

**Effect of business development services on the performance of small scale entrepreneurs in  
Kenya. A survey of small scale enterprises in Kisii municipality**

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## DECLARATION

This research project is my original work and has not been presented in any other University.

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This research project has been submitted for examination with our approval as the University

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## **DEDICATION**

This research project is dedicated to my husband, my children, siblings and my parents.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

BDS	Business Development Services
ERS	Economic Recovery Strategy
FSD	Financial Services Deepening
GDP	Gross Domestic Product
G.o.K	Government of Kenya
MFIs	Micro Finance Institutions
KIE	Kenya Industrial Estates
K-REP	Kenya Rural Enterprise Program
KWFT	Kenya Women Finance Trust
SPSS	Statistical software package for social sciences
SME	Small and Medium Enterprises
SSEs	Small Scale Enterprises

## **1.9 Definitions of operative terms**

The following terms were used as follows throughout this study

**Entrepreneur:** An entrepreneur is someone who locates an opportunity, marshals the resources necessary, moves to exploit the opportunity, and operates the business as a profitable and growing concern. The entrepreneur uses new ideas and readily takes risks aimed at making profits ( Henry *et al* 2003)

**Small Scale Enterprises (SSEs):** The researcher adopted the definition given by the Kenyan Government,2005 as businesses in both the formal and informal sectors, classified into farm and non-farm categories employing 1-50 workers(GoK,2005).

**Micro Finance Institutions:** Institutions that provide credit facilities to micro and small enterprises

**Business performance:** refers to the degree to which SSEs in Kisii Municipality attain their business goals and objectives i.e. growth in profits, sales, total assets, market share, provision of quality products and building a good image.

**Business Development Services (BDS):** Those services and products offered to entrepreneurs at various stages of their business development journey, from business idea development all the way to growth and maturity of the business. They include an array of business services such as training, consultancy, marketing, information, technology development and transfer, business linkage and promotion etc.(UNDP,2004)

## ABSTRACT

Small Scale Enterprises are acknowledged in Kenya as significant contributors to economic growth and are estimated to contribute 20% and 72% to the Gross Domestic Product and employment respectively. Despite this, it is estimated that they continue to have a deteriorating performance with 3 in every 5 failing within months of establishment. Likewise, the new jobs created by the sector declined from 485.5 thousand in 2007 to 467.3 thousand in 2008 and their contribution to the GDP of the country has only registered a marginal growth of 3.8% in the last 10 years. Poor management skills have been blamed for this wanting performance. Therefore, the purpose of this study was to investigate the effect of business development services on the performance of Small Scale enterprises in Kisii Municipality. A cross-sectional survey research design was used in the study. The target population was 2665 owners or managers of 1224 trading, 394 manufacturing, 748 service, 54 agricultural processing and 245 food and beverages/restaurants SSEs. Stratified random sampling technique was used to obtain a sample size 96 SSEs. This sample size consisted of 44 trading businesses, 14 manufacturing SSEs, 27 service SSEs and 2 agricultural processing SSEs and 9 food and beverages SSEs. A Structured questionnaire was administered to SSE owners or managers to collect primary quantity data. The data was coded and subjected to analysis using SPSS version 17.0. Descriptive data analysis was done to summarize data using frequencies and percentages and the results presented using tables and appropriate graphs. Further analysis was carried out to evaluate the influence of training, technical services and networking on the SSE's performance using cross tabulations and the Chi square test. The study found out that the SSEs who received business development services recorded an improvement in the growth of sales and growth in market shares on the various businesses they were operating. The Government of Kenya should establish micro and small centers of excellence in each county for information dissemination, research, and product development and program promotion. The Government of Kenya should develop and implement innovative curriculum materials and methods for training needs related to self –employment and entrepreneurship. The findings of the study are expected to assert the importance of the provision of business development services in the enhancement of business performance.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

Small Scale Enterprises cut across all sectors of the country's economy and provide one of the most prolific sources of employment, not to mention the breeding ground for medium and large industries, which are critical for industrialization (GoK, 2005). The Micro and Small Enterprises are businesses in both formal and informal sectors, classified into farm and non-farm categories employing 1-50 workers (GoK, 2005).

Given the importance of this sector in areas of employment creation, growth and poverty alleviation, it is important that it is efficiently managed for effective results within the broader overall objectives. Efficient management has been lacking due to external factors that are beyond the owner-manager's control (Oketch, 2000). These factors are inherent in the institutional environment of Kenya which favours larger firms. In addition, ongoing changes in the business environment with regard to globalization of markets act as a further challenge to firms' growth prospects in Kenya. In addition, liberalization of markets has made competition real among firms and only those with a competitive edge can survive.

In Uganda, the Small scale enterprise sector has also contributed to the growth of the economy through employment creation and poverty reduction. The sector experiences many binding constraints that have inhibited the realization of its full potential. (Matovu, D. 2006).

In Tanzania, the full potential of the Small and Medium Enterprise sector has yet to be tapped due to the existence of a number of constraints hampering the development of the sector. They

include: unfavourable legal and regulatory framework, undeveloped infrastructure, poor business development services, limited access of SMEs to finance, ineffective and poorly coordinated institutional support framework etc.

Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, et al., 2006). Lack of credit has also been identified as one of the most serious constraints facing SSEs and hindering their development (Oketch, 2000). However, the introduction of the Youth and Women Enterprise Funds and the involvement of MFIs in financing the SSEs has seen the access to microcredit increase from 7.5% in 2006 to 17.9% in 2009 (FSD Kenya, 2009) hence addressing the problem of access to micro-credit.

Policy recommendations of the government of Kenya as contained in its 7th National Development Plan on Divestiture and subsequently in Sessional paper No. 2 of 2005, advocates for the government to take the leading role by providing an enabling environment for MSE's market operations. This will require the establishment of infrastructure for access to markets, provision of work site structures, dissemination of market information through networks and innovation amongst other well-known strategies. The 2003–2007 Economic Recovery Strategy (ERS) for Wealth and Employment Creation provides the road map for economic recovery. The paper estimated that SSEs contribute 20 and 72% to the GDP and employment respectively. Hence, when the ERS anticipated creating 500,000 jobs annually, 88% of the targeted jobs were to be created in SSEs with the aim of reducing poverty rates from 56.7 to 51.8% (Ministry of Planning and National Development, 2003).

Despite the various policy interventions as outlined in the various strategy papers, majority of small scale enterprises fail to grow into medium and eventually large enterprises as envisaged in their conceptual plans. A recent study by Bowen et al. (2009) shows that over 50% of SSEs continue to have a deteriorating performance with 3 in every 5 SSEs failing within months of establishment. Likewise, the new jobs created generally in the whole country declined from 485.5 thousand in 2007 to 467.3 thousand in 2008 (GoK, 2008) and their contribution to the GDP of the country has only registered a marginal growth as it is estimated at about 22% in 2010 up from 18.2% in 1999 (Ministry of Labour Discussion Paper, 2010). This scenario may temper one's enthusiasm for the growth of SSE's as a solution to the country's poverty and employment problems.

According to Namusonge (2010) financial management need to be improved through provision of non-financial BDS and Entrepreneur Development program which is demand oriented. Another intervention strategy which have been advocated include training as it impacts positively on growth of firms (King and McGrath, 2002). Those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments. Obura et al (2009) suggests that SSEs can be able to overcome their market failures through entrepreneurial networkworking. Also, technical services such as marketing, bookkeeping etc can be provided to SSEs to enhance their performance. Therefore, the study sought to evaluate whether proper provision of business development services may have an influence on the performance of the SSEs in Kenya.

## **1.2 Statement of the Research Problem**

Small Scale Enterprises (SSEs) in Kenya do significantly contribute to the country's economic growth through employment creation, poverty reduction and their acting as intermediaries in trade. According to the Economic Recovery Strategy (ERS) of 2003-2007 for Wealth and Employment, SSEs contribute about 20% to the GDP of the Kenyan economy. Despite this tremendous expansion of the sector, its contribution to the economy has not translated to real economic value since its contribution to the National economy has only shown marginal growth at about 22% in 2010 up from 18.2% in 1999 (Ministry of Labour, 2010). Research findings have shown that over 50% of SSEs continue to have a deteriorating performance with three in every five SSEs failing within months of establishment. This implies that the sector has been experiencing stagnation with no significant graduation from one enterprise level to the next. Lack of adequate business development services such management skills and extension services have been touted as major drawbacks in the growth and development of the SSE sector. This is despite assertions that effective provision of business development services does enhance productivity and competitiveness of the SSEs. Therefore the purpose of the study was to find how the business development services offered to SSEs influenced the performance of their businesses.



### **1.3 Objectives**

The general objective of the research was to investigate the effect of the business development services on the performance of small scale entrepreneurs in Kisii Municipality, Kisii County.

The study was guided by the following specific objectives:

- i. To investigate the influence of training services on the performance small scale enterprises in Kisii Municipality.
- ii. To find out the influence of technical services on the performance of small scale enterprises in Kisii Municipality.
- iii. To find out the influence of networking services on the performance of small scale enterprises in Kisii Municipality.

### **1.4 Research Questions**

The study was guided by the following research questions:

- i. What influence does training services have an on the performance of small scale enterprises in Kisii Municipality?
- ii. How do technical services influence the performance of small scale enterprises in Kisii Municipality?
- iii. What influence does networking services have on the performance of small scale enterprises in Kisii Municipality?

### **1.5 Significance of the study**

In Kenya, previous research studies on micro and small scale enterprises have concentrated on determining the factors hindering access to microfinance by SSEs and the challenges they face in their operations. Little empirical evidence is available on the simultaneous effect of the non-financial business development services on the performance of such enterprises. It is hoped that this research will help fill this knowledge gap, contribute to the body of existing knowledge on SSEs and form a basis for further research on the provision of business development services to SSEs. The Kenyan government in its efforts to promote the enterprise culture amongst the Kenyan populace as a means of encouraging self-employment will find the results of this study useful in formulating regulatory policies on the provision of business development services through its agencies such as Ministry of Trade and Kenya Industries Estates (KIE). The study will be a pointer to Microfinance institutions of the need to accompany their provision of microcredit with appropriate non-financial services. They can also use the findings of the study in designing appropriate training programs that will equip their microcredit clients with necessary skills on business management.

### **1.6 Scope of the Study**

The study focused on the business development services which are non-financial services and their effect on the performance of small scale enterprises operating within Kisii Municipality and whose nature of business was trading, manufacturing, service or agricultural and have been in operation for at least two years. The study was conducted between July 2012 and September 2012 using a cross-sectional survey design and a sample size of 96 SSEs. This sample size consisted of 44 trading businesses, 14 manufacturing SSEs, 27 service SSEs and 2 agricultural processing SSEs and 9 food and beverages SSEs.

Data was collected using self-administered structured questionnaires. The study specifically sought to determine the effect of the provision of business development services and the performance of the selected small scale enterprises.

### **1.7 Limitations of the study**

The following were the limitations of this study: First, subjective rather than objective measures of the level of provision of the business development services and business performance were used to obtain the required data. This is because SSEs are often very reluctant to disclose all the information concerning their businesses and the objective financial data on the majority of the SSEs are not publicly available. Second, the study was based in a specific cultural background set-up which will limit its generalizability to other small scale enterprises in other regions of the country. However, the research findings will be useful for debate and generation of criticisms that will lay a foundation for further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter covers the conceptual framework and literature reviewed on effects of business development services on business performance. The business development services discussed in this chapter are training services, technical services and business networking services.

#### **2.2 Concept of Business Development Services**

Business Development Services (BDS) may be defined as those services and products offered to entrepreneurs at various stages of their business development journey, from business idea development all the way to growth and maturity of the business (UNDP2004). These services are mainly aimed at skills transfer or business advice services that improve the performance of the enterprise, its access to markets, and its ability to compete. The definition of 'business development service' includes an array of business services such as training, consultancy, marketing, information, technology development and transfer, business linkage promotion, etc. both strategic medium to long term issues that improve performance and operational(day-to-day issues). BDS are designed to serve individual businesses, as opposed to the larger business community.(Committee of Donor Agencies for Small Enterprise Development, 2001). The focus on BDS is important because it can contribute to development goals such as economic growth, employment generation as well as poverty alleviation. BDS generally seek to raise the profitability and enhance the growth and competitiveness of enterprises, which directly raise incomes. BDS interventions at the micro firm level can lead to enhanced economic security and incomes, thus permitting poor entrepreneurs, not least women, to invest in nutrition, housing,

health and education of their families. Equally, BDS delivered to SSEs can lead to employment generation, thus absorbing excess labour, innovation and adding value to goods and services, flexibility in responding to dynamic and volatile markets, and fiscal contributions to hard-pressed governments (DFID, 2000).

There is a growing recognition in the microfinance community that to develop successfully low-income people need a wider range of integrated financial and non-financial services. A combination of expanded financial and non-financial services can help an entrepreneur succeed by: building their self-confidence; increasing their income, productivity, and employment; and ultimately facilitating the personal growth of the entrepreneur.(DFID,2000).

Through the provision of more integrated services, microfinance institutions will no doubt benefit from better loan repayment and portfolio quality, client retention and the increased ability of the entrepreneur to access other financial products and services. To achieve these results, microfinance institutions need to ensure that the appropriate support is provided to clients, so they can gain the skills needed to successfully and continually operate their businesses. This support can be in close partnership with Business Development Service Organizations or within the microfinance institution itself.(UNDP2004)

Microfinance institutions (MFIs) in different parts of the world have demonstrated the potential power of well-directed and well-managed micro financial services in improving the lives of poor people. However, even well designed microfinance programs have limited impact on the livelihoods of the poor unless complemented by social and business development services. Many development initiatives are therefore integrating literacy and like skills, vocational and marketing training, as well as basic health care, into programs for micro-entrepreneurs.(UNDP,2004).

The Government of Kenya has outlined a wide range of policies and strategies aimed at promoting non-financial services. These have been highlighted in the Sessional Papers No.2 of 1992 and 2005 on Micro and Small Enterprise Development. The following problems have been encountered in regard to these services: lack of enterprise culture, poor quality programmes, non-coordination of programmes, high cost of non-financial promotional programmes, inadequate involvement by private sector, lack of sub-contracting and inability to exploit market opportunities(Gok,2005).

### **2.2.1 Training services**

A key factor in financial success is financial literacy or financial education. Financial education programs teach the knowledge, skills and attitudes required to adopt good management practices for earning, spending, saving, borrowing and investing. Participants in these programs become equipped with information and tools to make better financial choices, work towards their financial goals and ultimately enhance their economic well-being.(Henry 2006).

Benefits that accrue to entrepreneurial clients as a result of the education and awareness programs include: financial management knowledge; improved capacity to use financial services; increased self-esteem and confidence as a result of achieving financial goals and greater ability to demand higher quality products and services from financial institutions.The financial institutions which offer these services are also able to attract more clients; increase their customer retention rates; gain better market information for the use in improving products and services and often have a competitive edge over their competitors.(Henry 2006).

Business training can be classified into two categories: operational and strategic. In operational training start-up entrepreneurs can require basic operational business training in areas such as accounting, marketing, inventory control, costing, pricing and sales forecasting. Once entrepreneurs received basic operational training, they have an opportunity and increased skills to move their business forward. The formalized nature of the training allows them to learn the above business basics in a supportive learning environment. They become better-rounded business people and at least have a basic understanding of the business cycle.(UNDP2004)

### **2.2.2 Technical services**

Many countries envisage to provide SSEs with marketing and advertising supports. These services are supposed to help them in selling their products on local and export markets at the request of the suppliers by organising exhibitions and trade fairs, and by facilitating the exchange of experiences among enterprises through seminars and workshops. In Kenya provision of marketing services to SSEs exists but its overall effectiveness tends to be low. The country lacks trade point facilities and support for obtaining information on export markets. Although the flow of information on SSEs has slightly improved ,many SSEs still do not know where and how to access existing and relevant marketing information.As a result, majority rely on informal feedback from customers.Competitiveness of the SSEs remains weak due to poor product quality,packaging,advertising and distribution(GoK,2005).

As observed by Okwena et al (2010), book keeping practices among the small businesses in Kisii Municipality are noteffective and this has had a negative effect on the financial performance of these enterprises. The poor bookkeeping skills are associated to little knowledge. SSEs therefore require bookkeeping services to be able to have accurate financial records that can enhance decision making.

### **2.2.3 Business Networking Services**

Networking can have a significant impact on the MFI, the entrepreneur and the business enterprise. MFIs can hold support groups for their micro-entrepreneurial clients with regular meetings to reinforce group solidarity, discipline, and consistent repayments. Groups are especially effective for the education and training of microfinance participants, as well as for enhancing networking and information dissemination. An important participatory tool, they can also reduce administrative costs by giving certain responsibilities, such as loan monitoring, to the members themselves. Formal or informal networks of entrepreneurs can arise from formal MFI sponsored groups. Group members can provide support to each other through information sharing. Businesses can also benefit from group formation through business-to-business linkages such as bulk purchasing.

MSE associations are important in ensuring efficient operations of the micro and small businesses (Mitullah, 2003). As observed by Moyi&Njiraini (2005) in the KIPPRA working paper number 53, the SSEs Sector itself needs to build strong, collective, representative and accountable sector associations to lobby for their interests. Among such needs include securing of property rights, quality and safety for their premises, social welfare, advocacy and lobbying for the rights of enterprises, providing loan schemes and lobbying the government to prioritize issues of their members.

Networking is a necessary strategy in obtaining resources such as gathering information, technology and finance. Besides, building contacts through networks are the fundamental factor in determining the success of any firm because through entrepreneurial networks, the entrepreneur can gather information, look for customers and suppliers, and obtain the other resources he needs (MacMillan, 1993).



MSE's in Kenya get around the registered market failures by developing relations with the outsiders through a support mechanism provided either by friends, family members, relatives or neighbours. In other cases cooperative relations among groups of MSE's organized in business networks and in associations or local community organizations perform these functions (Obura et al, 2009). The institutional gap left by the government of Kenya has proactively made the MSE's to circumvent the risks involved through informal institutional settings of social networks. Risks are as well inherent in such arrangements but it is the ideal mechanisms through which the MSE's can operate under such environment (Birley *et al.* 1991).

A small firm without networking with its external actors is bound to fail. Networking is the best solution for small firm development since they are too small and thus growth may be hindered by lack of resources and also their transaction costs to obtain necessary resources are extremely high. Therefore small firms have to obtain resources and support from 'outsiders' or external actors. Thus, small firms are always reliant on interdependencies (Obura *et al.*, 2009). Entrepreneurship is therefore an ongoing process of venturing forth through personal networking in which actors, resources, exchange relations and activities are the major network elements (Uzzi, 1996).

On the whole, there are two major arguments behind the concept of networking. Firstly, since market transactions tend to become costly, firms attempt to overcome transaction costs by networking. Secondly, in order to perform, firms need various kinds of resources. Small firms, in particular, do not have all these resources fully at their disposal. Firms gather these resources from 'outsiders' or, in other words 'external actors'. As most resources are controlled by external actors, a small firm always depends on its outside actors. Therefore, in order to perform

economic activities, firms have to enter into relationships with these external or outside actors thereby forming entrepreneurial networks (MacMillan, 1993)

### **2.3 Review of related empirical literature**

Simeyo et al (2011) in their study of the effect of provision of micro finance on the performance of youth micro enterprises under Kenya Rural Enterprise Program (K-REP) in Kisii County using a sample of 86 youth micro enterprises established that training in micro enterprise investment had a significant positive impact on the performance of the microenterprises with a standardized beta coefficient of 0.281 which indicated that a unit increase in the provision of training to SSEs resulted to a 28.1% increase in performance. The study further established that majority of the respondents were very satisfied with the provision of capital investment and basic business skills training in micro enterprise investment. This suggests that the business skill training accompanying the provision of micro loans most likely improves the capacity of the entrepreneurs to use funds and hence impacts on business performance. In terms of business risk management, the results showed that respondents were moderately satisfied in terms of achievement of business risk management skills. With the implication that the youth micro entrepreneurs were inadequately equipped with knowledge and skills of business risk management hence are unable to adequately deal with business risks and therefore in the event that such risks occur, their micro enterprises are significantly affected. They recommended that similar studies be carried out but using a larger sample size so as to have an in-depth understanding of the effect of non-financial services on business performance.

Fidler and Webster (1996) advocate that in many cases, basic business skill training should accompany the provision of micro loans to improve the capacity of the poor to use funds. Micro enterprise investment training mainly addresses capital investment decisions, general business management and risk management. Capital investment decisions include allocation of the microenterprise limited capital funds most effectively in order to ensure the best return possible. Therefore, a wrong decision can have long lasting effect not only on the profits but on very survival of the enterprise.

Nyabwanga (2011) in his study of the effect of working capital management practices on the financial performance of small scale enterprises in Kisii South district using a sample of 113 small scale enterprises and using a survey design established that majority of the small business owners or managers had just basic education and over 57% of these business operators hardly attend any business training programmes despite the establishment that over 60% of them had little or no knowledge in business management hence were void of management skills vital in the running of their enterprises. The study also established that the performance of small scale enterprises was on average low. The study recommended a study that will unravel the impact of training on the performance of businesses.

Aczel (2000) in his study on the role of microfinance in supporting micro entrepreneurial endeavor in Thailand. indicated that the involvement of microfinance institutions in promotion of micro enterprise and processing industry through the provision of information, knowledge, skills and linking the entrepreneurs to information service providers plays a key role in economies of developed countries as a source of goods and services, income, savings and employment and their overall performance.

Mochona (2006) studied the impact of microfinance in Addis Ababa-Ethiopia. He assessed the impact of microfinance on women micro enterprises that were clients of Gasha Microfinance Institution. The research findings indicated that only a few of the women clients of the Gasha Microfinance Institution reported increased incomes from their micro enterprise activities. It was also noted that majority of the clients faced major risks in running their businesses and therefore dropped out of the micro finance program as they were pushed into indebtedness and could not repay the loans. Majority of the women clients of Gasha Microfinance Institution were also unable to build key assets since the savings were dismal. The study recommended that, improving technical and business skills of clients through training will enhance their business skills hence their performance. Also, it recommended that the women microenterprises should be assisted to establish market channels for their products until they do that independently.

Bowen et al. (2009) researched on Management of business challenges among small and micro enterprises in Nairobi Kenya. The findings of the research indicated that over 50% of SSEs continue to have a deteriorating performance with 3 in every 5 SSEs failing within months of establishment. Only 2.5% respondents saying their businesses were very successful. The results also showed that 49.5% of those who had received training in their areas of business reported that their businesses were doing well hence the conclusion that relevant training or education is positively related to business success and recommendation that of the need for SSEs owners to get trained in an area that is relevant to the business carried.

Obura *et al* (2009) in their examination of the role of informal personal networks in determining Micro Small Enterprises (MSE's) success in Kenya established that SSEs in Kenya get around market failures and lack of formal institutions through entrepreneurial personal network as a copying strategy in the process of global transformation to bridge the entrepreneurial global divide.

## **2.4 Research Gaps**

In summary, previous researchers have provided valuable and detailed insights into business development services and the performance of SSEs. Most of these studies have concentrated on the provision of training as the main non-financial service to be provided to the SSEs. However, it appears little empirical studies have tried to expand on the business development services to include the provision of technical services and networking services so as to create a wider perspective on the level of provision of business development services and their collective effect on the performance of SSEs in Kenya. To date there are little or no tests of associations between the level of provision of the business development services and the performance of SSEs that have been conducted in Kenya. This study therefore focused on the effect of business development services on the performance of SSEs. The study was guided by the conceptual framework explained in the next section.

## **2.5 Conceptual Framework**

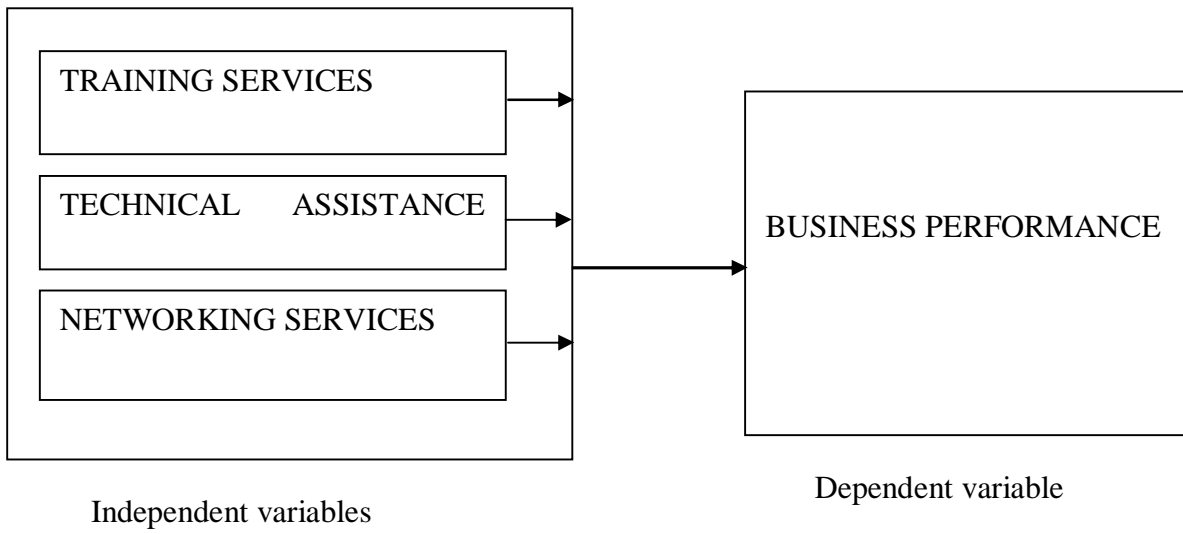
According to Mugenda & Mugenda (2003) a conceptual framework refers to what a researcher conceptualizes to be the relationship between variables in the study and shows the relationship graphically or diagrammatically.

This study examined the effect of business development services on the performance of small scale enterprises. Business performance is the dependent variable, level of provision of the training services, technical assistance and networking services are the independent variables. The study postulates that effective provision of training will enhance the owners' or managers' business management and investment knowledge and skills which are vital for the improvement of the performance of the SSEs.

Businesses that are provided with technical services such as marketing and advertisement, extension and consultancy services and bookkeeping services will have the ability to increase their management and decision making abilities hence will be able to improve their performance. Such businesses will also be expected to enjoy increased operational efficiency. This is expected to increase their sales, profitability and general performance.

Providing networking services which will result to members sharing information and market technologies as well as facilitating the acquisition of goods and provide emotional support to members is conceptualized to have an influence on the performance of SSEs.

Figure 2.1 describes the detailed model of the effect of business development services on the performance of micro and small scale enterprises. The model demonstrates that the performance of small scale enterprises can improve if the provision of the business development services which are training services, technical services and networking services is improved.



**Figure 2.1 Conceptual framework for the research**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research design**

This study employed a cross-sectional survey research design. This research strategy was preferred because it allowed for the collection of data through questionnaires administered to the respondents and that the data collected by this design can be used to suggest possible reasons for particular relationships between variables and produce models for these relationships (Saunders and Thornhil,2007). A survey design was also preferred for it facilitates the collection of a considerable amount of data quickly, efficiently and accurately. (Oso and Onen, 2005).

#### **3.2 Study Area**

The proposed study on the effect of business development services on the performance of small scale enterprises was conducted in Kisii Municipality, Kisii County. The County occupies an area of 126.1 square kilometres and according to the 2009 population census results, it has a total population of 114615 persons. The municipality hosts Kisii town which is a major urban center in the South Nyanza region. Kisii town hosts a variety of businesses including manufacturing, trading (wholesale and retail), service, transportation and agricultural types.

#### **3.3 Target Population**

The target population of this study was business owners or those involved in the start-up and day to day running of these businesses operating within Kisii Municipality in Kisii County. The sampling frame comprised of 2665 SSEs operating within Kisii Municipality of Kisii County. These comprised 1224 trading businesses, 394 manufacturing enterprises, 748 service providing enterprises, 54 agricultural resources extracting businesses and 245 food and beverages/restaurants.



### 3.4 Sample size and Sampling Design

The sample size of the study was 96SSEs operating within Kisii Municipality. The sample size was computed as shown by the formula below:

$$n = \frac{NC^2}{C^2 + (N - 1)e^2} = \frac{2665 * 0.5^2}{0.5^2 + (2665 - 1) * 0.05^2} = 96$$

Where  $n$  is the sample size

$N$  is the population

$C$  is the Coefficient of variation (0.5)

$e$  is the level of precision (0.05)

(Nassiuma, 2000)

This sample size consisted of 44 trading businesses, 14 manufacturing SSEs, 27 service SSEs and 2 agricultural processing SSEs and 9 food and beverages SSEs.

The research employed stratified random sampling in selecting respondents. The population was segregated into trading, manufacturing, service, agricultural processing and foods and beverages strata. Proportionate stratification that is based on the stratum's share of the total population was used to come up with the sample in each stratum. Random sampling was used to select a random representative sample for each stratum. This technique ensured that each member of the target population had an equal and independent chance of being selected (Oso&Onen, 2005).

### **3.5 Data collection methods**

A structured questionnaire was self-administered by way of interviews to the entrepreneurs those involved in the start-up and day to day running of these businesses to gather primary quantitative data. The questionnaire was divided into three sections: demographic information, business development services and business performance. The questionnaire was designed to elicit responses relating to the level of provision of the business development services to SSEs and the extent to which it has influenced their performance. It also aimed at gathering data concerning the business performance in terms of perceived growth in sales, growth in market share, perceived product/service quality and firms' image as compared to competitors. Perceptual responses were captured in a five-point Likert scale. Perceptual performance measures were preferred since actual financial data on the majority of the SSEs are not publicly available, making it difficult to check the accuracy of any financial data reported. The Likert scale was also preferred as it is able to deal with large number of items and difficulties in eliciting specific information from the respondents (Singh and Smith, 2006). A questionnaire was also preferred because it is the most suitable tool for a cross-sectional survey research (Kenya Institute of Management, 2009).

#### **3.5.1 Validity and Reliability of the Research Instruments**

The questionnaire was pre-tested to determine both its validity and reliability. The content validity of the questionnaire was determined by the experts' and peers' advice (Kothari, 2005). For this study the supervisors examined it and gave their recommendations on the appropriateness of the questionnaire in collecting the required data. Adjustments were made to accommodate their recommendations. For face validity, the questionnaire was piloted in 10 SSEs

in the adjacent Kisii South district. Insights that were obtained from the pilot survey of the ten SSEs were analyzed and used to make adjustments on the questionnaire items. Reliability of the questionnaire items was determined using the test-retest method in which the same respondents were requested to provide information for the second time (Kothari, 2005). The results from the pilot study were used to calculate the reliability coefficient. A coefficient of 0.5 and above was considered a high reliability (Kerlinger, 1986).

### **3.5.2 Procedure of data collection**

A cover letter that highlighted the need and significance of the owners or managers of the SSEs responding to the questionnaire items as well as a commitment to confidentiality was obtained and attached to the questionnaire to help improve the response rate. The questionnaires were self-administered by the researcher with the help of the field assistant during the official working hours to the owners or managers of the sampled SSEs. The respondents were allowed a period of one week to fill the questionnaires after which arrangements will be made for the instruments to be collected promptly to minimize instances of loss or mishandling.

### **3.6 Data analysis and presentation**

The collected data was analyzed using descriptive statistics such as frequencies, percentages, and weighted averages. Descriptive statistics allowed for the generalization of the data so as to give an account of the characteristics of the population as represented by the sample. The Chi-square test and Cross tabulations were used to test the relationship between the level of provision of business development services and business performance. Analyzed data was presented in tables and graphs. The use of tables allowed for orderly arrangement of data. Statistical software package for social sciences (SPSS) was used to generate the required descriptive and inferential statistics for analysis.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

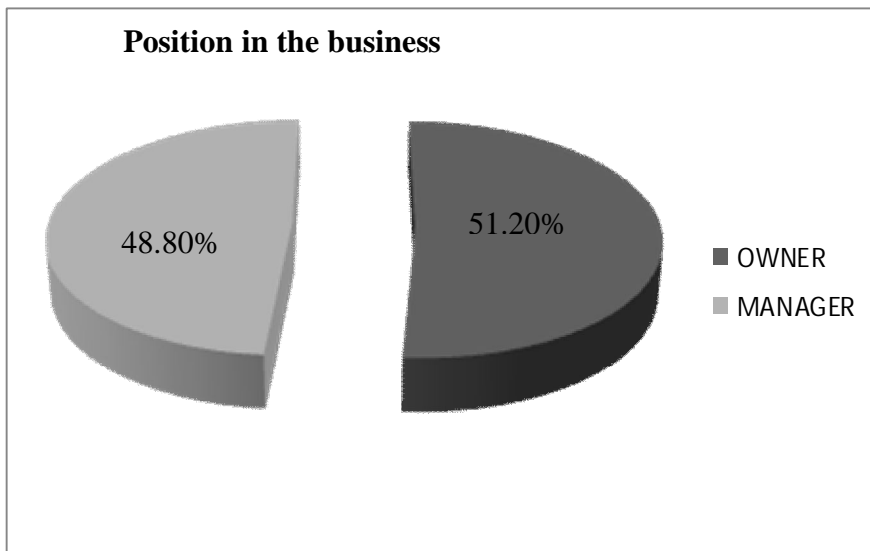
#### 4.1 Introduction

The data for this study was collected using a structured questionnaire. The questionnaires were administered to 96 owners or managers of small scale enterprises. Of these 83 questionnaires were successfully completed and returned to the researcher by respondents from giving a response rate of 86%.

#### 4.2 Demographic information

##### 4.2.1. Position in the business

The study indicated that 51.2% of the respondents were owners of the business that they were operating while 48.8% were managers of the business.



**Figure 4.1: The position of the respondents in the business**

#### 4.2.2. Level of education of the respondents

The level of education in this study was measured by the number of years of formal schooling. The results revealed that 22 (26.5%) of the entrepreneurs, had attained primary and secondary level of education. Those with post-secondary school level of education, excluding university degree holders, were 55 (66.2%). On the other hand, 6 (7.2%) of the business owners had a university degree.

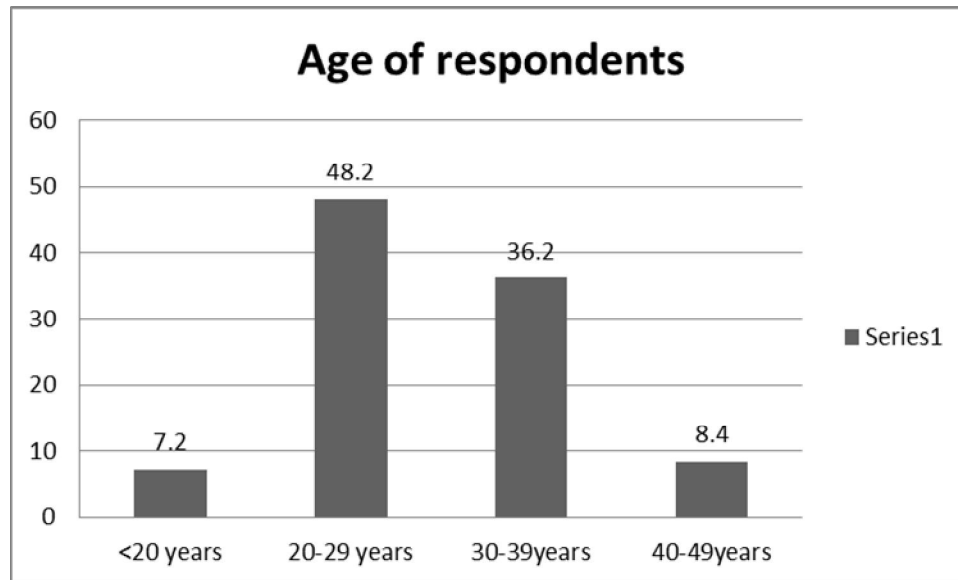
The high level of educated respondents was attributed to lack of employment opportunities in the formal sector. The educational attainment by the respondents is an indication that, persons with relatively higher levels of education are gradually appreciating an enterprise culture.

**Table 4.1: Education level of the respondents**

<b>Level of education</b>	<b>frequency</b>	<b>Percentage</b>
<b>Primary/Secondary</b>	22	26.5
<b>Certificate</b>	30	36.1
<b>Diploma</b>	25	30.1
<b>Bachelors Degree</b>	5	6.1
<b>Masters Degree</b>	1	1.2
<b>TOTAL</b>	83	100

#### 4.2.3. Age of respondents

The study indicated that 48.2% of the respondents were between 20-29 years of age, 36.2% between 30-39 years of age as depicted from the figure below. The dominance of the youth in the SSEs in the town may be due to lack of employment for the youth, as well as the introduction of the Youth Development Fund by the Government of Kenya (GOK, 2007). This may have prompted their entry and participation in SSEs.



**Figure 4.2 Age of the respondents**

#### 4.2.4. Nature of business

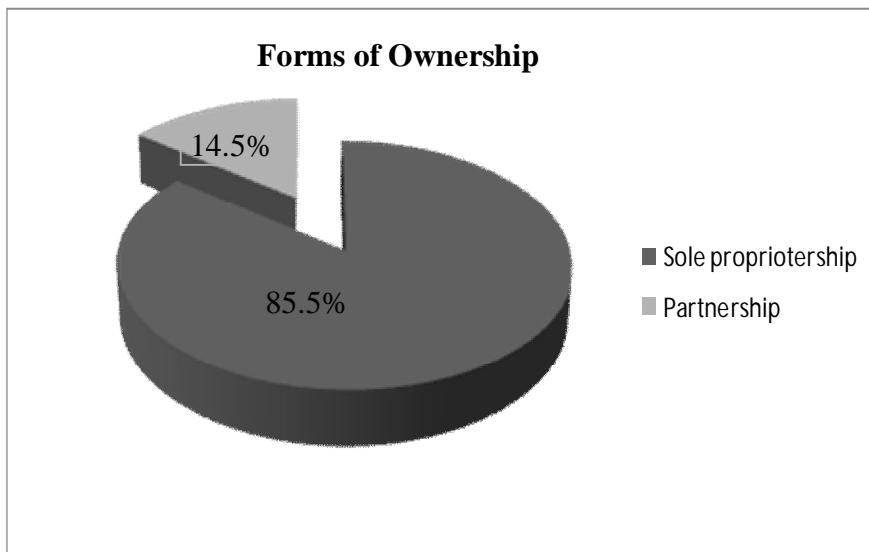
61.4% of the respondents were operating retail businesses while 25.3% were operating service based businesses. Only 3.6% reported to be operating Agricultural processing. This is attributed to the fact agricultural products are highly perishable, fetched low prices as compared to the other products.

**Table 4.2: Types of businesses**

Nature of business	Frequency	Percentage
Retail/wholesale	51	61.4
Service	21	25.3
Agricultural processing	3	3.6
Food/beverage/restaurant	8	9.6
<b>Total</b>	<b>83</b>	<b>100</b>

#### 4.2.5. Form of business ownership

The study indicated 85.5% of entrepreneurs in SSEs in Kisii town are sole proprietors while only 14.5% were in partnerships. Advantages such as quick decision making ease of starting the business, keeping all profits and personalized attention to customers may be attributed to this scenario.



**Figure 4.3: Forms of ownership of the respondent's business**

#### 4.2.6 Operation Period

The study indicated that 45% of the investigated entrepreneurs had operated their businesses for at least six or more years. 48.2% of the SSEs had been in operation for two to five years. 16.9% of the entrepreneurs had an experience of less than two years as indicated on the table.

**Table 4.3: Operation Period**

<b>Length</b>	<b>Frequency</b>	<b>percentage</b>
<2 years	14	16.9
2-5years	40	48.2
6-10years	18	21.7
>10years	11	13.3
<b>Total</b>	<b>83</b>	<b>100</b>

### **4.3 Training Services**

The first objective of the study sought to investigate the influence of training services on the business performance of SSEs. To achieve this objective respondents were requested to indicate how frequently they attended training programmes; the training agencies that provided the training programmes and their level of satisfaction with the training provided.

#### **4.3.1 Attendance of management training programs**

The results of analysis on attendance of management training programs as indicated in table 4.4 below show that 17.3% of the respondents have never attended any training services; 40.7% rarely attend training services while 34.6% sometimes attend training services. These results show that SSEs owners seldom attend training programmes. The results are consistent with those observed by Nyabwanga (2011) that majority of the small business owners or managers had just basic education and over 57% of these business operators hardly attend any business training programmes despite the establishment that over 60% of them had little or no knowledge in business management hence were void of management skills vital in the running of their enterprises.

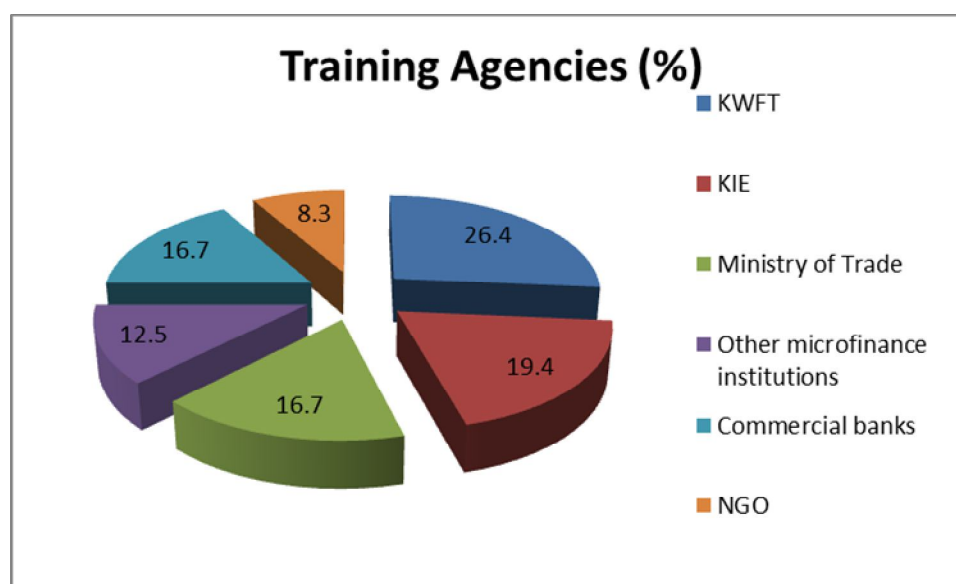


**Table 4.4: Attendance of management training programs by the respondents**

	Frequency	%
Never	14	17.3
Rarely	33	40.7
Sometimes	28	34.6
Often	4	4.9
Always	2	2.5
<b>Total</b>	<b>83</b>	<b>100</b>

#### 4.3.2 Training Agencies

The Kenya Women Finance Trust was reported by highest number of the respondents as their training agency. Few respondents reported to have been trained by the other training agencies. This could be attributed to the fact most respondents obtained loans from KWFT as compared to the other training agencies.



**Figure 4.4 Agencies providing training programs.**

### 4.3.3 Level of satisfaction with the provision of training services on various business

#### Indicators

Generally, most of the SSE's were least satisfied with the training services as compared to those who were satisfied. Only very few were satisfied in all the areas of training. This could be attributed to the fact that the trainings were not customer tailored or the training agencies had poor quality programmes and also lack of enterprise culture contributed to these as attested by the Sessional Paper No.2 of 2005 on the Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction.

55.6% of the respondents were least satisfied with the training they received on basic business management skills while 45% reported to be satisfied on the investment skills they were trained on. Those respondents satisfied with training received on business risk management were slightly higher as opposed to those who were least satisfied.

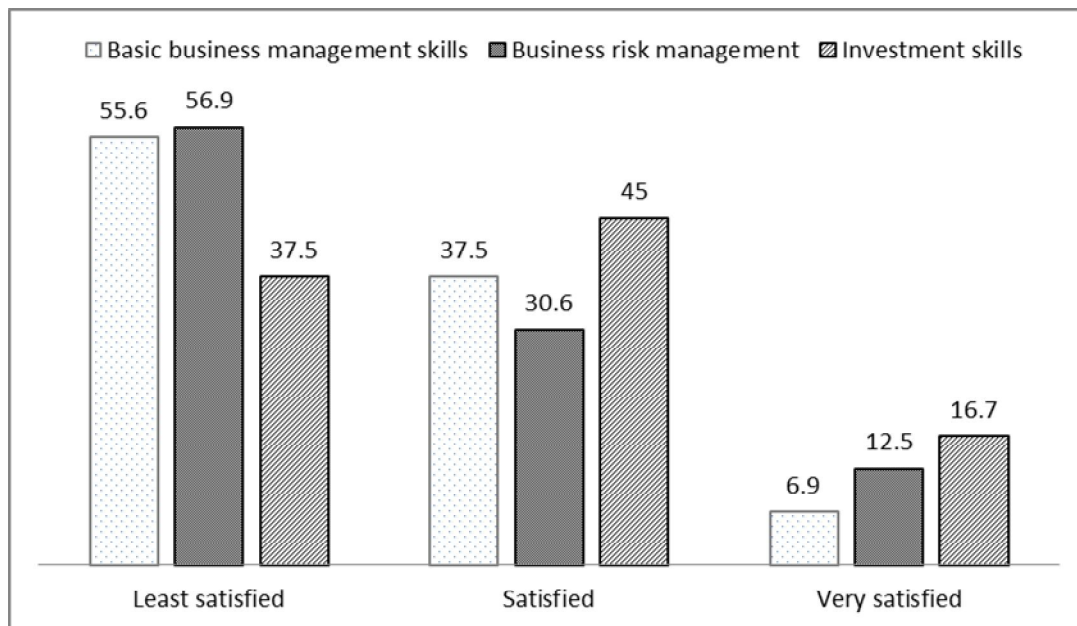


Figure 4.5: Level of satisfaction with the provision of training services on business

Cross tabulation between training attendance and quality of products showed that there was a statistically significant difference between those respondents attending trainings as compared to those who were not. 100% of the respondents who always attended trainings ranked the quality of their products to be good whereas only 47.1% of those not attending any training reported their quality of products to be fair. It was evident from the study that training affects the performance of SSE's in Kisii municipality. 50% of those that always attended training report their growth of sales to be good as compared to only 16.7% that had never attended any training. These results corroborate the findings of Simeyo *et al* (2011) in their study on the effect of provision of micro finance on the performance of youth micro enterprises under Kenya Rural Enterprise Program (K-REP) in Kisii County using a sample of 86 youth micro enterprises established that training in micro enterprise investment had a significant positive impact on the performance of the microenterprises. Henry *et al*(2003) are of the opinion that training for entrepreneurs is desirable as it provides necessary skills required to set up business. Poor growth of market shares was reported by 23.5% of the respondents that had never attended training whereas none of those always attending trainings reported poor growth of market shares. This was shown by cross tabulation between growth of market shares and training attendance.

**Table 4.5: Influence of training services on performance of micro and small scale enterprises in Kisii Municipality**

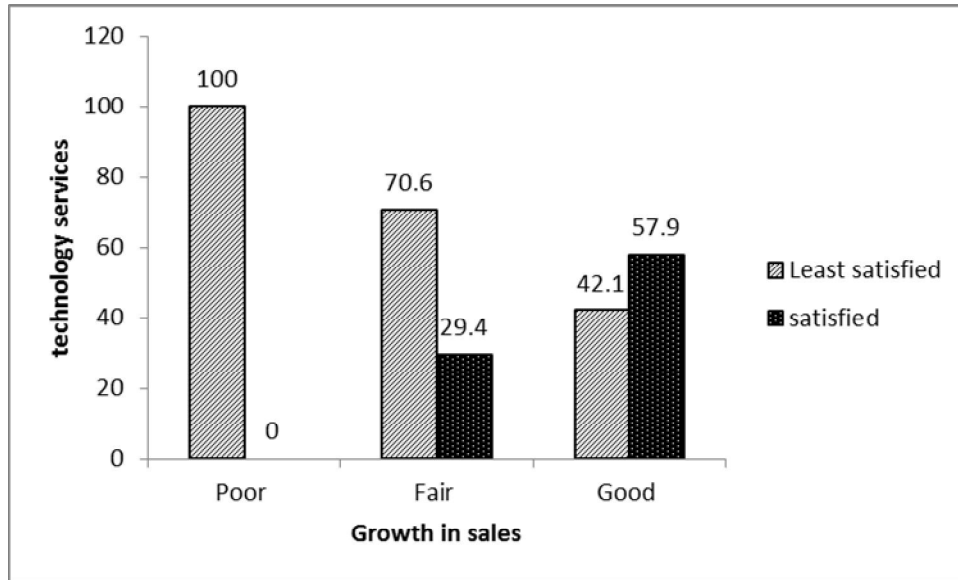
SSE Performance	Training attendance(%)			
		Never	Sometimes	Always
Growth in sales	Poor	5.6	0	0
	Fair	77.8	75.4	50
	Good	16.7	24.6	50
Growth of market shares	Poor	23.5	3.5	0
	Fair	47.1	80.7	66.4
	Good	29.4	15.8	33.3
Growth in profit	Poor	0	0	0
	Fair	58.8	64.9	16.7
	Good	41.2	35.1	83.3
Quality of products	Poor	11.8	0	0
	Fair	41.2	22.8	0
	Good	47.1	77.2	100

#### **4.4 Technical Assistance Services**

The second objective of the study sought to determine the influence of technical assistance services on the business performance of SSEs. Respondents were rated on their level of satisfaction with the provision of marketing and advertisements services; extension services; consultancy services; accounting and bookkeeping and technology use. The results of the analysis as shown in table 4.6 below indicated that 63.4% of the respondents were least satisfied with the marketing and advertisement services they were provided with while 4.2% were very satisfied with them. therefore require bookkeeping services to be able to have accurate financial records that can enhance decision making. Generally marketing and advertisement influences the performance of the SSE's in Kisii County. 100% of the respondents that were least satisfied with marketing and advertisement services reported poor sales. It was also evident from the study that a higher percentage of those that had good sales were those satisfied with this service as opposed to those that were least satisfied The frequency of respondents that were satisfied with book keeping and accounting services and had good sales was higher than those that were least satisfied. This findings corroborate with those highlighted in Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction. The Paper highlighted that the institutions providing entrepreneurship and business development training suffer from inadequate capacity. They are therefore,unable to offer training in a wide range of trades leading to unsatisfied clients.

**Table 4.6: Level of satisfaction with the provision of various technical services**

<b>Technical service/rate of satisfaction</b>	<b>Least satisfied</b>		<b>Satisfied</b>		<b>Very satisfied</b>	
	Freq.	%	Freq.	%	Freq.	%
<b>Marketing and advertisement services</b>	45	63.4	23	32.4	3	4.2
<b>Extension services</b>	42	60	21	30	7	10
<b>Information and advice consultancy</b>	36	50.7	30	42.3	5	7
<b>Book keeping and accounting services</b>	26	36.6	35	49.3	10	14.1
<b>Technology use</b>	34	47.9	26	36.6	11	15.5



**Figure 4.6: Level of satisfaction with the provision of marketing and advertisement services**

A cross tabulation between Bookkeeping and accounting services and performance of the SSE's showed that this service significantly increased the growth market shares of the SSE's 100% of those not satisfied with this service reported to have poor growth of market shares. Good growth in profits for those satisfied with book keeping and accounting services was higher as compared to those that were not satisfied. These findings are consistent with those observed by Okwena *et al* (2010), that book keeping practices among the small businesses in Kisii Municipality were not effective and this has had a negative effect on the financial performance of these enterprises. The poor bookkeeping skills are associated to little knowledge. SSEs therefore require bookkeeping services to be able to have accurate financial records that can enhance decision making.

**Table 4.7: Influence of Bookkeeping and Accounting services on the performance of SSEs**

	<b>GROWTH IN GROWTH OF GROWTH IN PROFITS</b>			<b>SALES MARKET SHARES</b>					
	Poor	Fair	Good	Poor	Fair	Good	Poor	Fair	Good
<b>Least satisfied(%)</b>	100	39.2	26.3	100	30.2	42.9	41.9	28.6	36.6
<b>Satisfied(%)</b>	0	60.8	73.7	0	69.8	57.1	58.1	71.4	63.4
<b>Total</b>	100	100	100	100	100	100	100	100	100



**Table 4.8: Influence of Technology services on the performance of SSEs**

	GROWTH IN GROWTH OF GROWTH IN PROFITS			SALES MARKET SHARES					
	Poor	Fair	Good	Poor	Fair	Good	Poor	Fair	Good
<b>Least satisfied (%)</b>	100	52.9	31.6	75	45.3	50	48.8	46.4	47.9
<b>Satisfied (%)</b>	0	47.1	68.4	25	54.7	50	51.2	53.6	52.1
<b>Total</b>	100	100	100	100	100	100	100	100	100

Majority of those SSE's that were least satisfied with technology services reported poor growth in sales and market shares. Generally higher frequency of those satisfied with this service had better growth in sales, market shares and profits as compared to those that were least satisfied. This could be attributed to the fact that the training agencies could be weak and lack specialized capacity to meet the needs of the entrepreneurs. (GoK, 2005).

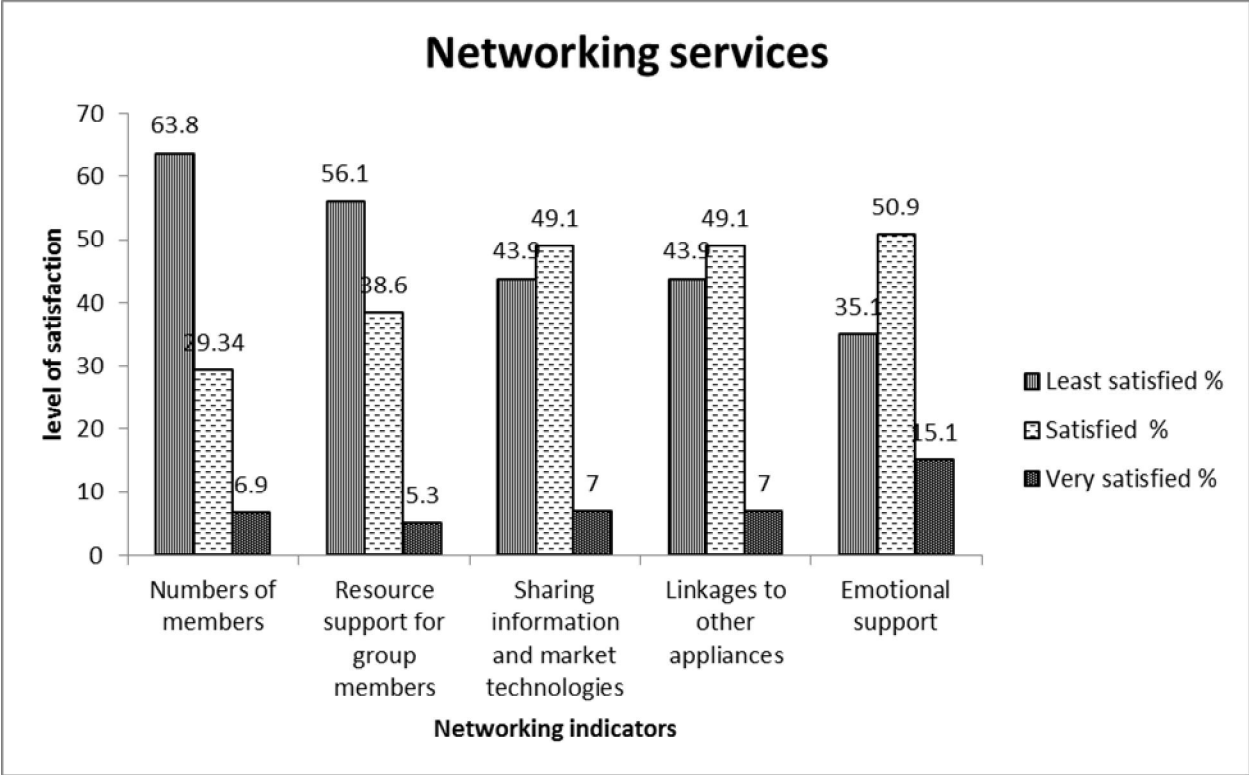
#### **4.5 Networking services**

The third objective of the study sought to establish the influence of networking services on the business performance of SSEs. Respondents were first requested to indicate whether they belong to any business networks and the level of satisfaction with the provision of the networking services. The results of the analysis established that there existed alliances among the respondents that helped them to share information and market technologies, support members in terms of resources and emotionally. Some of the alliances had linkages to other groups for purposes of acquiring goods and services. 50.9% of the members were satisfied with the

emotional support they received from members of the alliances whereas 15.1% were least satisfied.

**Table 4.9: Influence of networking services on performance of small scale enterprises in Kisii Municipality**

SSE Performance indicator	Belonging to an alliance (%)		
		Yes	No
Growth in sales	Poor	0	3.8
	Fair	78.2	65.4
	Good	21.8	30.8
Growth of market shares	Poor	1.9	19.2
	Fair	81.5	53.8
	Good	16.7	26.9
Growth in profit	Poor	0	0
	Fair	61.1	57.7
	Good	38.9	42.3
Quality of products	Poor	0	2.5
	Fair	25.9	25
	Good	74.1	72.5
Business image	Poor	0	3.8
	Fair	14.8	23.1
	Good	51.9	61.5



**Figure 4.7: Level of satisfaction with the provision of networking indicators**

None of the respondents belonging to an alliance reported poor growth of sales. The growth of market shares was significantly higher in those respondents who belonged to an alliance as compared to those who didn't. The research also established that existence of networks and forums for business contacts enhanced interaction of successful entrepreneurs with potential and emerging ones. Those in networks had better quality products as compared to those who were not. These findings are consistent with those of Obura *et al* (2009) in their examination of the role of informal personal networks in determining Micro Small Enterprises (MSE's) success in Kenya established that SSEs in Kenya get around market failures and lack of formal institutions through entrepreneurial personal network as a copying strategy in the process of global transformation to bridge the entrepreneurial global divide.

The study also showed that one did not necessarily need to belong to an alliance to have a good business image.61.5% of those not in an alliance reported to have a good business image as compared to 51.9% of those that belonged to one.

#### 4.6 SSE Performance

**Table 4.10:Performance of the respondent’s business as measured by various indicators**

SSE Performance/rate of satisfaction	Poor		Fair		Good	
	Freq.	%	Freq.	%	Freq.	%
<b>Growth in sales</b>	1	1.2	61	74.4	20	24.4
<b>Growth in market shares</b>	6	7.4	59	72.8	16	19.8
<b>Growth in profits</b>			49	60.5	32	39.5
<b>Quality of products/services</b>	2	2.5	21	25.9	58	71.6
<b>Business image</b>	1	1.2	16	19.8	64	79

Majority of the respondents had fair growth of sales.The growth in market shares and profits was also fair as reported by most of the respondents.It was also observed by the study that most of the respondents had a good quality of products and services and business image. The fair growth in sales,market shares , quality products and services revealed that provision of the BDS was still inadequate.The findings are consistent with the Sessional Paper No 2 of 2005 on the Development of MSEs which highlighted that there existed no provision in the curricula for appraising the BDS programmes at business start-up,survival and growth stages to establish the extent to which these programmes are demand –driven,value –adding and address the specific needs of the operators and beneficiaries.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter gives a summary of the findings from the research, gives some conclusions from the findings and gives recommendations to various stakeholders on the need to provide quality business development services to entrepreneurs. It also highlights areas for further research.

#### 5.2 Summary of Findings and Conclusions

The general purpose of the study was to examine the effect of business development services on the performance of small scale entrepreneurs. To achieve this broad objective three objectives were addressed. The first objective sought to investigate the influence of training services on the performance small scale enterprises in Kisii Municipality. The study established that most of the entrepreneurs did not attend training services regularly with the results indicating least satisfaction with the with training services in relation to the achievement of basic business management skills, business risk management skills and investments skills. Only very few were satisfied in all the areas of training. 55.6% of the respondents were least satisfied with the training they received on basic business management skills while 45% reported to be satisfied on the investment skills they were trained on. Further the results showed that those who attended the training services recorded an improvement in their businesses in terms of growth in sales and profits with 83.3% of the respondents who always attended training reporting to have good growth in profits as opposed to only 41.2% of those who never attended training.

The second objective sought to find out the influence of technical services on the performance of small scale enterprises in Kisii Municipality. The study established that majority of the respondents were least satisfied with the marketing and advertisement services they were

provided with the provision of the provision of marketing and advertisement services indicating an influence on the performance of the SSE's in Kisii County. All the respondents that were least satisfied with marketing and advertisement services reported poor sales. A cross tabulation between Bookkeeping and accounting services and performance of the SSE's showed that this service significantly increased the growth market shares of the SSE's.

The third objective of the study sought to find out the influence of networking services on the performance of small scale enterprises in Kisii Municipality. The study established that the presence of entrepreneurial networks facilitated resources acquisition such as gathering information, technology and finance. It was further noted SSEs get around the registered market failures by developing relations with the outsiders through a support mechanism provided either by friends, family members, relatives or neighbours.

From the study it was clear that BDS raised the profitability and enhanced the growth and competitiveness of enterprises, which directly raised their incomes. BDS delivered to SSEs led to the employment generation, thus absorbing excess labour, innovation and adding value to goods and services, flexibility in responding to dynamic and volatile markets, and fiscal contributions to hard-pressed government. Through the provision of more integrated services, microfinance institutions will no doubt benefit from better loan repayment and portfolio quality, client retention and the increased ability of the entrepreneur to access other financial products and services

Benefits that accrue to entrepreneurial clients as a result of the education and awareness programs include: financial management knowledge; improved capacity to use financial services; increased self-esteem and confidence as a result of achieving financial goals and greater

ability to demand higher quality products and services from financial institutions. The financial institutions which offer these services are also able to attract more clients; increase their customer retention rates; gain better market information for the use in improving products and services and often have a competitive edge over their competitors.

### **5.3 Recommendations**

Since the study findings have shown that business development services have an influence on business performance the study recommends that the Kenyan government through the Ministry of Trade should provide training programs for the owner-managers and managers of SSEs so as to help polish their knowledge in financial management and other managerial skills. Field officers should be recruited to coordinate and monitor the provision of training, advice, counsel and provide other non-financial services to these small business operators.

The Government of Kenya should also establish micro and small centres of excellence in each county for information dissemination, research, and product development and program promotion.

From the study it was established that business development services do contribute significantly to the performance of small scale enterprises. It was noted that the various institutions entrusted with provision of these services were not delivering these services to the expectations of the entrepreneurs. Therefore the various providers of business development services should do needs assessment first so as to be able to provide business development services efficiently.

The study recommended that the Government of Kenya should develop and implement innovative curriculum materials and methods for training needs related to self –employment and entrepreneurship.

Any training levy imposed on the entrepreneurs should be affordable so as to attract more entrepreneurs to have access to these business development services.

#### **5.4 Suggestions for further research**

First, data collection only provided cross-sectional data. Research of this nature would give clearer understanding of the relationships between business development services and business performance if longitudinal analysis was applied. It is suggested that further studies that will be longitudinal in nature and that will embrace a case study design be undertaken so as to better establish the cause-effect relationship between business development services and the business performance of SSEs.

Second, it is suggested that future research to confirm the study's research findings by the use of more objective indicators of business development services and business performance rather than the subjective measures used in this study be undertaken so as to help emphasize the effect of business development services on the business performance of SSEs.

Third, the study drew its sample from small scale enterprises only and this may limit the generalization of the study findings to other businesses. It is suggested that further empirical studies be undertaken on other business types. This would assist in enhancing the generalizability of these research findings.



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## **APPENDICES**

### **APPENDIX I:LETTER OF INTRODUCTION**

STELLA KEMUNTO OSINDE

P.O BOX 728 -40200

KISII

Dear Sir/Madam,

#### **RE: REQUEST TO PARTICIPATE IN ANSWERING A QUESTIONNAIRE**

I am a student undertaking a degree in Msc Entrepreneurship at Jomo Kenyatta University of Agriculture and Technology. I am conducting a research on the effects of business development services on the performance of small scale enterprises.

Your participation in this study will not only address the gap but will assist the researcher in achieving her aims while at the same time availing important information to the policy makers and other stakeholders.

I therefore kindly request you to answer the questions in the attached questionnaire which will be used for analysis in the research.

The information so obtained will be treated with **UTTERMOST CONFIDENCE** and **WILL NOT** be used for any other purpose other than research

Thanks in advance

Stella KemuntoOsinde

## APPENDIX II: RESEARCH QUESTIONNAIRE

### PART A: DEMOGRAPHIC INFORMATION

1 What is your position in the business?

Owner.....

Manager.....

2 What is your HIGHEST educational qualification or nearest equivalent?

Primary/ Secondary.....

Certificate .....

Diploma .....

Bachelor degree.....

Master degree.....

3 What of the following categories describes your age bracket?

< 20 Years.....

20 – 29 Years .....

30 – 39 Years .....

40 – 49 Years.....

Master degree.....

4 What is the nature of the business you are operating?

Retail/ wholesale business.....

Manufacturing .....

Service business .....

Agricultural processing.....

Food / beverages/restaurant.....

5 What best describes the form of ownership of your business?

Sole proprietorship.....

Partnership .....

Limited company.....

6 How long has your business been in operation?

- Less than 2 years.....
- 2 – 5 years.....
- 6 – 10 years.....
- More than 10 years.....

**PART B: TRAINING SERVICES**

1. Do you ever attend management training programs related to financial management?

- Never.....
- Rarely (from 1 to 2 attendances annually).....
- Sometimes (3 to 4 attendances annually).....
- Often (5 to 6 attendances annually).....
- Always (more than 6 attendances annually).....

Which of the following agencies provided the training programmes that you have attended before?

- KWFT.....
- Kenya Industrial Estate.....
- Ministry of Trade.....
- Other Microfinance Institutions.....
- Commercial banks.....
- NGOs.....

Please rate your level of satisfaction with the provision of training services on business based on the following indicators

	Least satisfied 1	Fairly satisfied 2	Satisfied 3	Very satisfactory 4	Most satisfactory 5
Basic business management skills					
Business risk management					
Investment skills					

**PART C: TECHNICAL ASSISTANCE SERVICES**

Please rate your level of satisfaction with the provision of the following technical services provided by training agencies to businesses in Kisii Municipality based on the following indicators

	Least satisfied 1	Fairly satisfied 2	Satisfied 3	Very satisfactory 4	Most satisfactory 5
Marketing and advertisement services					
Extension services					
Information and advice					
Consultancy					
Bookkeeping and accounting services					
Technology use					



**Part C: Networking services**

Does your business or the one you manage belong to any alliance

Yes

No

If 'Yes' Please rate your level of satisfaction with the provision of the following networking indicators.

	Least satisfied 1	Fairly satisfied 2	Satisfied 3	Very satisfactory 4	Most satisfactory 5
The number of members					
Resources support for group members					
The sharing of information and market technologies					
Linkages to other alliances for the acquisition of goods and services					
Provision of emotional support					

## **PART D: SSE PERFORMANCE**

Please rate on the 5-point Likert scale given below how your business or the one you manage has been performing based on the indicators given

	Very Poor	Poor	Fair	Good	Very good
	1	2	3	4	5
Growth in sales					
Growth in market share					
Growth in profits					
Quality of products/services offered					
Business image					

**Thank you for your participation**

**APPENDIX III: EXAMPLES OF SMALL SCALE ENTERPRISES IN KISII MUNICIPALITY (PHOTOS BY AUTHOR, 2012)**

- a) Street vendors b) Hardware c) Salon d) Chemist e) Shoe traders f) *Mitumba* Clothes g) Butchery h) Garage i) *Mpesa* services j) Green Groceries k) Restaurant



a



b



c



d



e



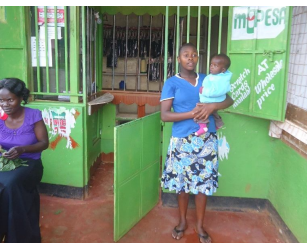
f



g



h



i



j



k