2022

Effects of government COVID 19 interventions on the financial performance of Small and Medium Enterprises within Nairobi County.

Oindi, Felix
Strathmore Business School
Strathmore University

EFFECTS OF GOVERNMENT COVID 19 INTERVENTIONS ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTEPRISES WITHIN NAIROBI COUNTY

Felix Oindi

Master's in Business Administration

2022

EFFECTS OF GOVERNMENT COVID 19 INTERVENTIONS ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTEPRISES WITHIN NAIROBI COUNTY

Felix Oindi

(MBA/046523)

A dissertation submitted in partial fulfilment of the requirements for the Degree of Master's in Business Administration at Strathmore University

Strathmore Business School
Strathmore University
Nairobi, Kenya

August, 2022

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 dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

Name of Candidate: Felix Oindi

Approval

The dissertation of Felix Oindi was approved by the following:

Name of Supervisor: Dr. David Mathuva
School/Institute/Faculty: Strathmore University

Dr. George Njenga
Executive Dean
Strathmore University Business School.

Dr. Bernard Shibwabo
Director, Office of Graduate Studies

ABSTRACT

SMEs form the backbone of economies. Developing countries rely on SMEs to a greater extent than their more developed counterparts hence emphasizing the need for support of such businesses in the event of economic crises. The Covid-19 pandemic has proven one such crisis event that has threatened the very existence of small businesses in the developing world. The purpose of this study was to focus on government interventions put in place to aid the performance of SMEs during the tumultuous government restriction period. The general objective was to assess the effects of government interventions on the financial performance of SMEs within Nairobi County during the Covid-19 government restriction period. The specific objectives were as follows: To determine the effect of the expenditure package on the financial performance of SMEs in Nairobi County. To determine the effect of tax reductions on the financial performance of SMEs in Nairobi County. To determine the effect of loan restructuring provisions on the financial performance of SMEs in Nairobi County. Data was collected through structured questionnaires issued through a random stratified process targeting SMEs in Nairobi County. A total of 262 businesses are targeted, all of which operate in the service and manufacturing industry. Data was analysed through ordinal logistic regression. The findings revealed that of the three factors, tax incentives were the only valid factor determining the performance of SMEs in Nairobi County (95% confidence level). However, this inference is to be made in light of the observation that only service and manufacturing entities were included in the study. These findings thus point to the need for additional investigations into the nature of SME performance and the implications of the lack of significance of direct expenditure and loan restructuring vis-à-vis Keynes' laws.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

EME – Emerging Market Economies

GDP – Gross Domestic Product

UNDP– United Nations Development Program

USD – United States Dollar

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to my research supervisor, Dr. David Mathuva, for providing guidance and invaluable support throughout this research process. His patience, expertise, motivation and meticulousness was key to the success of this research.

It was also a great honour working with Dr. Fred Ogola, Dr. Monica Makau-Kerretts, Eliud Njogu and Paul Bikundo. They relentlessly encouraged when me when the going was tough and inspired me to carry on. I received instrumental insights on carrying out the research process that finally paid off.

Finally I am very grateful to my wife for her support, inspiration, sacrifice and understanding during this research. I am also thankful to my parents for their prayers and encouragement to complete this research.

CHAPTER 1: INTRODUCTION

1.1 Introduction

The purpose of this chapter was to ground the study. Contained herein are a background of the study, description of variables, the problem statement, objectives, research questions and a discussion on the significance of the study. The aim of the researcher, in the writing of this chapter, was to provide clarity on the problem that provides impetus for the study.

1.2 Background of the study

The COVID 19 pandemic forces a two-pronged problem onto the hands of governments the world over – implementing services to protect the public from further spread of the diseases and on the other hand, preventing debilitating economic consequences to citizens as a result of implemented restrictions (Maher, Hoang & Hindery, 2020). Maher Hoang and Hindery (2020) report that up to 31% of municipal and country governments were experiencing financial distress thus pointing to an urgent need for injection of sustainable funding. Government responses in G-20 countries have been swift and hard-hitting reaching 4.6% of GDP by Mid-May of 2020 (Alberola-Ila, Arslan, Cheng & Moessner, 2020).

Australia and America lead the world in size of stimulus packages issued as of 2020 with the allocations in the two countries amounting to more than 10% of their GDP. Budgetary measures allotted in Italy, France and other Emerging Market Economies (EME) account for less than 3% of GDP; this except for South Africa with a higher percentage (Alberola-Ila, Arslan, Cheng & Moessner, 2020). Among the intended outcomes of issued financial stimulus packages was the stabilization of stock markets in the bid to curtail economic decline. Narayan, Phan and Liu (2020) assessing the impact of interventions among G7 countries note that a positive effect following issuance of stimulus packages was observed in Canada, the UK and the US. Of note however, as that a similar effect was not observed in Japan, France, Germany and Italy.

Ahmed (2020) notes that SMEs form the backbone of economies, and particularly so in developing countries. As an example, SMEs account for 92% of Malaysia's economy hence activities aimed at bolstering the economy in response to the aftermath

of the pandemic must be directly targeted, in some way, at SMEs. Eggers (2020) further notes that SMEs the world over suffer the liability of smallness in that owing to their size, they are generally unable to withstand rapid and vast changes in the economy.

From a regional perspective, Adam, Henstridge and Lee (2020) in assessing the potential fiscal responses in Africa aptly note that unlike their G20 counterparts, governments in Africa cannot afford to do 'whatever it takes' to curb the aftermath of the pandemic. This is because most countries in the region are characterized by a scarcity of financial resources with market challenges in resource collection and allocation. Moreover, most of the populace has meagre savings, if at all, and financial markets are thin at best (Adam, Henstridge & Lee, 2020). Warjri and Shah (2020), based on World Bank (2020) data place the current stimulus packages issued by governments in Africa at 1 to 1.5% of their GDP; this contrast starkly with the 10%-of-GDP stimulus package issued by India.

Of note as well, is that the financial effect of the pandemic, to most African countries, would take on a second hand effect in that being a major exporter of raw materials, dents to economies would be dictated by the effect on trading partners in the west (Warjri & Shah, 2020). In Egypt, a stimulus package of USD 6.13 billion was released by the Government with tourism and remittances the main target of the fiscal intervention. Tunisia, although without an official stimulus package, issued USD 0.71 billion aimed at alleviating the shock to the economy; this was coupled by such other interventions as VAT exemptions and liquidity adjustments to prevent private sector layoffs (Akrofi & Antwi, 2020).

In assessing the impact of the pandemic vis relief initiatives set up in a number of African countries, it is evident that measures have, at least in principle, been set up to aid the affected populace of various nations. The government of Egypt earmarked USD 6.13 billion for Covid-related relief funding whereas the government of Tunisia postpone corporate income taxes and put in place value added tax exemptions to ease the financial burden on companies hence on the populace. Additionally, the government of Tunisia set aside USD 0.71 billion as a Covid-19 relief fund with the allocation of the funds remaining ambiguous (Akrofi & Antwi, 2020). The government

of Mauritania announced an $80 million relief fund with the amount set aside for acquisition of medication; additionally, the government waivered electricity bills for 174,707 households (Akrofi & Antwi, 2020). Akrofi and Antwi (2020) however observe that the impact of the interventions remains unknown given the current surge of cases in many regions and general lack of post-intervention data.

Further to the allocation of funds to relief kitties, other initiatives aimed at alleviating the financial burden levied by the pandemic include salary donations by top officials, in Rwanda, Kenya, Malawi and Nigeria and provisional free supply of water and food in Ghana and Rwanda. Personal donations from billionaires have also been occasioned on such countries as Nigeria, Zimbabwe, Ethiopia, Rwanda and Cameroon (Ozili, 2020). Focusing specifically on initiatives targeted at businesses, Congo, Nigeria, Egypt and Kenya, via respective central banks, have adopted such accommodative policies as interest rate reductions. Egypt and Nigeria further advanced central bank grant repayment holidays to affected entities. Notably, Ozili (2020) posit that tax deferrals were not exercised by any country during the period. The impact of the interventions however is yet to be established due to the persistence of the pandemic and the lack of systematized data; the current study seeks to address this gap.

At a local level, as reported by the IMF, interventions targeting SMEs in Kenya have been fiscal, monetary and micro-financial with no exchange-rate measures put in place to combat possible decline in the country's currency (IMF, 2020). Fiscal interventions have taken two forms, stimulus packages and tax reductions. Monetary and micro-financial interventions have focused on bank policy rates, loan revisions and incentivization plans (IMF, 2020). The government, as of June 2020 earmarked a 40 billion expenditure package, amounting to 0.4% of the GDP, for both diagnosis and social outreach purposes. Tax incentives include a full income tax waiver for persons earning less than 225 USD, reduction in PAYE rates from 30 to 25 percent and reduction in base corporate tax, among other interventions. Finally, with regard to banking regulations and provisions, the Central Bank of Kenya reduced its lending rate to 7.25% reduced reserve ratio regulations and encouraged the restructuring of loans and issuance of loans to business and the public (IMF, 2020).

Other interventions include the increase in funding to pension, orphan and vulnerable relief grants. Elgin, Basbug and Yalaman (2020) further place interest rate cut in Kenya at 15.58% as of April of 2020 noting that fiscal intervention had not, as of April, been announced. This shows that the government prioritized bank-centred interventions thus pointing to the pivotal role that the industry plays in bolstering the economy. The current study thus focused on the interventions laid out by the IMF – stimulus package, tax reductions and monetary & micro-financial interventions. The first two variables – stimulus packages and tax reductions – present as the independent variables with economic performance of SMEs presenting as the dependent variable. The third, monetary & micro-financial interventions, has not been included in the study as the implementation of credit advancement and repayment policies has been varied across various financial institutions. A proxy variable, restructuring of loans, has however been included to assess the effect of this intervention as a micro-intervention by the government.

1.2.1 Expenditure packages

Stimulus packages, in the current study, were conceptualized as the direct financial investment targeted at SMEs. In the case of Kenya, this would be the KES 40 billion package issued to aid ailing businesses. As noted by Narayan, Phan and Liu (2020), the anticipated effect of such packages is the mitigation of financial risk. Coenen, Straub and Trabandt (2013) in assessing the effect of post-pandemic fiscal stimulus packages posit that stimulus packages targeted towards government consumption generally outperformed private-sector targeted stimulus packages. Barrell, Holland, and Willem (2009) in an assessment of the 2009 economic downturn note that the recovery efforts of the time were to a large extent dependent on expenditure targeted at the general populace and particularly through the initiation and bolstering of infrastructure development. The targeted spending on businesses is anticipated to have a multiplier effect benefiting not only the particular businesses but the economy as a whole. The specific sub-constructs constituting the variable are social protection, cash transfers, and food and relief programs (Nechifor, Ramos, Ferrari, Laichena, Kihiu, Omanyo, Musamali, Kiriga, 2021). These derive from the paths taken by the government in channelling funding to businesses during the COVID 19 restriction period.

1.2.2 Tax Reductions

The ubiquity of tax incentives issued across a wide range of countries (e.g. Spain, Sweden, France, Japan, UK, Germany and Italy (Danielli, Patria, Donnelly, Ashrafian & Darzi, 2020)) speaks to an inherent utility in the approach to curtailing of financial effect to the populace. In assessing a near-decade long period of measures put in place for financial austerity in the UK, Brewer and Tasseva (2020) posit that the 2020 tax cuts, if effected in isolation would have been less effective in preventing reduction in personal income. This thus suggests that the effect of tax cuts is not foregone, and thus further studies are necessary to ascertain the effect of the approach as an independent measure.

The specific variables under consideration were VAT Tax reduction, Turnover Tax Reduction, Income Tax Reductions, Dividend Tax Reductions (Nechifor et al., 2021). The rationale behind the selection of the specific tax interventions is that allowing businesses to retain finances would augment their liquidity position thus fostering trade in the economy. This, in effect, would shield the economy from potential downturn on account of withheld circulation of funds from sector to sector. The circulation of funds would allow for retainment of employees thus shielding families for the otherwise debilitating outcome of withdrawn financial support.

1.2.3 Loan Restructuring

Chirume and Kaseke (2020) in assessing potential monetary and micro-financial policy interventions in Zimbabwe propose that banks consider issuing funds to SMEs at favourable loan terms to help curb the effects of the pandemic thus preserving jobs. To effect such an approach, banks would require sufficient shielding from the possibility of bad loans. In addressing this concern, the Government of Kenya, through the Central Bank has reduced the lending rate to 7.25%, reduced reserve ratio regulations, and encouraged the restructuring of loans and issuance of loans to business and the public (IMF, 2020).

The sub-variables constituting the main variables are Adjusted repayment amounts, extended payback periods, and relief loan provisions; these are in keeping with the specific loan restructuring arrangement prescribed by the government and these have been shown to aid in easing the transition to steadier business times (Didier, Huneeus,

Larrain and Schmukler, 2021; IMF, 2020). The interventions, as with the taxation provisions, are aimed at improving the liquidity position of companies thus allowing prevention of business collapse. The consequence of the restructuring would be the allowing of expenditure on such efforts as maintaining the employee base without risking business closure. The regulations were intended to last the period of strict restrictions hence businesses are expected to return to normal payment schedules upon return to normalcy.

1.2.4 Performance of SMEs

All three interventions put forth by the government aim to aid the financial position of companies. Kaplan and Norton (1996) posit that business financial performance should not be measured in isolation as such aspects as customer perspective, internal business perspective and innovation may present as just as pivotal outcomes as financial performance. The current paper focuses on financial performance of SMEs as these are aligned with the nature of initiatives put in place to avert the consequence of the pandemic. Specifically focusing on the financial side, main financial sub-variables derived from Kaplan and Norton's (1996) balanced score card are included – cash flow, quarterly sales growth, and market share.

In addition to the financial metrics and particularly aiming at business performance during the pandemic period, Ahmed (2020) prescribes three other metrics - Complaints, number of customers, and number of orders; these are in keeping with Kaplan and Norton's (1996) observation that centring solely on the financial performance of organizations is limiting and provides scanty information on overall viability of a business. The three metrics are therefore included alongside the financial indicators in assessing the performance of SMEs.

1.2.5 SMEs in Nairobi County

According to the United Nations Development Program, SMEs are businesses that post an annual turnover of between Ksh500, 000 and Ksh5 million and have an employee list of 10 to 50. The study focused on such establishments as according to the CBK, they account for 98% of business in Kenya and employ up to 30% of the workforce in the country (Alaine, 2017). Kiveu, Namusonge and Muathe (2019) note that SMEs account for 98% of all businesses contributing more than 50% to the economy and employing more than 50% of all formal workers in the country. The

population is thus vast further highlighting the importance of focusing on the business grouping as a main source of interventions aimed at aiding companies navigate the turmoil of COVID 19 aftermath.

Kenya's service industry accounts for 56% of GDP whereas the manufacturing industry, as of 2016, accounted for up to 10% of GDP (Were, 2016). The focus on the two sectors is thus warranted by the fact that the two account for the bulk of the country's GDP hence interventions should be targeted to such industries so as to ensure survivability of the local economy. The study focuses on SMEs in Nairobi County. The study further narrows in on businesses operating in the various constituencies with the intention of drawing insights from the general population. The population of SMEs operating in the service and manufacturing industry was 825 firms (Irungu & Arasa, 2017); this is the population to which the study findings are generalizable. The government interventions of focus are thus deemed to be pertinent to the population. COVID 19 was impactful to SMEs in three main ways – direct impact to the infected, financial impact of the customer base, and impact resulting from COVID 19 restrictions (Kithiia, Wanyony, Maina, Jefwa & Gamoyo, 2020).

1.3 Problem statement

Helfers, Jack, Mutua, Muyesu, Parker and Tate (2021) report that 44% families reported a loss of job by a family member with the loss attributed the impact of COVID 19. The situation is however not peculiar to the country as the world continues to reel from the effect of the COVID 19 pandemic. From a global perspective, over 800,000 individuals have died after contracting the virus, disruption of livelihoods has been apparent across sectors, trillions of dollars have been spent in preventative and remedial efforts and a global recession is looming (Ibn-Mohammed et al., 2020). From a regional perspective, Thrulow (2020) report an up to 38% drop in GDP in Nigeria and South Africa, two of the continents leading economies, with a 28% GDP reduction experienced in Ghana. From the local perspective, the East Africa region has been ravaged by the pandemic with food insecure responses increasing by 38% and 44% in Kenya and Uganda, respectively (Kansiime, Tambo, Mugambi, Bundi, Kara & Owuor, 2020). Given that the bulk of the economy in Kenya is supported by SMEs, it is necessary to assess the effect that various interventions are having in alleviating the financial aftermath of the pandemic; this paper addressed this need.

This study was motivated by two main literature-identified gaps – a lack of consensus on the effectiveness of government interventions on financial performance of SMEs, and the novelty of the phenomenon of aforementioned government interventions in Kenya. Coenen, Straub and Trabandt (2013) in assessing the effect of post-pandemic fiscal stimulus packages posit that stimulus packages targeted towards government consumption generally outperformed private-sector targeted stimulus packages. According to Coenen, Straub and Trabandt (2013), spending targeted on the private sector is not as effective and moreover is short-lived. Bayer, Born, Luetticke and Müller (2020) however observe that the current USD 2 trillion stimulus targeted, in part, as direct pay-outs to individuals, has had a significant multiplier effect curtailing the output loss of the pandemic by up to 5%.

Secondly, applying a fiscal multiplier lens to the study, Habiyaremye et al (2021) posit that countries that privileged higher fiscal expenditure plans outperformed those that did not. The rationale behind the outcome was that investment in fiscal plans that stimulate and enable expenditure proves more beneficial as it achieves greater financial stimulation than policies that are centred on taxation and general austerity. Loayza and Pennings (2020) in assessment of COVID 19 interventions however argue that the restrictions on supply and demand prevent the economic impact that would otherwise result from direct fiscal expenditure within a free-flowing economy in normal times. Moreover, specific to the African context, Loayza and Pennings (2020) argue that the multiplier effect, even in regular times, are not as apparent in African economies. This is because monetary transmission is often weak and fiscal space and fiscal multipliers are generally small. This postulation therefore renders direct expenditure packages rather futile in the African context.

The current study provided a peculiar voice to the discourse by focusing on a different context in which government interventions have been applied. Secondly, the pandemic response is a novel phenomenon in Kenya hence the need to assess the effectiveness of current approaches so as to present a benchmark for future similar interventions. The variables under consideration derived from IMF (2020) and constitute the three approaches adopted to address a previously unexperienced situation in the Kenyan context; the novelty of the phenomenon thus justifies the originality of the current

study in focusing on the three factors – expenditure package, tax reductions and loan restructuring as determinants of SME performance.

1.4 Research objectives

1.4.1 General research objective

The main objective of the current study was to assess the effect of government interventions on SMEs Financial Performance in Nairobi County during the Covid-19 government restrictions period. The specific objectives derive from the specific interventions and are as follows:

1.4.2 Specific research objectives

The specific objectives were as follows:

i. To determine the effect of the expenditure package on the financial performance of SMEs in Nairobi County.
ii. To determine the effect of tax reductions on the financial performance of SMEs in Nairobi County.
iii. To determine the effect of loan restructuring provisions on the financial performance of SMEs in Nairobi County.

1.5 Research questions

The research questions forthcoming from the objectives were as follows:

i. What is the effect of the expenditure package on the financial performance of SMEs in Nairobi County?
ii. What is the effect of tax reductions on the financial performance of SMEs in Nairobi County?
iii. What is the effect of the loan restructuring provision on the financial performance of SMEs in Nairobi County?

1.6 Scope of the study

The study focused on Small and Medium Enterprises in Kenya. The study focused on the intervention and post intervention period (up to three months). According to the United Nations Development Program, SMEs are businesses that post an annual turnover of between Ksh500, 000 and Ksh5 million and have an employee list of 10 to 50. Such establishments will be the target of the study with over 10,000 such

businesses operating in Nairobi County; this forms the population to which study findings are generalizable. The study focuses on such establishments as according to the CBK, they account for 98% of business in Kenya and employ up to 30% of the workforce in the country (Alaine, 2017). The government interventions of focus are thus deemed to be pertinent to the population. A preliminary check on the uptake of the interventions was effected to ensure that the analysis focused on organizations that took advantage of the provisions. The study employed an ordinal logistic regression model to the data with the dependent variable, performance, assessed on an ordinal scale.

1.7 Significance of the study

1.7.1 Policy makers

The study findings are of significance to the government, SMEs, academicians and the populace. To the government, the study offers a preliminary finding of the current effect that interventions have had on SMEs operating in Nairobi. An assessment of the effect of the three specific interventions further offered comparative value thus justifying investment in one approach over others or possibly a reconsideration of the funding approach currently applied to SMEs.

1.7.2 Practitioners

To SMEs, the study serves as an avenue for education on the current provisions put in place by the government intervention is the bid to alleviate negative financial consequences resulting from macro-economic factors. Such insights will be useful in future instances as the managers will gauge the extent to which they can rely on such interventions to the end of sustainable business performance. . Such information will motivate the seeking out of specific provisions over others.

1.7.3 Researchers

To the voting populace and general researchers, study findings are pivotal in shaping public opinion on the general efficacy of the current interventions. Such information may be used to pressure local government representatives to lobby for modification of current approaches or consideration of alternative solutions to the prevailing challenges left in the wake of the pandemic.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter was to lay out the theoretical underpinnings of the study that subsequently justify the interrelationship of the variables chosen for study. This chapter further outlined extent literature on the dyadic relationships considered in the conceptualization of interrelationships between variables. The chapter concludes in a summary of the gap, a conceptual framework, and an operationalization of variables.

2.2 Theoretical review

This section focused on two theories that shape the study – Say's Law and Keynes' law. Discussed in each section are the entails of the laws, their relation to the current study, criticisms raised and their impact to the current study. The importance of study findings vis the two laws is also highlighted.

2.2.1 Say's Law

According to Say's Law of Markets, assessed from a general economy perspective, aggregate demand does not affect real gross domestic product (Say, 1803). As highlighted by Baumol (1999) the principles of economics that are now attributed to Say may have been put forth by scholars that preceded him. Thweatt, (2016) posits that the sentiments put forward by Say can be traced back to Adam Smith's Wealth of Nations (1776) and are later echoed by John Mill's (1808) in his seminal publication "Commerce Defended". Additionally, the principles of trade highlighted by Say were more generalized than targeted at outlining a clear set of rules governing interactions between market forces.

Say sought to emphasize the importance of the means of production over the then common practice of gold accumulation as a result of predominance of mercantile practices. The essence of the principle, currently dubbed Say's Law of Markets, therefore is that one cannot engage in purchase unless they have a means of producing sellable goods or services; the role of money, or gold held through mercantile practices in Say's case, was more to facilitate trade in the economy than to create it. An

accumulation of money would be exhausted except for the persistence of the means by which the money was accumulated.

Say's law is of pertinence to the current study as it necessitates a stimulation of production as the main way by which to revamp a stagnant economy. The COVID 19 pandemic resulted in marked disruption of markets to the end of debilitating financial outcome to many SMEs. Government interventions channelled through stimulus packages, tax reductions, and loan restructuring arrangements would therefore only be as effective as their ability to facilitate a resurgence of the means of production. The 40 billion stimulus package issued to the populace, would therefore be immaterial in salvaging the economy as it was an effort aimed at availing money, the facilitator of trade, as opposed to buttressing the means of production which would be the preferred intervention in the bid to avert an economic downturn.

Say's law, considered an integral part of classical economics, has faced criticisms from classical and neoclassical economist. Herrington (1981) in an aggregative critique of the theory as viewed by underconsumptionists posits that say's law falls short in considering supply and demand as inherently interlinked entities; according to Herrington (1981) the identity-like relationship highlighted by Say is impractical as producers in economies engage in their activities as informed by the estimation of a ready market for their goods as opposed to a motivation stemming from their sole production efforts.

This anticipation of a market is not necessarily dependent on their will to purchase other goods from the market. This critique is of importance to the current study as it addresses the main motivation for the crafting of government interventions in stagnant economies - the spurring of purchasing activity through an injection of liquidity into the economy. It is this imparted liquidity that shocks the economy back to life thus resuming the usual patterns of supply and demand and not the revamping of the sole means of production. The most notable critique of Say's Law is however availed in what became the neoclassical Keynes' law. This is subsequently discussed in relation to its implications to the current study.

2.2.1 Keynes' Law

Keynes' Law was proposed 134 years later by John Maynard Keynes, an established economist of his time (Anderson et al., 2011). Keynes sought to address the prevalence of unemployment and general glut in commodities in light Say's assertions that supply should yield demand. The economic situation of the great depression was such that parties willing to produce were hindered from doing so on account of the generally slowed uptake of their produce. In light of Say's projections, such a situation should have been temporary as the market would be expected to readjust such that on aggregate, product levels and the general product mix would find sufficient market to match demand (Keynes, 1953).

The persistence of the great depression suggested that the role of liquidity in the economy was previously underestimated. Whereas Say's law indicated that money was merely a tool to facilitate exchange, Keynes' argument suggested that liquidity was not only a facilitator of trade but also an integral part in the economy such that general decrease and increases in liquidity as assessed from a grand scale, would have significant impact on the ability of persons to engage in economic activity (Keynes, 1953).

Keynes' law is of pivotal importance to the current study as it presents a rationale for government interventions that are aimed at injecting liquidity into the system. These interventions, in the current study, are availed in way of the KES 40 billion stimulus aimed at businesses, tax reductions, and restructuring of loans. The interventions are less targeted on the actual means of production and more targeted on ensuring the businesses and individuals reliant on businesses retain their purchasing power consequently maintaining the rhythm of the economy. The sheer availing of immediate liquidity, in itself, serves to create, or at the very least, maintain demand and this demand pulls supply thus sustaining the economy. The impact of such interventions, as viewed through the lens of Say's laws, would only be the increase in inflation as aggregate production would be unaffected.

The main criticism of Keynes' law is that it is birthed off a caricatured version of Say's law (Anderson et al., 2011). The phrase supply creates its own demand, the commonly held formulation of Say's law, fails to address the nuances of Say's full submission. Say's contention was that production is of more potency than the means by which products-exchange is facilitated. The occurrence of product gluts and changes in unemployment rates as assessed from the macrolevel were therefore not necessarily unexpected; they however were supposed to be temporary as the natural forces of the market would eventually work out an equilibrium between supply and demand. The great depression was therefore not necessarily impossible under Say's projections. This criticism is supported by Baumol (1999) who proposes that Mill's (1808) and Say's (1803) views were consistent in that they focus on production as the main source of purchasing power whereas idle resources lead to decrease in production. The main premise of Keynes' law can therefore be argued to be addressed first and foremost by Say himself in so much as Say's submissions presents products, and not money, as the real source of value in an economy.

The main discrepancy between Say's and Keynes' submissions therefore lies in the determinants of economy cycle perturbations; whereas Say views such as external to the system, Keynes' regards them as endemic. An endemic view of the source of economic depression would thus justify the external intervention of the government through such means as stimulus packages, tax cuts and loan restructurings. An external view as posited by Say (1803) would thus justify a non-interventionist approach that relies on Adam Smith's metaphorical invincible hand of the free market to restore parity in the economy.

The current study will thus provide empirical evidence of the outcome of government interventions from an SME performance standpoint with the understanding that SMEs are the backbone of the economy and thus serve as sufficient proxies to infer the state of the overall economy. A maintenance of surge in productivity would support Keynes' law whereas a decline in productivity would suggest either insufficient intervention or possible support of Say's law. An increase in inflation and decrease in productivity would suggest the applicability of Say's law in Kenya's economy.

2.3 Empirical Review

The purpose of this section is to provide a discussion of findings pertinent to the current objectives. Extant literature discussed in this section shapes the choice of variables validating their utility in assessing SME performance and factors that shape this performance, particularly as assessed via a crisis perspective. The section is divided into three subsections – each addressing a study objective.

2.3.1 Expenditure packaged and performance of SMEs

An estimated 90% of global stimulus funding aimed at the 2009 financial crisis emanated from the G20; this amounts to USD 1.98 trillion. Initial efforts to funding were isolated with countries seeking to deal with seemingly localized challenges but as the crisis deepened, governments considered unified approaches with system-wide interventions albeit most of them proving reactive than preventive (Khatiwada, 2009). The COVID 19 pandemic provides similar intergovernmental and socially far-reaching challenges that, drawing from the 2009 financial crisis, demand immediate and radical fiscal expenditure plans. The need is further apparent in developing countries with high disparity in wealth therefore resulting in high vulnerability among low-income earners that draw their wages from SMEs.

The impact of COVID 19 restrictions in developing countries like Malaysia has disproportionately affected lower income individuals and SMEs (Ahmad, 2020). SMEs form the backbone of most developing counties hence the need to focus on the impact of the pandemic on their performance. As Ahmad (2020) notes, SMEs account for 92% of Malaysia's economy. Interventions aimed at alleviating the financial burden to the most affected should therefore be crafted in such a manner as to reflect an understanding of this fact. Ahmad (2020) in assessing the situation in Malaysia reports that 68.9% of local SMEs had suffered over 50% drop in business within a space of one week following the introduction of movement restriction policies. The situation was anticipated to worsen. According to Segal & Gerstel (2020) the impact of the crisis to business was likely to manifest in way of decrease in cash flow, compromised liquidity, and delay in receivables; the aggregate effect of these declines would be revenue decline.

Ahmad (2020) however further notes that the impact on business assessed solely through a financial perspective would be limiting as the numbers would take a while to accumulate to a validly assessable quantity. To address this challenge Ahmad (2020) proposed the addition of three proxy performance indicators – number of complaints, number of customers, and number of orders. Most businesses involved in the distribution of goods were anticipated to switch to online delivery approaches with the intention of availing offerings to customers in the wake of gathering restrictions (Ahmad, 2020). The switch justifies the inclusion of the three additional indicators in that customers seeking to adopt to the online alternative would require additional support services for effective delivery. The adjustment period would therefore be marked by customer attrition, complaints and decline in basket size. Decrease in basket size would be as a result of the limitation in options that would otherwise be available in a physical store as well as a curbing of impulsive purchasing. The current study utilizes the six proposed metrics in assessing SME performance during the Covid-19-imposed slump in business.

In an initial assessment of the COVID 19 impact in Africa, Bilal et al., (2020) report a 90% drop of tourist visits to Egypt, 60% reduction in trade as evidenced from restaurant data in Ghana, a filing of bailout plans in Kenya and a 12% fall in mining prices in Liberia. Bilal et al (2020) note that the situation is likely to worsen with an anticipated 20 million jobs to be lost. Efforts towards easing the financial downturn, despite the grim projections, have been minimal. Economic stimulus packages reported by Rwanda, Kenya, Ghana and Nigeria all fall below 5% of GDP as compared to such European countries as Denmark, France, and Great Britain with the later grouping having packages of at least 10% of GDP and going as high as 40% of GDP in the case of Italy.

The cap in funding thus translates to significant decline in production in Africa. The wide gap in funding is consequently left to international donor associations that are already experiencing financial challenges given the difficulties faced by their respective home nations. In relating the findings to the current study, it is apparent that the meagre funds that are to be channelled directly to firms should be structured in such a manner as to ensure that they have the highest impact on the most affected individuals in the population. Relating these findings to those by Ahmad (2020) it is

apparent that the anticipated disproportion in long-term impact of the pandemic justifies funding focus on SMEs and particularly so those operating in Nairobi County as they employ the bulk of the workforce.

Following the announcement of a 10% stimulus package aimed at revamping the South African economy due the impact of the COVID 19 pandemic, Habiyaremye Jacobs, Molewa and Lekomanvane (2021) present an indicator of optimal ways to apportion the funding. Habiyaremye et al (2021) provide their assessment from a retrospective study of policies put in place by nine countries during the 2009 financial crisis. Applying a fiscal multiplier lens to the study, Habiyaremye et al (2021) posit that countries that privileged higher fiscal expenditure plans outperformed those that did not. The rationale behind the outcome was that investment in fiscal plans that stimulate and enable expenditure proves more beneficial as it achieves greater financial stimulation than policies that are centred on taxation and general austerity.

Countries that prepared and implemented expenditure plans in anticipation of the impact of the pandemic were also better positioned in the wake of the crisis reporting growth even as the crisis raged on. Habiyaremye (2021) provide the example of the Mauritian economy, which despite a projected 5.5% group implemented a rigorous expenditure plan which carried the country through the crisis and resulted in sustained growth. Additionally, countries that implemented plans that were seemingly unsustainable in light of their fiscal capabilities and borrowing records continued to perform favourably and sustainably in the wake of the crisis. It is therefore inferable that in general, larger financial expenditure packages are likely to yield more beneficial results than smaller ones. A caveat however presents in that the benefits were more apparent for larger than smaller businesses hence widening the financial disparity between the wealthy and the poor. It is therefore necessary, as prior noted in discussing Ahmad (2020) and Bilal et al (2020) that fiscal plans should be appropriately targeted to achieve maximum effect.

The allocation of funds through stimulus packages set up in developed countries results in significant loss reduction in developing nations (Barrell et al., 2009). In assessing impact following the 2009 financial crisis, Barrell (2009) notes that the USD 2 trillion package set up for multiple developing nations served to ease losses in the tune of up

to a quarter. The main impact of the packages was in reducing wage loss in industries that service developing countries. Watt and Nikolova (2013), in assessing the size of the packages, however, conclude that the 6% to 7% decline in output could not be substantially addressed by the allocated fiscal packages that were about 1% of GDP. An increase in funding, as noted by Watt & Nikolova (2013) would have served to hasten the recovery process and more importantly, limit the havoc resulting from the financial downturn.

An estimated increase to USD 50 billion channelled directly to sub-Saharan Africa, as opined by Burrell et al (2009) would have resulted in up to 4% growth in the region. The funds would have been used to provide aid relief as well as offsetting debts thus allowing for rechannelling and investment of funds into infrastructure programs. Infrastructure programs are generally viewed as being a conduit for economic growth due to the multiplicity of parties that stand to be involved in effecting the project and those that benefit as a result of completion of such projects. This study therefore indicates that governments should focus spending on initiatives that are of tangible benefit to the populace and that involve multiple industries in effecting.

Loayza and Pennings (2020) in an assessment of the macroeconomic policies employed during the pandemic period note that the nature of interventions should be structured in such a manner as to show appreciation for the particular reasons for the interventions at particular times. In the short run, Loayza and Pennings (2020) argue that interventions should be focused on alleviating the challenges faced by disadvantaged or most affected populations; such interventions should therefore take the form of provisions to prevent layoffs and bankruptcy. Interventions taking the form of direct fiscal expenditure on the populace are deemed ineffectual predominantly because the impact of such interventions is minimal given the social restrictions imposed in light of the pandemic. Loayza and Pennings (2020) argue that the restrictions on supply and demand prevent the economic impact that would otherwise result within a free-flowing economy in normal times. Moreover, specific to the African context, Loayza and Pennings (2020) argue that the multiplier effect, even in regular times, are not as apparent in African economies. This is because monetary transmission is often weak and fiscal space and fiscal multipliers are generally small.

This postulation therefore renders direct expenditure packages rather futile in the African context.

2.3.2 Tax cuts and performance of SMEs

Eggers (2020) in a study of 69 manuscripts of crisis response approaches employed by SMEs highlights the 'liability of smallness' that encumbers such business endeavours. Challenges present in finance, strategy and institutional environments as SMEs lack the resources that could otherwise be utilized in weathering economic downturns. The onset of the COVID 19 pandemic occasioned financial distress to SMEs the world over resulting in a wide range of government provisions aimed at salvaging SMEs as they present as the backbone of all economies. Tax reliefs were among the most commonly availed short-term tools used to retain earnings and prevent financial distress to firms experiencing lower revenues due to government restrictions. The context of implementation of tax policies and their effects in different contexts are subsequently discussed.

An assessment of impact to taxation revenue, conducted by America's Tax Policy Center at the Urban Institute indicates that as of May of 2020, states had experienced a drop of 20.9% in total revenue. This reduction was primarily due to the loss of tens of millions of jobs on account of blanket COVID 19 restrictions. Corporate income taxes were the hardest hit with a 50.7% reduction (Zhao, 2020). The steep decline in taxation necessitates two-fold government financing – firstly towards ensuring sustenance for individuals currently out of work and secondly towards offsetting the public funding gaps that result from lower tax collections. The two interventions have a double-edge effect in that whereas measures such as tax rebates may alleviate the challenges of the struggling few employed individuals, these must be issued in light of the possibility of further exacerbating the shortage in public funds; it is this conundrum that presents tax relief policies as a convoluted response option.

Taxation policies implemented across the ASEAN region show a theme of tax incentives and reliefs as governments strive to ensure that most people earn a viable livelihood. Indonesia, as an example, implemented the Income Tax Incentive (PPh)

that provides tax cuts to 440 business fields with the condition that the businesses earn less than Rp. 200 million (Zulkarnaen et al., 2020). Likewise, Singapore put in place an immediate suspension on Corporate Income Tax allowing for a three-month deferment of payments. In Malaysia, following government restrictions to travel and gathering, late payment penalties on taxes were waivered with the condition that payments be made before 30th April thus allowing for an adjustment period for businesses in distress. Thailand likewise issued a reduction in withholding tax with the new rate being 1.5% from April to September of 2020, down from 3%, and 2% from October to December of 2021. Brunei Darussalam avails a complete income tax waiver and no personal taxes are charged to both residents and non-residents (Zulkarnaen et al., 2020).

The provision of tax exemptions to the populace in an effort to maximize retained earnings has proven a popular policy option across the world. Whereas the option appears to be readily available to developed countries, the same is not necessarily true for developing nations. Adam, Henstrige and Lee (2020) note that as of 2019, 16 of the 19 low-income countries in Sub-Saharan Africa were considered to be in debt distress or at the verge of debt distress.

The categorization by the IMF and World Bank indicates that such countries could face external prudential guidelines given that internal asset markets and tax-bases are generally insufficient to offset additional debt. It is also noteworthy that all tax systems are distortionary on account of exemptions and corruption, the latter being more of an issue in developing countries. The nature of tax revenue collection thus indicates that the current standing of most low-income countries in Africa is such that hopes of making the difference in public funding through tax collection are low at best. It is therefore against this backdrop that governments considering tax cuts operate. Options of fiscal interventions are thus limited by a lack of funding and financial policies, as highlighted, are generally equally untenable (Adam, Henstrige & Lee, 2020).

The Tax Laws (Amendment) Act, 2020, the COVID-19 Spending Plan and the Economic Stimulus Plan are the primary tools put in place to combat the effects of the pandemic in Kenya. The three provisions have been crafted to address constraints presenting in all facets of the economy including household, farms, enterprise and

government. Changes in VAT taxation and reductions in turnover and dividend taxes were aimed at reducing commodity prices and the boosting of household income with foreign aid anticipated to make the difference where local funding, through taxation, failed.

An initial budget of 44.8 billion and an additional provision of 37.7 billion under the Economic Stimulus Program was cumulatively availed with the latter specifically aimed at infrastructure development support for the agricultural, manufacturing and tourism sectors (Nechifor et al., 2021). The taxation provisions are, prima facie, progressive. A closer assessment of the provisions in context however paints a different picture. As noted by Adam, Henstrige & Lee (2020), tax collection in most African countries, Kenya included, do not substantiate budgetary allocations. The difference is made up by borrowings hence accumulation of debt. Nechifor et al (2021) note that fiscal relaxations, financial provisions and increased government spending are anticipated to lead to steep public deficit increases thus possibly placing the country in further financial distress following the availing of the illustrious COVID-19 provisions.

Juergensen, Guimón and Narula (2020) in highlighting the importance of SMEs to Europe's Economy note that SMEs account of 99.8% of all enterprises and employ two thirds of Europe's population. It therefore follows that any factor that negatively impacts on the productivity outcomes of SMEs would have considerable effect on the broader economy of the region. Juergensen et al (2020) in appreciation of this fact sought to assess the impact of COVID 19 and policy responses on the performance of firms with the aim at recommending effective interventions inferred from responses put in place during the period. Two phases of interventions are identified - survival phase and renewal and growth phase.

In the survival phase, the main focus of interventions should be the offering of financial support to prevent liquidity crises and maintain employment. The interventions are therefore short-term and take on a one-size-fits-all approach. Such interventions, as noted by Juergensen et al (2020) should include reduction in working hours, temporary unemployment, deferral of tax, social security payments, debt payments, rend and utility payments, loan guarantees, direct lending to SMEs and grants and subsidies. Interventions in the renewal and growth phase would include such provisions as support for internationalization, innovation support schemes, training and skills

development, teleworking and digitalization, cluster development and networking initiatives, entrepreneurship and start-up support. In considering the interventions under focus in the current study, it is apparent that all were centered on short-term survival. It is also clear that the interventions were few in comparison to the proposed. Findings from the current study will thus justify or challenge the rationale behind the narrow focus on interventions and go further the highlight the more efficacious, if any, of the implemented.

2.3.3 Loan restructuring and performance of SMEs

The cataclysmic effects of the pandemic are evidenced by a wiping out of a third of the value of major stock market indexes in a matter of weeks and similarly deep-reaching impact to corporations. The unprecedented manner of financial impact and uncertainty in duration and reach of the pandemic thus necessitate a rethink of the financing approach to be implemented in the bid to weather the storm. Policy responses to the COVID 19 pandemic in Europe have been swift with provisions availed to business and individuals taking the form of government funded loans, public guarantee schemes, and temporary payment moratoria (IMF-World Bank, 2020). To ensure sustenance of both businesses and financing institutions, it is necessary to certify that interventions are sufficiently flexible, supervisory, and judicious while maintaining minimal prudential standards.

The allocation of funding, thus far, has compromised the fiscal space of most governments in that funds earmarked for other projects would have to be spent in addressing the immediate concerns of businesses; this despite the prudential buffers provided under Basel III that offer provisions for resource during times of distress (IMF-World Bank, 2020). To avoid the creation of future crises imparted by impulsive interventions, the IMF and World Bank (2020) propose that policies aimed at the loaning function of both governments and banks, be time-bound, incorporate a sunset clause with clear exit specifications, target only viable businesses, and account for potential moral hazard. Borrowers that were struggling to meet loan obligations prior to the pandemic should not be considered as their compliant counterparts are so as to lessen the risk of non-repayment.

The IMF and World Bank caution against easing definitions of non-performing loans even if considered on a temporary basis. This is to prevent incidences of non-repayment as entities that would otherwise face clear ramifications, leading to compliance, may overlook their obligations. Bank considerations should therefore be for clients serviced but these considerations should be made while accounting for fiscal support mechanisms in the event of losses, provisioning and capital (IMF-World Bank, 2020). Such an approach would avoid transferring the challenges of the business to the bank hence leading to receivership for banks that underperform as a result of overstretching internal resources for the benefit of clients.

In an assessment of the role of banks in supporting SMEs in Belgium, France, Czech Republic, Finland, Greece, Italy, Japan, United Kingdom, Korea, Poland, Portugal, Romania, Slovak Republic, Slovenia, and Spain, Gourinchas et al.,(2021) note that the financial entities in the countries prevented a 9.1% increase in SME closure rates thus saving up to 4.6% of private sector employment in the countries in question. The fundamental role played by banks in supporting SMEs can therefore not be overstated.

Gourinchas et al (2021) therefore suggest that the role of financial intervention to assist struggling SMEs borrow a lesson from the pre-COVID 19 period and thereby focus on interventions targeted at "at-risk" firms as opposed to broader government guarantee loans. This consideration is particularly important in light of the IMF-World Bank (2020) observation that blanket policies aimed at providing financial support to SMEs without consideration of the long-term effects of the interventions risk compromising the fiscal space of governments. As noted by Gourinchas et al (2021) whereas "at risk" policies cost 0.8% of GDP, broader guarantees achieve the same impact but cost as much as 5.8% of GDP. In relating these observations to the current study, it is apparent that government directives requiring banks to exercise lenience in accommodating loan restructuring initiatives could be ill-informed as the efficacy of the approach may not be justifiable.

Didier, Huneeus, Larrain and Schmukler (2021) provide insights into considerations for optimal structuring of loans during the pandemic period. Didier et al (2021) highlight the importance of maintaining amicable relationships with stakeholders of firms even as financing entities seek to find the best way to advance credit. This approach is intended to ensure that workers, suppliers, customers, and creditors aid in

efficient bankruptcy undertakings to avoid longer-term detrimental effects to parties affected by ultimate finance recovery proceedings. Didier et al (2021) further prescribe a hibernation approach whereby firms assume a minimum expenditure orientation using funds to withstand the pandemic as opposed to spending in nascent untested approaches of business. Finally, Didier et al (2021) highlight that the far-reaching effects of the pandemic indicate an ill-fitting policy framework that is inadaptable to exogenous crises. This policy aspect is addressed in the current study with the view of assessing the various loan restructuring provisions availed to SMEs and individuals and subsequently, the effectiveness of the provisions considering SME needs.

The quest for survival of start-up businesses goes beyond keeping doors open (Kuckertz et al., 2020). The primary value of start-ups lies in their innovation hence efforts to preserve this aspect of SMEs is essential both in the short-and long term. Kuchertz (2020) posits that the immediate concern of staying afloat has hindered to innovative muscle of many start-ups hence indicating that financing options geared at supporting the high-growth-potential businesses go beyond the average provisions that would otherwise be availed to traditional retail businesses. The effects of the pandemic have caused investors to exercise a keener focus on the financials of such entities to the effect of existential fears for the entire business models. It is however noteworthy that such firms, in appreciation of the challenges of the time, have redirected resources to Covid-19 aligned research that stand not only to serve the specific firms but society as well.

The effects of the pandemic have been hardest hitting on microfinance institutions; this has been due to the double-edged nature of the pandemic. Whereas microfinance institutions generally operated in environments of high risk and fluctuating returns, they were able to do so on account of steady backing financing from institutions. The pandemic has however resulted in impact both from the repayment and financing side (Malik et al., 2020). Malik et al (2020) in a study involving 1000 microenterprises, 200 microfinance officers and interviews with regulators and senior microfinance regulators observe that income among the targeted households in Pakistan had declined by up to 90%. The consequence of this decline was such that 66% of the loans would not be repaid. Given the similarity in socio-economic demographics, such concerns are also to be expected in Kenya's microfinance space. It is therefore

necessary that regulators consider possible corrective action to be taken in order to protect the fragile industry.

Nandakumar (2020) further notes that the short-term interventions issued by most governments include relief on debt repayment, additional lower cost debt finance, wage support, tax relief, and other business cost alleviations. Private entity and philanthropy assistance has also been advanced to SMEs with the understanding that they form the backbone of most economies; these interventions have taken the form of flexible credit terms and value chain interventions. Notwithstanding the interventions, it is apparent that the provisions are not focused on ensuring the perpetuity of the businesses; instead, they are targeted as short-term provisions that would allow for the businesses to remain afloat albeit for a short time given the projected long-term impact of the pandemic. This argument therefore supports Loayza and Pennings (2020) observation that direct government expenditure towards businesses is unlikely to yield a multiplier effect as the pandemic restrictions and consequences are likely to wipe out any gains that would otherwise be achieved by the companies.

Darjana, Wiryono and Koesrindartoto (2022) in an assessment of trends in lending in Indonesia during the COVID 19 restrictions period note that the impact on financing was not equal across industries. Such sectors as mining, public administration, information and communication, and agriculture was classified as low risk industries whereas social services, education, and health and social services were considered high risk industries. The effect of this categorization, therefore, was that SMEs operating across industries, despite policies necessitating lower interest rates, would disproportionately be affected by lending decisions. This finding is of particular pertinence to the current study as it introduces the effect of intervening factors at play in the lending approaches applied by banks. Essentially, the lowering of interest rates and issuance of directives towards lending interplay with the internal lending machinations of banks to result in the practical lending outcomes experienced by SMEs.

2.4 Emergent Research gaps

Coenen, Straub and Trabandt (2013) in assessing the effect of post-pandemic fiscal stimulus packages posit that stimulus packages targeted towards government consumption generally outperformed private-sector targeted stimulus packages. According to Coenen, Straub and Trabandt (2013), spending targeted on the private sector is not as effective and moreover is short-lived. Bayer, Born, Luetticke and Müller (2020) however observe that the current USD 2 trillion stimulus targeted, in part, as direct pay-outs to individuals, has had a significant multiplier effect curtailing the output loss of the pandemic by up to 5%. Secondly, Applying a fiscal multiplier lens to the study, Habiyaremye et al (2021) posit that countries that privileged higher fiscal expenditure plans outperformed those that did not. The rationale behind the outcome was that investment in fiscal plans that stimulate and enable expenditure proves more beneficial as it achieves greater financial stimulation than policies that are centred on taxation and general austerity. Loayza and Pennings (2020) in assessment of COVID 19 interventions however argue that the restrictions on supply and demand prevent the economic impact that would otherwise result from direct fiscal expenditure within a free-flowing economy in normal times. Moreover, specific to the African context, Loayza and Pennings (2020) argue that the multiplier effect, even in regular times, are not as apparent in African economies. This is because monetary transmission is often weak and fiscal space and fiscal multipliers are generally small. This finding is consistent with that put forward by (Nandakumar, 2020). These postulations therefore renders direct expenditure packages rather futile in the African context. Findings from the current study will therefore serve to address the dearth in studies on the topic of pandemic government provisions and further to this contribute to discourse in light of the aforementioned conflicts in finding.

Table 2.1 Summary of gaps in findings

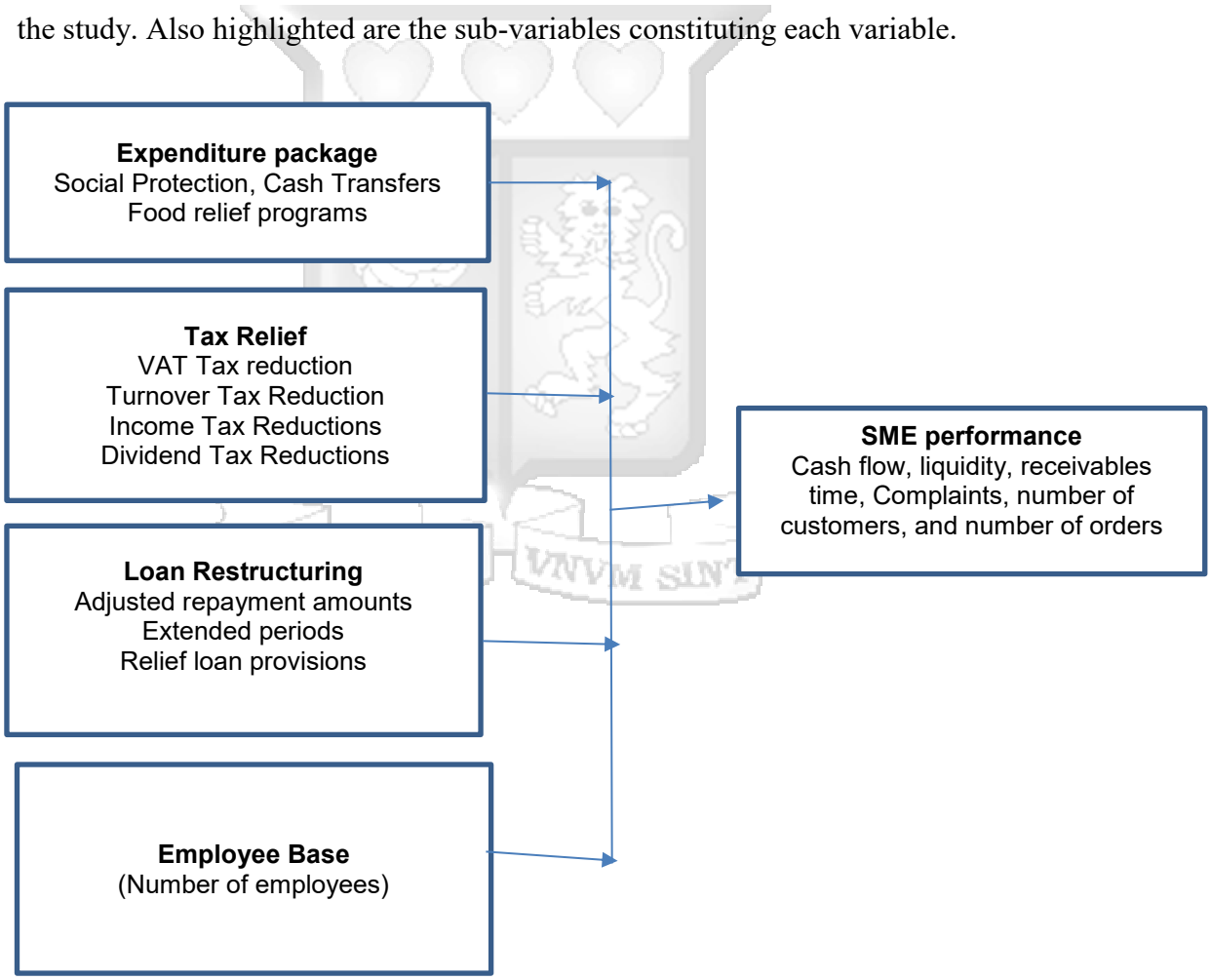
Topic	Focus	Main finding	Gap	Focus of current
Coenen, Straub and Trabandt (2013)	Effect of post-pandemic fiscal stimulus packages	Stimulus packages targeted towards government consumption generally	Conflict in findings	Empirical effect of expenditure package, tax relief, and loan restructuring on

		outperformed private-sector targeted stimulus packages		performance of SMEs.
Coenen, Straub and Trabandt (2013)	Effect of Stimulus packages	Spending targeted on the private sector is not as effective and moreover is short-lived	Conflict in findings	Empirical effect of expenditure package, tax relief, and loan restructuring on performance of SMEs.
Bayer, Born, Luetticke and Müller (2020)	USD 2 trillion stimulus package	Significant multiplier effect curtailing the output loss of the pandemic by up to 5%.	Conflict in findings	Empirical effect of expenditure package, tax relief, and loan restructuring on performance of SMEs.
Habiyaremye et al (2021)	Fiscal spending	countries that privileged higher fiscal expenditure plans outperformed those that did not.	Conflict in findings	Empirical effect of expenditure package, tax relief, and loan restructuring on performance of SMEs.
Loayza and Pennings (2020)	Free-flowing government spending	Multiplier effect, even in regular times, are not as apparent in African economies	Conflict in findings	Empirical effect of expenditure package, tax relief, and loan restructuring on performance of SMEs.

(Nandakumar, 2020).	Government spending	Multiplier effect inefficacious in certain contexts	Conflict in findings	Empirical effect of expenditure package, tax relief, and loan restructuring on performance of SMEs.

2.4 Conceptual Framework

Figure 2.1 provides a depiction of the interaction between the variables considered for the study. Also highlighted are the sub-variables constituting each variable.



2.5 Operationalization of variables

Table 2.1 provides a depiction of the constructs utilized in the study, their measurement, and sourcing.

Table 2.2 Operationalization of variables

Variable	Supporting Theory	Constructs	Measurement	Source
Independent	Keynes' laws	**Expenditure package** Social Protection Cash Transfers Food relief programs	Five Point Likert Scale	(Nechifor, Ramos, Ferrari, Laichena, Kihiu, Omanyo, Musamali, Kiriga, 2021)
	Keynes' laws	**Tax Relief** (VAT Tax reduction Turnover Tax Reduction Income Tax Reductions Dividend Tax Reductions)	Five Point Likert Scale	(Nechifor, Ramos, Ferrari, Laichena, Kihiu, Omanyo, Musamali, Kiriga, 2021)
	Keynes' laws	**Loan Restructuring** (Adjusted repayment amounts Extended periods Relief loan provisions)	Five Point Likert Scale	(Didier, Huneeus, Larrain and Schmukler, 2021)
Dependent	Keynes' laws	**SME performance** (Cash flow, liquidity, receivables time, Complaints, number of customers, and number of orders)	Five Point Likert Scale	Ahmad (2020)
Control	Keynes' laws	**Number of employees**	Ratio	(Nechifor et al., 2021).

CHAPTER 3: METHODOLOGY

3.1 Introduction

This chapter particularizes the approach taken in addressing the research objectives through the collection and analysis of data. Contained herein are the research philosophy, research design, population and sampling approach, data collection method, data analysis, validity, reliability, and ethical considerations.

3.2 Research philosophy

The study followed an ontological orientation as the researcher seeks to establish the fundamental determinant of SME performance by considering the contribution of independent variables (Bizzaro, 2010). To achieve this, a positivist lens was applied. A positivist approach involves an objective understanding of the variables chosen for the study in that they can be measured and interactions between them can be quantified in the bid to draw inferences (Holden & Lynch, 2004). Although this approach was chosen over an interpretivist approach, it is noteworthy, as observed by Crossan (2003) that distinctions between quantitative and qualitative approaches are at times overrated; the use of triangulation techniques serve to attest to the validity of the postulation. The analysis approach taken in the study leveraged this overlap by utilizing data collected through Likert scales and using the data, through prescribed quantitative analysis techniques, to arrive at quantifiable inferences regarding the interaction of the variables reflected in the objectives of the study.

3.3 Research design

Research design allows for the integration of components of a study in a systematic manner in the quest to address the objectives of a study (Gregar, 1994). The current study assumed a correlational design as the author seeks to assess the nature of relationship between variables. The design will further provide insights on the relative impact of the factors under consideration with the aim of informing focus of policies implemented to address similar phenomena occurring in the future.

3.4 Population and sampling

The study focused on SMEs in Nairobi County. Data was collected from businesses operating in the various constituencies with the intention of drawing insights from the general population. The focus on Nairobi County was informed by limitations in resources as the funding available for the study would not suffice a nation-wide survey of firms. The population of SMEs operating in the service and manufacturing industry was 825 firms (Irungu & Arasa, 2017); this is the population to which the study findings are generalizable. The sample size for the study is derived using Cochran's formula as highlighted below:

$$z\text{^}2 * p(1-p)/\ (1 +\ ((z\text{^}2 * p(1-p)/e\text{^}2\ N))$$

Where

z =1.96

p = 0.5

e =0.05

N =825

$z\text{^}2 * p(1-p)$= 384.16

$1 +\ \left(\left(z^2 * \frac{p(1-p)}{e^2 N}\right) = 1.465648485\right.$

384.16/ 1.465648= 262.1092

The sample size for the study is therefore 262 respondents

3.5 Data collection method

Data was collected through a stratified random sampling approach. This involved the demarcation of the county by constituencies and subsequent assessment of the populations in each constituency. The approach was chosen on account of its enhancement of chances of random representation of entities in the study hence maximization of broad representation of the study population (Meng, 2013). The proportion of respondents for each region was assigned by respective population such that the more populous regions are assigned the most respondents. Table 3.1 provides the subdivisions of responses to be sought from each region.

Table 3.1 Sampling by region

Region	Population	Proportion	Sample
Dagoretti	329577	0.1	26
Embakasi	925775	0.28	73
Kamukunji	261855	0.08	21
Kasarani	525624	0.16	42
Langata	355188	0.11	29
Makadara	218641	0.07	18
Njiru	200984	0.06	16
Starehe	274607	0.08	21
Westlands	247102	0.07	18
Total	3339353	1	262

Respondents were required to fill out questionnaires detailing their rating of the usefulness of the interventions and subsequently their performance. The questionnaires were distributed through drop and pick technique. A preliminary assessment of respondents in the various regions was conducted after which a randomized allotment informed the entities targeted for the collection exercise. An external data collection agency was used in order to leverage the experience of collection agents in enhancing response rate for the study. All questionnaires were transcribed and stored in soft copy thereby allowing for subsequent analysis.

3.6 Data analysis

Descriptive statistics, provided in way of graphs and tabulated summaries were used to assess trends in the underlying data. The study further employed an ordinal logistic regression model to the data with the dependent variable, performance, assessed as an ordered variable with three categories – improved performance, no change in performance, decline in performance. The categories were assessed on the basis of the three performance metrics cash flow, quarterly sales growth and market share as well as customer numbers, complaints and receivables time (Ahmad, 2020). Hedeker (2008) highlights that the regression approach allows for the drawing of relationship between variables with the dependent variable taking on an ordered structure. All variables were assessed on a numerical basis thus enabling the running of the procedure using SPSS software. The regression model used was as follows:

$SME\_Perf = \alpha 0 + \beta 1*Expenditure + \beta 2*Tax\_Relief + \beta 3*Loan\_Restructuring + \beta 4*\Sigma SME\_Control + \varepsilon i$

Where:

- SME_Perf = the performance of the SME financially and operationally
- Expenditure = expenditure package offered to SMEs
- Tax_Relief Tax relief extended to SMEs by the government
- Loan_Restruring = the loan restructuring provisions availed to SMEs
- Control = employee base

3.7 Validity and reliability

Validity addresses the appropriateness of the study questions and study constructs. The data collected for each of the variables should be representative of the construct as a lack of alignment between construct and data would result in misrepresentation (Saunders, Lewis and Thornhill, 2007). To ensure validity of findings, the study tool was piloted, and study respondents required to comment on the readability and comprehensiveness of the questions used. A total of 20 respondents informed these findings with their qualitative responses used to inform the need or lack thereof of edits to the questions. Findings from the pilot study indicated that the questions were well understood hence no edits were required to repopulate the questionnaire thus ensuring alignment prior to the collection of data.

It is necessary to ensure that the approaches utilized in arriving at the study conclusions are replicable. Saunders, Lewis and Thornhill (2007) note that a reliable study ensures that the research outcomes drawing from data can be simulated to the same end through the following of the outlined methodologies of the study. To ensure the reliability of the study, Cronbach's alpha was conducted with scales providing ratings higher than 0.7 and were thus deemed sufficiently reliable (Saunders, Lewis & Thornhill, 2007).

3.8 Ethical concerns

The study required the collection of data from businesses. It is therefore of paramount importance that the data be handled confidentially. No identifying information was required of the business owners. All responses were deidentified to ensure that they cannot be traced back to specific businesses. Data was accessible to the researcher and the supervisor thus limiting possibilities of seepage to unauthorized users. Study findings were further generalized to indicate inferences gleaned from all the data as opposed to specific businesses involved in the data collection exercise.

CHAPTER 4: ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

The purpose of this chapter is to address the objectives of the study using the data collected. The section is demarcated into seven main sections, response rate, respondents' profile, descriptive statistics, objective one, objective two, objective three and chapter summary.

4.2 Response rate

A total of 247 responses were collected for the study. These represented 94% of the total anticipated responses. The data was thus deemed sufficient for analysis. The high response rate was informed by the reliance on specialized collection agents recruited for the purpose of data collection for the study. Table 4.1 provides a summary of the number of responses allocated to each region vis those collected.

Table 4.1 Response rate

Region	Expected	Collected
Dagoretti	26	26
Embakasi	73	65
Kamukunji	21	17
Kasarani	42	41
Langata	29	28
Makadara	18	18
Njiru	16	14
Starehe	21	20
Westlands	18	18
Total	262	247

4.3 Respondents' demographic information

Respondents were required to provide information on the total number of employees in their organization and the general industry within which they operated. Table 4.2 and figure 4.1 provide summaries of the responses for each question with responses per region captured in figure 4.1.

Table 4.2 Number of employees

Statistic	What is your general employee base (number)?
Nbr. of observations	253
Nbr. of missing values	11
Minimum	1
Maximum	100
Range	99
1st Quartile	5
Median	6
3rd Quartile	7
Mean	7.475
Standard deviation (n-1)	9.165

Figure 4.1 Nature of business

Most of the organizations had less than 10 employees and most were in the service industry. The average number for employees was 7.5, hence 8 employees whereas the maximum was 100 employees. A standard deviation of 9.165 however indicated that there was a wide rage in reporting on the number of employees hence the mean figure would not necessarily be representative of the population; the median of 6 was deemed more apt in inferring the standard size of a business in the population. Most of the

organizations were in the service industry with lower representation of manufacturing firms. The average number therefore suggested that most of the establishments were small and thus likely prone to direct financial impact as compared to large counterparts that would have higher revenue hence better changes of securing such services as overdraft and direct financing options form lending institutions. The sample generally represented the most fragile SMEs in the various sectors.

4.4 Descriptive statistics

Respondents were required to provide feedback on the utility of expenditure package assistance advanced to SMEs in Nairobi country. Findings indicated that most respondents disagreed with statements indicating the utility of social protection expenditure advanced by the government. The lowest rating was observed for food relief programs although all ratings were generally within the strongly disagree and disagree bracket of responses. The general thrust of findings on the interventions, therefore, was that government efforts were ineffectual in meeting the needs of the targeted populations. Alternatively, an argument could be made for the services being in the rollout stage with larger institutions more likely to receive funds preferably.

Table 4.3 Effect of expenditure package

Statistic	Mean	Median	Standard deviation (n-1)
[Social protection expenditure.]	1.324	1	0.502
[Cash transfers	1.329	1	0.527
[Food relief programs.]	1.313	1	0.507
[Financial aid issued to SMEs	1.352	1	0.535

With regard to performance, respondents indicated low performance across all indicators. This is shown in table 4.4. The ratings were also within the disagree and strongly disagree range but were higher than those captured for the expenditure package responses. The findings further suggest low impact of interventions put in place to cushion the negative performance outcomes occasioned by the pandemic. These findings therefore are in keeping with expectations as the COVID 19 period was expected to wreak havoc on businesses given the strenuous restrictions of the period that curtailed both the movement of people and goods. Shocks to the economy would

likewise result in a decreased likelihood of spending as the populace would be saving resources as they brace for the worst of the financial hit.

Table 4.4 Performance of SME firms

Statistic	Mean	Median	Standard deviation (n-1)
[Cashflow performance]	1.56	1	0.689
[Liquidity performance]	1.512	1	0.641
[Receivables time]	1.516	1	0.603
[Customer numbers]	1.713	1	0.828
[Customer complaints]	1.468	1	0.616

Reponses on tax reductions advanced as a buffer to performance in the face of the pandemic revealed that the intervention was generally deemed of low impact to the populace. As indicated in table 4.5, most respondents disagreed or strongly disagreed with observations indicating the utility of the intervention. The inference therefore was that the business represented did not receive sufficient or any tax relief aimed at aiding their performance. Implications of this finding in light of extant literature on government interventions are provided in the subsequent section. Given the high tax rates in the country, it would have been the case that tax reduction would have served to retain significant amounts of revenue in the hands of the businesses thus providing an extra layer of protection against calamitous financial consequence.

Table 4.5 Tax reductions descriptive

Statistic	Mean	Median	Standard deviation (n-1)
[VAT tax reduction]	1.746	2	0.67
[Turn-over tax reductions]	1.707	2	0.665
[Income tax reduction]	1.744	2	0.697
[Dividend tax reduction]	1.665	2	0.609

As was the case with the foregoing variables, ratings on loan restructuring were generally low falling between the strongly disagree and disagree sections. The variable however provided the highest mean ratings as indicated in 4.6. This pointed to a wider reach of this intervention in comparison to expenditure packages and tax reduction initiatives. Table 4.7 provides a summary of findings.

Table 4.6 Loan restructuring descriptive statistics

Statistic	Mean	Median	Standard deviation (n-1)
[Adjusted repayment amounts.]	1.815	2	0.746
[Extended repayment periods.]	1.848	2	0.774
[Relief loan provisions]	1.58	1	0.658

An assessment of the overall average responses across all of the metrics indicated lows scores for expenditure package and highest scores for loan restructuring interventions. Notably through, all responses were on the lower side with none of the responses showing mean ratings higher than 2 (disagree). Impact of the interventions was therefore low, and this was evident in the low performance of the surveyed businesses. Table 4.7 provides a summary of observations for all variables hence serving to provide a snippet of relative performance across the variables. Each question was assessed through separate questions hence the averages captured in the table represent aggregative averages per question. As evident from the summaries, Tax Relief, assessed by median had the same score as Loan Restructuring and the two were the highest rating in with respect to their utility in shielding the respondents from the financial impacts of the pandemic; tellingly, the ratings represent disagreement with the observations quizzing on the utility of the interventions; the three interventions were therefore generally deemed ineffective with respect to their ability to shield the affected from debilitating financial consequence.

Table 4.7 Summary descriptive statistics

Statistic	Expenditure_Package	Tax_Relief	Loan_Restructuring	SME_Performance
Median	1.000	2.000	2.000	1.400
Mean	1.333	1.716	1.746	1.554
Standard deviation	0.469	0.606	0.636	0.540

4.5 Diagnostic tests

As a preamble to the regression analysis, diagnostic tests were performed on the data, specifically – test of normality, a test of multicollinearity, and a test of linear

relationship between the dependent and independent variables. The tests were performed to check for the suitability of the data for assessment under the proposed regression model. A test of normality of the dependent variable presented statistically significant Shapiro-Wilk and Kolmogorov-Smirnov statistics thus indicating that data was not normally distributed. This finding was however expected given that the data derived from Likert-scale data.

Table 4.8 Normality test of performance of SMEs (Dependent Variable)

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
SME_Performance	.204	252	.000	.873	252	.000
a. Lilliefors Significance Correction						

As indicated in the Probability-Probability plot, the values align in a linear fashion thus indicating that the variables orient in a linear manner thus justifying the validity of a regression model in assessing the relationship between the variables. Standard residual values were in the range -2.185 and 3.176 thus further confirming the linear orientation of the variables.

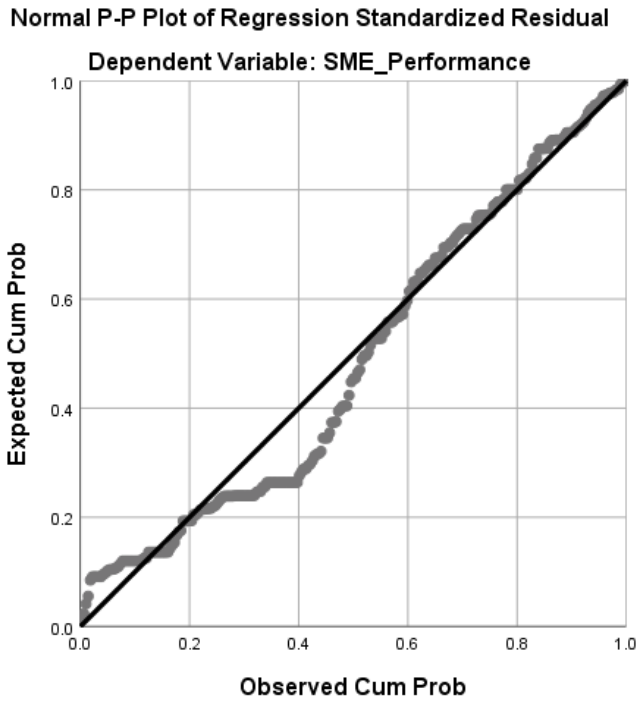


Figure 4.1 Normal P-P Plot

4.6 Factor analysis

A varimax rotation was applied in conducting the confirmatory factor analysis as the constructs were deemed orthogonal given that they measured distinct constructs. Four main factors emerged from the analysis, and these cumulatively accounted for 77% of variance in the assessed constructs. These loadings were consistent with the expected as four main constructs were considered – expenditure package utilization, tax relief interventions, loan restructuring and performance of SMEs. The general inference from the factor analysis, therefore, was that the study constructs were robust with little crossover and therefore were suitable for analysis of as independent variables affecting the dependent variable that is performance of SME firms.

Table 4.9 Total Variance Explained

Total Variance Explained			
Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	3.395	21.222	21.222
2	3.314	20.715	41.936
3	3.274	20.465	62.401
4	2.368	14.801	77.202

An assessment of KMO and Bartlett's test output provided KMO values of 0.796 and a Bartlett's value lower than 0.05. The inference from the statistics was therefore that the was suitable for structure detection. Inferences on the relationships between the various variables, as conduced in subsequent sections, were therefore deemed suitably sound.

Table 4.10 KMO and Bartlett's test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.796
Bartlett's Test of Sphericity	Approx. Chi-Square	2620.495
	df	120
	Sig.	.000

Component loadings indicated a general expected loading of factors. The first component corresponded with performance of SMEs; the second with tax interventions, the third with direct expenditure through the expenditure package, and the last with loan adjustment issues. The independence of components was therefore confirmed in that the constructs considered for each variable were validly indicative of the entails of the variable. The outcomes thus further supports the observation that inferences following from assessment of relationships between the constructs were of reliable interpretation value.

Table 4.11 Rotated component Matrix

Rotated Component Matrix[a]				
	Component			
	1	2	3	4
[Our organizations' liquidity performance has been cushioned or improved during the pandemic government support period]	.917			
[Our organizations' cashflow performance has been cushioned or improved during the pandemic government support period]	.892			
[Our organizations' receivables time performance has been cushioned or improved during the pandemic government support period]	.864		.132	.120
[Our organizations' customer complaints performance has been cushioned or improved during the pandemic government support period]	.674	.225		.141
[Our organizations' customer numbers have been maintained or improved during the pandemic government support period]	.643	.158		
[Turn-over tax reductions effected by the government have been impactful on SME performance.]	.171	.902		.197
[VAT tax reduction effected by the government have been impactful on SME performance.]	.173	.897		.114
[Dividend tax reduction effected by the government have been impactful on SME performance.]	.188	.873		
[Income tax reduction effected by the government have been impactful on SME performance.]		.862	.149	.132
[Food relief programs have been effective in providing employees with food hence aiding in their participation in the workforce.]		.108	.928	.135
[Cash transfers issued to members of the populace have been effective in aiding employees hence easing the burden on employers operating SMEs.]			.916	
[Social protection expenditure by the government has been effective in preventing employees from going without basic needs hence easing the financial burden on firms such as mine.]			.916	
[Financial aid issued to SMEs has been useful in aiding SMEs remain afloat in the current financial times.]	.102		.795	.110
[Adjusted repayment amounts issued by the government have been useful in minimizing the impact of the pandemic on SME performance.]	.125	.153		.909
[Extended repayment periods effected by the government have been useful in minimizing the impact of the pandemic on SME performance.]		.188		.896
[Relief loan provisions effected by the government have been useful in minimizing the impact of the pandemic on SME performance.]			.171	.764
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 5 iterations.				

4.7 Correlation analysis

As indicated in table 4.12, non-correlations between the independent variables were higher than 0.7. This therefore confirmed that non instances of multicollinearity were evidenced in the dataset. The variables were therefore deemed fit for inclusion into the regression model.

Table 4.12 Test for multicollinearity

Correlations						
			Expenditure_Package	Tax_Relief	Loan_Restructuring	SME_Performance
Spearman's rho	Expenditure_Package	Correlation Coefficient	1.000	.222**	.258**	.150*
		Sig. (2-tailed)	.	.000	.000	.018
		N	251	248	245	250
	Tax_Relief	Correlation Coefficient	.222**	1.000	.287**	.309**
		Sig. (2-tailed)	.000	.	.000	.000
		N	248	249	244	248
	Loan_Restructuring	Correlation Coefficient	.258**	.287**	1.000	.090
		Sig. (2-tailed)	.000	.000	.	.160
		N	245	244	247	246
	SME_Performance	Correlation Coefficient	.150*	.309**	.090	1.000
		Sig. (2-tailed)	.018	.000	.160	.
		N	250	248	246	252
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

4.8 Ordinal Logistic Regression results

An assessment of model fitting statistics revealed a significance value of 0.001; the significance value was lower than 0.05 indicated that the model was significantly different from a null model. The results were thus valid as they derived from a statistically significant predictor model. Inferences made were thus deemed of use in inferring the relationship between the variables of study.

Table 4.13 Model Summary

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	296.305			
Final	259.301	37.003	14	.001
Link function: Logit.				

Table 4.14 provides a summary of findings from a goodness of fit test. Findings from the test indicated a significance value higher than 0.05; the null hypothesis was thus not rejected indicating that the data was sufficiently oriented for assessment using the ordinal regression function.

Table 4.14 Goodness of fit test

Goodness-of-Fit			
	Chi-Square	df	Sig.
Pearson	240.914	220	.159
Deviance	201.253	220	.813
Link function: Logit.			

The pseudo-R-Square yielded from the analysis indicated a Nagelkerke value of 0.179 thus indicated that the model accounted for 17.9% of the variance in the dependent variable. The model was thus of statistically significant inference value albeit with curtailed explanatory value in addressing the variance attributable to the selected explanatory variables.

Table 4.15 Pseudo R-Square

Pseudo R-Square	
Cox and Snell	.147
Nagelkerke	.179
McFadden	.092
Link function: Logit.	

The beta value indicating the relationship between expenditure package and performance was 0.082 with a significance value of 0.273. The relationship therefore was not significant at the 95% confidence interval. Table 4.16 provides a summary of the various estimates output from the regression model.

Table 4.16 Parameter estimates

Parameter Estimates								
		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[SME_Performance = 1.0]	34.169	5335.384	.000	1	.995	-10422.992	10491.330
	[SME_Performance = 2.0]	36.907	5335.384	.000	1	.994	-10420.253	10494.068
Location	Employee_Base	.008	.016	.244	1	.622	-.023	.039
	[Expenditure_Package=1.0]	16.870	5335.384	.000	1	.997	-10440.291	10474.032
	[Expenditure_Package=1.5]	17.354	5335.384	.000	1	.997	-10439.807	10474.515
	[Expenditure_Package=2.0]	17.170	5335.384	.000	1	.997	-10439.991	10474.331
	[Expenditure_Package=2.5]	18.221	5335.385	.000	1	.997	-10438.941	10475.383
	[Expenditure_Package=3.0]	16.994	5335.384	.000	1	.997	-10440.168	10474.155
	[Expenditure_Package=3.5]	0[a]	.	.	0	.	.	.
	[Tax_Relief=1.0]	16.059	.658	595.795	1	.000	14.769	17.348
	[Tax_Relief=1.5]	16.413	.915	321.709	1	.000	14.620	18.207
	[Tax_Relief=2.0]	16.942	.627	731.145	1	.000	15.714	18.171
	[Tax_Relief=2.5]	18.324	.788	540.595	1	.000	16.779	19.868
	[Tax_Relief=3.0]	18.470	.000	.	1	.	18.470	18.470
	[Tax_Relief=4.0]	0[a]	.	.	0	.	.	.
	[Loan_Restructuring=1]	.130	1.615	.006	1	.936	-3.036	3.295
	[Loan_Restructuring=2]	.042	1.607	.001	1	.979	-3.107	3.190
	[Loan_Restructuring=3]	.095	1.601	.004	1	.953	-3.042	3.233
	[Loan_Restructuring=4]	0[a]	.	.	0	.	.	.
Link function: Logit.								
a. This parameter is set to zero because it is redundant.								

4.8.1 The effect of the expenditure package on the financial performance of SMEs in Nairobi County

As evidenced in table 4.16, a general increase in ratings on expenditure package were associated with an increase in performance; this relationship however presented with significant values higher than 0.05 hence the relationship could not be considered a valid one at the 95% confidence level. This finding was contrary to expectation as a direct relationship between the variables should be warranted by the fact that funds

would be used by recipients to improve their business positions. Possible reasons for this lack of relationship could be derived from the lack of opportunity to improve business given that restrictions during the pandemic period generally restricted movement of individuals hence circulation of funds in the economy. It is therefore apparent from the current study, that government utilization of direct expenditure issued toward firms was not effectual in addressing performance needs of the organizations. Findings on the impact of employee base on the performance of organizations were consistent with those observed for most variables in that they did not show a statistically significant estimate. Noteworthy also was the fact that most of the organizations had a small employee base hence discontinuation of any of the employees from the business would have a relatively higher impact on the organizations as compared to larger counterparts. The failure in reach of the interventions could be considered debilitating to the institutions in question. It was therefore inferred, from this observation, that a peculiarity in the performance of firms vis market factors was evident for the population and that the latent factors were pervasive affecting the impact of the considered predictor variables. It is also noteworthy, as indicated in appendix 4, that simple regression models run for the three variables indicated that two of the variables were generally impactful to firm performance – tax incentives and government expenditure. Loan restructuring and employee base did not present as significant determinants of performance. This therefore suggests that the variables, when considered in concert, presented only one simple relationship that held in the multiple-regression model – tax incentives.

4.8.2 The effect of tax reductions on the financial performance of SMEs in Nairobi County

As indicated in table 4.16, a general increase in ratings on tax relief were associated with increase in firm performance. This finding was expected and was consistent with descriptive findings as Tax relief provided the highest mean rating and lowest standard deviation thus showing general agreement on the impact of the interventions. Taxation rates present as a high business expense point for organizations hence the reduction in taxes would be anticipated to result in a retention of more funds in the individuals' reserves. These funds could then be used to address general expenditure requirements within the organization with the aim of preserving the economic propensity of the organization. The significant relationship therefore suggests that government

interventions through this avenue were well supported and could targeted; the approach can therefore be prioritized in future interventions aimed at improving the performance in the SMEs. The estimates provided in the model prove statistically significant with alpha values lower than 0.05 hence indicating that a unit rise in rating of tax intervention resulted in a unit rise in performance of SMEs. This relationship was therefore significant at the 95% confidence level. Given the high taxation rates in the country, it could be inferred that a lack of impact from reduced taxation presented as a lost opportunity given the broad-reach and instantaneous impact of the provision. It may however also be the case that most of the organizations did not pay necessary taxes hence such an intervention, though effected, would not, for such companies, necessarily result in increased retention of earnings.

4.8.3 The effect of loan restructuring provisions on the financial performance of SMEs in Nairobi County

As indicated in table 4.16, an increase in ratings did not show a definite pattern of influence (decrease or increase) on firm performance. The outcome was that of improved performance with the availing of loan restructuring provisions. This is because loan restructuring would prevent the occasioning of immediate impact on liquidity of firms thus preventing the businesses in question from going under. Moreover, a significance values presenting with the indicators were higher than 0.05. A possible explanation or the lack of association between the two variables could however be a function of magnitude of restructuring. Restructuring efforts could have been effective but only in the short-run with extended periods of government restrictions wiping out the gains that otherwise would have been realized by the businesses. The relationship between the variables could therefore not be confirmed at the 95% confidence level. The inference therefore was that company performance was not impacted by loan restructuring efforts initiated through government directives. Motivations of the private banks to issue loans or restructure existing ones would have been curtailed by the fact that collateral provisions would have been affected by the effects of the pandemic. As an example, many people were laid off and thus looked to the banks for restructured loans; however, these could not be provided on account of the chances of default. This intervention would therefore likely not have been effectual on the grand scheme as banks would eventually bear the brunt of bad loans.

CHAPTER 5: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of the current study is to assess the effect of government interventions on SMEs Financial Performance in Nairobi County during the Covid-19 government restrictions period. The specific objectives derive from the specific interventions and are as follows: to determine the effect of the expenditure package on the financial performance of SMEs in Nairobi County; to determine the effect of tax reductions on the financial performance of SMEs in Nairobi County; and to finally, to determine the effect of loan restructuring provisions on the financial performance of SMEs in Nairobi County. Findings are discussed in light of extant literature in the subsequent sections. Also contained in this section are recommendations, limitations, and conclusion sections.

5.2 Discussion

This section addresses findings on the specific objectives of the study. The section is divided into three parts each representing an objective.

5.2.1 The effect of the expenditure package on the financial performance of SMEs in Nairobi County.

The essence of Say's (1803) laws is the intricate linkage between money and the means of production of an economy. Essentially, money plays the role of facilitating trade but in itself is invaluable except for the value that it represents by virtue of linkage to a means of production. In applying this law to the effectiveness of expenditure packages, it would be expected that an infusion of money to the economy, via SMEs would generally be ineffectual to the economy in as far as value of production goes. In viewing SME performance as a proxy for production value, the expected outcome would be a lack of association between the two variables; this postulation is supported in the current study as findings revealed no statistically significant relationship between expenditure package effect and performance of SMEs in Nairobi County. It is also noteworthy that most respondents disagreed or strongly disagreed with the observation that expenditure package funding was effectual in supporting the performance of SMEs; this was generally on account of a lack of access to the provision. Economic stimulus packages reported by Rwanda, Kenya, Ghana and

Nigeria all fall below 5% of GDP as compared to such European countries as Denmark, France, and Great Britain with the later grouping having packages of at least 10% of GDP and going as high as 40% of GDP in the case of Italy. This small allocation of funding would therefore justify the small reach of the intervention among the surveyed firms. Habiyaremye (2021) further note that in general, larger financial expenditure packages are likely to yield more beneficial results than smaller ones. Watt and Nikolova (2013) further argue that increased allocation of direct funding to businesses would have served to hasten the recovery process and more importantly, limit the havoc resulting from the financial downturn. Findings from the study thus point to a gross inadequacy of the intervention availed in the form of expenditure packages – a failing of amount, reach and justifiable expected consequence.

5.2.2 The effect of tax reductions on the financial performance of SMEs in Nairobi County.

Findings from the study reveal that of the three interventions – expenditure package, tax reductions, and loan restructuring provisions – only one, at the 95% confidence level, could be confirmed to be of impact to the performance of SMEs – tax reductions. Zhao (2020) notes that the rationale behind the intervention is the easing of financial burden to individuals that have lost or been negatively affected by layoffs of reduction in work opportunity. This provision must however be considered in light of the reduction in funding in the government's fiscal space. The current study reveals a link between tax provisions availed through the Tax Laws (Amendment) Act, 2020, and the COVID-19 Spending Plan and the Economic Stimulus Plan. This relationship is observed despite that low performance of firms. The inference therefore is that the government should primarily have focused on this intervention lowering taxation even further to bolster the performance of SMEs. This concern is justified by the forgoing discussion on expenditure packages and primarily so on account of the spread of the two interventions; whereas direct expenditure through the expenditure package targets a small minority of businesses, tax incentive are blanket in nature and therefore impact at a wider scale. Adam, Henstrige and Lee (2020) however note that tax collection in most African countries, Kenya included, do not substantiate budgetary allocations. The decline in taxes would therefore, in light of the already existent deficit, serve to exacerbate the financial situation of the country. The difference made up by borrowings would therefore widen hence leading to further accumulation of debt.

Nechifor et al (2021) note that fiscal relaxations, financial provisions and increased government spending are anticipated to lead to steep public deficit increases thus possibly placing the country in further financial distress following the availing of the illustrious COVID-19 provisions. The broader effects to the economy are therefore undecipherable requiring more time for the macro-manifestations to present in at an economy-wide scale.

5.2.3 The effect of loan restructuring provisions on the financial performance of SMEs in Nairobi County.

Loan restructuring provisions, expenditure package interventions, were deemed not to have an impact on the financial performance of SMEs. Keynes (1953) law suggested that liquidity was not only a facilitator of trade but also an integral part in the economy such that general decrease and increases in liquidity as assessed from a grand scale, would have significant impact on the ability of persons to engage in economic activity. The anticipated outcome, in light of Keynes (1953) was therefore that loan restructuring interventions would be correlated with the financial performance of SMEs. The findings from the study however presented in support of Say's (1803) law which links financing to the means of production thus indicating that increase in money to the SMEs would not be of effect primarily because the means of production were impeded by the social restrictions imposed at the time.

To avoid the creation of future crises imparted by impulsive interventions, the IMF and World Bank (2020) proposed that policies be time-bound, incorporate a sunset clause with clear exit specifications, target only viable businesses, and account for potential moral hazard. Borrowers that were struggling to meet loan obligations prior to the pandemic were not to be considered as their compliant counterparts as such an approach would expose lending institutions to unnecessary additional risk. Findings from the current study suggest low performance of SMEs and likewise, low interventions aimed at addressing the loan situation of companies. In light of the IMF (2020) suggestions, it may be the case that banks did indeed avoid additional issuance of funds to SMEs even as they enforced current collection exercises. The action would be deemed justified on account the reported low performance as any additional funding would have likely been gobbled up by the declining financial bottom-line of the businesses.

Gourinchas et al's (2021) suggestion that financiers assist struggling SMEs "at-risk" as opposed to broader government guarantee loans would therefore not necessarily be applicable to the current assessed population on account of the poor performance of businesses. The lack of additional funding and increased payment periods could be explained by the fact that microfinances were doubly affected by the pandemic. On the one side, financing lines went dry on account of poor repayment and secondly decrease in funding from large banks (Malik et al, 2020). Given that a large number of SMEs are financed by microfinances, it would have been imprudent for them to alter their financing approaches as reserve funds would not support such risky endeavours.

Recommendations

Two main recommendations emerge from the findings. Firstly, government interventions should be guided by a Say's (1803) understanding of the role of financing in an economy. Secondly, Financial interventions should be assessed primarily on account of reach with the broadest reaching accorded preference in both time of implementation and resource allocation. Say's (1803) rationale would have dictated that direct expenditure to businesses be withheld as it would be ineffectual on account of a lack of direct linkage to augmentation of the means of production. The same would be argued of loans. With regard to reach of interventions, the broadest reaching of the interventions, tax provisions, presented as the only significant determinant of performance. Additionally, a link between the means of production and economic performance is evidenced by the decrease in input costs; it is therefore not surprising, as viewed on the basis of Say's (1803) law, that the construct presented as the only determinant of SME performance.

5.3 Conclusion

Findings discussed in the foregoing section point to a general limited impact of interventions put forth by the government in the bid to aid SMEs navigate the effects of the pandemic. This low impact can be attributed to the low reach of the interventions as reported in the study. Tax interventions prove to be the only valid indicator of performance among the SMEs thus providing justification for consideration of the intervention as the most important policy point when addressing interventions targeted at the population.

5.4 Recommendations of the study

5.4.1 Recommendations to policy

The persistence of the great depression suggested that the role of liquidity in the economy was previously underestimated. Whereas Say's law indicated that money was merely a tool to facilitate exchange, Keynes' argument suggested that liquidity was not only a facilitator of trade but also an integral part in the economy such that general decrease and increases in liquidity as assessed from a grand scale, would have significant impact on the ability of persons to engage in economic activity (Keynes, 1953). The policy of direct government intervention through expenditure packages, and loan restructurings was found ineffectual in the Kenyan market. Tax reductions were however useful in spurring financial performance. It may the argued that of the three interventions tax cuts, on account of their impact on purchase of raw materials, were most close to the means of production. The two other interventions – expenditure packages and loan restructuring, were more aimed at immediate liquidity and thus a step removed from the means of production. The policy guided by Say's (1803) insights are thus best fitting for the service and manufacturing industry of Kenya.

5.4.2 Recommendations to practice

The main recommendation of the study is that government interventions be informed by well-established research findings so as to avoid the misuse of financing. The general inference from the study was that all three interventions were poorly spread thus few SMEs had access to the assistance provided. This observation points to the need for increased investment in interventions. Finally, of the three interventions only tax-centred initiatives prove impactful to SME performance. It is therefore necessary to prioritize these interventions in future considerations of interventions.

5.5 Contribution to knowledge

The study sought to answer three main questions: What is the effect of the expenditure package on the financial performance of SMEs in Nairobi County? What is the effect of tax reductions on the financial performance of SMEs in Nairobi County? What is the effect of the loan restructuring provision on the financial performance of SMEs in Nairobi County? Of the three questions, findings indicated that only the second factor, tax reductions, could be considered (at the 95% confidence level) impactful to the financial performance of SMEs in Nairobi County. Government efforts to aid ailing

businesses in the event of such crises as the COVID 19 pandemic should therefore primarily focus on tax interventions as the primary remedy.

5.6 Areas of Further research

There as clear indication that the purported government interventions did not reach the affected at a broad scale. The findings suggest a breakdown in either reporting or efficacy of efforts. Future studies should investigate the gap targeting the efficacy of disbursement of said interventions or the possible reason behind the low scores attributed to the three interventions.

The main limitation of the study presents in the curtailed generalizability of findings on account of consideration of SMEs operation in the service and manufacturing industry. Future studies should be conducted with the intention of spanning more industries and providing insights that are applicable at a macro-SME assessment scale. Secondly, the study did not apply any exploratory approaches leveraging qualitative data. It was apparent that most of the respondents did not have access to the interventions and that reasons for this were quite varied. Future studies should therefore assess possible determinants of the hampered reach of the interventions within the regions of study.

5.7 Limitations of the study

The main limitation of the study is methodological in that data was collected through a self-reported Likert scale. The answers were therefore subject to individual respondents' biases hence inferences make from the study must be taken with this understanding. Secondly, the study was limited to Nairobi County hence the interventions cannot be considered representative of all regions within which government interventions were advanced. There therefore could be peculiarities, in Nairobi, that play a role in determining the unearthed relationships (and lack thereof) between the study constructs. Future studies should therefore consider broadening the scope to include further areas within which the various interventions were applicable.

REFERENCES

Adam, C., Henstridge, M., & Lee, S. (2020). After the lockdown: Macroeconomic adjustment to the COVID-19 pandemic in sub-Saharan Africa. *Oxford Review of Economic Policy*, *36*(May), S338–S358. https://doi.org/10.1093/oxrep/graa023

Ahmad, N. N. (2020). The Effectiveness of Additional PRIHATIN SME Economic Stimulus Package (PRIHATIN SME +) in Malaysia Post-COVID-19 Outbreak : A Conceptual Paper. *Global Business & …*, *12*(4), 754–764. http://gbmrjournal.com/pdf/v12n4/V12N4-73.pdf

Akrofi, M. M., & Antwi, S. H. (2020). COVID-19 energy sector responses in Africa: a review of preliminary government interventions. *Energy Research & Social Science*, *68*, 101681.

Alaine, C. (2017, July 14). SMES are growing Kenya's economy. Retrieved January 18, 2021, from https://www.africanreview.com/finance/business/smes-are-growing-kenya-s-economy-3#:~:text=Kenya's 2017 overall GDP growth,3 percent of the GDP.

Alberola-Ila, E., Arslan, Y., Cheng, G., & Moessner, R. (2020). *The fiscal response to the Covid-19 crisis in advanced and emerging market economies* (No. 23). Bank for International Settlements.

Anderson, R. C., Reeb, D. M., Upadhyay, A., & Zhao, W. (2011). The Economics of Director Heterogeneity. *Financial Management*, *40*(1), 5–38. https://doi.org/10.1111/j.1755-053X.2010.01133.x

Bank, I.-W. B. (2020). COVID-19: The Regulatory and Supervisory Implications for the Banking Sector. *COVID-19: The Regulatory and Supervisory Implications for the Banking Sector*, 1–10. https://doi.org/10.5089/9781513545059.073

Barrell, R., Holland, D., & Willem, D. (2009). *A fiscal stimulus to address the effects of the global financial crisis on sub-Saharan Africa*. *March*.

Baumol, W. J. (1999). *Say ' s Law*. *13*(1), 195–204.

Bayer, C., Born, B., Luetticke, R., & Müller, G. J. (2020). The Coronavirus Stimulus Package: How large is the transfer multiplier?.

Bilal, S., Griffith-jones, S., Kapoor, S., Karingi, S., Songwe, V., & Willem, D. (2020). Saving Africa ' s private sector jobs during the coronavirus pandemic. *United Nations Economic Commission for Africa*, *04*(15 April), 1–14.

Bizzaro, P. (2010, May). Workshop: an ontological study. In *Does the writing*

workshop still work (pp. 36-51).

Brewer, M., & Tasseva, I. (2020). Did the UK policy response to Covid-19 protect household incomes?. *Available at SSRN 3628464*.

Chirume, E., & Kaseke, N. Impact of Covid-19 On Small And Medium-Sized Enterprises (SMEs) In Chinhoyi, Zimbabwe.

Coenen, G., Straub, R., & Trabandt, M. (2013). Gauging the effects of fiscal stimulus packages in the euro area. *Journal of Economic Dynamics and Control*, *37*(2), 367-386.

Crossan, F. (2003). Research philosophy: towards an understanding. *Nurse Researcher (through 2013)*, *11*(1), 46.

Danielli, S., Patria, R., Donnelly, P., Ashrafian, H., & Darzi, A. (2020). Economic interventions to ameliorate the impact of COVID-19 on the economy and health: an international comparison. *Journal of Public Health*.

Didier, T., Huneeus, F., Larrain, M., & Schmukler, S. L. (2021). Financing firms in hibernation during the COVID-19 pandemic. *Journal of Financial Stability*, *53*, 100837.

Garland, R. (1991). The mid-point on a rating scale: Is it desirable. *Marketing bulletin*, *2*(1), 66-70.

Gregar, J. (1994). Research Design (Qualitative, Quantitative and Mixed Methods Approaches). *Book published by SAGE Publications*, *228*.

Eggers, F. (2020). Masters of disasters? Challenges and opportunities for SMEs in times of crisis. *Journal of Business Research*, *116*(May), 199–208. https://doi.org/10.1016/j.jbusres.2020.05.025

Elgin, C., Basbug, G., & Yalaman, A. (2020). Economic policy responses to a pandemic: Developing the COVID-19 economic stimulus index. *Covid Economics*, *1*(3), 40-53.

Gourinchas, P.-O., Kalamli-Ozcan, S., Veronika, P., & Sander, N. (2021). Covid-19 And SME Failure. *National Bureau of Economic Research*, *53*(9), 1689–1699. www.journal.uta45jakarta.ac.id

Habiyaremye, A., Jacobs, P., Molewa, O., & Lekomanvane, P. (2021). Macroeconomic stimulus packages and income inequality in developing countries: Lessons from the 2007-9 Great Recession for the Covid-19 crisis in South Africa.

Hedeker, D. (2008). Multilevel models for ordinal and nominal variables.

In *Handbook of multilevel analysis* (pp. 237-274). Springer, New York, NY.

Holden, M. T., & Lynch, P. (2004). Choosing the appropriate methodology: Understanding research philosophy. *The marketing review*, *4*(4), 397-409.

Irungu, A., & Arasa, R. (2017). Factors Influencing Competitiveness of Small and Medium Enterprises (SMEs) in Nairobi County, Kenya. *Journal of Economics and Behavioral Studies*, *9*(2 (J)), 161-173.

Kaplan, R. S., & Norton, D. P. (1996). Using the balanced scorecard as a strategic management system.

Keynes, J. M. (1953). *A Treatise on Money [Reprinted]*. Macmillan & Company Limited.

Khatiwada, S. (2009). Stimulus Packages to Counter Global Economic Crisis : A review International Institute for Labour Studies. *Main*.

Kuckertz, A., Brändle, L., Gaudig, A., Hinderer, S., Morales Reyes, C. A., Prochotta, A., Steinbrink, K. M., & Berger, E. S. C. (2020). Startups in times of crisis – A rapid response to the COVID-19 pandemic. *Journal of Business Venturing Insights*, *13*, e00169. https://doi.org/10.1016/j.jbvi.2020.e00169

Loayza, N., & Pennings, S. M. (2020). Macroeconomic policy in the time of COVID-19: A primer for developing countries. *World Bank Research and Policy Briefs*, (147291).

Malik, K., Meki, M., Morduch, J., Ogden, T., Quinn, S., & Said, F. (2020). COVID-19 and the future of microfinance: Evidence and insights from Pakistan. *Oxford Review of Economic Policy*, *36*(April), S138–S168. https://doi.org/10.1093/oxrep/graa014

Maher, C. S., Hoang, T., & Hindery, A. (2020). Fiscal Responses to COVID-19: Evidence from Local Governments and Nonprofits. *Public Administration Review*.

Mill, J. (1804). Lord Lauderdale on public wealth. *Literary Journal*, *4*, 1-18.

Nandakumar, A. (2020, July 23). MSME Resilience. Retrieved from https://www.fsg.org/publications/msme-resilience#download-area

Narayan, P. K., Phan, D. H. B., & Liu, G. (2020). COVID-19 lockdowns, stimulus packages, travel bans, and stock returns. *Finance research letters*, 101732.

Nechifor, V., Ramos, M. P., Ferrari, E., Laichena, J., Kihiu, E., Omanyo, D., Musamali, R., & Kiriga, B. (2021). Food security and welfare changes under COVID-19 in Sub-Saharan Africa: Impacts and responses in Kenya. *Global Food*

Security, *28*(January), 100514. https://doi.org/10.1016/j.gfs.2021.100514

Say, J. B. (1803). *Jean-Baptiste Say and Political Economy*. Taylor & Francis.

Smith, A. (1776). 1976. An Inquiry into the Nature and Causes of the Wealth of Nations. *The Glasgow edition of the works and correspondence of Adam Smith*, *2*.

Saunders, M., Lewis, P. H. I. L. I. P., & Thornhill, A. D. R. I. A. N. (2007). Research methods. *Business Students 4th edition Pearson Education Limited, England*.

Thweatt, W. (2016). *London School of Economics The Suntory and Toyota International Centres for Economics and Related Disciplines Baumol and James Mill on " Say ' s " Law of Markets Author (s): William O . Thweatt Source : Economica , New Series , Vol . 47 , No . 188 (Nov*. *47*(188), 467–469.

Warjri, L., & Shah, A. (2020). India and Africa: Charting a Post-COVID-19 Future. *Observer Research Foundation*.

Watt, A., & Nikolova, M. (2013). A Quantum of Solace? An Assessment of Fiscal Stimulus Packages by EU Member States in Response to the Economic Crisis. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2264197

Were, A. (2016). Manufacturing in Kenya: Features, challenges and opportunities. *International Journal of Science, Management and Engineering*, *4*(6), 15-26.

Zhao, B. (2020). *Pr ep rin t n ot pe er r Pr ep rin t n ot pe er r ed*.

Zulkarnaen, W., Erfiansyah, E., Amin, N. N., & Leonandri, D. G. (2020). Comparative Study of Tax Policy Related to COVID-19 in ASEAN Countries. *Test Engineering and Management Journal*, *10*(June), 6519–6528. https://www.researchgate.net/publication/341495765

APPENDIX 1: INTRODUCTION LETTER

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya.
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit **www.sbs.strathmore.edu**

Strathmore UNIVERSITY BUSINESS SCHOOL

7th August 2021

To Whom It May Concern.

Dear Sir/ Madam.

RE: FACILITATION OF RESEARCH – FELIX MOCHIEMO OINDI

This is to introduce Felix Oindi who is a Master of Business Administration student at Strathmore University Business School, admission number MBA/46523/15. As part of our MBA Program, Felix is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MBA course. To this effect, he would like to request for appropriate data from your organization.

Felix is undertaking a research paper on **"Effects of Government Interventions on the Financial Performance of SMEs Within Nairobi County".** The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Caroline Tiara.
Manager – Graduate Programs.
Strathmore University Business School.

APPENDIX 2: STUDY QUESTIONNAIRE

SECTION A: BIODEMOGRAPHIC

1. Within which region is your organization located?

Dagoretti	
Embakasi	
Kamukunji	
Kasarani	
Langata	
Makadara	
Njiru	
Starehe	
Westlands	

2. In what industry does your business operate?

3. What is your general employee base (number)?

SECTION B: EXPENDITURE PACKAGE AND IMPACT ON PERFORMANCE

4. Kindly respond to the questions below by ticking the appropriate (single) box.

Key 1-strongly disagree, 2-disagree, 3-agree, 4-strongly agree.

	1(Strongly Disagree)	2 (Disagree)	3 (Agree)	4 (Strongly Agree)
Social protection expenditure by the government has been effective in preventing employees from going without basic needs hence easing the financial burden on firms such as mine.				

Cash transfers issued to members of the populace have been effective in aiding employees hence easing the burden on employers operating SMEs.				
Food relief programs have been effective in providing employees with food hence aiding in their participation in the workforce.				
Financial aid issued to SMEs has been useful in aiding SMEs remain afloat in the current financial times.				

SECTION C: TAX RELIEF

5. Kindly respond to the questions below by ticking the appropriate (single) box.

Key 1-strongly disagree, 2-disagree, 3-agree, 4-strongly agree.

	1(Strongly Disagree)	2 (Disagree)	3 (Agree)	4 (Strongly Agree)
VAT tax reduction effected by the government have been impactful on SME performance.				
Turn-over tax reductions effected by the government have been impactful on SME performance.				
Income tax reduction effected by the government have been impactful on SME performance.				

Dividend tax reduction effected by the government have been impactful on SME performance.				

SECTION D: LOAN RESTRUCTURING

6. Kindly respond to the questions below by ticking the appropriate (single) box.

Key 1-strongly disagree, 2-disagree, 3-agree, 4-strongly agree.

	1(Strongly Disagree)	2 (Disagree)	3 (Agree)	4 (Strongly Agree)
Adjusted repayment amounts issued by the government have been useful in minimizing the impact of the pandemic on SME performance.				
Extended repayment periods effected by the government have been useful in minimizing the impact of the pandemic on SME performance.				
Relief loan provisions effected by the government have been useful in minimizing the impact of the pandemic on SME performance.				

SECTION E: SME PERFORMANCE

7. Kindly respond to the questions below by ticking the appropriate (single) box.

Key 1-strongly disagree, 2-disagree, 3-agree, 4-strongly agree.

	1(Strongly Disagree)	2 (Disagree)	3 (Agree)	4 (Strongly Agree)
Our organizations' cashflow performance has been cushioned or improved during the pandemic government support period				
Our organizations' liquidity performance has been cushioned or improved during the pandemic government support period				
Our organizations' receivables time performance has been cushioned or improved during the pandemic government support period				
Our organizations' customer numbers have been maintained or improved during the pandemic government support period				
Our organizations' customer complaints performance has been cushioned or improved during the pandemic government support period				

Thank you for taking part in this survey.

APPENDIX 3: NACOSTI RESEARCH LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 486123

Date of Issue: 07/September/2021

RESEARCH LICENSE

This is to Certify that Mr.. Felix Mochiemo Oindi of Strathmore University, has been licensed to conduct research in Nairobi on the topic: Effects Of Government Interventions On The Financial Performance Of SMEs Within Nairobi County for the period ending : 07/September/2022.

License No: NACOSTI/P/21/12716

486123

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is Guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014

CONDITIONS

1. The License is valid for the proposed research, location and specified period
2. The License any rights thereunder are non-transferable
3. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research
4. Excavation, filming and collection of specimens are subject to further necessary clearence from relevant Government Agencies
5. The License does not give authority to tranfer research materials
6. NACOSTI may monitor and evaluate the licensed research project
7. The Licensee shall submit one hard copy and upload a soft copy of their final report (thesis) within one year of completion of the research
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice

National Commission for Science, Technology and Innovation
off Waiyaki Way, Upper Kabete,
P. O. Box 30623, 00100 Nairobi, KENYA
Land line: 020 4007000, 020 2241349, 020 3310571, 020 8001077
Mobile: 0713 788 787 / 0735 404 245
E-mail: dg@nacosti.go.ke / registry@nacosti.go.ke
Website: www.nacosti.go.ke

APPENDIX 4: ETHICAL APPROVAL

Strathmore UNIVERSITY

16th February 2022

Mr Oindi, Felix
mochfel@gmail.com

Dear Mr Oindi,

RE: Effects of Government Interventions On The Financial Performance of Smes Within Nairobi County

This is to inform you that SU-IERC has reviewed and **approved** your above **SU Master's** research proposal. Your application reference number is **SU-IERC1161/21.** The approval period is **16th February 2022 to 15th February 2023.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 48 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 48 hours
v. Clearance for export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

for: Prof Fred Were,
Chairperson; SU-IERC

STRATHMORE UNIVERSITY INSTITUTIONAL ETHICS REVIEW COMMITTEE (SU-IERC)
16-Feb-2022
TEL: +254 (0)70303400
P.O BOX 59857-00200
NAIROBI-KENYA

APPENDIX 5: SIMPLE REGRESSION RESULTS

PLUM - Ordinal Regression

Notes

Output Created		09-NOV-2021 20:02:38
Comments		
Input	Data	L:\Desktop\Work\Research\Ongoing\Mr\Felix2\Analysis Felix\Untitled2y.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	253
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the model.
Syntax		PLUM SME_Performance BY Expenditure_Package /CRITERIA=CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5) PCONVERGE(1.0E-6) SINGULAR(1.0E-8) /LINK=LOGIT /PRINT=FIT PARAMETER SUMMARY.
Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.03

[DataSet1] L:\Desktop\Work\Research\Ongoing\Mr\Felix2\Analysis Felix\Untitled2y.sav

Warnings

There are 9 (37.5%) cells (i.e., dependent variable levels by observed combinations of predictor variable values) with zero frequencies.

Unexpected singularities in the Fisher Information matrix are encountered. There may be a quasi-complete separation in the data. Some parameter estimates will tend to infinity.

The PLUM procedure continues despite the above warning(s). Subsequent results shown are based on the last iteration. Validity of the model fit is uncertain.

Case Processing Summary

		N	Marginal Percentage
SME_Performance	1.0	137	54.8%
	1.5	1	0.4%
	2.0	95	38.0%
	3.0	17	6.8%
Expenditure_Package	1.0	166	66.4%
	1.5	17	6.8%
	2.0	62	24.8%
	2.5	1	0.4%
	3.0	3	1.2%
	3.5	1	0.4%
Valid		250	100.0%
Missing		3	
Total		253	

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	39.498			
Final	31.023	8.475	5	.132

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	2.711	10	.987
Deviance	3.436	10	.969

Link function: Logit.

Pseudo R-Square

Cox and Snell	.033
Nagelkerke	.040
McFadden	.019

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[SME_Performance = 1.0]	19.144	1.117	293.981	1	.000
	[SME_Performance = 1.5]	19.161	1.116	294.527	1	.000
	[SME_Performance = 2.0]	21.626	1.117	375.123	1	.000
Location	[Expenditure_Package=1.0]	18.739	1.125	277.297	1	.000
	[Expenditure_Package=1.5]	19.409	1.205	259.266	1	.000
	[Expenditure_Package=2.0]	19.322	1.139	287.771	1	.000
	[Expenditure_Package=2.5]	20.394	2.219	84.466	1	.000
	[Expenditure_Package=3.0]	20.389	.000	.	1	.
	[Expenditure_Package=3.5]	0[a]	.	.	0	.

Parameter Estimates

		95% Confidence Interval	
		Lower Bound	Upper Bound
Threshold	[SME_Performance = 1.0]	16.956	21.333
	[SME_Performance = 1.5]	16.973	21.349
	[SME_Performance = 2.0]	19.438	23.815
Location	[Expenditure_Package=1.0]	16.533	20.944
	[Expenditure_Package=1.5]	17.047	21.772
	[Expenditure_Package=2.0]	17.090	21.555
	[Expenditure_Package=2.5]	16.044	24.743
	[Expenditure_Package=3.0]	20.389	20.389
	[Expenditure_Package=3.5]	.	.

Link function: Logit.

a. This parameter is set to zero because it is redundant.

```
PLUM SME_Performance BY Tax_Relief
  /CRITERIA=CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5)
PCONVERGE(1.0E-6) SINGULAR(1.0E-8)
  /LINK=LOGIT
  /PRINT=FIT PARAMETER SUMMARY.
```

PLUM - Ordinal Regression

Notes

Output Created		09-NOV-2021 20:03:26
Comments		
Input	Data	L:\Desktop\Work\Research\Ongoing\Mr\Felix2\Analysis Felix\Untitled2y.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	253
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the model.
Syntax		PLUM SME_Performance BY Tax_Relief /CRITERIA=CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5) PCONVERGE(1.0E-6) SINGULAR(1.0E-8) /LINK=LOGIT /PRINT=FIT PARAMETER SUMMARY.

Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.13

Warnings

There are 8 (33.3%) cells (i.e., dependent variable levels by observed combinations of predictor variable values) with zero frequencies.

Unexpected singularities in the Fisher Information matrix are encountered. There may be a quasi-complete separation in the data. Some parameter estimates will tend to infinity.

The PLUM procedure continues despite the above warning(s). Subsequent results shown are based on the last iteration. Validity of the model fit is uncertain.

Case Processing Summary

		N	Marginal Percentage
SME_Performance	1.0	136	54.8%
	1.5	1	0.4%
	2.0	94	37.9%
	3.0	17	6.9%
Tax_Relief	1.0	91	36.7%
	1.5	10	4.0%
	2.0	116	46.8%
	2.5	13	5.2%
	3.0	17	6.9%
	4.0	1	0.4%
Valid		248	100.0%
Missing		5	
Total		253	

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	68.112			
Final	36.836	31.276	5	.000

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	4.063	10	.944
Deviance	4.694	10	.911

Link function: Logit.

Pseudo R-Square

Cox and Snell	.118
Nagelkerke	.142
McFadden	.070

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[SME_Performance = 1.0]	17.142	.499	1180.221	1	.000
	[SME_Performance = 1.5]	17.160	.499	1183.620	1	.000
	[SME_Performance = 2.0]	19.817	.488	1651.779	1	.000
Location	[Tax_Relief=1.0]	16.276	.546	889.578	1	.000
	[Tax_Relief=1.5]	16.674	.810	424.043	1	.000
	[Tax_Relief=2.0]	17.111	.523	1072.342	1	.000
	[Tax_Relief=2.5]	18.487	.720	659.367	1	.000
	[Tax_Relief=3.0]	18.677	.000	.	1	.
	[Tax_Relief=4.0]	0[a]	.	.	0	.

Parameter Estimates

		95% Confidence Interval	
		Lower Bound	Upper Bound
Threshold	[SME_Performance = 1.0]	16.164	18.120
	[SME_Performance = 1.5]	16.182	18.137
	[SME_Performance = 2.0]	18.862	20.773
Location	[Tax_Relief=1.0]	15.206	17.346
	[Tax_Relief=1.5]	15.087	18.261
	[Tax_Relief=2.0]	16.087	18.135
	[Tax_Relief=2.5]	17.076	19.898
	[Tax_Relief=3.0]	18.677	18.677

[Tax_Relief=4.0]	.	.

Link function: Logit.

a. This parameter is set to zero because it is redundant.

```
PLUM SME_Performance BY Loan_Restructuring
  /CRITERIA=CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5)
PCONVERGE(1.0E-6) SINGULAR(1.0E-8)
  /LINK=LOGIT
  /PRINT=FIT PARAMETER SUMMARY.
```

PLUM - Ordinal Regression

Notes

Output Created		09-NOV-2021 20:03:56
Comments		
Input	Data	L:\Desktop\Work\Research\Ongoing\Mr\Felix2\Analysis Felix\Untitled2y.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	253
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the model.

Syntax		PLUM SME_Performance BY Loan_Restructuring /CRITERIA=CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5) PCONVERGE(1.0E-6) SINGULAR(1.0E-8) /LINK=LOGIT /PRINT=FIT PARAMETER SUMMARY.
Resources	Processor Time	00:00:00.03
	Elapsed Time	00:00:00.03

Warnings

There are 4 (25.0%) cells (i.e., dependent variable levels by observed combinations of predictor variable values) with zero frequencies.

Case Processing Summary

		N	Marginal Percentage
SME_Performance	1.0	136	55.3%
	1.5	1	0.4%
	2.0	92	37.4%
	3.0	17	6.9%
Loan_Restructuring	1	96	39.0%
	2	110	44.7%
	3	37	15.0%
	4	3	1.2%
Valid		246	100.0%
Missing		7	
Total		253	

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	35.869			
Final	33.732	2.137	3	.544

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	5.857	6	.439
Deviance	5.997	6	.424

Link function: Logit.

Pseudo R-Square

Cox and Snell	.009
Nagelkerke	.010
McFadden	.005

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[SME_Performance = 1.0]	.145	1.127	.017	1	.897
	[SME_Performance = 1.5]	.162	1.127	.021	1	.886
	[SME_Performance = 2.0]	2.548	1.148	4.928	1	.026
Location	[Loan_Restructuring=1]	-.253	1.145	.049	1	.825
	[Loan_Restructuring=2]	-.026	1.142	.001	1	.982
	[Loan_Restructuring=3]	.285	1.170	.059	1	.808
	[Loan_Restructuring=4]	0[a]	.	.	0	.

Parameter Estimates

		95% Confidence Interval	
		Lower Bound	Upper Bound
Threshold	[SME_Performance = 1.0]	-2.064	2.355
	[SME_Performance = 1.5]	-2.048	2.372
	[SME_Performance = 2.0]	.298	4.797
Location	[Loan_Restructuring=1]	-2.498	1.992
	[Loan_Restructuring=2]	-2.265	2.212
	[Loan_Restructuring=3]	-2.009	2.579
	[Loan_Restructuring=4]	.	.

Link function: Logit.

a. This parameter is set to zero because it is redundant.

```
PLUM SME_Performance WITH Employee_Base
  /CRITERIA=CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5)
PCONVERGE(1.0E-6) SINGULAR(1.0E-8)
  /LINK=LOGIT
  /PRINT=FIT PARAMETER SUMMARY.
```

PLUM - Ordinal Regression

Notes

Output Created		09-NOV-2021 20:05:44
Comments		
Input	Data	L:\Desktop\Work\Research\Ongoing\Mr\Felix2\Analysis Felix\Untitled2y.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	253
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the model.
Syntax		PLUM SME_Performance WITH Employee_Base /CRITERIA=CIN(95) DELTA(0) LCONVERGE(0) MXITER(100) MXSTEP(5) PCONVERGE(1.0E-6) SINGULAR(1.0E-8) /LINK=LOGIT /PRINT=FIT PARAMETER SUMMARY.
Resources	Processor Time	00:00:00.02

Elapsed Time	00:00:00.07

Warnings

There are 25 (36.2%) cells (i.e., dependent variable levels by observed combinations of predictor variable values) with zero frequencies.

Case Processing Summary

		N	Marginal Percentage
SME_Performance	1.0	137	56.8%
	2.0	89	36.9%
	3.0	15	6.2%
Valid		241	100.0%
Missing		12	
Total		253	

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	105.344			
Final	101.806	3.538	1	.060

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	60.572	43	.040
Deviance	49.309	43	.236

Link function: Logit.

Pseudo R-Square

Cox and Snell	.015
Nagelkerke	.018

McFadden	.009

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[SME_Performance = 1.0]	.453	.165	7.573	1	.006
	[SME_Performance = 2.0]	2.924	.299	95.554	1	.000
Location	Employee_Base	.024	.014	3.009	1	.083

Parameter Estimates

		95% Confidence Interval	
		Lower Bound	Upper Bound
Threshold	[SME_Performance = 1.0]	.130	.776
	[SME_Performance = 2.0]	2.338	3.510
Location	Employee_Base	-.003	.050