

**STRATEGIC CHALLENGES FACING THE GROWTH OF SMALL AND MEDIUM
ENTERPRISES IN KITENGELA TOWNSHIP, KENYA.**

BY

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DECLARATION

I declare that this research project is my original work and has not been submitted for examination in any other university or college.

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

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You are all an integral part of this work. May God richly bless you all.

DEDICATION

I would like to dedicate the project to Almighty God for the far he has brought me and to my parents Mr. and Mrs. Nderi who have been a strong pillar and a source of inspiration in my life.

ABSTRACT

In Kenya, the Small Medium Enterprises (SMEs) account for 50% of the country's GDP and have employed 80% of the country's work force. SME is a very important sector for the Kenyan economy because it plays a very significant role in the provision of employment and wealth creation opportunities. The crucial role of SMEs is considered in the Kenya's Vision 2030, a blueprint which seeks to transform Kenya into a middle-income economy. Vision 2030 recognizes the need for capacity building and appropriate financial support to SMEs in order to make the sector grow. Despite their significance, SMEs are faced with strategic challenges. Studies show that three out of five SMEs businesses fail within the first few months of operation. The purpose of this study therefore was to find out the strategic challenges affecting the growth of SMEs in Kitengela Township, Kenya. The study was guided by the following specific objectives: assessing how lack of credit affects the growth of SMEs in Kitengela, finding out the effects of technology in the growth of SMEs in Kitengela, finding out how the process of registration and licensing affects the growth of SMEs in Kitengela. The study population was 120 SMEs who were doing different businesses in Kitengela Township, Kenya. A sample size of 92, which entailed SMEs owners or managers, was used. The study used descriptive research design. Simple random sampling was used to select the sample from the population. A structured questionnaire was used to collect data. The collected data was analyzed through the use of the Statistical Package for Social Sciences (SPSS). The study used the descriptive statistics such mean, median, mode, and standard deviation to explain the results. The findings of the study were presented by the use of frequency tables, graphs, and pie charts. The study found out that majority (55%) of SMEs raised capital from their own savings. It was also established that collateral requirement by most of the lenders hindered SME growth. The findings of the study further revealed that the cost of loan was high because of high bank application fees. The study found out that there was a significant relationship ($r = 0.457, p = .000$) between technology and business growth. The study further found out that inefficiencies at the registration and licensing agencies derailed the process of business registration. The study concluded that SME businesses will grow very much if there is adoption of technology. SMEs should computerize all their business activities and put in place appropriate systems to make the operation of their businesses efficient. Lenders should levy reasonable charges on their loan products in order to make them attractive to SMEs.

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ABBREVIATION AND ACRONYMS

GDP	Gross Domestic Product
KNBS	Kenya National Bureau of Statistics
RBV	Resource Based View
SMEs	Small and Medium Enterprises

OPERATIONAL DEFINITION OF TERMS

Debt : Amount of money borrowed by one party to another to be repaid later with interest

Equity : It is the funds obtained by the business from investors in exchange of stock.

Growth : The process of improving the performance indicators (sales and profitability) of a business enterprise.

Small and Medium Enterprises: In the Kenyan context, it means businesses whose number of employees ranges between 10-99.

Strategy: A method applied towards achieving a certain goal in future

Strategic Challenge: These are hindrances or obstacles which make it difficult for the execution of a business strategy.

CHAPTER ONE

INTRODUCTION

This chapter gives a highlight on the background to the study whereby the conceptual and contextual arguments are presented and the relationship between independent and dependent variables is discussed. It also touches on the statement of the problem, objectives, research hypothesis, significance of the study of the study, scope of the study, and the conceptual framework.

1.1 Background to the Study

Small and Medium Enterprises (SMEs) are defined differently between countries and within sectors. Definitions differ in the break points they employ, and also in the underlying basis used for classification (Ayyagari, Beck and Demirguc-Kunt, 2003). Some of these definitions are based on quantitative measures such as staffing levels and turnover or assets, while others employ a qualitative approach (Meredith, 1994). Not only do the definitions of SME vary, but there are wide-ranging views on the characteristics of SMEs. There have been many studies in the literature that have attempted to define the characteristics of SMEs. Central to all of these studies is the underlying realization that many of the processes and techniques that have been successfully applied in large businesses do not necessarily provide similar outcomes when applied to SMEs. This is perhaps best summed up by Barnet and Macknesss (1983) and Westhead and Storey (1996) who state that SMEs are not 'small large businesses' but are a separate and distinct group of organizations compared to large businesses.

Small and medium enterprises (SMEs) are enterprises decided by the number of employees and or revenues they have. Under the Kenya Micro and Small Enterprise Act of 2012, micro

enterprises have a maximum annual turnover of KES 500,000 and employ less than 10 people. Small enterprises have between KES 500,000 and 5 million annual turnovers and employ 10-49 people. Medium enterprises are not covered under the act, but have been reported as comprising of enterprises with a turnover of between KES 5 million and 800 million and employing 50-99 employees. In Kenya most of the SME's fall in the informal sector known as jua kali meaning Hot sun. People working in Jua kali are known to be self-employed operating small scale industries. It also implies to all enterprises employing 1-49 people. There is no comprehensive record of SME's in Kenya. According to Sessional Paper No2 of 1992, the Kenyan enterprises are categorized depending on the number of employees as follows: micro enterprises (1-9 employees), small enterprises (10-49 employees), medium enterprises (50-99 employees), and large enterprises (more than 100 employees). In Kenya, SMEs are therefore businesses which employ between 10-99 employees (KNBS, 2016).

According to World Bank report of January 2011 estimated that there are about eight million SMEs in Kenya that account for nearly 50 per cent of GDP, and employing over 80 per cent of the country's labor force. The role of small and medium enterprises cannot be underestimated in the national economy as they are given a lot of policy attention recently. They are considered as the engine of growth to most economies. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). There is a SMEs policy, and an Act of Parliament Number 55 of 2012 is in place to promote and regulate them, and since 2012 there is even a state corporation called Micro & Small Enterprises Authority to boost.

It is sometimes argued that SME's expansion boost employment more than large firm growth because SMEs are more labor intensive hence provision of subsidies can lead to SME being a poverty eliminating tools. In Kenya, SMEs play a key role in economic development and job creation. In 2014, 80% of jobs created were dominated by SMEs. A 2014 CNBC news report puts SME contribution to Kenya's GDP at about 45%. KNBS (2016) found out that majority of SMEs businesses closed down after attaining the age of 3.8 years because of shortage of operating funds. In Kenya, SMEs are given credit facilities by banks on the basis of collateral; this is a limitation to them because majorities start businesses without tangible collaterals (KNBS, 2016).

According to Deloitte Kenya Economic Outlook 2016, Kenyan SMEs are hindered by inadequate capital, limited market access, poor infrastructure, inadequate knowledge and skills and rapid changes in technology. Corruption and an unfavorable regulatory environment are other challenges.

Government attempts to address these problems include enforcing legislation on local content for public projects, establishing 'Buy Kenya, Build Kenya' policies in public procurement, research and development support and increased contributions to funds such as the Uwezo. The Uwezo fund aims to expand access to finances and promote women, youth and persons living with disability. The Kenyan government is also promoting small and medium scale manufacturing firms and plans to develop SME parks.

Despite the support government offers, there are some strategic challenges that hinder SME'S from growing and expanding, which may include inadequate business skills, challenges in registrations and licensing. Lack of credit has also been identified as one of the most serious

constraints facing SMEs and hindering their development (Oketch, 2000; Tomecko & Dondo, 1992; Kiiru, 1991). Negative perception is another challenge facing SME's (Amyx, 2005), they are perceived to lack quality services and are unable to satisfy more than one critical project simultaneously

The focus on this study will be on Kitengela Township in Kajiado County. Kitengela is among the fastest growing towns in Kenya which is located south of Nairobi and according to 2009 Kenya Population and Housing Census, the county has a population of 58197.

1.2 Statement of the Problem

Kenya being one of the most developed countries in east Africa, it boast in Agriculture, forestry, fishing and a big manufacturing sector representing 11% of the GDP. The Kenyan economy advanced 4.4 percent year-on-year in the third quarter of 2017, slowing from a 5.6 percent expansion in the same quarter of 2016. The Kenya National Bureau of Statistics (KNBS) reported that inflation increased from 7.0% in January 2017 to 9.0% in February 2017 on account of rising food and electricity prices.

SMEs are the main source of employment in developed and developing countries alike, comprising over 90% of African business operations and contributing to over 50% of African employment and GDP. It is estimated that today, Kenya's informal sector constitutes 98 percent of all businesses in the country, absorbs annually up to 50 percent of new non-formal employment seekers, has an employment growth rate of 12-14 percent and contributes 30 percent of total employment.

This study will focus on Kajiado county more specifically Kitengela township which is a fast growing town. Despite covering a large area we find a vast majority of people in the central business district. In the course of this study we shall find the challenges the SME's in the area face in trying to expand in the region despite having attracted a majority of people due to the area infrastructural developments. Many new firm starts up each year but their survival is more difficult. The first 3 years of a business are most critical with up to 50% ceasing to trade during that time. This mostly applies to small firm rather at 6 times more than big firms. Failure is often caused by SME's looking inwards and not focusing on the customer and market requirement, limited management skills and the owners' belief that they can do it all.

SMEs constitute for a massive 99.7% of the enterprises worldwide. Since SMEs contribute substantially to the economic and industrial development in most countries, it is crucial to identify the strategic challenges that affect their growth. SME's have a challenge in accessing credit from institutions like bank due to a few reason such as ; lack of economies of scale , lack of credit reporting systems ,lack of eligible collaterals. Most of them rely on self-financing in terms of retained earnings.

1.3 Objectives

The major objective of this study was to determine the strategic challenges facing growth and expansion of small and medium enterprises in Kitengela Township.

1.3.1 Specific Objective

The specific objective includes

- i) To assess how credit affects growth of SME's in Kitengela Township
- ii) To find out the effects of technology on the growth of the SME'S in Kitengela Township.

iii) To find out how the process of registration and licensing affects growth of SME's in Kitengela Township.

1.4 Research Questions

i) To what extent does lack of credit affect the growth of SMEs in Kitengela Township?

ii) What are the effects of technology on the growth of SMEs in Kitengela Township?

iii) How does the process of registration and licensing affects the growth of SMEs in Kitengela Township?

1.5 Justification of the Study

The importance of studying the strategic challenges facing the growth and expansion of SMEs is yet to be established through scholarly research. This study sought to fill in this gap through contributing to the already existing knowledge on SMEs, as well as helping unleash the challenges which SMEs encounter when expanding. By providing a critical analysis of strategic challenges towards SMEs, this study acted as a wakeup call for government, banking institutions on the products that benefit SMEs as well as for SMEs in Planning and strategizing their growth. This study will be of great importance to SME owners as it will identify some of the factors which contribute to the SME's challenges in growth and help in recommending better ways to deal with them. The study will further help to inform and build SME's in their quest to grow.

1.6 Scope of the Study

The scope of this study was limited to finding out the strategic challenges facing the growth of SMEs in Kitengela Township. The study was carried out in Kitengela Town, Kajiado County, Kenya. The study was conducted between September and October 2018.

1.7 Conceptual Framework

Figure 1.1 shows the conceptual framework for this study. The independent variables are the strategic challenges faced by SMEs. These strategic challenges include credit facilities, technology, and business registration and licensing. The dependent variable is the growth of SMEs in Kitengela Township, Kenya. The growth of SMEs may be measured by annual sales, annual profits, and the number of branches opened.

Independent Variables

Dependent variable

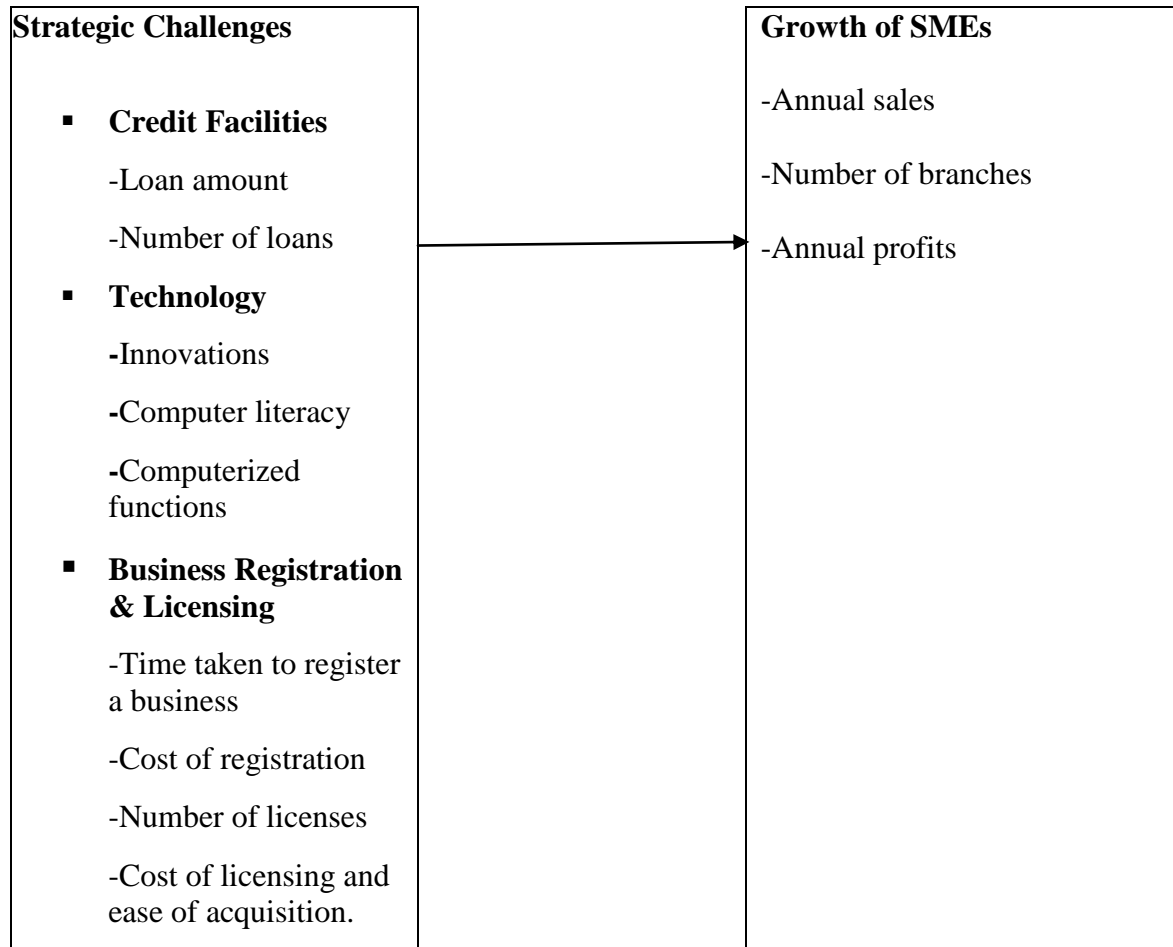


Figure 1.1 Conceptual Frameworks

Source: (Researcher, 2018)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Business growth can be measured in many ways such as sales turnover, profits, and number of people employed and in market and technology domain (Marc, 2000). O’Gormoma (2001) found out that there is no one single measure of growth. Growth can be measured in many ways such as turnover, profits, and number of people employed and in market and technology domain. He asserts that none of these options presents itself as the most appropriate measure. The performance of an enterprise, according to (Adler and Izareli, 1994), is a function of its ability to reach and maintain equilibrium with its environment. They assert that an organization can adapt to changes in its internal and external environment or maintain or enhance its performance levels through innovation. According to Marry (2004), the growth of an enterprise is reflected in increased sales, new and improved products and increased market share. O’Gormoma (2001) asserts that business performance is measured by investment in innovation that enables their businesses to successfully enter into new product market domains and consequently enhance their sales growth in the long run.

2.2 Theoretical Review

2.2.1 Resource Based Theory

Finance is required to support economic activities and makes a significant contribution to growth (Levine and Dermiguc-Kunt, 2001). The role of finance in supporting any economic activity cannot be over emphasized. We shall explore the role of credit or finance in fostering SME’s growth based on the resource based theory. The resource based theory (Barney, 1991) states that

firms specific resources are a corner stone of corporate performance and competitiveness. Firm specific resources include finance and ability to attract finance.

According to the resource-based theory, which has its roots in economic theory (Penrose, 1959) and early strategy theory (Selznick, 1957; Ansoff, 1965; Andrews, 1971), the long-term competitiveness of a company depends on its endowment of resources that differentiate it from its competitors, that are durable and, that are difficult to imitate and substitute (Grant, 1991; Peteraf, 1993; Collis and Montgomery, 1995; Mahoney and Pandian, 1992; Barney, 1991; Prahalad and Hamel, 1990 and 1994; Stalk et al., 1992, Amit and Shoemaker, 1993; Porter, 1991).

Various definitions and classifications of resources have been proposed in the literature. The most important in the context of this article are briefly described here;

A number of authors divide resources into homogeneous classes, such as, financial resources, physical resources plant, machine, equipment, etc., human resources, technological resources, reputation, and or organizational resources (e.g., control management system, organizational climate, internal relationships) (Grant, 1991; Azzone et al., 1996).

Others classify resources as tangible, such as human, financial or physical resources, and intangible, such as reputation, organization, know-how or patents (Hall, 1992; Zahara and Das, 1993; Collis and Montgomery, 1995)

In our study we find that capital is a resource that contributes to the competitiveness of a firm and its growth.

However, the resource-based theory does not consider all resources possessed by a company, but focuses rather only on critical (or strategic resources, i.e. those that are the basis of the company's sustainable competitive advantage).

2.2.2 Pecking Order Theory

SME capital structure behavior is found typically to follow pecking order behavior whereby business adhere to a hierarchy of financing sources and prefer internal financing followed by debt financing and lastly equity financing. However, the theoretical underpinnings of the pecking order theory are doubted in the case of SMEs as SME managers highly value financial freedom, independence, and control while the pecking.

Order theory assumes firms desire financial wealth and suffer from severe adverse selection costs in accessing external finance (Bell and Vos, 2009). Alternatively, the contentment hypothesis of Vos, et al (2007) contends the reason SMEs exhibit pecking order behavior is the aversion to loss of control to outside financiers and the preference for financial freedom.

Several studies have recognized that the SMEs founder's savings, as well as the assets of family and friends, are often the foundation of seed capital (Roberts, 1991). While financing requirements do vary by sector (Mason and Harrison, 1994), for the majority of SMEs internal equity and profits alone are insufficient to meet the high capital requirements for development and progression to the next growth stage. Therefore, while they are still in the very early stages of development many SMEs are forced to seek external investment capital (Oakey, 1984). Not surprisingly, the firms which seek external capital most vigorously tend to be growth-oriented companies (Oakey, 1984).

2.2.3 Schumpeter Theory of Innovation

Schumpeter Theory of Innovation Schumpeter (1934) argued that entrepreneurs, who could be independent inventors or Research and Development engineers in large corporations, created the opportunity for new profits with their innovations. In turn, groups of imitators attracted by super-profits would start a wave of investment that would erode the profit margin for the innovation. Schumpeter (1934) emphasized the role of entrepreneurship and the seeking out of opportunities for value generating activities which would expand and transform the circular flow of income, but it did so with reference to a distinction between invention and discovery on one hand and innovation, commercialization and entrepreneurship on the other. The separation of invention and innovation marked out the typical nineteenth century institutional model of innovation, in which independent inventors typically fed discoveries as potential inputs to entrepreneurial firms. The author further saw innovations as perpetual gales of creative destruction that were essential forces driving development in a capitalist system.

Schumpeter's thinking evolved over his lifetime to the extent that some scholars have differentiated his early thinking where innovation was largely dependent on exceptional individuals/entrepreneurs willing to take on exceptional hazards as an act of will

(Schumpeter, 1934).Schumpeter drew a clear distinction between the entrepreneurs whose innovations create the conditions for profitable new enterprises and the bankers who create credit to finance the construction of the new ventures (Schumpeter, 1939).He emphasized heavily that the special role of credit-creation by bankers was 'the monetary complement of innovations' (Schumpeter, 1939).As independent agents who have no proprietary interest in the new enterprises they finance, bankers are the capitalists who bear all the risks (none is borne by the entrepreneurs).That requires having the special ability to judge the potential for success in financing entrepreneurial activities. Schumpeter emphasized that it is just as important

to deny credit to those lacking that potential as it is to supply credit to those having it (Schumpeter, 1939)

2.2.4 Technology Acceptance Theory

Technology Acceptance Model (TAM) was advanced by Davis (1993) and focused on the technological issues. The model relates the individuals' behavioral intentions and his/her technology use. It is suggested that, the actual behavior of a person is determined by his behavioral intention to use, which is in turn influenced by user's attitude toward and perceived usefulness of the technology. However, attitude and perceived usefulness are both determined by ease of use. From this model, usefulness and user friendliness affect users' attitudes towards any service. Davis (1993), thus suggest that it is important to value user requirements based on perceived Usefulness and the user friendliness of innovation rather than other objective measure. Adopting the TAM model requires the understanding of end-users requirements regarding usefulness and user friendliness (Pedersen, 2002). Wang et al. (2003), examines the effect of computer self-efficacy on the intention to use internet banking. The results strongly support the extended TAM in predicting the intention of users to adopt innovation. It also demonstrates the significant effect of innovation on behavioral intention through perceived ease of use, perceived usefulness, and perceived credibility (Wang et al., 2003).

2.2.5 Diffusion of Innovation (DOI)

Diffusion of Innovation (DOI) Theory, developed by Rogers in 1962, He synthesized research from over 508 diffusion studies and came out with the 'diffusion of innovation' theory for the adoption of innovations among individuals and organization. The theory explicates "the process by which an innovation is communicated through certain channels over time among the members of a social system" (Rogers, 1995, p. 5). It is one of the oldest social science theories. It

originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system.

The result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. Adoption means that a person does something differently than what they had previously. The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible.

Innovations are not adopted by all individuals in a social system at the same time. Instead, they tend to adopt in a time sequence, and can be classified into adopter categories based upon how long it takes for them to begin using the new idea. Practically speaking, it's very useful for a change agent to be able to identify which category certain individuals belong to, since the short-term goal of most change agents is to facilitate the adoption of an innovation. Adoption of a new idea is caused by human interaction through interpersonal networks. If the initial adopter of an innovation discusses it with two members of a given social system, and these two become adopters who pass the innovation along to two peers, and so on, the resulting distribution follows a binomial expansion. Expect adopter distributions to follow a bell-shaped curve over time (Rogers,1971). Nooteboom(1994) reviewed diffusion of innovations research and its application to social marketing programs. One of the first points they make is that there are different types of adopters in every target audience that, based on hundreds of different studies, usually are represented in certain proportions and have unique motivations for adopting a new behavior. These five adopter segments are innovator, early adapters, early majority, late majority, and laggard. Studying how innovation occurs. Rogers (1995) also argued that it consists of four stages: invention, diffusion, (or Communication) through the social system, time, and consequences. The information flows through networks. The nature of networks and the roles

opinion leaders play in them determine the likelihood that the innovation will be adopted. Innovation diffusion research has attempted to explain the variables that influence how and why users adopt innovations. By analyzing Rogers (2003) diffusion of innovation theory through the lens of the Dubin framework, some gaps in the theory emerge (Lundblad and Jennifer, 2003). Organizations are described as a social system, but within organizations, departments or teams can also serve as social systems. Yet the unique issues and elements of departments or teams within a larger organizational context are not addressed in terms of how these boundaries affect the adoption of innovation. In addition, boundaries are not addressed for instances when diffusion of innovation occurs across organizations, such as between schools of a school district or hospitals and clinics within a health care delivery system (Lundblad and Jennifer, 2003). For diffusion of innovation theory in organizations, the only system state defined by the theory is what type of decision-making process is in place for adopting and implementing innovations, identified as optional, collective, authority and contingent innovation-decisions .This theory has been used successfully in many fields including communication, agriculture, public health, criminal justice, social work, and marketing

2.3 Empirical Review

2.3.1 Credit And Growth of SME

Literature dealing with lack of credit affecting growth and expansion of SME'S is relatively rich.

The key to growth is focusing on firms strategies on sharing equity, identifying a particular market niche, identifying new products, technological sophistication and devolution of decision making (Feindt et al., 2002; storey, 1994). Fast growing business tends to be those that extend business ownership to others in exchange of equity. In a number of countries scarcity of capital

resources inhibits growth hence it's not surprising that access to finance makes growth easier (Berry et al., 2000; Bianchi, 2002; Storey, 1994)

SME access to capital to fund their growth and expansion is very limited and for most of SMEs in developing countries represents a major obstacle. It is likely that SMEs do not have access to loans issued by banks, or face extremely unfavorable conditions of loans. On the other hand banks in developing countries have difficulties in lending activity as a result of imperfect or complete lack of information. As a result there is shortage of a genuine capital market for SMEs (Nichter & Goldmark, 2009).

Kaya and Alpkın (2012) reported that lack of financial information, poor experience of business decision making among owner- managers, the underdevelopment of financial systems and the environment, a lack of credit volume and the cost of credit are the main financial obstacles faced by SMES in Turkey. However Seker and Correa (2010) indicate that SMEs in turkey are more dependent on bank finance than other countries to fund their fixed assets. Bank funding for fixed assets in turkey accounts for 47% of all loans, backed with collateral yet SMEs find it difficult to secure loans for operating cash flow in particular for periods of financial crises. According to Ernest Aryeetey and Ravi Kanbur (2017) high cost of financial intermediation has created a persistent access to finance problem, particularly for small and medium enterprises. There continues to be a reluctance on the part of banks to lend to SMEs , for reasons that include lack of credit information on SMES, risk and cost of lending to SMEs, lack of business and financial skills, lack of guarantees or collateral availability . These factors are also witnessed in Kenya despite the government lowering the interest rates. The banking sector has raised the bar on

conditions of meeting the credit financing such as collateral requirements, long experience in business, audited accounts etc.

2.3.2 Technology and Growth of SME

Information technology had a great impact in all aspects of life and the global economy is currently undergoing fundamental transformation. Information technology has very real impact in most of industries and in all aspects of economy, while businesses and enterprises continue to undergo considerable changes. Usage of these technologies is revolutionizing the rules of business, resulting in structural transformation of enterprises. Modern businesses are not possible without help of information technology, which is having a significant impact on the operations of Small and Medium Sized Enterprises (SME) and it is claimed to be essential for the survival and growth of economies in general.

Research points that most SMEs in Kenya are not innovative and this affects negatively on their growth. The Kenyan Business system has not fully integrated innovation to enhance competitiveness (Ministry of Science and Technology, 2008).

According to Tucker (2008) argues that innovation is the best way for stimulating growth in a firm. The most innovative firms realize higher turnover of products and services introduced within a period of time. In order for firms to grow, then they have to adopt an innovative approach that will enable them gain a competitive edge in the prevailing business environment. Freeman (1982) says that to choose to be non-innovative is to choose death to an organization.

SMEs are generally more flexible, adapt themselves better, and are better placed to develop and implement new ideas. The flexibility of SMEs, their simple organizational structure, their low risk and receptivity are the essential features facilitating them to be innovative (Harrison and Watson 1998). Through empirical research one can generate new and creative ideas about

products and processes. Some researchers observe that increasing profit of organization is because of change in technology (Ruttan, 1997).

Initiatives to support indigenous technology should therefore aim to link SMEs with technology specialists in order to generate an enabling environment that develops technology capacity. This is likely to result in a great performance of SMEs as it provides differentiated products, services and technical services in accordance with the resources available and the market needs in the context of these SMEs. It is generally recognized that SMEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development (Hill, 1987).

2.3.3 Registration and Licensing Impact on Growth of SMES

The legal and regulatory frameworks are a major hindrance to SME development. For instance, many licenses are required for one to operate a single business (Mullei et al., 1999) largely hostile to many small business operators. He also says that legal and regulatory constraints hinder the development of the informal sector by inhibiting business competitiveness and that besides imposing costs and inflexibilities that frustrate enterprises; they also hamper innovation, deter investments and minimize opportunities for employment creation. The legal and regulatory frameworks are in the form of trade licensing and registration of business names (Caps 497 and 499, Laws of Kenya) and Local Authority Licensing by-laws (Cap 265, Laws of Kenya). The regulatory requirements contained in these frameworks have remained a hindrance to the development of SMEs. This is because of the fact that they have costs whether an entrepreneur complies with them or not (K'Obonyo et al, 1999). Such costs may affect the establishment, growth and competitiveness of SMEs, more so in the rural areas as opposed to the urban. In addition to these costs, the person may incur some unofficial costs like bribes (K'Obonyo et al,

1999). These costs may have a negative effect on the growth of SME since they could be directed in expansion of the SME.

2.4 Summary

Several studies have been undertaken in regards to small and medium enterprises in Kenya. According Kinyumu (2013) study on operational challenges in growth of SME in Kisumu County found out the importance of efficient and effective organizational and operational factors which have an effect on the growth of business in provision of services. He recommended that management should ensure efficient location of facilities, efficient management structures and an optimal capital base. He also made a recommendation of adoption of high technology systems (such as total quality management system) of business processing and outsourcing which contributes to higher revenue.

The chapter has compiled literature related to SMEs and strategic challenges affecting growth of SMEs. Both theoretical and empirical literatures have been reviewed. Particularly, the chapter discussed Theories related to SME growth, behavior of SMEs, innovativeness and registration process.

This study seeks to fill the gap left in analyzing our objectives on how the contribute to growth of SMEs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the methods which were used to conduct and analyze the research. This chapter gives the information about research design, area of study, sampling design, data collection, and data analysis.

3.2 Research Design

Ogula (2005) describes a research design as a plan, structure and strategy of investigation to obtain answers to research questions. This study used a descriptive research design. Mugenda and Mugenda (1999) opine that descriptive research design enables the researcher to obtain pertinent and precise information concerning the topic under study.

3.3 Area of Study

The study was carried out in Kitengela Township in Kajiado County, Kenya.

3.4 Sampling Design

3.4.1 Target Population

The target population was the SMEs operating in Kitengela Township. The units of study were either the SMEs owners or senior managers. According to the KNBS (2016), there are 120 registered SMEs in Kitengela Township.

3.4.2 Sample Size

The study used the Slovin's formula to determine the sample size for the SMEs operating in Kitengela Township. This formula is suitable in instances where there is little information about the behavior of the population and when the confidence interval is 95% (Slovin, 1960).

$$n = N \div [1 + N (e^2)]$$

Where:

n= sample size

N= target population

e =marginal error (0.05)

By using the formula, the sample size becomes;

$$n=120/ [1+120(0.05^2)]=92$$

3.5 Data Collection

3.5.1 Data Collection Instruments

The study used the questionnaire to collect primary data from the field. The questionnaire included both open ended and closed ended structured questions. Closed ended questions were used because they are easier to administer and analyze. On the same note, open ended questions were used because they allowed the respondents to complete the questionnaires in their own words and even give more details on the study. The questionnaires were distributed to SMEs owners or managers for first-hand information.

3.5.2 Data Collection Procedure

The researcher was assisted by two research assistants to collect data. Data was collected at the SMEs' areas of operation. Questionnaires were administered to all the respondents in one day, and then collected after three days.

3.5.3 Validity

Validity implies that the research instruments obtain the data as per the researcher's anticipation (Mugenda and Mugenda, 2003). The pilot study was used to identify those items that could be misunderstood, and such items were modified accordingly, thus increasing the validity of the instrument. The researcher made the questionnaire in close consultation with supervisor to ensure that test items covers all the areas under investigation.

3.5.4 Reliability

Reliability refers to the measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda & Mugenda, 2003). Test-retest method was used to measure the reliability of the data collection instruments. Test-retest was done by administering questionnaires to 10 people (10% of the sample) twice but at different intervals (one week). The 10 people were within the population but outside the sample. Mugenda and Mugenda assert that 10% of the sample is appropriate for test-retest reliability. The correlation from the two scores obtained from same respondents at different times was found to be 0.7. According to Sekaran (2003) a correlation coefficient of at least 0.5 is considered reliable for the study.

Table 3.1 Correlation

		Week1 Score	Week2 Score
week1 score	Pearson Correlation	1	0.718**
	Sig. (1-tailed)		0.000
	N	10	10
week2 score	Pearson Correlation	0.718**	1
	Sig. (1-tailed)	0.000	
	N	10	10

** . Correlation is significant at the 0.05 level (1-tailed).

3.6 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making deductions and inferences Kombo and Tromp (2006). Data was analyzed by the use of the Statistical Package for Social Sciences (SPSS). Descriptive statistics such as mean, median, mode, and standard deviation were used to explain the results. Also the inferential statistics e.g. correlation and regression analysis were also used to generalize the findings to the study population. Regression analysis model was used to predict the effect of strategic challenges on the growth of SMEs in Kitengela Township, Kenya.

Regression Model

$$Y = \beta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i,$$

Where:

Y = Growth of SMEs

X₁ = Technology

X₂ = Credit facilities

X₃ = Business registration and licensing

ε_i = random errors.

3.7 Ethical Consideration of the Study

The researcher acquired an authorization letter from Maseno University for data collection.

Permission to carry out the study was also sought from the respective SMEs owners or managers.

The researcher also assured confidentiality to the respondents and affirmed that the study was meant for purposes of accomplishing academic goals.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and discussion of study findings on the strategic challenges facing the growth of small and medium enterprises in Kitengela Township, Kenya. The study was conducted on a sample of 120 respondents to which questionnaires were administered. A total of 100 questionnaires were returned suitably filled in making a response rate of 83%. Mugenda and Mugenda (2003) argue that a response rate of at least 50% is adequate.

4.2 General Information

The study sought to establish the information on the respondents involved in the study regarding their age, gender, level of education, sector classification, work experience, source of capital, and number of employees. The following was established.

4.2.1 Age of Respondents

The respondents were asked to indicate their ages and Table 4.1 shows the results

Table 4.1 Age of Respondents

	Frequency	Percent
below 20 years	3	3.0
21-30 years	32	32.0
31-40 years	22	22.0
41-50 years	18	18.0
above 50 years	25	25.0
Total	100	100.0

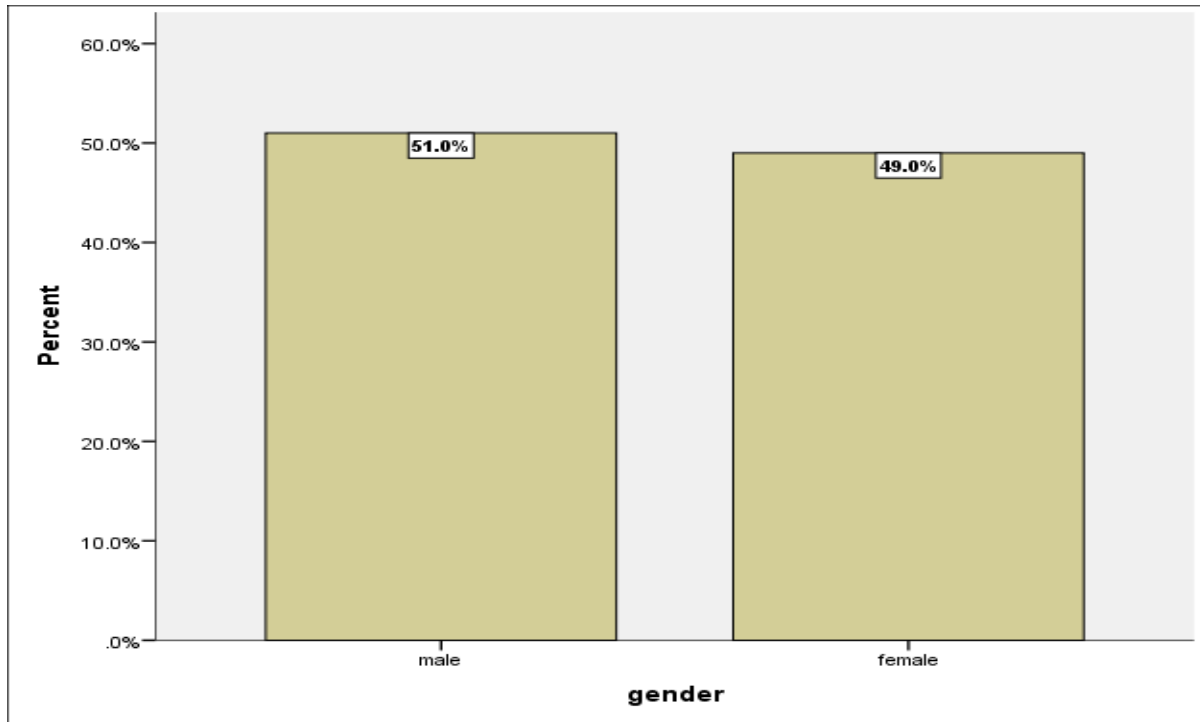
Source: Research Data (2018)

The findings from Table 4.1 revealed that majority (32%) of the respondents were aged between 21-30 years, 22% were aged between 31-40 years, and 25% were above 50 years. This implies the respondents comprised of the young people, who were employed as managers, and owners of the businesses.

4.2.2 Gender of Respondents

The study established the gender of the respondents as shown in Figure 4.1

Figure 4.1 Genders of the Respondents



Source: Research Data (2018)

From the findings (Figure 4.1), it was found that majority (51%) of the respondents were male whereas the female represented 49%.

4.2.3 Levels of Education

The established the respondents' levels of education as shown in Table 4.2

Table 4.2 Levels of Education

	Frequency	Percent
Primary	3	3.0
Secondary	14	14.0
College	22	22.0
university	61	61.0
Total	100	100.0

Source: (Researcher, 2018)

The findings revealed that majority (61%) of the respondents had reached at the university level in regard to education. The findings further confirmed that majority of the SME management was composed of highly educated people and that was good for the administration of their businesses.

4.2.4 Sector Classification

The study found out the sector’s classification as shown in Table 4.3. The results show that majority (24%) of the SMEs in Kitengela Township are engaged in wholesale and retail trade.

Table 4.3 Sector Classification

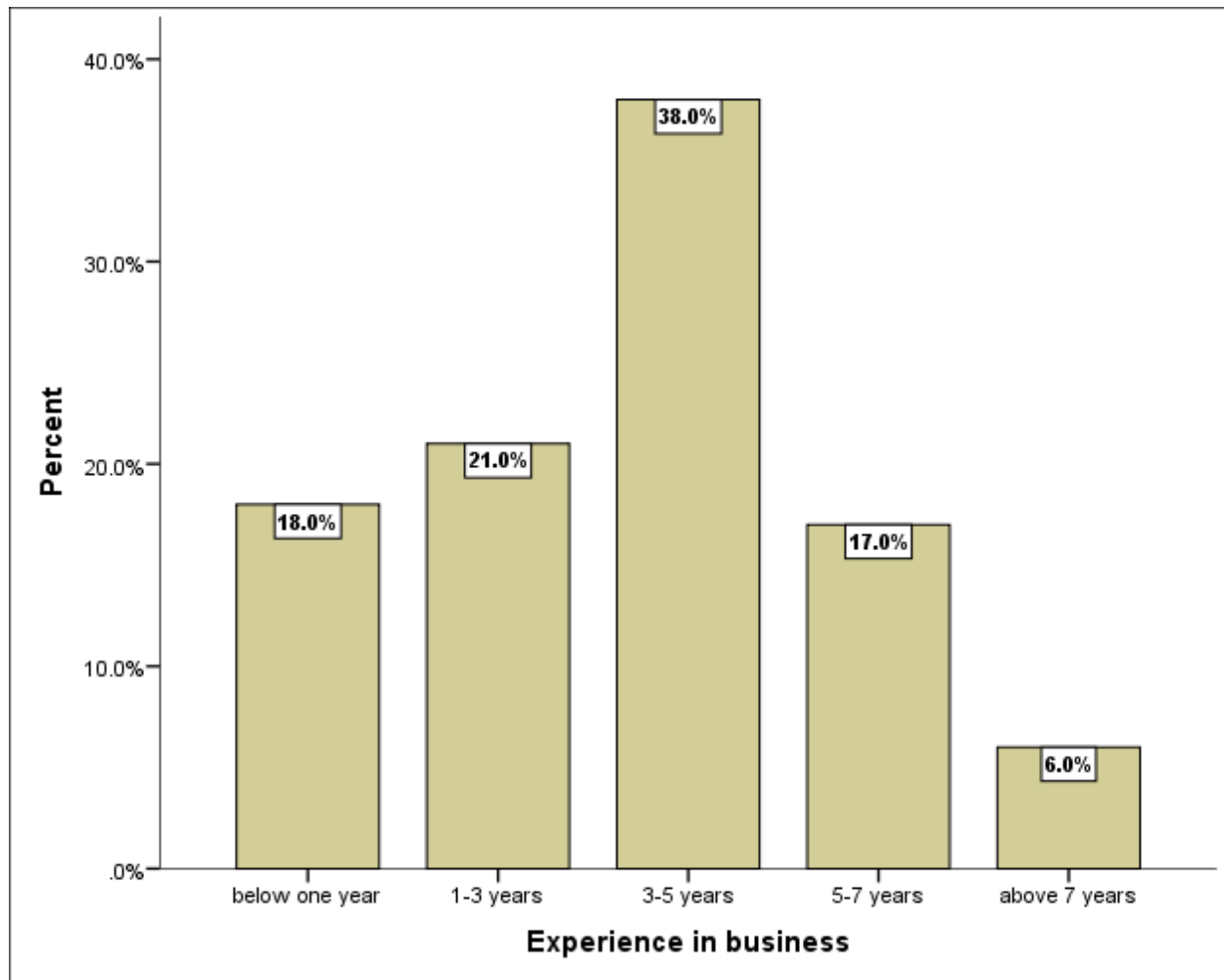
	Frequency	Percent
Agriculture	13	13.0
Manufacturing	4	4.0
Wholesale & retail trade	24	24.0
Repair of motor vehicle and motorcycles	3	3.0
Accommodation and food services	6	6.0
Information and communication	19	19.0
Financial and insurance activities	4	4.0
Education	11	11.0
Arts, entertainment and recreation	16	16.0
Total	100	100.0

Source: Survey Data (2018)

4.2.5 Business Experience

The study revealed that majority (38%) of the respondents had business experience between 3-5 years. This implies that most of the SME owners/managers had operated their businesses for a short period of time and their enterprises were relatively new.

Figure 4.2 Experiences in Business

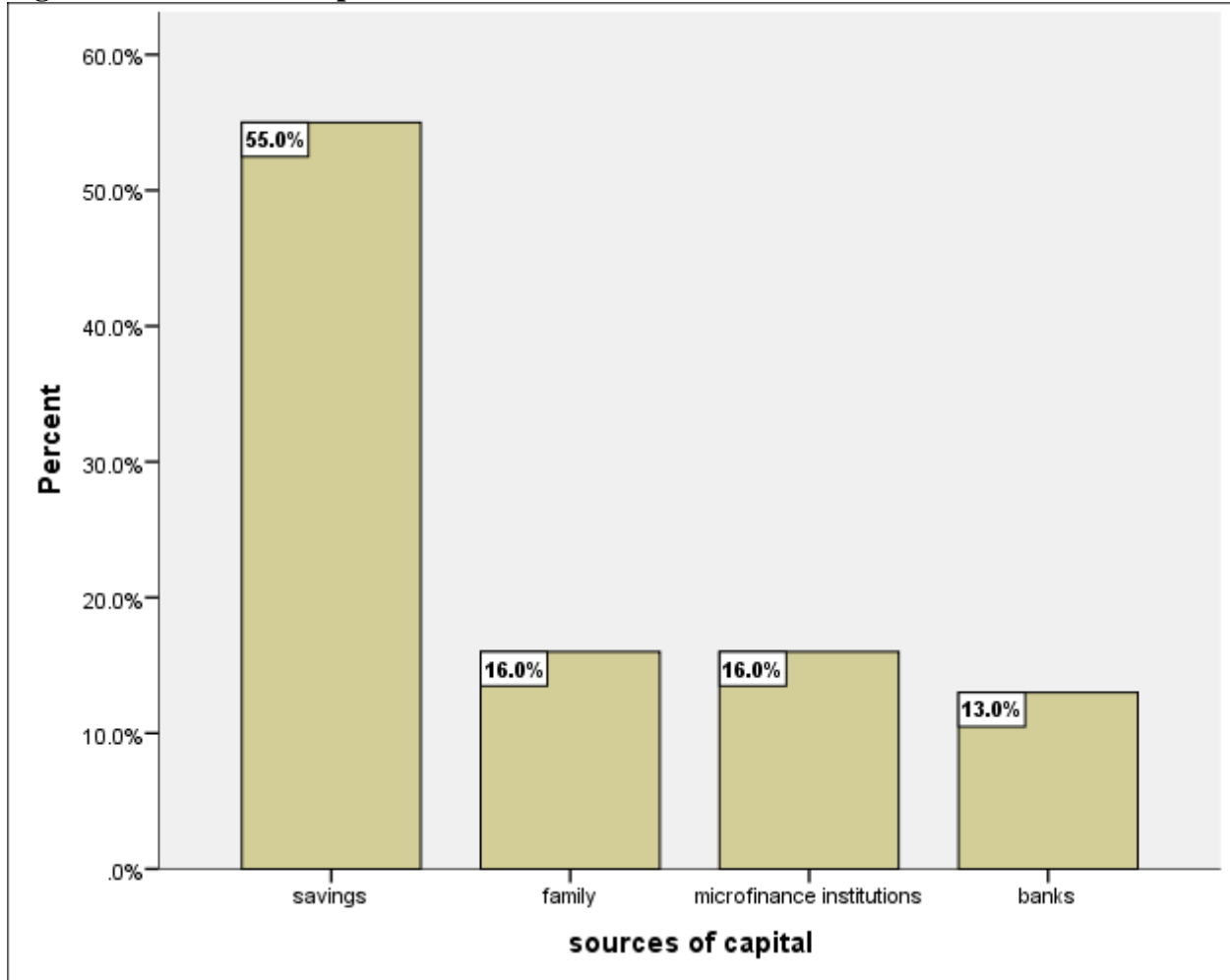


Source: (Researcher, 2018)

4.2.5 Sources of Capital

The study sought to find out the sources of capital for the SMEs and found out that majority (55%) of the respondents raised their capital from their own savings and the minority (13%) acquired capital from banks. This means that banks could have been reluctant in advancing credit facilities to SMEs businesses.

Figure 4.3 Sources of Capital

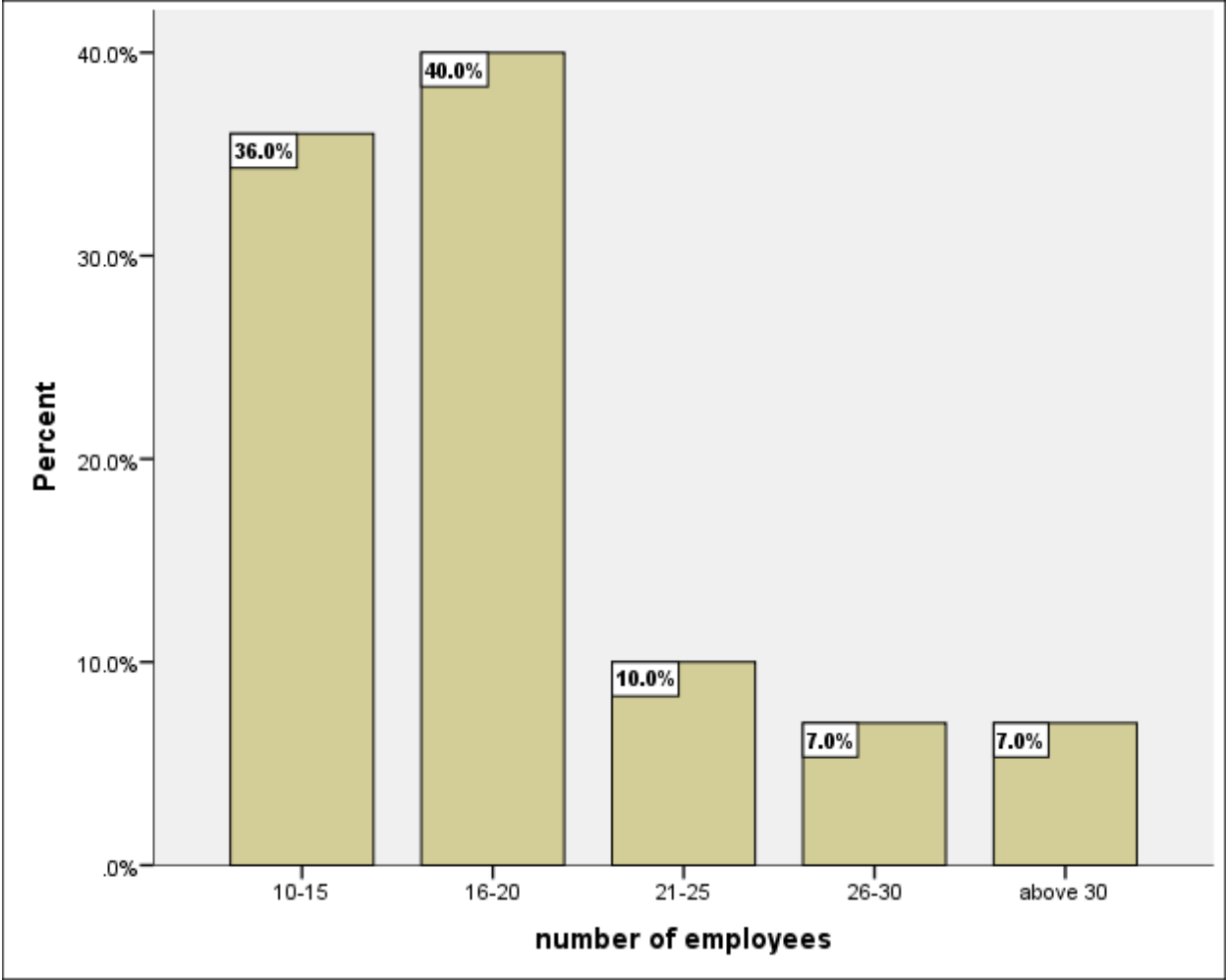


Source: Research Data (2018)

4.2.6 Number of Employees

The study revealed that majority (40%) of the respondents had between 16-20 employees and 7% had at least 26 employees. This is shown in Figure 4.4.

Figure 4.4 Numbers of Employees



Source: Research Data (2018)

4.2.6 Business Performance

The respondents were asked to rate their business performance for the past one year as shown in Table 4.4. Majority (58%) reported their businesses moderately performed. This could be because they were not sufficiently funded by the financial institutions.

Table 4.4 Business Performance

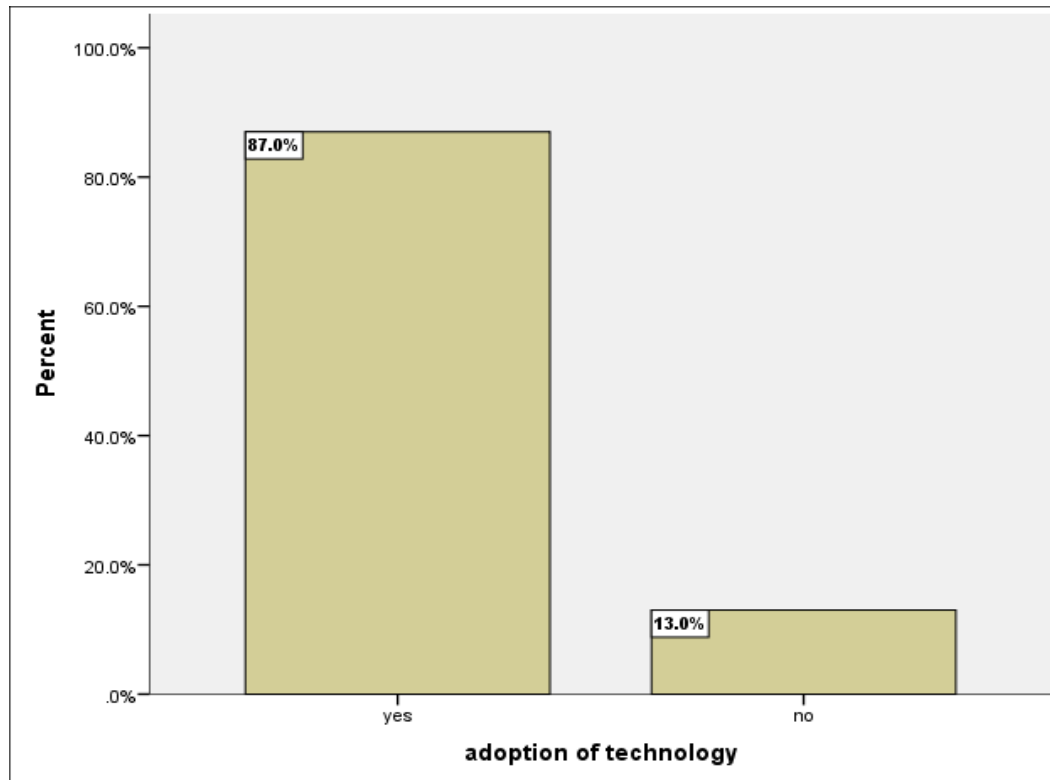
	Frequency	Percent
Bad	6	6.0
moderate	58	58.0
good	36	36.0
Total	100	100.0

Source: Research Data (2018)

4.2.7 Technology in Business

Respondents were asked to indicate whether they had adopted any technology in their businesses and it was revealed that 87% (Figure 4.5) had adopted technology in their businesses. This means that most of the SMEs businesses have computers, printers, photocopiers, and information systems to enhance the smooth operations of their businesses.

Figure 4.5 Adoption of Technology

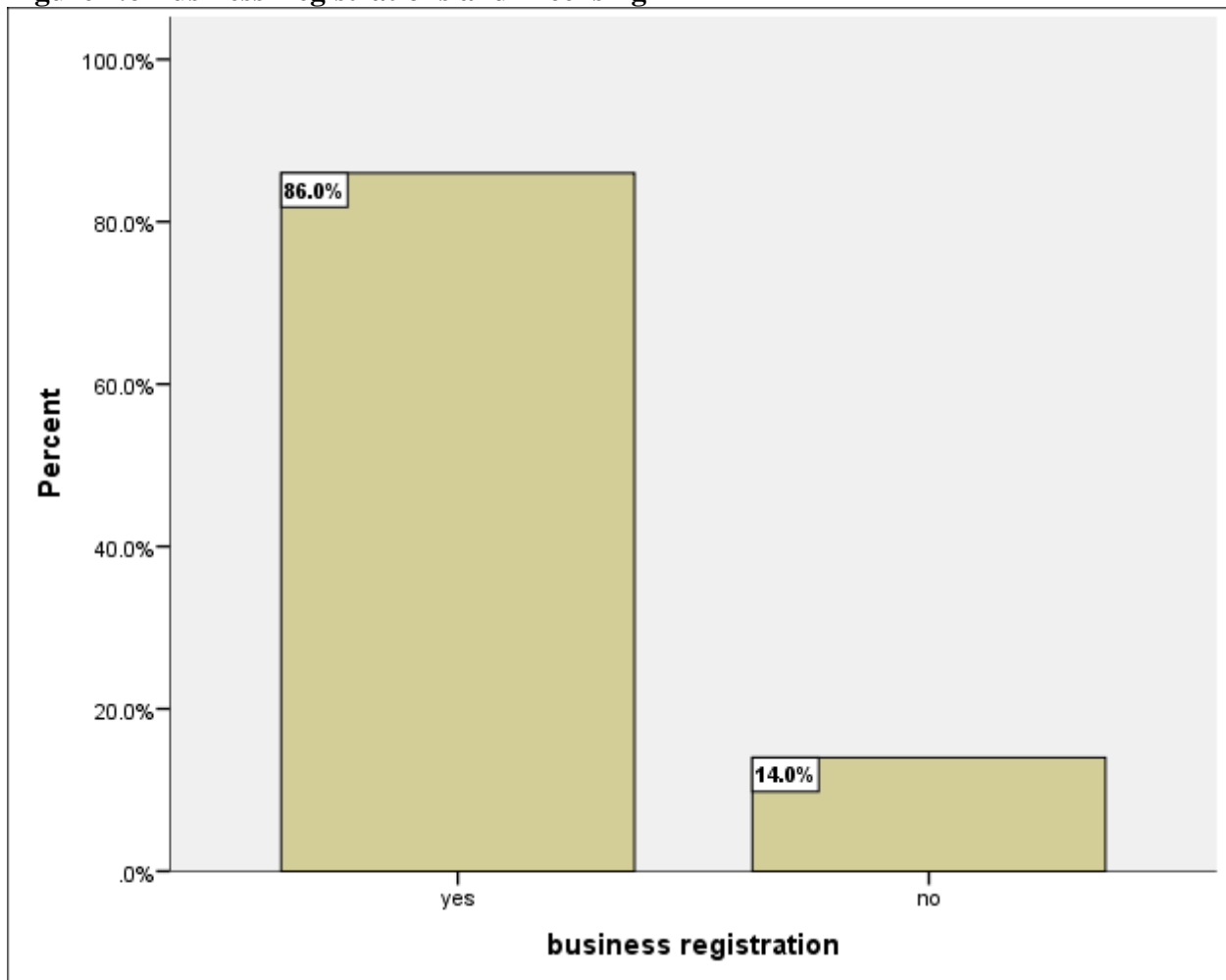


Source: Researcher Data (2018)

4.2.8 Business Registration and Licensing

The study sought to know whether the SME businesses were registered and licensed. The findings in Figure 4.6 show that 86% of the SME businesses were registered and licensed, 14 % of were operating without either registration or licensing or both. Some of the businesses without licenses revealed that they had applied and were waiting to be issued with the same.

Figure 4.6 Business Registrations and Licensing



Source: Research Data (2018)

4.3 Credit Facilities

The respondents were asked to indicate their nature of agreement with the statements relating to credit facilities and the growth of SMEs. The respondents used the rating scale where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree. Table 4.5 shows the results.

Table 4.5 Credit Facilities

Statements on Credit Facilities	Mean	Std. Deviation
Most lenders requires collateral in order to give loans and this disqualifies the SMEs who lack it	3.74	1.001
Long business experience is a prerequisite for SME loan	3.41	.996
Loan amount offered by banks is very small hence it limits by business growth	2.77	.709
The cost of loans in terms of application fees is too high	3.74	.760
Some of the conditions imposed by banks are unfavorable conditions e.g. regular cash flows and record keeping	3.45	1.048
Aggregate Score	3.422	0.9028

Source: Research Data (2018)

The results (Table 4.5) indicated that the respondents agreed that most lenders required collateral for loan and this was a hindrance since most of them lacked conventional securities. The current study therefore concurs with Aryeetey and Ravi Kanbur (2017) argue that collateral requirement by lenders hinders SMEs to access finance. Respondents also agreed that the cost of loans, in terms of application fees, was too high for them. These findings are consistent with those of Kaya and Alpkın (2012) who established that lack of credit volumes and the cost of credit were the main obstacles faced by SMEs in Turkey. However, the respondents were neutral to the fact that the loan amount offered by the banks was very small for their business growth. Further to that, the respondents were also neutral that business experience and regular cash flows were prerequisites for the SME loans.

4.4 Technology

The study sought to find out the nature of respondents' agreement concerning technology and the growth of SMEs. They used the scale: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree.

Table 4.6 Technology

Statements on Technology	Mean	Std. Deviation
For the last three years, our firm has produced many new products and services	3.06	.851
In general, our firm is very often the first to introduce new products and services	2.77	.827
We always try to apply new production methods and technologies in the performance of our activities	3.67	.533
Majority of our business activities are computerized	3.38	.885
Our firm always train staff on technology related issues to enhance their literacy levels	3.52	.785
Our management actively seek new ways of doing things	4.03	.771
Aggregate Score	3.405	0.775

Source: Research Data (2018)

The study established that the respondents agreed that their respective management actively sought new ways of doing things. The respondents also agreed to the fact that they always applied new technologies in their activities and they trained their staff on technology related issues. However, respondents were neutral that their firms had produced many new products in the past three years. They were also neutral that their business activities were computerized and that they were the first to introduce new products and services. The current study support the views of Tucker (2008) who opines that innovation is the best way of stimulating growth in a firm, and the most innovative firms realize higher turnover of products and services introduced

within a period of time. The current study further agrees with Freeman (1982) that to choose to be non- innovative is to choose death to an organization. The study is consistent with Chibelushi and Costello who found out that the adoption of technology was very critical for SME growth and that the owner/manager’s level of education determined the extent and the rate of adoption

4.5 Business Registration and Licensing

The respondents were asked to rate the extent of their agreement with the statements relating to business registration, licensing, and the growth of SMEs. The respondents used the rating scale where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree.

Table 4.7 Business Registration and Licensing

Statements on Business Registration and Licensing	Mean	Std. Deviation
Multiple licenses are required and applying for them is cumbersome	3.03	1.068
The cost of some licenses is very high and this hinders the growth of our business	3.80	.682
Many requirements for the registration of businesses discourages us from opening new ventures	3.41	.780
The business registration process is very long and tedious	3.24	.793
Inefficiencies at the registration and licensing agencies hinders or derail the registration process	3.97	.846
Aggregate Score	3.49	0.834

Source: Research Data (2018)

The findings (Table 4.7) regarding the business registration and licensing revealed that a quite number of respondents agreed to the fact that inefficiencies at the registration and licensing agencies hindered and derailed the process. The results of the current study confirm the findings of K’Obonyo et al. (1999) who noted that unfair practices such as bribery made it inefficient and costly for a business person to obtain the regulatory documents for his business. Respondents

also agreed that the cost of some licenses were very high and that it hindered the growth of their businesses. On the other hand, the respondents were neutral that the registration process was long and tedious. They were also neutral to the fact that multiple licenses were required and applying for them was cumbersome. This finding was in disagreement with that of Mullei et al. (1999) who found out that the requirement of many business licenses was hostile to small business operators. The results of this study are consistent with Okpara (2011) who established that the common constraints hindering SME growth in Nigeria were lack of financial support, poor management, corruption, lack of training and experience.

4.6 Growth of Business

The study sought to establish the nature of the respondents' agreement to the statements regarding the growth of SMEs. The respondents used the rating scale where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree. Table 4.8 shows the results.

Table 4.8 Growth of Business

Statements on the Growth of Businesses	Mean	Std. Deviation
Our annual sales has been gradually increasing over the years	3.58	.713
We have been making remarkable improvements on profitability	4.00	.449
We have been opening branches in the recent years and we are intending to open more in the near future	2.71	.913
Our investment has been increasing for the past five years	3.01	.859
The number of our staff has been growing over the years	3.65	.657
Aggregate	3.39	0.718

Source: (Researcher, 2018)

The study findings (Table 4.8) relating to the growth of business revealed that many respondents agreed to the fact that they had been making remarkable improvements on profitability. They

also agreed to the facts that their annual sales and the number of staff had been gradually increasing over the years. The current study agrees with the argument of Ruttan (1997) that an organization increases its profits because of adoption and change in technology. However, respondents were neutral to the facts that they had been opening branches and that their investments had been increasing for the past five years.

4.7 Correlation Analysis

The study used Pearson correlation coefficient to examine presence or absence of correlation between credit facilities, technology, and business as strategic challenges facing the growth of SMEs in Kitengela Township, Kajiado County. Table 4.9 shows the correlation analysis.

Table 4.9 Correlation Analysis

			Technology	Credit facilities	Registration & licensing
Pearson Correlation	Growth	1.000	.457	.207	.333
	Technology	.457	1.000	.070	.173
	Credit facilities	.207	.070	1.000	.145
	Registration & licensing	.333	.173	.145	1.000
Sig. (1-tailed)	Growth	.	.000	.020	.000
	Technology	.000	.	.244	.043
	Credit facilities	.020	.244	.	.075
	Registration & licensing	.000	.043	.075	.
N	Growth	100	100	100	100
	Technology	100	100	100	100
	Credit facilities	100	100	100	100
	Registration & licensing	100	100	100	100

Source: Researcher (2018)

From the findings (Table 4.9), it was noted that there was a non-significant weak positive correlation between technology and credit facilities ($r = 0.070$, $p = .244$). Also, there was a

significant positive relationship between technology and business registration and licensing ($r = 0.173, p = .043$). Technology and business growth had the most significant positive relationship ($r = 0.457, p = .000$). This implied that an increase in technology led to an increase in business growth.

4.8 Regression Analysis

Regression model was used during the study to predict the magnitude to which credit facilities, technology, business registration and licensing strategic challenges affected the growth of SME businesses in Kitengela Township, Kenya. Table 4.10 presents the results of the regression model coefficients.

Table 4.10 Regression Model Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.617	.141		4.365	.000
Technology	.457	.090	.425	5.084	.000
Credit facilities	.220	.065	.280	3.367	.001
Registration & licensing	.247	.069	.300	3.563	.001

Source: Researcher (2018)

a. Dependent Variable: growth of business

By substituting the Unstandardized Beta Coefficients in the regression model ($Y = \beta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i$), the regression equation is derived as:

$$Y = .617 + .457 X_1 + .220 X_2 + .247 X_3 + \epsilon_i$$

From the Standardized Beta Coefficients (Table 4.10), the best predictor for business growth was technology with a Beta Coefficient of .425. From the regression equation, it was noted that one unit increase in technology led to 0.457 units increase in business growth, one unit increase in credit facilities led to 0.220 units increase in business growth, and one unit increase in business registration and licensing led to 0.247 units increase in business growth.

The regression analysis also produced the regression model summary (Table 4.11).

Table 4.11 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.723 ^a	.523	.531	.115

Source: (Researcher, 2018)

a. Predictors: (Constant), registration, credit facilities, technology

b. Dependent Variable: growth of business

The findings from the regression model summary (Table 4.11) revealed an R Square of 0.523 (52.3%). This implies that 52.3% of the variation in the dependent variable (business growth) can be explained by the independent variables (credit facilities, technology, and business registration and licensing). The remaining 47.7% of the variation in business growth is absorbed by the error term or by the variables not introduced in the model. Therefore it shows that the model is a good fit for prediction.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

Respondents were in agreement that the requirement for collateral by lenders, to some extent, hindered their business growth. Respondents also agreed that the cost loans in term of application fees made it difficult for them to borrow. However, the respondents were neutral to the fact that business experience and regular cash flows were prerequisites for the SME loans.

The respondents agreed to the fact that they always applied new technologies in their activities and they trained their staff on technology related issues. Despite the adoption of those technologies, the study found out that their firms had not produced many new products in the past three years. The study further found out that not all SMEs' business activities were computerized.

The respondents agreed that inefficiencies at the business registration and licensing agencies derailed the process and therefore slowed down the growth of business. They further agreed to the fact that the cost of some licenses was very high and that was also a hindrance to business growth. Respondents were neutral to the fact that multiple licenses were required and applying for them was cumbersome. The study found out that the registration process was neither long nor tedious, and it moderately affected SMEs' business growth.

5.2 Conclusions

The study found out that the growth of business was hindered by lack of access to credit facilities. This access was made difficult because lenders required collaterals and the loan application charges were very high for the SME sector.

Despite the adoption of new technologies by the SMEs, little was done in regard to the production of new goods and services for the past three years. The study found out that not all business activities were computerized and this therefore was a hindrance to efficiency and growth of business.

The study revealed that inefficiencies at the business registration and licensing agencies derailed the process and hindered business growth. The study further found out that cost of some licenses was very high and that affected business growth.

5.3 Recommendations

In order to spur the growth of SMEs, lenders should be flexible on collateral requirements because some SMEs may not be having conventional securities but they have business assets and household goods. The loan application fees should be made affordable, regulated, and monitored to enable SMEs to borrow.

SMEs should computerize all their business activities and put in place appropriate systems to make the operation of their businesses efficient. Besides, SMEs should aspire to produce new goods and services in order to remain relevant and competitive.

5.4 Limitations of the Study

Limitations were encountered during data collection. The exercise of collecting data was done by two research assistant, and the cost was very high. Some respondents reluctantly completed the questionnaires and didn't give complete information.

5.5 Suggestions for Further Study

A similar study should be carried out in other Counties in Kenya but the unit of analysis should be the micro enterprises.

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APPENDICES

APPENXI I: QUESTIONNAIRE

The researcher is a post graduate student at Maseno University. The purpose of this questionnaire is to collect data for the study entitled ‘strategic challenges facing the growth and expansion of SME in Kitengela Township in Kajiado County.’

Information collected will be treated with utmost confidentiality and used for purpose of study only.

Kindly give information in space provided and indicate with a tick where appropriate.

SECTION 1: GENERAL INFORMATION

Please tick appropriately where possible

1. Age

Up to 20 years 21 -30 31-40 41-50 above 50

2. Gender

Male Female

3. Level of academic qualification

Primary Secondary College University

4. Kindly select your sector classification. Please tick the appropriate box

Sector Classification	Please Tick
Agriculture (livestock keeping, crop production etc.)	
Manufacturing	
Wholesale & Retail Trade	
Repair of motor vehicles and motorcycles	
Transportation and storage	
Accommodation and food services activities	
Information and communication	
Financial and insurance activities	
Education	
Professional, scientific and technical activities	
Human health and social work activities	

Arts, entertainment and recreation	
Others (please specify)-----	

5. How long have you been running your business?

- below 1 year
 1 year to 3 years
 3 yrs to 5 years
 5 years to 7 years
 above 7 years

6. What was your main source of capital?

- Savings
 family
 microfinance institutions
 Banks
 others

7. How many employees do you have?

- 10-15
 16-20
 21-25
 26-30
 Above 30

8. How do you rate your business growth and performance in the last one year

- Bad
 Moderate
 Good
 Very good

9. What challenges do you get when borrowing funds for your business?

10. Have you adopted any technology in your business

- Yes
 No

If yes kindly explain _____

If No why _____

11. Is your business registered and Licensed in the county?

- Yes
 No

If yes, did you encounter any challenges during the process? Kindly explain if any

If No, Why?

12. Do you think the process of obtain business licenses and permits hinder your business processes?

SECTION 2: CREDIT FACILITIES

Please indicate your nature of agreement or otherwise with the following statements relating to lack of credit and the growth of SMEs. Use the scale: **1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree**

NO	STATEMENTS ON LACK OF CREDIT	1	2	3	4	5
1	Most lenders requires collateral in order to give loans and this disqualifies the SMEs who lack it					
2	Long experience (at least 6 months) in business is a requirement for loan and this becomes an hindrance for new SMEs to get credit					
3	The loan amount offered by the financial institutions is very small and cannot help me grow my business the way I want.					
4	The cost of loans, in terms of interest rates and application					

	charges, is too high.					
5	Some of the conditions (e.g. regular cash flows and record keeping) imposed by the financial for loan access are unfavorable.					

SECTION 3: TECHNOLOGY

Please indicate your nature of agreement or otherwise with the following statements relating to technology and the growth of SMEs. Use the scale: **1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree**

NO	STATEMENTS ON TECHNOLOGY	1	2	3	4	5
1	For the last three years our firm has produced many new products and services.					
2	In general our firm is very often the first to introduce new products and services.					
3	We always try to apply new production methods and technologies in the performance of our activities.					
4	Majority of our business activities are computerized					
5	Our firm regularly train the staffs on technology related issues to enhance their literacy levels					
6	Management actively seeks new ways of doing things					

SECTION 4: REGISTRATION AND LICENSING

Please indicate your nature of agreement or otherwise with the following statements relating to business registration and licensing and the growth of SMEs. Use the scale: **1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree**

NO	STATEMENTS ON REGISTRATION & LICENSING	1	2	3	4	5
1	Many licenses are required for a single business and applying for them at different government agencies is a bit cumbersome.					
2	The cost of some licenses is very high and this hinders the growth of our businesses					
3	Many requirements for the registration of businesses discourages					

	us from opening new ventures					
4	The business registration process is very long and tedious					
5	Inefficiencies at the registration and licensing agencies hinders or derail the processes of registration					

SECTION 5: GROWTH OF BUSINESS

Please indicate your nature of agreement or otherwise with the following statements relating to the growth of your business. Use the scale: **1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree**

NO	STATEMENTS ON GROWTH OF BUSINESS	1	2	3	4	5
1	Our annual sales has been gradually increasing over the years					
2	We have been making remarkable improvements on profitability					
3	We have been opening branches in the recent years and we are intending to open more in the near future					
4	Our investment has been increasing for the past five years					
5	The number of our staff has been growing over the years					

Thank you for your support