FACTORS INFLUENCING THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KENYA.

(A case of the Central Business District)

BY:

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DECLARATION

I hereby confirm to the best of my knowledge that this is my original work and it has not been submitted for any award of University Of Nairobi or any other institution.

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ABSRACT

SMEs are considered backbone of economic growth. The study aimed at investigating the factors influencing the growth of small and medium enterprises in Kenya. To achieve this, research objectives were formulated to determine the major factors influencing the growth of SME. The study adopted a descriptive design. The entrepreneurs and managers were preferred as a rich source of information concerning factors influencing growth of SME in Kenya. The study targeted 30 SMEs, out of which sample size of 30 companies was drawn. Data were collected using questionnaires on factors influencing growth of SMEs. Data were obtained from respondents of 30 SMEs. Data were analyzed through descriptive statistics and exploratory factor analysis. Statistical Package for Social Sciences (SPSS version 16) was used for effective analysis. Percentages and frequency distribution were used to present data and the results of data analysis presented in frequency tables, pie charts, bar graphs and percentages. The study findings indicated that majority of respondents indicated that major attribute of growth is the new products. Also the study found that the major factors influencing growth of SME are motivation of the owner, education of employees, education of the owner, previous working experience and location of the firm. This was indicated by eigenvalues and percentage of variance of 19.4%, 17.8%, 13.2%, 11.5% and 8.0%. The study therefore recommended that the owners of SMEs should borrow loans and use to finance the business. This will help in expanding the business and result to opening of new branches. Also the SME should come up with new products that might help them to gain competitive advantages over their competitors. The SMEs should embrace technology to help them to cut down costs of production by improving efficiency and effectiveness.