FACTORS HINDERING THE GROWTH OF AUTOMOBILE MANUFACTURING FIRMS: A CASE OF GENERAL MOTORS EAST AFRICA LIMITED-KENYA

BY
HALIMA AHMED GAAL

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT FOR THE REQUIREMENT OF THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT OF THE UNIVERSITY OF NAIROBI

2014
DECLARATION

I declare that this is my original work and has never been submitted for examination and award in any other University.

SIGN: ___________________________ DATE: 14/04/2014

HALIMA AHMED GAAL

REG NO: L123/21983/2013

SUPERVISOR

This research project has been submitted for examination with my approval as University of Nairobi supervisor in the School of Continuing and Distance Education.

SIGN: ___________________________ DATE: 14/04/2014

Supervisor: Grace Gatundu

Department of Extra-Mural Studies

School of Continuing and Distance Education

University of Nairobi
ABSTRACT

Established dealers have been seen to be faced intense competition from imported second-hand vehicles, mainly from Japan and United Arab Emirates. These imports now account for about 70% of the market. The last decade witnessed a significant decline in the number of new vehicles sold in the country. There has been a steady recovery in the last four years, but the numbers achieved still fall far short of the numbers recorded a decade ago. Though the growth of the automobile industry is highly affected by competition, this study will focus on competition plus other factors affecting the growth automobile industry in Kenya which include; Interest Rates, economic health, and government intervention. General Motors East, a manufacturing plant in Nairobi assembles a wide range of Isuzu trucks and buses. It is the largest manufacturer of commercial vehicles in the Eastern Africa region with more than fifteen models. GM East Africa also retails fully built Chevrolet brands. The automobile has radically changed city life by accelerating the outward expansion of population into the suburbs. The suburban trend is emphasized by the fact that highway transportation encourages business and industry to move outward to sites where land is cheaper, where access by car and truck is easier than in crowded cities, and where space is available. Better roads were constructed, which further increased travel throughout the nation. As with other automobile-related phenomena, the trend is noticeable in the cities. Massive financial requirements are constantly in need to meet various demands such as ever, dynamic technological change that is hard to keep pace with is a major challenge in automobile industries. This brought about the need to find out factors hindering the growth of automobile manufacturing firms in Kenya in reference to General Motors East Africa Limited. The study will be guided by the following research objectives; to find out the effect of Competition on growth of automobile manufacturing firms in Kenya, to determine the effect of Interest Rates on growth of automobile manufacturing firms in Kenya, to determine the effect of government intervention on growth of automobile manufacturing firms in Kenya, and finally to evaluate the effect of economic health on growth of automobile manufacturing firms in Kenya. In order to achieve the stated objectives, four research questions will be constructed from the research objectives. The completion of this research study will be seen to be very useful to the management of General Motors East Africa Limited. The research will pin point some of the areas that this organization will need to improve in level of performance to enhance their growth and performance, whether in technological upgrading, compliance to regulations, formulation of strategic approaches or customer service or any other section that will be identified to have deficiencies. Appropriate recommendations also will be suggested to necessitate better decision making for the better part of the organization. This study will use a descriptive research design. Mugenda and Mugenda (1999) noted that Descriptive research assist to draw valid general conclusion from the facts discovered. The design will be preferred because it is concerned with answering questions such as who, how what, which, when and how much Cooper and Schindler (2001). The targeted population of the study will be the managerial level with a total of 50 respondents. Data will then be collected from primary and secondary sources respectively. The findings will later be analyzed and suggestions given.