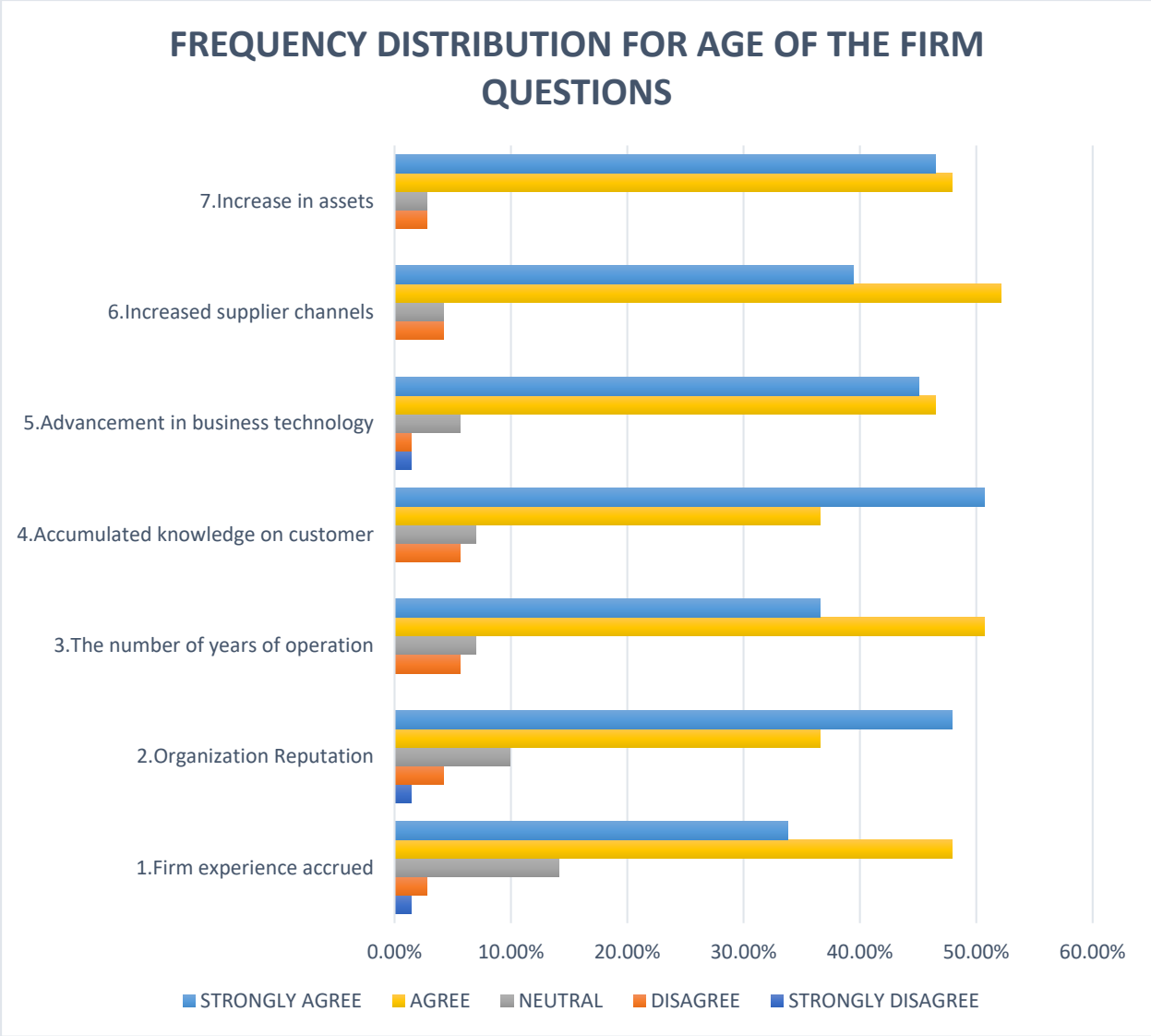
4.5 Influence of Age of the Firm on the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County

The fourth section of the questionnaire sought to establish the relationship between the age of the business and the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County from the respondents. The Age of the firm was measured by the number of years that the firm has operated.

4.5.1 Descriptive statistics for the influence of Age of the Firm on the growth of SMEs in the manufacturing sector in Industrial Area, Nairobi County

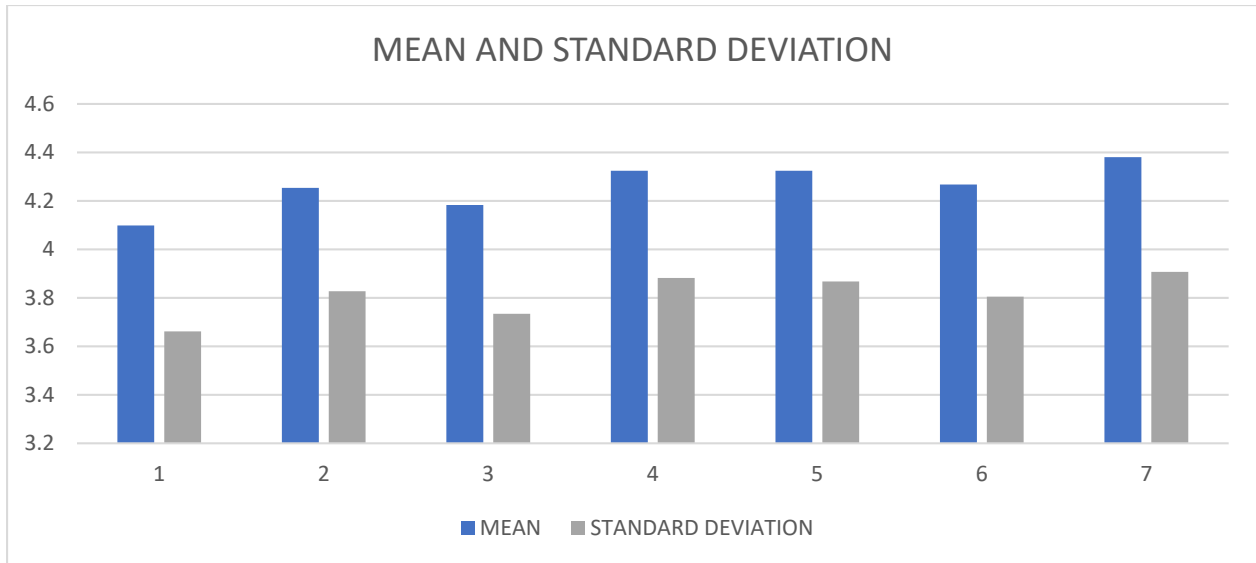
Figure 4.9 presents the Frequency Distribution of the respondent's level of agreement or disagreement for the influence of Age of the Firm on the growth of their businesses. The respondents were asked to answer the questions by indicating their opinion on given statements using a 5-point Likert scale of 1-5. The Mean and Standard deviation were also computed. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$).

Figure 4.9: Frequency Distribution



Source: Author (2021)

Figure 4.10: Mean and Standard Deviation



Source: Author (2021)

The figures above present the research findings and it revealed that 47.9% of the respondents moderately agree that the firm experience accrued over the years has influenced the growth of their firms, 14.1% are neutral and some of the respondents disagree with this. Majority of the respondents also agreed that the organization reputation gained over the years has had an influence in the growth of their business since it affects how customers perceive their businesses. More than half of the respondents agreed that the number of years that the business has been in operation has influenced the growth of the business itself.

50.7% of the respondents extremely agreed that accumulated knowledge on customer relations over the years had influenced the growth of the business. However, 7% of the respondents were neutral about this and 5.6% of them disagreed with this. Majority of the respondents also agreed that the advancement of business technology in their business had influenced the growth of their businesses over the years. 52.1% of the respondents moderately agreed that the increase in supplier channels over the years had influenced the growth of their businesses while 4.2% of the respondents were neutral and some in disagreement with this. The research findings also revealed that majority of the respondents agreed that increase in assets by the firm over the years had influenced the growth of their businesses.

4.6Chapter Summary

From the research findings stated above, there is a positive relationship between the three variables being assessed which are access to finance, entrepreneurial competencies and age of the firm in regard to the growth of SMEs.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of a summary and conclusions drawn from the study. It also discusses the recommendations from the study and suggestions for further research.

5.2 Summary of the Findings

This section discusses a summary of the findings from the three specific objectives that guided the study regarding the determinants of growth for Small and Medium Sized Enterprises in the manufacturing sector within Industrial Area, Nairobi County.

5.2.1 Summary of the influence of access to finance on the growth of SMEs in the manufacturing sector within Industrial Area, Nairobi County

This objective assessed how access to finance by the owners/managers of SMEs impacted the growth of those SMEs. It was established that there was a strong relationship between access to finance from financial institutions and the growth of SMEs from the research findings. This concurred with the argument made by Zhou, (2011), who argued that the main source of financing of SMEs remains the bank credit loans despite the high costs associated, the unavailability of credit in the market, the assets needed as collateral and the banks' risk adverse policies to give loans to SMEs because they are considered to be very risky. In addition to that, Moreira (2016) also conducted a study in which the findings revealed that the growth of SMEs is strongly dependent on the access to finances. The findings of this study strengthen the argument made by Moreira, (2016).

5.2.2 Summary of influence of Entrepreneurial Competencies on the growth of SMEs in the manufacturing sector within Industrial Area, Nairobi County

This objective assessed how Entrepreneurial Competencies impacted the growth of SMEs being studied. It was established that there was a positive impact of Entrepreneurial Competencies on the growth of a business. Majority of the respondents agreed that the employees of a business should be equipped with skills such as adequate interpersonal skills, good leadership skills, creative and innovative skills and networking skills which are necessary for the growth of a business. Moreover, Lumpkin, (2013) argued that entrepreneurial competencies support the

growth of a business differentially along the lines of proactiveness, innovativeness and risk-taking propensity according to specific context.

5.2.3 Summary of Influence of Age of the Firm on the growth of SMEs in the manufacturing sector within Industrial Area, Nairobi County

This objective assessed how the Age of the Firm impacted the growth of SMEs. The study revealed that there is positive relationship between the age of the firm and the growth of the business. The age of the firm basically refers to the number of years that the business has been in operation. From the data represented by the frequency distributions and standard deviation, it is clear that majority of the respondents agree that the age of the business leads to growth of their businesses. This is because as the business gets older, there is more accumulated knowledge on customer relationship skills and an increase in the supplier channels which has a positive impact on growth of the SMEs. The findings of this study support the argument made by Elif, (2016) that younger firms start to see a decline in their profitability from the beginning, but they may become profitable again at an old age.

5.3 Conclusions

Based on the first objective of the study, the researcher concludes that there is a strong positive relationship between access to finance and the growth of SMEs. This is because when the owners/managers of SMEs have easy access to finances from financial institutions, they are able to have adequate finances to ensure smooth running of the business operations. This not only leads into an increase in the profit margins of the business but also there is an increase in the assets of the business. The more the assets a business has, it is easier for the owners of the SMEs to borrow long term credit from Financial Institutions since they have adequate assets to use as collateral for the loan.

With regard to the second objective of the study, the researcher concludes that entrepreneurial competencies are a very important determinant for the growth of SMEs based on the research findings. An entrepreneur should have skills such as creative and innovative skills, networking skills, leadership skills and marketing skills so as to run a successful business. In addition to that, Frank, (2014) reveals that entrepreneurship is composed of three dimensions which are innovativeness, risk-taking and pro-activeness. Hence, entrepreneurship is considered to be an essential aspect for the growth of a firm. Furthermore, Entrepreneurial competencies, which are

represented by entrepreneurial orientation, is seen as a potential source of competitive advantage (Jantunen, 2014).

Lastly, on the influence of the age of the firm on the growth of SMEs, the researcher concludes that there is a strong positive relationship between the two variables. The research findings reveal that as the firm grows older, there is more firm experience which is accrued, adequate knowledge on customer relationships, increase in supplier channels and advancement in business technology. All of these lead to an increase in the sales turnover and profit margins of the business hence leading to the growth of the SMEs.

In conclusion, there are various determinants which lead to the growth of SMEs. An SME needs more than one determinant to grow hence a combination of all these determinants is crucial for their growth.

5.4 Recommendations

Based on the findings and conclusions of this study, it is clear that access to finance from financial institutions is a major determinant for the growth of SMEs. It has also been established that there is a challenge facing the owners/managers of SMEs in accessing finances from financial institutions due to high costs of credit, lack of or inadequate firm assets to use as collateral and the bank's unfavorable policies with regards to issuing of credit. The researcher recommends that the financial institutions should make access to finances easier for SMEs so as to support their growth and development.

The researcher also recommends that the Small and Medium Sized Enterprises can use information obtained by this research to improve their growth since they will have information on the determinants of growth of SMEs. The SMEs can also use this information to prepare themselves for challenges they might face in future before they encounter them.

5.5 Suggestions for further studies

The researcher suggests that in order to gain a more in-depth understanding on the determinants for growth of SMEs as a whole and not only in Nairobi County, future researchers should investigate more factors that determine the growth of SMEs in different counties as this research mainly focused on three factors that affect the growth of SMEs which are access to finance, entrepreneurial competencies and age of the firm.

5.6 Limitations of the study

The study was limited to only three variables of determinants for growth of SMEs which are access to finance, entrepreneurial competencies and age of the firm. This was a limitation to this study because there are many other variables which affect the growth of SMEs and not only these three. The study was also limited to the manufacturing sector within Industrial Area, Nairobi County. This was a limitation because there are various other sectors such as the agricultural sector, hospitality sector and general trade sector.

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APPENDICES

Appendix I: Questionnaire

SECTION ONE: DEMOGRAPHIC INFORMATION

Kindly answer the following questions by providing a brief answer in the spaces provided or ticking (✓) in the boxes.

1. How many employees are in your business?

1 to 20 employees ()

21 to 40 employees ()

41 to 60 employees ()

61 to 80 employees ()

81 to 100 employees ()

Over 100 employees ()

2. What is your highest level of education qualification?

Post-graduate ()

Diploma/Certificate ()

Graduate ()

Primary/Secondary ()

3. For how long have you been operating?

Less than one year ()

2 to 3 years ()

4 to 5 years ()

5 years and above ()

SECTION TWO:INFLUENCE OF ACCESS TO FINANCE ON THE GROWTH OF SMES IN THE MANUFACTURING SECTOR IN INDUSTRIAL AREA

Kindly indicate by ticking (√) the extent to which access to finance has influenced the growth of your business in the last 5 years. Use a scale of 1-5 where: 1 = Strongly Disagree (0% Growth), 2 = Disagree (1-5% Growth), 3 = Neutral (6-10% Growth), 4 = Agree (11-20% Growth) and 5 = Strongly Agree (More than 20% Growth)

Access to Finance and its influence on the Growth of Small and Medium Enterprises (SMEs) (Growth Indicators: Profit Margin, Sales Turnover, Market Share, Asset Value)	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1.Flexible terms of credit from financial institutions has influenced the growth of sales turnover in my business					
2.High cost of credit from financial institutions has influenced the growth of profit margin in my business					
3.Lack of credit history for long term credit from financial institutions has influenced the growth of asset value in my business					
4. Lack or inadequate collateral for long term credit from financial institutions has influenced the growth of asset value in my business					
5.Lack of audited financial statements for long term credit from financial institutions has influenced the growth of profit margin in my business					
6. Access to long term credit with					

affordable interest rates from financial institutions has influenced the growth of sales turnover in my business					
7. Lack of awareness of funding opportunities for long term credit by financial institutions has influenced the growth of asset value in my business					

SECTION THREE:INFLUENCE OF ENTREPRENEURIAL COMPETENCIES ON THE GROWTH OF SMES IN THE MANUFACTURING SECTOR IN INDUSTRIAL AREA

Kindly indicate by ticking (√) the extent to which entrepreneurial competencies has influenced the growth of your business in the last 5 years. Use a scale of 1-5 where: 1 = Strongly Disagree (0% Growth), 2 = Disagree (1-5% Growth), 3 = Neutral (6-10% Growth), 4 = Agree (11-20% Growth) and 5 = Strongly Agree (More than 20% Growth)

Influence of Entrepreneurial Competencies on the Growth of Small and Medium Enterprises (SMEs) (Growth Indicators: Profit Margin, Sales Turnover, Market Share, Asset Value, Number of Employees)	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1.Lack of interpersonal skill competencies has influenced the growth of number of employees in my business					
2.Lack of leadership skill competencies has influenced the growth of number of employees in my business					
3.Lack of customer relationship skills has influenced the growth of sales turn over in my business					
4.Adequate financial management skills has influenced the growth of asset value in my business					
5.Creative and innovative competencies has influenced the growth of market share in my business					
6.Adequate marketing skills has					

influenced the growth of sales turnover in my business					
7.Adequate networking skills has influenced the growth of profit margin in my business					

SECTION FOUR:INFLUENCE OF AGE OF A FIRM ON THE GROWTH OF SMES IN THE MANUFATURING SECTOR IN INDUSTRIAL AREA

Kindly indicate by ticking (√) the extent to which the age of your firm has influenced the growth of your business in the last 5 years. Use a scale of 1-5 where: 1 = Strongly Disagree (0% Growth), 2 = Disagree (1-5% Growth), 3 = Neutral (6-10% Growth), 4 = Agree (11-20% Growth) and 5 = Strongly Agree (More than 20% Growth)

Influence of age of firm on growth of Small and Medium Enterprises (SMEs) (Growth indicators: Number of years the firm has operated)	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1. Firm experience accrued over the years has influenced the growth of my business					
2. Organization reputation gained over the years has influenced the growth of my business					
3.The number of years of my business operation has influenced the growth of my business					
4.Accumulated knowledge on customer relations over the years has influenced the growth of my business					
5.Advancement in business technology in my business has influenced the growth of my business					
6.Increased supplier channels over the years has influenced the growth of my					

business					
7.Increase in assets by the firm as it gets older has influenced the growth of my business					