FACTORS AFFECTING ESTABLISHMENT OF SMALL AND MEDIUM BUSINESS ENTERPRISES IN KAMUKUNJI, NAIROBI COUNTY.

ZAMZAM MOHAMED GODANA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF MANAGEMENT AND LEADERSHIP IN PARTIAL FULLFILLMENT OF THE REQUIREMENT FOR AWARD OF DIPLOMA IN ENTREPRENEURSHIP AT THE MANAGEMENT UNIVERSITY OF AFRICA

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DECLARATION

This research project is my original work and has never been presented for a diploma in any other university. No part of this project may be reproduced without my consent or that of the Management University of Africa.

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ZAMZAM MOHAMED GODANA

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

Signed………………………………………. Date……………………………………………

MR. ALEXANDER MAKIMU

THE MANAGEMENT UNIVERSITY OF AFRICA

DEDICATION

This project is dedicated first and foremost to Allah. It is by His enduring mercies and grace that I have reached this far. Secondly, my lovely family for their emotional, mental, moral and support in my academic course. GOD Guide and Protect Them.

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First of all, I would like to thank Allah for giving me the sound mind, good health and this opportunity to successfully undertake my research project.

I appreciate the work done by my supervisor Alexander Makimu. Thank you for all your guidance, knowledge, advice, and time you accorded to me during the completion of this research project.

ABSTRACT

The purpose of this study examined the factors affecting establishment of SMEs in Kamukunji, Nairobi County. The study was guided by the following specific objectives; to determine the effects of access to capital on establishment of SMEs in Kamukunji, Nairobi County, to explore the effects of government support on establishment of SMEs in Kamukunji, Nairobi County and to determine the effects of managerial skills on establishment of SMEs in Kamukunji, Nairobi County.This study was anchored by the following theories; Resource Based View and Positive Accounting Theory. The research design for this study was descriptive research design. The target people of the study consisted of SMEs tax payers in Kamukunji, Nairobi County. This population was targeted to give comprehensive information that was significant for analysis and explanation of the data. The study population comprised of 373 SMEs within Kamukunji, as per the Nairobi county register. The sampling technique that was used in this study is stratified random sampling. The researcher used questionnaire as a tool for data collection. The questions presented to the respondents were closed ended questions. Both quantitative and qualitative data were collected. This study used both primary and secondary statistics and also use quantitative and non-quantitative methods to conduct the analysis of the results. The analyzed data was presented in Tabulation, Bar graphs, Pie charts and Percentage. Multiple regression analysis was used to establish the factors affecting establishment of SMEs in Kamukunji, Nairobi County. The findings revealed that Access to capital has a positive influence on Establishment of SMEs in Kamukunji in Nairobi County. The results showed that Government support practices have a moderate influence on Establishment of SMEs in Kamukunji in Nairobi County. Majority of the respondents agreed that Managerial skills had a negative influence on Establishment of SMEs in Kamukunji. The study concludes that Access to capital, Government support and Managerial skills have significantly affected Establishment of SMEs in Kamukunji in Nairobi County. The study recommends that the county government must enhance of access to financing to SMEs.

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LIST OF ABREVIATIONS

AFDB	African Development Fund
CBK	Central Bank of Kenya
GDP	Gross Domestic Product
LCDs	Less Developed Countries
IDPs	Investment and Development Plans
PFM	Financial Management
GDP	Gross Domestic Product
SMEs	Small and Medium-sized Enterprises
MSEA	Micro and Small Enterprise Authority
GOSKE	Government of Kenya

DEFINITION OF TERMS

Access to capital - To keep the firm with adequate liquid and use the surplus capital in some gainful way (Block & Geoffrey, 2016).

Government Support– The provision of funds or resources which could consequently improve small business firm's access to other resources (Baldry, 2013)

Financial Reporting - Financial reporting is the disclosure of financial information to the various stake stakeholders about the financial performance and financial position of the organization over a specified period of time (PEFA 2015).

Budgetary Allocations - Budgeting allows resources to be released to the spending agencies to enable them implement their expenditure programmes (Lee, 2012).

Financial Management - Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise (Baldry, 2013).

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Resource Management- A control and risk management system that ensures procedures are in place to protect the organization against fraud or insolvency (Havens, 2014).

Managerial Skills - Refers to the social process of identifying and effectively utilizing organizations recourse for example human capital among others to achieve the stated goals(Havens, 2014).

ABSTRACT

Small and medium business ventures around and within Nairobi County have experienced little growth in size. Close to half of the businesses fail after operating for a short while. This kind of failure unfortunately does not only affect new players; it also affects old and already established businesses hence the purpose of this study examined the factors affecting establishment of SMEs in Kamukunji, Nairobi County. The study was guided by the following specific objectives; to determine the effects of access to capital on establishment of SMEs in Kamukunji, Nairobi County, to explore the effects of government support on establishment of SMEs in Kamukunji, Nairobi County and to determine the effects of managerial skills on establishment of SMEs in Kamukunji, Nairobi County.This study was anchored by the following theories; Resource Based View and Positive Accounting Theory. The research design for this study was descriptive research design. The target people of the study consisted of SMEs tax payers in Kamukunji, Nairobi County. This population was targeted to give comprehensive information that was significant for analysis and explanation of the data. The study population comprised of 373 SMEs within Kamukunji, as per the Nairobi county register. The sampling technique that was used in this study is stratified random sampling. The researcher used questionnaire as a tool for data collection. The questions presented to the respondents were closed ended questions. Both quantitative and qualitative data were collected. This study used both primary and secondary statistics and also use quantitative and non-quantitative methods to conduct the analysis of the results. The data analysis procedure involved the use of quantitative techniques whereby the information to be dealt with was derived from the questionnaires. The Quantitative techniques was used in employing statistical methods such as the ones listed below: The following techniques of analysis and interpreting data was used: Tabulation, Bar graphs, Pie charts and Percentage. Multiple regression analysis was used to establish the factors affecting establishment of SMEs in Kamukunji, Nairobi County. The findings revealed that Access to capital has a positive influence on Establishment of SMEs in Kamukunji in Nairobi County. The results showed that Government support practices have a moderate influence on Establishment of SMEs in Kamukunji in Nairobi County. Majority of the respondents agreed that Managerial skills had a negative influence on Establishment of SMEs in Kamukunji.the study conclude that Access to capital, Government support and Managerial skills have significantly affected Establishment of SMEs in Kamukunji in Nairobi County. The study recommends that the central government must work hand in hand with the private sector financial services provide to curb the problems facing SME sector in terms of access to financing. The effectiveness of government subsidies in addressing access to finance challenges facing SMEs is controversial issues that need to be empirically investigated. It is therefore paramount to assess the effectiveness of the policy recommendations in the Kenyan literature as well as monitor progress in as far as improving access to finance by SMEs is concerned.

CHAPTER ONE

INTRODUCTION

1.1Background of the study

The Small and medium scale enterprises segment has been acknowledged worldwide for its role in economic progression through various techniques like; wealth generation, employment creation, and poverty decline (Kithae, Gakure, & Munyao, 2015). SMEsare essential part of the economic material in most developing countries, and they play a very vital role in advancing growth, invention and prosperity. Japan possesses the largest fraction of small businesses amongst industrialized countries, accounting for above ninety percent of total enterprises (Ebitu, 2018).

Indian businesses encompass nearly eighty percent small firms (Decker, Schifer & Bulander, 2018).

Several countries in African have recorded above twenty percent GDP emanating from small enterprise sector; twenty two percent in South Africa, Nigeria twenty five percent, Liberia thirty five percent, Benin twenty one percent, and Namibia twenty percent (Abor & Quartey 2010;Ebitu, 2018).

Conferring to the Micro and Small Enterprise Authority (MSEA, 2016) SMES accounted for 95% of businesses and 60-70% of employment formation in common countries in the world. Small and Medium-sized Enterprises (SMEs) play an significant role in any economy through creation of employment, subsidising to the growth of Gross Domestic Production (GDP), boarding on innovations and inspiring of other economic activities (Gamage, 2017).

Consequently, for the developing countries, it is essential to hasten the growth of SMEs in order to increase sustainable development. The records of SMEs in Kenya tend to increase endlessly. In the background of SMEs, accounting information is key as it can help firms accomplish their short-term teething troubles in critical areas like costing, expenditure and capital flow by providing information to backing, monitoring and control (Mitchell, 2018).

Fostering of the small to medium size enterprises (SMEs) is being welcomed for their pivotal role in stimulating grassroots economic growth and equitable workable development, this nurturing has occasioned in increased entrepreneur activities in the SMEs subdivision in developing countries (MSEA, 2016). SMEs play a fundamental role in transition and developing countries. These firms, create a major foundation of employment and generate major domestic and export earnings, thus SME development transpires as a key instrument in poverty lessening efforts and their advancement is key to persistent economic growth, for they are an important part of a country's economic fabric and their attainment affects the well-being of the society as engines of job creation, economic growth and innovation.

Well-organized access to capital involves the determination of the optimal capital to hold by seeing the trade-off between the opportunity cost of holding too much capital and the trading cost of holding too little (Brown, 2017) there is the need for cautious planning and monitoring of capital flows over time so as to regulate the optimal capital to hold. Decent access to capital can have a major effect on overall working capital management

According to Dima (2017), inventory controls is the activity which arranges the availability of items to the customers. It manages the purchasing, manufacturing and distribution purpose to meet the marketing needs. This role comprises the supply of current sale items, new products, consumables, spare parts, obsolescent items and all other supplies. Inventory allows a company to sustenance the customer service, logistic or manufacturing activities in circumstances where purchasing or manufacturing of the items is not able to please the demand. Absence of satisfaction could arise either because of the speed of purchasing or manufacturing is too protracted, or since quantities cannot be provided without stocks.

Accounting practices helps as a serious tool for recording, analyzing, monitoring and evaluating the financial state of small business enterprises, preparation of documents required for tax purposes, providing information support to many other business purposes, (Amidu et al., 2016).

Many small business owners are overwhelmed by the mere idea of accounting practices and bookkeeping. But in reality, both are appealing simple. Keep in mind that bookkeeping and accounting practices parts two basic goals: to keep track of income and expenses, which advances chances of making a profit, and to collect the financial information crucial for filing various tax returns (Brown, 2015).

The government of Kenya has acknowledged entrepreneurship development as a major policy drive to attain economic development. The foremost reason of this concern is the growing basic for entrepreneurs who quicken economic development through generating new ideas and converting them into profitable ventures (Mungai, 2016), The Small Medium Enterprise (SME) sector has been identified as a substantial strategic sector in the overall policy objectives of the Government of Kenya (GOSKE) and it is seen as a driver of change for wide-ranging economic growth, regional development, employment generation and poverty reduction. SME sector is predicted to contribute to transmute lagging regions into emerging regions of fortune.

According to National Report Review (2016), the percentage of educated unemployment remains proportionally higher than the rate for less-educated workers in Nairobi County. Nairobi county government is facing a serious issue of providing employment opportunities for the public. The development and growth of SMEs in Nairobi County offers a clarification to this problem. County Government of Nairobi identifies SMEs in Nairobi County as the backbone of the economy, as it accounts for more than 75% of the total number of enterprises, provides 45% of the employment and donates to 52% of the Gross Domestic Production (GDP) of the country.

1.2 Statement of the problem

In Kenya, the SME sector is considered as one of the key contributors to the economy by providing income and employment to a major proportion of the population (Ngugi & Bwisa, 2017). The Kenya Economic Survey report (GoK, 2017) revealed that the SME sector contributed 79.8% of new jobs created in Kenya in year 2017. In 2016 the SME sector contributed over 80% of the country’s employment with majority of new jobs being created in that segment (430,000 out of 503,000 new jobs created in 2016) and donates about 70% to the country’s GDP (GoK, 2018).

Ganbold (2016), noted that a number of Small Scale Enterprises have not given much thoughtfulness to book keeping in relation towards their business transaction, despite its significance in the success of businesses.

According to Gert (2019), small and medium business ventures around and within Nairobi County have experienced little growth in size. Several small businesses in Nairobi and Kenya as a whole stagnate and sometimes deteriorate in performance leading to collapse (Aden, 2018; Useem, 2018). Nandan (2017) reasoned that like larger firms SMEs also require sufficient and sophisticated accounting practices and systems to improve manage scare resources and enhance the firm's standards. Although SMEs may have some limitations in utilizing fully accounting practices/practices due to their comparatively small size and limited resources, like larger firms SMEs face similar forms of difficulties, uncertainties and are more prone to failures.

It is against this basis that the researcher wished to intervene and provide an in depth investigation to the factors affecting establishment of SMEs in Kamukunji, Nairobi County

1.3 Research objectives

To examine the factors affecting establishment of SMEs in Kamukunji, Nairobi County.

1.3.1 Specific Objectives of the Study

1. To determine the effects of access to capital on establishment of SMEs in Kamukunji, Nairobi County.
2. To explore the effects of government support on establishment of SMEs in Kamukunji, Nairobi County.
3. To determine the effects of managerial skills on establishment of SMEs in Kamukunji, Nairobi County.

1.4 Research Questions

1. What are the effects of access to capital on the establishment of SMEs in Kamukunji, Nairobi County?
2. What are the effects of government support on the establishment of SMEs in Kamukunji, Nairobi County?

3. What are the effects of managerial skills on the establishment of SMEs in Kamukunji, Nairobi County?

1.5 Significance of the study

This research will provide better understanding of entrepreneurship as an important movement not only for prosperity of successful entrepreneurs but also in creation of economic development for the country through the following; Enlightening potential entrant on what is expected of them before starting the business. Government policy on SMEs can be improved, being used as a basis for research on SMEs by interested people and organizations, giving present managers knowledge and insights on barriers to successful management of SMEs, and it will also contribute towards evolution and formulation of proper government policies in the sub-sector of the economy.

The research study will act as a future reference to other researchers who will be undertaking their study in the related field of study for the purpose of partial accomplishment of Diploma in business Management.

The study is beneficial for the Kenyan government as its outcomes may help the government in coming up with good agendas and policies that will benefit in streamlining operations in the SME sector.

Lastly, It will also be of use to the undergraduate, scholars for further research study, the prevailing and prospective entrepreneur as well as any concerned party. It will assist students in their knowledge build-up and gratefulness of the knowhow of vital factors influencing the establishment of small scale business.

1.6 Scope of the study

The research primarily focuses on the factors affecting establishment of SMEs in Kenya but the researcher resolve narrow it down to all SMEs situated in Kamukunji, Nairobi Countyin order to attain a convincing and manageable population for the study.

The target people of the study comprised SMEs tax payers in Kamukunji, Nairobi County. Both owners and workers of privately owned (SMEs) and those registered at county levels who were about three hundred and seventy-three were targeted. A sample of 75 respondents was taken from owners of small businesses of the one hundred and fifty selected (SMEs) in Kamukunji. Simple random sampling technique was used in this research study. The study was undertaken between the months of July and September, 2020.

1.7 Chapter Summary

This chapter presents and discuss the background of the study, statement of the problem, research objectives, research questions and significance of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature review section will exhibit a far reaching audit of literature allied to the investigation offering to put it in a pertinent hypothetical structure. In this manner it will discuss about discoveries of related researches to this study. The literature review gives the reader a clarification of the hypothetical method of reasoning of the issue being contemplated and also what research has been carried out and the relationship between findings and the current problem.

The fundamental reason for the literature review is to evade need less or deliberate repetition of materials which were already done. The literature will be explored from books, reports, working papers, diaries, web sources and periodicals.

2.1 Theoretical Literature Review

Theories are methodical tools for understanding, elucidating, and making estimates about a given topic matter (Zimaman, 2014).

2.1.1 Resource Based View

Pearce and Robinson (2015) defined the Resource Based View (RBV) as a mode of analyzing and categorizing a firm’s strategic advantage based on scrutinising its discrete combination of assets, abilities, capacities, and intangibles as an organization. This theory is apprehensive with internal firm precise factors and their effect on performance. It sights the firm as a package of resources which are joined to create organizational abilities which it can use to earn above average profitability (Grant 2013).

Each firm develops abilities from these resources and when they are well established, these become the foundation of the firm’s competitive advantage. SMEs accounting systems, staffs’ grade of qualification and organization of physical resources may have a bearing on their performance. Penrose (1959) explains the significance of unique bundles of resources that are organized by a firm and vital for its performance. Such capitals comprise all tangible and intangible assets, competences, organizational processes, firm’s features, information and knowledge managed by a firm in order to increase efficiency and effectiveness that will lead to greater establishment (Daft, 2013). This theory helps in elucidating performance variations.

2.1.2 Positive Accounting Theory (PAT)

PAT is communication of neoclassical economic theory. Ultimate to it is a belief in normal choice theory. In PAT, self-interest is the motive for the choice of accounting procedures and techniques. In PAT the firm (organization, company, etc) is defined in terms of collection of contracts – a connection of contracts between managers, suppliers of capital and employees who must collaborate to capitalize on the wealth of the business owner.

Wall and Zimmerman (2013) appealed that PAT tries to "explain the world in which we live''. As such it tries to provide answers as to why certain accounting techniques are chosen over others and why parameter of accounting was left in the hands of accounting professionals rather than through government involvement. Watts (2013) appealed that PAT research was aimed to explain (offer reasons for why accounting takes the form it does) and foresee (how accounting varies across time and place).SMEs can therefore be able to keep books of accounts in a manner that is vindicated and based on the nature of their business which will ensure effective management of capital.

2.2 Empirical Literature Review

For instance, China Microfinance Industry Assessment Report provided by the China Association of Microfinance gives the definition of microfinance in China, and examines the impacts of microfinance development at macro, meso, and micro levels, spanning over agricultural industry, financial markets, and social vulnerable groups such as women and farmers (He, Du, Bai, and Li, 2018).

Dyar, Harduar, Koenig, and Reyes (2016) together examine the impact of microfinance on gender inequality in China and have discovered that there are many benefits to providing microfinance to women, despite lack of conclusive evidence on significantly reducing gender inequality.

Park, Ren, and Wang, (2018) assess the potential role of microfinance for financial reform in China and suggest that China's financial reforms have yet to create an institutional space in which microfinance can operate, thrive, and expand.

Park and Ren (2015) study the nongovernmental and governmental microfinance programs from cultural perspective and find that nongovernmental programs perform well in aspects of reaching the poor (targeting), guiding financial and operational performance (sustainability), and establishing program benefits (impact). Meanwhile, Tsai (2017) points out four reasons for the existence of informal microfinance service: the limited supply of formal credit; limits in state capacity to implement its policies; the political and economic segmentation of local markets, and the institutional weakness of many microfinance programs.

To study the development of SMEs in, Chen (2016) gives an overview of the historical development and current status of SMEs worldwide and examines major political initiatives contributing to the development of SMEs.

For example, findings show that additional capital is often not required to carry out a successful business activity and that lack of capital can be compensated through creativity and initiative (Hart, 2017). In addition, Kallon (2016) found that the amount of capital needed to start a business is significantly negative when related to the rate of growth for the business.

For example, Kallon (1990) found that 65.6 percent of the firms studied depended upon personal savings as their sole source of capital, 10.9 percent had access to family savings, 9.4 percent used commercial banks, and 7.8 percent drew resources from partners and shareholders and other sources.

The findings of a study by Tushabomwe-Kazooba (2016) revealed that poor recordkeeping and a lack of basic business management skills are major contributors to small business failure in Africa. Researchers have also identified other factors hindering the success of small businesses, such as poor bookkeeping, inexperience in the field of business and the lack of technical knowledge, poor managerial skills, lack of planning, and lack of market research (Lussier,2016).

Karunananda and Jayamaha (2013) investigated on the financial practices among small & medium enterprises (SMEs) in Sri – Lanka and their effect upon business performance. A total of 100 firms were used to determine the degree of their agreement to five identified reporting practice. Statistics was collected through structured questionnaires. In their research an effort was made to determine the extensiveness of financial practices of SMEs. In their review they deliberated the SMEs financial systems, financial audits, historical and future oriented financial reporting practices and analysis of historical financial statements .Through using correlation coefficients, they were able to found that there exists a significant connection between the comprehensiveness of financial practices embraced by SMEs and their performance. SMEs with appropriate financial systems were found to be performing better than those with inferior systems. Their findings discovered poor record keeping by SMEs, inefficient use of accounting information to support their financial decisions, low quality and unreliable financial data. They suggested that SMEs should engage proper financial practices for better performance. Sri Lanka identifies the need to accelerate the growth of SMEs for supportable development.

Muchira (2016) examined the connection between record keeping and development of micro and small enterprises in Thika Municipality. The study used an exploratory tactic and the target population included owners and managers of micro and small enterprises in Thika Municipality. The sample was purposively selected and data was collected through questionnaires. Quantitative and qualitative techniques were used to obtain necessary data from a sample of eighty four selected micro and small enterprises. This study exposed that most micro and small enterprises do not keep comprehensive accounting records and as a result, there is inadequate accounting information to support firms' performance. She acclaimed training programs for entrepreneurs and advised that record keeping be made compulsory to advance the survival chances of micro and small enterprises.

Waweru (2016) examined the challenges of financial management that affect performance of SMEs. A descriptive research design on a target population of six hundred SMEs in Nairobi Central Business District was used. A sample was designated by simple random method from a stratified population. Questionnaires were used to assemble required data. Data was then analyzed using descriptive statistics to establish the link between the variables. According to this study, SMEs in Nairobi Central Business District preserve accounting records and prepare simple financial statements. She however recommended training for SMEs and addition of information technology in keeping of accounting records.

2.3 Summary and Research Gaps

Most of the standing research literature on accounting practices in Kenya SMEs tends to be more inclined toward the use of financial accounting practices and methods by small business owner's, information technology acceptance as well as research in credit accessibility for SMEs, more so only remote survives in respect of the acceptance of modern accounting practices by SMEs in Kenya.

Other acknowledged factors which negatively affect small business development include corruption, poor infrastructure, poor location, failure to conduct basic market research, and the economy (Tushabomwe- Kazooba, 2015; Mambula, 2015). For example, Kiggundu (2016) argued that the major challenges that face African businesses include, bribery, dishonest, and other illegal business conducts.

In addition to undermining the legal framework, national integrity, and regulatory system, it also undermines the trust and confidence of business owners (Langseth, 2016). One of the major contributions of small business ownership is that it allows people, especially the poor, to enter the economic and social mainstream of society (Harris & Gibson, 2016).

The literature review indicated that the SMEs in Kenya has not performed creditably well and hence needs to be approached and given the seriousness it deserves because it is part and parcel of employment and a great contributor to the economic vibrancy.

2.4 Conceptual Framework

A conceptual structure can be well-defined as a set of comprehensive ideas and values taken from appropriate fields of survey and used to structure a successive demonstration (Reichel and Ramey, 2013).

Independent Variables **Dependent Variable**

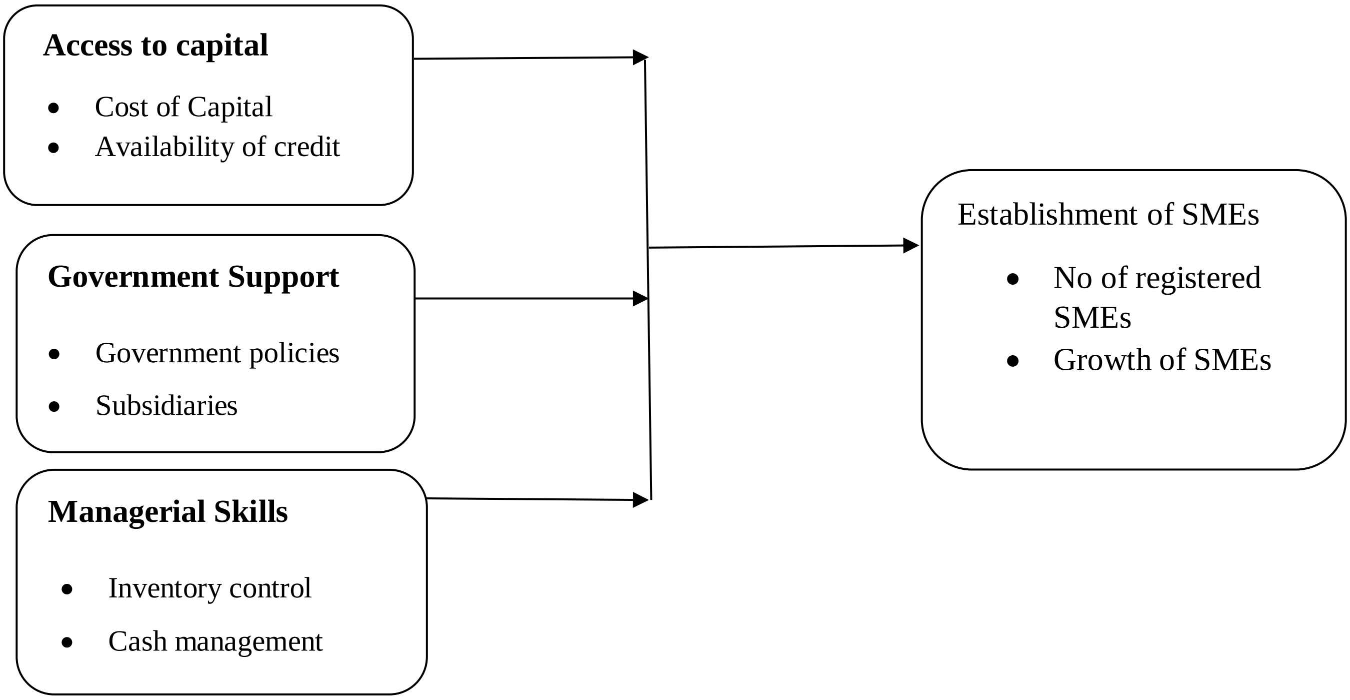

Figure 2.1 conceptual framework

2.4.1 Review of Study Variables

2.4.1.1 Access to capital

Capital is used to settle business obligations. Access to capital undertakes more significance than any other current asset and the key aim is to retain adequate control over capital position to keep the firm with adequate liquid and use the surplus capital in some gainful way.

Capital is the vital constituent of the working capital since it keeps a business running. It is the pivot around all financial matters centre. Thus, management of capital is important for the success of an enterprise. The sufficiency of capital and other current assets, together with their efficient handling, essentially determines the existence or extinction of a business concern. Capital is an essential current asset for the actions of business. It is the basic input required to keep the business running on a constant basis (Abu, 2015).

A recent survey has suggested that limited access to finance still remains one of the key constraints for Thai small business (Pandey, 2014).

No business action is isolative of access to capital. Capital is considered as the most vital current asset for the operation of business (Olowe, 2016). Capital is the basic contribution necessary to keep the business running on a continuous basis and it is also the final output estimated to be recognized by selling the services or products manufactured by the firm (Pandey, 2014).

Access to capital denotes to the controlling of an entity's capital to guarantee adequate capital to withstand the entity's daily operations, finance continuous growth and afford for unanticipated payments while not improperly forfeiting profit owing to additional capital holdings (Akinyomi, 2016).

Ultimately access to capital is concerned with managing capital flows that is capital inflows and capital out flows. Most important sources of capital inflow consist of capital from operating activities, sell of business assets among others.

Foundations of capital out flows include resolving of creditors, purchase of inventory among others. Capital needs to be efficiently managed and assigned to meet routine business objectives. The gap between capital expenses and capital collection improves liquidity position, profitability resulting to overall business progress over a period of time. (Brinchk, soeren & Gemuenden, 2014).

Access to capital conclusion is one of the significant decisions because of the shortage of financial resources of various companies, and for different goals and, as we are aware that capital is the most liquid assets, where capital is measured as vital element in the management of the company's operational process in order to accomplish achievement. The access to capital is a role of financial management and that are concerned financing and investment operations as the capital element affects the performance of the companies and the competitors in markets. A lot of companies motivating to think in the following decisions: capital structure, capital budgeting and the decision of the operational capital where the verdict of the working capital is the essential decisions that affect the performance of companies in terms of liquidness, which is mirrored on the profitability and therefore the level of competition in the market as it may control the existence or the company out of the market (Appuhami, 2015)

2.4.1.2 Government Support

Kenya is characterized by consistent low per capita income as it is in most developing economies. The government of Kenya, through the youth enterprise fund tried to curb the problem of capital in the year 2006, to which they were not able to meet the demand (Wanjora, 2016). Wanjora (2018), believes that there is a huge number of enterprising ideas in business that do not attract funding within the current funding framework in the country.

For these reason, it is imperative to set up mechanisms for enabling small business ventures attain necessary funding so as to enhance the economy (Kenya Economic survey, 2019).

Deficient external financing is considered a major challenge to the growth of small businesses in both urban and rural centers, and has massively contributed to gigantic failure rates among them (Beck, 2011; Paulson & Townsend, 2012).

2.4.1.3 Managerial Skills

Management refers to the social process of identifying and effectively utilizing organizations recourse for example human capital among others to achieve the stated goals. Many small scale enterprise (SSEs) owners or managers lack managerial training and experience. As a result their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues and opportunistic than strategic in its concept, (Hill 1987).

A consequence of poor managerial ability is that small scale enterprises owners are not well prepared to face changes in technology, majority of those who run SSEs are ordinary lot whose educational background is lacking. Hence they may not be well equipped to carry out managerial routines for their enterprise (Pandey, 2014).

An entrepreneur is a person or individual who assumes a risk for the sake of profit maximization. Running of an enterprise needs some special skills to ensure smooth operation in the organization. Few people have all it takes to carry out a business successful. They bridge their limitation areas by hiring of staff or consultants, acquiring knowledge through education or training. For one to start a business he or she needs to have a broad range of managerial skills to succeed in a competitive market environment. They include personal attributes, business skills and management capabilities. Most of the owners or managers lack the required managerial skills hence it becomes difficult to manage the business effectively

According to Elmore & Plowiman in Saleemi (2017) view management as a technique by which the purpose and objectives of a particular human group are determined, clarified and affected, however sir Charles on the other hand sees management as a process of getting things done through agency, community with a view to fulfill the purpose for which it exists. He emphasized the accomplishment of the tasks through the efforts of the people, this implies that it is the duty of the manager to guide and coordinate the efforts of towards the realization of the goals. This can only be achieved when the owners or managers have adequate knowledge and skills about management.

According to Orwa (2018) people venture into business without proper planning and sometimes for wrong motives i.e. lure for big money. As much as they anticipate making money, it is good to have objectives in place. This will help the organization to realize its purpose and this will act as a guide line of the firm's relations to its workers, associates, clients, government, lenders etc.

2.5 Critique of Existing Literature Review

A lot of weights have been made on the safeguard of informal and small business sector in generating employment and creating income for majority of Kenyan publics. Questions on SME's management of finances and book keeping practices linger to be asked. Earlier studies on SMEs disclose their difficulties and suggest solutions to the problems they face. Businei (2016) studied the foundations influencing the use of accounting services by small and medium enterprises in Kenya. He establishes low levels of compliance with accounting regulation and low growth of SMEs.

Okwena (2015) evaluated the effects of proper book keeping practices on establishment of SMEs in Kisii Municipality. His study employed a cross-sectional survey research design. The target population consisted of 3528 owners/managers of SMEs. Structured questionnaire were used to collect quantitative data from the primary sources. Pearson correlation coefficient and simple linear regression model were used to analyze quantitative data.

He found that roughly 63.9% of SMEs in Kisii practice single entry book keeping. Pearson correlation analysis revealed that establishment has a very strong progressive relationship to effective book keeping at a coefficient of 0.944. He however found little knowledge of book keeping among SMEs and this highly contributed to SMEs failure. He mentioned for sensitization programmes to equip SMEs owners with book keeping knowledge

Back (2013) studied the role of a practicing accountant in Queensland as an advisor of small firms. He concluded that small firms that pursue the services of a qualified accountant have significantly less occurrences of illiquidity, failure, business stagnation and lack of credit compared to those that don’t.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter shows how the study was piloted in order to accomplish the stated objectives. It summaries the research design, population, sampling procedures to be used, the methodology of data collection and instruments, how data is to be scrutinized and the expected output of the study, data validity and reliability.

3.1 Research design

Research design employed was a descriptive quantitative study based on attaining appropriate information with the help of questionnaires. Questionnaires are free from the favouritism of the respondents who are not easily open-minded: can be reached appropriately and as is suitable for this study bearing in mind the target population.

Malhotra (2017) articulates that descriptive research is conducted to attain different goals such as describe the characteristics of significant groups, estimate the percentage of units in a specific population, determine the opinions, determine the degree to which such variables are connected and in conclusion to make specific expectations. This study process is also termed as statistical investigation as it offers information and data about population being surveyed of the concerned subject. As a result this study design was employed to describe the factors affecting establishment of SMEs in Kamukunji, Nairobi County.

3.2 Target population distribution

The target people of the study consisted of SMEs tax payers in Kamukunji, Nairobi County. This population was targeted to give comprehensive information that was significant for analysis and explanation of the data. The target population of the study comprised of 373 SMEs within Kamukunji, as per the Nairobi county register. According to the register, about 5,490 SMEs were registered as at 2020 report. The study choose SMEs in Kamukunji as they are a close proximity to the researcher and also most business in that areas are not realizing the benefits after successfully establishing business.

Table 3.1 Target Population

Category	Population Size
Commercial and Trade	**185**
Light Manufacturing	**63**
Service	**125**
Total	**373**

Source: Nairobi County register 2020

Table 3.2 Sample size analysis table

Category	Population size	Sample%	Sample
Service	125	20	25

Commercial and trade	185	20	37
Light manufacturing	63	20	13
Total	**373**		**75**

According to Mugenda (2013) a sample size of 20% is considered an adequate sample size hence the examiner used 20% as the sample size and computed the same on each management category as follows

Sample size of Service was

(125/100) * 20 = 25

Sample size of Commercial and Trade was

(185/100) * 20 = 37

Sample size of Light Manufacturing was

(40/100) *50 = 13

3.3 Sample and Sampling Technique

A sample of 75 respondents was be taken from owners of small businesses of the three hundred and seventy-three selected (SMEs) in Kamukunji, Nairobi County.

According to Grazino and Raulin, (2017) it is not promising to collect and gain data from all existing sources to resolve research problems and to find the resolutions. Sampling procedures provide means that help to moderate the amount of data required to collect by allowing for only data from a sub-group rather than all potential cases or elements Saunders et al, (2018). There are a number of methods to select a sample for case studies. The sample collection process is continued till the essential sample has been reached Tin, (2016).

Simple random sampling procedure was used in this research study. Random sampling confirmed that each associate of the target population has similar chance and independent chance of being designated Oso and Onen, (2015). The selection of (SMEs) under the above method is to succeed a desired illustration from the numerous departments in the population.

3.4 Instruments

Procedures of data gathering that was used are together primary and secondary data. Primary data was resultant from questionnaires dispersed to those targeted in this study. The forms had closed-ended questions and enclosed all the issues connecting to the factors affecting establishment of SMEs in Kamukunji, Nairobi County. The researcher recorded and distributed the questionnaires to the identified sample and gave the respondents a time frame within which the questionnaires were collected and observations data was naturally recorded. The research used both primary and secondary data.

3.4.1 Primary Data

Primary data is the raw data collected from first hand respondents (Flick, 2015). A well predesigned structured questionnaire containing both open and closed questions were used to collect the primary data. This instrument was considered appropriate for the study because it was less costly in terms of time and more flexible for busy respondents.

3.4.2 Secondary Data

Secondary data is the processed data collected from other sources which are not primary sources of the data (Mugenda & Mugenda, 2003). In the study, the researcher intends to collect secondary data from journals, books, published and unpublished thesis. Secondary data is data that already exists, having been collected for some other reason, other than the one under investigation (Scholes, 2013). This was drawn from the review of literature, published reports, websites, internet, company records and magazines. The scholar individually administered the questionnaires to the defendants, purposefully selected respondents were asked to fill the questionnaires. Secondary data was assembled from library factual, tax compliance and non-compliance newsletters and reports, media magazines and several Internet search engines covering the factors affecting establishment of SMEs in Kamukunji, Nairobi County.

3.5 Pilot Study

A pilot test is a pretest of a questionnaire or other type of survey on a small number of cases in order to test the procedures and quality of response. It should therefore draw subjects from the target population and simulate the procedures and protocols that have been designed for data collection (Rimando, et al., 2015). The purpose of pilot test is to refine the questionnaire so that the respondents do not have an issue responding to the questions and to eliminate problems in recording data (Cooper & Schindler, 2014). For this research, 5 questionnaires were used for the pilot testing that forms 10 percent of the total sample size. Reliability and validity was tested.

3.6 Data Collection Procedure

An introductory letter from the Management University of Africa was introduced to SMEs in Kamukunji, Nairobi County. The researcher then distributed the questionnaires to the respondents. Questionnaires were self-administered to the respondents on the give and take up later basis. The researcher picked the questionnaires after a period of three days from date of issue in order to allow ample time to the respondents to fill them.

3.7 Data Analysis and Presentation

This study used both primary and secondary statistics and also use quantitative and non-quantitative methods to conduct the analysis of the results.

The data analysis procedure involved the use of quantitative techniques whereby the information to be dealt with was derived from the questionnaires. The quantitative techniques were used in employing statistical methods such as the ones listed below: The following techniques of analysis and interpreting data were used: Tabulation, Bar graphs, Pie charts and Percentage. Multiple regression analysis was used to establish the factors affecting establishment of SMEs in Kamukunji, Nairobi County.

3.8 Ethical Consideration

Ethics are norm of standards of behavior that guide moral choice above our behavior and our relationships with others. Ethical considerations are:

3.8.1 Deception

Deception occurs when the respondents are told only part of the truth or when the truth is fully compromised. The respondent’s right and well- being must be adequately protected. The respondents must have given their informed consent before participating in the research.

3.8.2 Right to Privacy

All individuals have a right to privacy, and researchers must respect that right. The privacy guarantee is important not only to retain validity of the research but also to protect respondents. Once the guarantee of confidentiality is given, protecting that confidentiality is essential. Researchers should restrict access to information that reveals names, telephone numbers, addresses or other identifying features.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the quantitative analysis of data collected from the owners and workers of privately owned (SMEs) and those registered at county level. It gives the findings from the questionnaires and other observations that were encountered during the fieldwork. The data has been categorically analysed to give clear and vivid findings of the study.

4.1 Analysis of questionnaire

The total questionnaires that were distributed to the field were 75, and out of these 45 were returned fully answered which represents 60% and 30 which were not returned represented 40% of the overall questionnaire that were administered to the field.

Response Rate

Table 4.1 Response Rate

Category	Frequency	Percentage %
Response	45	60
Non-response	30	40
Total	**75**	**100**

4.2 Research findings

This section describes the general information obtained from respondents and characteristics of the study.

4.2.1 Gender of the respondents

On gender findings were as follows.

Table 4.2 Gender of respondents

Gender	Frequency	%
Male	27	60
Female	18	40
Total	**45**	**100**

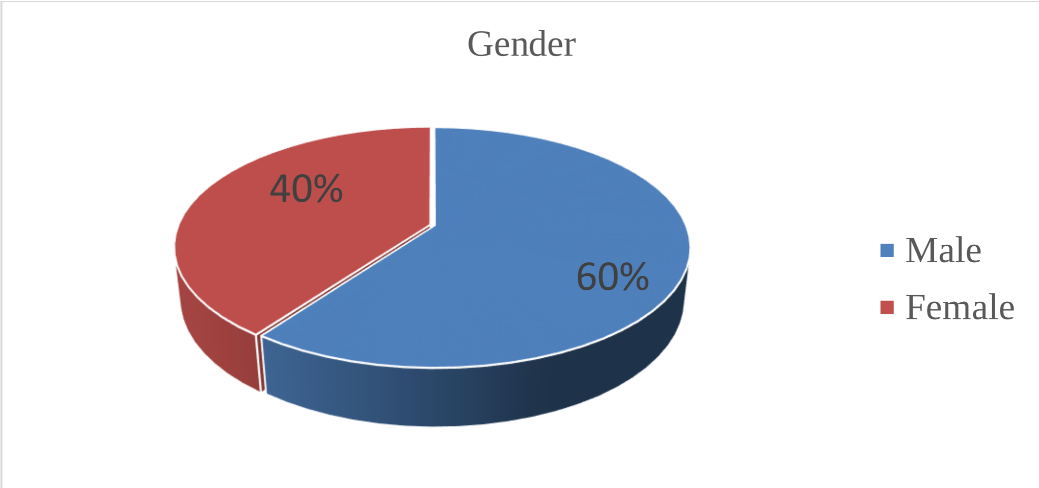

Figure 4.1 Gender

From the above finding it is clearly indicated that 60% of representatives were male and 40% were female. This clearly indicates that the majority of the respondents were male.

4.3.2 Position in the small scale and medium enterprises

Findings about the positions in the organisation were as follows.

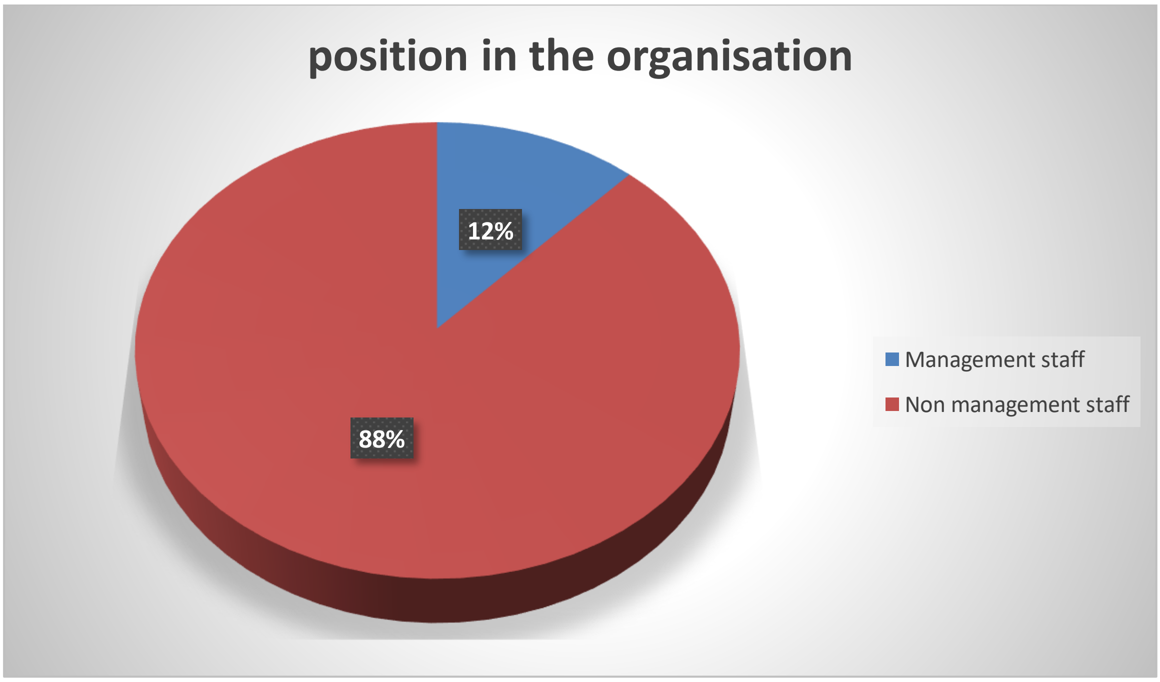

Figure 4.2 positions in the small scale and medium enterprises

Findings in figure 4.2 above show that (88%) of the respondents were non-management staff while (12%) were management staff, this is a clear indication that the majority of the target respondents were from the low level cadre.

4.3.3 Age of respondents

Findings on the ages of respondents were as follows.

Table 4.2 Age of respondents

Age bracket	Frequency	Percentage (%)
18 – 24 years	7	16
25 – 34 years	22	57
35 – 44 years	16	29
Total	45	100

Findings on Table 4.2 above revealed that majority of the respondents 4(57%) were aged between 25-34 years, 2(29%) between 35-44 years and 1(14%) between 18-24 years. This shows that majority of the respondents were mature with appropriate work experience and therefore they were well versed with relevant information on financial performance which was needed for the study.

4.3.4 Level of education of respondents.

Table 4.3 level of education

Level of education	Frequency	Percentage (%)
Diploma	15	43
Bachelor's degree	30	57
Total	**45**	**100**

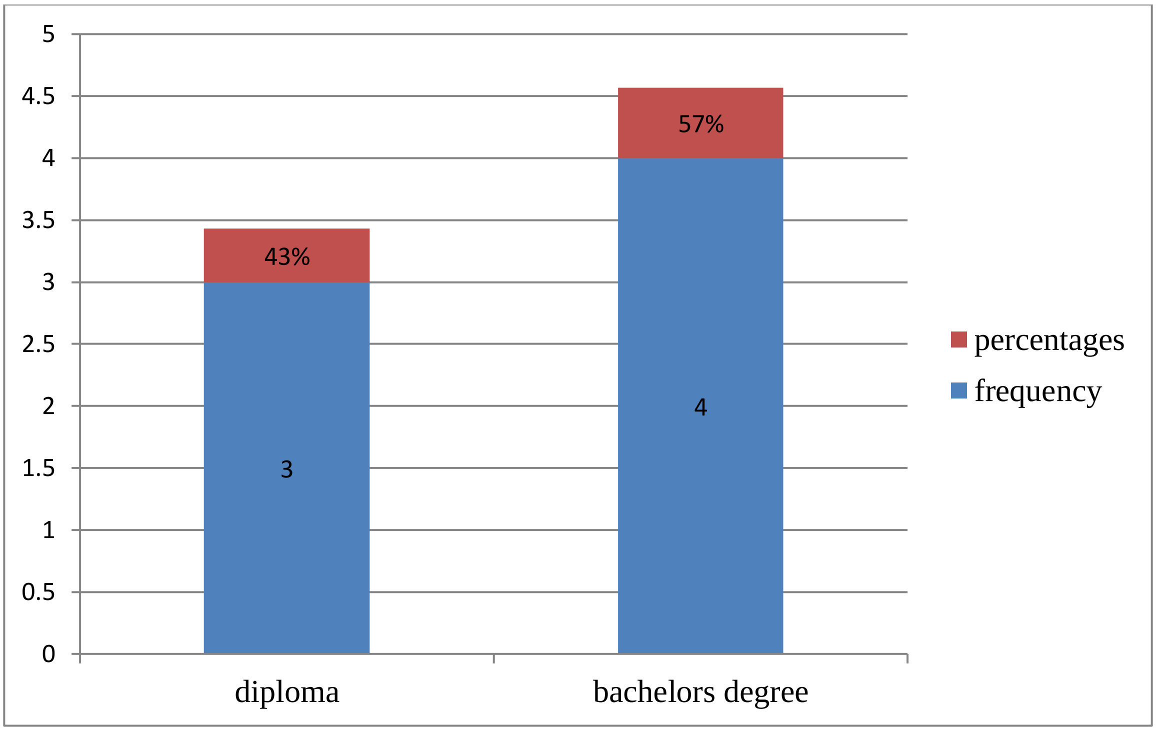

Figure 4.3 level of education

Findings on figure 4.3 above reveal that a greater proportion of the respondents 4(57%) had Bachelor's degree, 3(43%) had diploma; this suggests that the respondents were well conversant with the issues relating to financial performance and therefore they gave accurate and relevant information needed for the study.

4.3.5 Period of time working in small scale and medium enterprises.

Findings on the length of service were as follows;

Table 4.4 Period of time working in small scale and medium enterprises

Length of service	frequency	Percentage (%)
1 -5 years	25	57
6- 10 years	15	29
Over 10 years	5	14
Totals	**45**	**100**

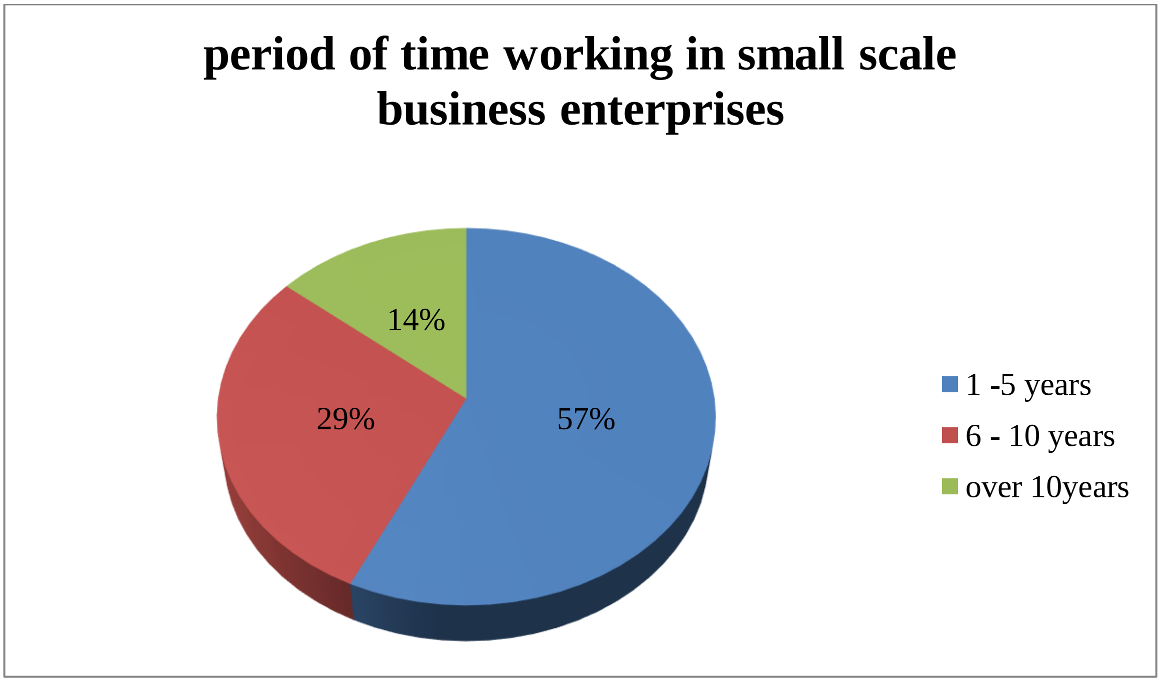

Figure 4.4 Period of time working in small scale and medium enterprises

The Findings on figure 4.4 above reveal that majority of the respondents (57%) have worked in small scale and medium enterprises for a period of 1 -5 years, while 29% have worked for 6-10 years, this implies that the respondents were well conversant with the tax procedures and therefore they gave the correct and accurate information the researcher needed for needed for the study.

4.4 Analysis of Objectives

In the research analysis the researcher used a tool rating scale of 5 to 1; where 5 were the highest and 1 the lowest. Opinions given by the respondents were rated as follows, 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree. The analyses for mean, standard deviation was based on this rating scale.

4.4.1 Effects of access to capital on establishment of SMEs in Kamukunji Nairobi.

Table 4.7 Effects of access to capital on establishment of SMEs

Descriptive Statistics

	N	Mean	Std. Deviation
Cost of Capital limits access to finance faced by SMEs	45	3.74	1.353
Availability of credit for SMEs contributes to economic growth	45	4.01	.718
Capital Position affect the performance of SMEs in terms of liquidness	45	3.77	1.441
Valid N (listwise)	45		

The first objective of the study was to determine the effect of access to capital on establishment of SMEs in Kamukunji Nairobi. Respondents were required to respond to set questions related to access to capital and give their opinions. The statement that Cost of Capital limits access to finance faced by SMEs had a mean score of 3.74 and a standard deviation of 1.353. The statement that Availability of credit for SMEs contributes to economic growth had a mean score of 4.01 and a standard deviation of 0.718. The statement that Capital Position affect the performance of SMEs in terms of liquidness had a mean score of 3.77 and a standard deviation of 1.441.

4.4.2 Effects of government support on establishment of SMEs in Kamukunji Nairobi

Table 4.8 Effects of government support on establishment of SMEs

Descriptive Statistics

	N	Mean	Std. Deviation

Government policies attract funding within the current funding framework in the country	45	3.87	1.143
Subsidiaries provision by the government enabling small business ventures attain necessary funding so as to enhance the economy	45	3.92	1.220
Provision of grants of by the government is a determinant on the establishment of SMEs in Kamukunji Nairobi	45	3.62	.993
Valid N (listwise)	45		

The second objective of the study was to find out the effect of government support on establishment of SMEs in Kamukunji Nairobi. Respondents were required to respond to set questions related to government support and give their opinions. The statement that the Government policies attract funding within the current funding framework in the country had a mean score of 3.87 and a standard deviation of 1.143. The statement that the Subsidiaries provision by the government enabling small business ventures attain necessary funding so as to enhance the economy had a mean score of 3.92 and a standard deviation of 1.220. The statement that the Provision of grants of by the government is a determinant on the establishment of SMEs in Kamukunji Nairobi had a mean score of 3.62 and a standard deviation of 0.993.

4.4.3 Effects of managerial skills on establishment of SMEs in Kamukunji Nairobi

Table 4.9 Effects of managerial skills on establishment of SMEs

Descriptive Statistics

	N	Mean	Std. Deviation
Inventory control enhances the establishment of SMEs in Kamukunji Nairobi	45	4.50	.772
Cash management enhances the establishment of SMEs in Kamukunji Nairobi	45	4.32	1.213
Record Keeping enhances the establishment of SMEs in Kamukunji Nairobi	45	3.82	1.058
Valid N (list wise)	45		

The third objective of the study was to establish the effects of managerial skills on establishment of SMEs in Kamukunji Nairobi. Respondents were required to respond to set questions related to managerial skills and give their opinions. The statement that Inventory control enhances the establishment of SMEs in Kamukunji Nairobi had a mean score of 4.50 and a standard deviation of 0.772. The statement that Cash management enhances the establishment of SMEs in Kamukunji Nairobi had a mean score of 4.32 and a standard deviation of 1.213. The statement that record Keeping enhances the establishment of SMEs in Kamukunji Nairobi had a mean score of 3.82 and a standard deviation of 1.058.

4.4.5 Establishment of SMEs

Table 4.10 Establishment of SMEs

Descriptive Statistics

	N	Mean	Std. Deviation
Access to capital has an effect on the establishment of SMEs.	45	3.91	1.525
Government support have an effect on the establishment of SMEs	45	3.45	.978
Managerial skills have an effect on the establishment of SMEs	45	4.08	.734
Valid N (list wise)	45		

The statement that Access to capital has an effect on the establishment of SMEs in Nairobi had a mean score of 3.91 and a standard deviation of 1.525. The statement that Government support has an effect on the establishment of SMEs in Nairobi had a mean score of 3.45 and a standard deviation of 0.978. The statement that Managerial skills have an effect on the establishment of SMEs in Nairobi had a mean score of 4.08 and a standard deviation of 0.734.

4.5 Correlation Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

4.5.1 Coefficient of Correlation

Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (Establishment of SMEs) and the independent variables (Access to capital, Government support and Managerial skills). According to Sekaran, (2015), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari and Gang, 2014).

Table 4.12 Pearson Correlation

Correlations

	Establishment of SMEs	**Access to capital**	**Government support**	**Managerial skills**
Establishment of SMEs	1			
	45			
Access to capital	.768**	1		
	.000			
	45	45		
Government support	.741**	.710**	1	
	.000	.000		
	45	45	45	
Managerial skills	.557**	.437**	.291**	1
	.000	.000	.003	
	45	45	45	45

**. Correlation is significant at the 0.01 level (2-tailed).

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 4.12 below. According to the findings, it was clear that there was a positive correlation between the independent variables, access to capital, government support, managerial skills and the dependent variable establishment of SMEs. The analysis indicates the coefficient of correlation, r equal to 0.768, 0.741, 0.557 and 0.354 for access to capital, government support and managerial skills respectively. This indicates positive relationship between the independent variable namely access to capital, government support and governance structure respectively and the dependent variable establishment of SMEs.

4.5.2 Coefficient of Determination (R^2)

To assess the research model, a confirmatory factors analysis was conducted. The four factors were then subjected to linear regression analysis in order to measure the success of the model and predict causal relationship between independent variables (Access to capital, Government support and Managerial skills), and the dependent variable (Establishment of SMEs).

Table 4.13 Coefficient of Determination (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.904[a]	.817	.459	1.06178

a. Predictors: (Constant), Managerial skills, Government support, Access to capital

The model explains 81.7% of the variance (Adjusted R Square = 0.459) on Establishment of SMEs. Clearly, there are factors other than the three proposed in this model which can be used to predict Establishment of SMEs. However, this is still a good model as Cooper and Schinder, (2013) pointed out that as much as lower value R square 0.10-0.20 is acceptable in social science research.

This means that 81.7% of the relationship is explained by the identified three factors namely Access to capital, Government support and Managerial skills. The rest 18.3% is explained by other factors in the establishment of SMEs not studied in this research. In summary the three factors studied namely Access to capital, Government support and Managerial skills, or determines 81.7% of the relationship while the rest 18.3% is explained or determined by other factors.

4.6 Regression Analysis

4.6.1 Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model is as per Table 4.14 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors of organizational performance. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at F = 25.443, p = 0.000.

Table 4.14 ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	477.258	3	119.315	105.833	.000[b]
	Residual	107.102	76	1.127		
	Total	584.360	79			

a. Dependent Variable: Establishment of SMEs

b. Predictors: (Constant), Managerial skills, Government support, Access to capital

4.6.2 Multiple Regression

The researcher conducted a multiple regression analysis as shown in Table 4.15 so as to determine the relationship between value chain and the four variables investigated in this study.

Table 4.15 Multiple Regression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.464	1.306		3.194	.001
	Access to capital	.455	.071	.435	6.451	.000
	Government support	.914	.098	.459	9.275	.000

Managerial skills	.266	.116	.125	2.304	.003

a. Dependent Variable: Establishment of SMEs

The regression equation was:

$Y = 1.464 + 0.455\mathbf{X_1} + 0.914\mathbf{X_2} + 0.266\mathbf{X_3}$

Where;

Y = the dependent variable (Establishment of SMEs)

X_1 = Access to capital

X_2 = Government support

X_3 = Managerial skills

The regression equation above has established that taking all factors into account (Establishment of SMEs as a result of Access to capital, Government support and Managerial skills) constant at zero Establishment of SMEs will be 1.464. The findings presented also shows that taking all other independent variables at zero, a unit increase in Access to capital will lead to a 0.455 increase in the scores of Establishment of SMEs; a unit increase in Government support will lead to a 0.914 increase in Establishment of SMEs; a unit increase in Managerial skills will lead to a 0.266 increase in the scores of Establishments of SMEs. This therefore implies that all the three variables have a positive relationship with Government support contributing most to the dependent variable.

This therefore implies that all the three variables have a positive relationship with Establishment of SMEs with strategic alliance contributing most to the dependent variable. From the table we can see that the predictor variables of Access to capital, Government support and Managerial skills got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This study investigated the factors affecting establishment of SMEs in Kamukunji, Nairobi County. The factors affecting establishment of SMEs that were studied are; Access to capital, Government support and Managerial skills. This chapter summarizes the findings of the study and makes conclusions upon which recommendations are drawn. Suggestions for further study are also captured as a way of filling the gaps identified in the study.

5.1 Preliminary Findings

The general objective of the study was to investigate the factors affecting establishment of SMEs in Kamukunji, Nairobi County. The findings of the study revealed that factors affecting establishment of SMEs influenced Establishment of SMEs positively. These findings were supported by the frequencies of the responses from the respondents which were presented in the form of percentages and mean scores. Further the findings were supported by the coefficient of determination (R square = 0.459) which shows that 45% of variations in Establishment of SMEs are explained by Access to capital, Government support and Managerial skills.

5.1.1Effects of Access to capital on Establishment of SMEs

The first objective of the study was to set to examine the effect of Access to capital on Establishment of SMEs in Kamukunji in Nairobi County. The findings revealed that Access to capital has a positive influence on Establishment of SMEs in Kamukunji in Nairobi County. This finding is supported by the coefficient of determination which shows that the variations in Establishment of SMEs are explained by Access to capital. The analysis produced results with an overall mean score of 3.74 which showed that majority of the respondent's concurred that Access to capital on Establishment of SMEs had a coefficient of 0.455, meaning that Access to capital influences Establishment of SMEs in Kamukunji by 45%.

5.1.2 Effect of Government support on Establishment of SMEs

The second objective of the study was to determine the effect of Government support on Establishment of SMEs in Kamukunji. The results showed that Government support practices have a moderate influence on Establishment of SMEs in Kamukunji in Nairobi County. The analysis produced results with an overall mean score of 3.92 which showed that majority of the respondents supported contribution of Government support on Establishment of SMEs and had a coefficient of 0.914, meaning that Government support influences Establishment of SMEs in Kamukunji by 91%.

5.1.3 Effect of Managerial skills on Establishment of SMEs

The third objective of the study was to establish effect of Managerial skills on Establishment of SMEs in Kamukunji in Nairobi County. Majority of the respondents agreed that Managerial skills had a negative influence on Establishment of SMEs in Kamukunji. Managerial skills had an overall mean score of 4.32 meaning that majority of the respondent agreed that Managerial skills influences Establishment of SMEs and has a coefficient of 0.266 meaning it influences Establishment of SMEs in Kamukunji by 26%.

5.3 Conclusion

SMEs are the backbone of all economies and are a key source of economic growth, dynamism and flexibility in advanced industrialized countries, as well as in emerging and developing economies. SMEs contribute significantly to the economic development of the country in the area of employment, creativity and entrepreneurship. In the course of setting up and operating, they face financial and non-financial challenges.

Although both challenges have the tendency to slow down the growth of these businesses, the one that is often highlighted is that of access to credit.

There is a strong demand for the government to elaborate and implement policies and strategies for financing SMEs as well as for developing and improving financial institutions and financial instruments; There is a need to harmonize those policies and strategies as well as the instruments for implementing them; The legal framework plays an important role in the creation and successful operation of SMEs and should encourage a simplification of the procedures involved in the creation, financing, training and other aspects of the SME sector;

In Nairobi County, banks do not pay sufficient attention to the development of SMEs. The role of Governments should be to open the dialogue and to create instruments together with the banks to promote the financial aspects of successful SME development;

There is a great need for improving different aspects of financial services for SMEs such as seed money, leasing, venture capital, and investment funding. There is a lack of long-term loans; interest rates are still high, etc. All these limit the development of SMEs; Diversification of financial support for start-ups, growing and successfully operating SMEs will significantly contribute to the creation and development of SMEs; It is necessary to take into account in all support programmers the different needs of micro, small and medium-sized enterprises; There is a need for the elaboration of a set of instruments for the monitoring, evaluation and follow-up of different aspects of SME support programmes and activities; and The creation of a system of education and training on different aspects of SME activities for entrepreneurs is crucial to the development of the sector.

We can therefore conclude that Access to capital, Government support and Managerial skills have significantly affected Establishment of SMEs in Kamukunji in Nairobi County.

5.4 Recommendations

Based on the findings of the study the researcher made the following recommendations;

The study recommends that The central government must work hand in hand with the private sector financial services provide to curb the problems facing SME sector in terms of access to financing. The effectiveness of government subsidies in addressing access to finance challenges facing SMEs is controversial issues that need to be empirically investigated. It is therefore paramount to assess the effectiveness of the policy recommendations in the Kenyan literature as well as monitor progress in as far as improving access to finance by SMEs is concerned.

There is the need for SMEs to network or form partnership; pool financial resources and sometimes have joint projects. Such a fund can help these businesses to take such a step. This is because as they interact they could identify common areas of strategic partnership and collaborations. Secondly, such a Fund would SMEs have access to funds with less or no strings attach to it and possible at no or less costs of capital. Again they would be under relatively lesser pressure to payback without interest compared with loans from banks or other lenders. Also SMEs would access funds without any collateral.

There is the possibility of donor support (from international and domestic agencies) if there is the evidence that the fund is being managed well. Again not only members have access to cheap capital, they could also benefit from investment of their fund in a pool.

SMEs could benefit from additional group training and counseling. The peer-to-peer check would self as a monitoring system for businesses. Members would have a say in how the fund is managed

It is further suggested that managerial knowledge could mitigate the perceived problem of access to sources of finance and/or bank products. This could be possible through electronic commerce, business record keeping and information seeking on available alternative sources of finance. Lack of technical skills and awareness of the benefits of e-commerce may be mitigated through training and programmes to create awareness.

5.5 Areas for Further Research

The findings of the research were confined to SMEs in Nairobi County Kamukunji costituency, which implies that the findings cannot be generalized to other constituencies, cities and counties in Kenya therefore the researcher recommends a replica research in other industries. In future the researcher could also consider using a larger sample in order to achieve a much higher precision.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

The Management University Of Africa

Nairobi.

Dear Sir/Madam

RE: PERMISSION TO CONDUCT RESEARCH WORK

I am a final year student from Management University of Africa currently pursuing a diploma in Business Management. As part of my coursework, I am required to conduct a research survey. The title of my research project is to **EXAMINE THE FACTORS AFFECTING ESTABLISHMENT OF SMES IN KAMUKUNJI, NAIROBI COUNTY**.I would be grateful if you could spend a few minutes of your time to complete the questionnaire. I assure that all information to be collected will be strictly for academic purposes and will be kept confidential. Thank you for your kind assistance.

Thank you so much for participating.

Yours Sincerely,

ZAMZAM MOHAMED GODANA

APPENDIX II: QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION (TICK WHERE APPROPRIATE)

I would like to commence by asking you a few questions about yourself and your work. This helps me to understand the sample.

To answer the questions, please tick the box that is more appropriate to you

1. Name in full (optional)………………………………………………………
2. Which position do you occupy on the organization?

   (a) Management staff [ ] (b) Non-management staff [ ]

3. Age bracket (years)

   20– 29 ( ) 30 – 39 ( )

40 – 49 ( ) 50 and above ( )

4. Please tick the highest level of your education (academic)

   PhD ( ) Diploma ( ) Certificate ( )

   Masters ( ) Degree ( ) Secondary ( )

5. Please state your professional qualification if any

…………………………………………………………………………………………………….

…………………………………………………………………………………………………….

6. How long have you served in your position stated in question 3 above?

   1– 5 year ( ) 5 – 10 years ( )

   10 – 15 years ( ) 15 years and above ( )

SECTION B: factors affecting establishment of SMEs in Kamukunji, Nairobi County.

	Level of Extent?				
The following is a list of factors affecting establishment of SMEs in Kamukunji, Nairobi County. Please indicate your degree of agreement to each of the following matters regarding their effect on establishment of SMEs using the scale of 1-5 where 1= Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree & 5 = Strongly Agree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

	1	2	3	4	5
Access to capital					
Cost of Capital.					
Availability of credit					
Capital Position					
Working capital					
Government Support					
Government policies					
Subsidiaries.					
Provision of grants.					
Capital Injections.					
Managerial Skills					
Inventory control					
Cash management					
Record Keeping					
Managerial training and experience					

SECTION C. Establishment of SMEs

	What is the extent

Specify the extent to which the following factors have enhanced Establishment of SMEs of Small Scale business enterprises in Mwembe Tayari, Nairobi County 1= Not at all; 2 = Small extent; 3 = Moderate extent; 4 = Great extent; 5 = Very great extent	Not at all	Small extent	Moderate extent	Great extent	Very great extent
	1	2	3	4	5
Does access to capital enhance establishment of SMEs in Kamukunji, Nairobi?					
Do government support enhance establishment of SMEs in Kamukunji, Nairobi?					
Does managerial skills enhance establishment of SMEs in Kamukunji, Nairobi?					

Your input to this research is significantly appreciated.

Thank you very much for your time finishing this questionnaire

APPENDIX IV: TIME PLAN

Activities	Week 1	Week 2	Week 3&4	Week 5,6,7&8	Week 9	Week 10	Week 11	Week 12
Topic								
Project								

writing/presentation								
Data gathering								
Data analysis & report writing								
Project presentation								
Project correction								
Project binding								
Submission								

APPENDIX IV: BUDGET

ACTIVITY	COST
Typing cost	**4,000**

Stationery Cost	**3,000**
Binding	**3,000**
Travelling	**2500**
Internet	**2000**
Miscellaneous	**2,000**
TOTAL	**16,500**