FACTORS THAT AFFECT THE GROWTH OF SMALL AND MEDIUM SIZED ENTERPRISES IN KENYA: A CASE STUDY OF ELECTRONIC FIRMS IN KIAMBU COUNTY.

BY

ESHA FAHMI KADHI

L123/23961/2013

A Research Project Presented in Partial Fulfillment of the Requirement of the Award of a Diploma in Business Management to University of Nairobi.

JUNE 2014
DECLARATION

This research project is my original work and has not been presented in any other university for any academic award.

Student’s Name: Esha Fahmi Kadhi

L123/23961/2013

Sign: ........................................ Date: 21/06/2014

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

Supervisor’s Name:

Netia Willimina

Sign: ........................................ Date: 23/06/2014
ABSTRACT

Small and Micro Enterprises (SMEs) plays an important economic role in many countries. In Kenya, for example the SME sector contributed over 50 percent of new jobs created in 2005 but despite their significance, SMEs are faced with the threat of failure with past statistics indicating that three out of five fail within the first few months. This study sought to understand how SMEs manage the challenges they face. These challenges seem to change (evolve) according to different macro and micro conditions. This study employed stratified random sampling to collect data from different businesses using interviews and questionnaire. The data was analyzed descriptively and presented through figures, tables and percentages.

The findings indicate that SMEs face the following challenges; unfavourable regulatory and legal framework, lack of access to technology, lack of access to credit and mismanagement due to lack of technical skills and experience. Relevant training and education is positively related to business success. The SMEs have the following strategies to overcome the challenges; local government by-laws must be amended to require that local authorities to be transparent, technology should be embraced, SMEs should position themselves strategically so as to benefit from the services of credit granting organizations and managers and employees should have the necessary skills and experience through training in order to run the organizations efficiently and continuously improving quality of service. The research concludes that business success is a consequence of embracing a mix of strategies and procedures.