

Challenges facing the Growth of SMEs in the Furniture Subsector in Nakuru County Town, Kenya

Samuel Nyakundi Mogeni *, DR. Jane Omwenga **

* Master of Science in Entrepreneurship, Jomo Kenyatta university of Agriculture and Technology

** College of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology

Abstract- The general objective of the study was to determine the challenges facing the growth of SMEs in the furniture manufacture subsector in Nakuru County town. The target population under study was the licensed furniture manufacturer SMEs by Nakuru town administration in 2015. In order to realize this purpose, this study adopted descriptive survey employing the use of questionnaires and interviews to collect data from a sample size of 100 entrepreneurs in furniture manufacture in Nakuru town who were selected using stratified random sampling. . Data was analysed using descriptive statistics such as percentages, frequencies tables and figures. Using statistical package for social sciences (SPSS) version 11.0, data was analyzed based on descriptive statistics and Pearson's Product Moment Correlation Co-efficient was used to establish relationships between independent and dependent variables. The study revealed that there is a positive relationship between technical skills, level of market dynamics knowledge, ownership structure and availability of capital requirements. The positive relationship indicates that there is a correlation between the factors and the Growth of SMEs in Nakuru town. This infers that availability of technical skills has the highest effect on the Growth of SMEs in Nakuru town, followed by lack of managerial skills, then low productivity due to using inefficient technology and availability of capital requirements tailed for SMEs growth. The study recommends that improvement in stakeholder collaboration across the industry by establishing an Industry association, establish a Kenyan Center for Excellence as a platform to provide relevant industry training and co-ordination of R&D. Establish Jua Kali focused marketing entities to facilitate access to formal markets.

Index Terms- SME, Small and Medium Enterprises, Entrepreneur

I. INTRODUCTION

Small and medium-scale enterprises (SMEs) form the majority of the enterprises in the Kenyan economy. They employ a large share of the labour force. The sector is perceived as an alternative employer. Recent studies show that SMEs are at least as important as large firms in the creation of gross and net new jobs. Notwithstanding their importance, most SMEs are unable to exploit the increased market opportunities due to a number of constraints. This is because of either low productivity, incapacity to face competition from imports or in export markets, constraints to adapt new technologies or a lack of finance (Elkan, 2008).

The promotion of SMEs and, especially, of those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa. 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 (Okafor, 2006).

In the case of developed countries, for example Germany, the economy is characterized as having strong SMEs and about two-thirds of the workers are employed by these enterprises. Furthermore, in newly industrialized Asian countries, SMEs have become the driving force in their rapid growth. For example, SMEs account for 99% of all enterprises and. Some of the world's leading Korean companies such as Samsung and LG were once small enterprises. From these examples, it is clear that SMEs are important to the development process and that it would be beneficial for African countries to promote SMEs for further growth (Otero & Rhyne, 1994).

Many Small and Medium Enterprises (SMES) or small scale business in Kenya face a host of challenges when it comes to the growth of their operations, this is despite their official recognition as a significant contributor to the economy- about 50% of the jobs created in Kenya in 2005 was attributed to this Economic Survey, (2006). The public procurement market in Kenya is huge, estimated at about 9 percent of GDP, (KIPPR, 2005) or equivalent of Ksh 71 billion annually. Yet, this market is dominated by large enterprises who import at the exclusion of SMEs.

In Kenya, Small and Medium Enterprises (SMEs) are officially defined as enterprises employing between 10 and 100 employees whether formal or informal or annual sales turnover not exceeding Ksh 150 million, (CBS, ICEG and K-REP, GoK, 2005). The development of competitive and resilient small and medium enterprises (SMEs) forms an integral component of Kenya's initiatives to be globally competitive and prosperous nation with a high quality of life by 2030 (GoK, 2007). The challenges posed by increased liberalization, new entrants to the market, increased standards requirements and technological developments require SMEs to raise efficiency levels, strengthen inter-firm linkages and respond timely to market changes.

The objective of this study was to determine the influence of technical skills, the ownership structure, market information availability about market dynamics and capital requirement for growth facing small scale businesses in Kenya particularly in the furniture subsector and make suggestions that will help in solving some of these problems and enhance the participation of small firms in the marketplace. The study employed survey research design methodology in which combinations of research

methods was used. These included questionnaire survey, observation; face to-face interviews and literature review. The study will focus on largely on indigenous entrepreneurs and small businesses.

The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey, (2006), the sector contributed over 50 percent of new jobs created in the year 2005. With the government of Kenya pledging to create 500,000 jobs annually, it is evident that the majority of these jobs will come from small and medium enterprises sector. Therefore it is evident that with proper development strategies, the sector is capable of providing and surpassing the government's target of creating 500,000 jobs annually.

The furniture market in Kenya stood approximately at US\$496 million in sales in 2013, with a Compound Annual Growth Rate (CAGR) of 10% over the past five years (World Bank, 2014). Furniture imports stand at US\$66 million and constitute 13 percent of the total market. Imports are taking an increasingly large portion of the Kenyan market, growing at a CAGR of 24% 2009-2013. Exports are growing more slowly at a 10% CAGR. Without a significant push for the development of the local industry, an increasing proportion of consumption in these markets will be met by imports.

In Nakuru County town which is placed in the sources of furniture inputs, the industry is yet to post any signs of growth. For instance, in- growth rate of the town at 11% p.a, (World Bank, 2013) and the gradual build-up of resident populations in this agricultural hub of Nakuru Country, the furniture markets has not grown and remain largely intact with the entrepreneurs stuck at the same levels of enterprise and personal growth. Observable also is the fact that there are no new entrants into the furniture business seeking to establish a new market or an advanced outlet like a furniture' supermarket (FAO, 2013) apart from the occasional itinerant furniture sellers.

Further inspection revealed that the, main technical players in the furniture industry in this town are not natives to the town or country and, hence have no access to property within reach that could be attached as collateral to secure loans for business expansion (IFC and World Bank, 2013). Informal (Jua Kali) manufacturers are also losing their access to markets, as consumer buying habits change and mass retail becomes the channel of preference. Also factoring in other social dimensions like technical skills availability and low value addition to their products, their business do not stand a realistic chance of growth except there be further mitigation interventions.

It should be noted that the current government has promised to provide 1 million jobs to the many unemployed youths in the next 5 years and the government has identified the SME sector as the one to provide these jobs. This promise comes at the back drop of a similar promise by the previous government and out of which nothing much was achieved. Why then is the SME sector not providing these jobs? And are there challenges that inhibit this sector from growing? These were the concerns of the researcher and hence the essence of this study is to determine the challenges facing the growth of SMEs in the furniture manufacture subsector in Nakuru County Town, Kenya.

The general objective of this study is to determine the challenges facing the growth of SMEs in the furniture subsector

in Nakuru County town. The specific objectives of this study were: to determine the influence of technical skills in the growth of SMEs in the furniture subsector in Nakuru County town, to determine the effect of the level of market knowledge for growth of the SMEs in the furniture subsector in Nakuru County town, to determine the effect of ownership structure for growth of SMEs in the furniture subsector in Nakuru County town and to determine the effect of availability of capital requirements for growth of SMEs in the furniture subsector in Nakuru County town.

II. LITERATURE REVIEW

2.1 Theoretical Framework

Over the last two decades in particular, growth in SMEs have received considerable attention from researchers and policy-makers around the world for reasons identified by (Turok, 1991) as there being a considerable interest within the field of small firms policy and research in the identification of features that distinguish firms which grow from those that stand still or fail. This is thought important if more selective small firms' policies are to be developed. Identifying distinctive features of more and less successful firms may also provide insights into the factors influencing small firm development and hence improve understanding of the growth process (Gibb & Davies, 1991).

2.1.1 Stages Model

This model was adopted from the biology life-cycle analogy, assuming that the firm progresses through different stages, including existence, growth, take off and maturity. Stages model present a series of generally four stages through which an SME will typically pass throughout its development. They generally describe the dynamic within this growth process as "S-shaped": a slow growth in the early development is followed by a rapid growth, before the dynamic tends to slow down again: In the first phase the business is set up, products are developed and first experiences are made on the marketplace. It is usually marked by relatively low growth rates. This phase is typically labeled "Start-Up" or "Formation Phase" (Dodge & Robbins, 1992).

When the small business manages to pass successfully through this early stage it may enter the "Expansion" or "Early Growth Stage". This phase is generally characterized by a rapid expansion of production, turnover and employment. After some time, the development reaches a point where the initial business idea and concept will no longer guarantee a further dynamic expansion. Growth rates will decline, the company enters in the "Later Growth" (Dodge & Robbins, 1992) or "Maturity Stage". The future lies in a more defensive role of maintaining the conquered market position "Stability", (Dodge & Robbins, 1992) or, alternatively, in the advancement towards a broader business concept within which each new line of products or services may again pass through the described S-shaped growth process "Diversification Stage" (Hanks et al., 1993).

2.1.2 Static Model

Static model derived from the field of industrial economics that are concerned with the dynamics of growth, and which tend to be preoccupied with attainment of economies of scale and

minimization of long-run unit costs. Many are considered to overemphasize the large firm as the ultimate stable outcome of growth, there being no perceived limit to the size that a business might achieve (Perry, 1982) and (O'Farrell and Hitchens, 1988). This focuses on identifying a set of internal and external variables that can explain the growth of SMEs, such as by identifying some characteristics, strategies and practices that are significantly related to growth, as in (Barringer, Jones & Neubaum, 2005).

There are important arguments that can explain why a small enterprise will remain small and not pursue a growth strategy. Once a certain minimum size has been reached, the basic business strategy aims from the very beginning to capture a geographically clearly delimited market niche, the owner-manager values the disadvantages and risks of growth higher than the advantages and new opportunities. The owner-manager chooses voluntarily to keep his business small because of a limited achievement motivation or because of special personal reasons and in the special case of developing countries a large part of small enterprises are informal. It is characteristic of small business that power decision are centralized at the level of owner-manager, so his or her personality, skills, responsibilities, attitude and behaviour will have decisive influence on business strategy (Levy and Powell, 2005). In most cases the entity may grow up to the limits of available workforce within the family group and the market-limits set by informal sale channels. This aggravates the above mentioned low inclination towards risk-taking.

2.1.3 Strategic Management perspectives on SME growth.

Focuses attention upon the strategic dimension of achieving sustained growth and the way in which the owner-manager responds to business and personal environmental indicators. Hence, they concentrate upon the identification of the owner-manager's policies and strategies for the conduct and development of the business and their subsequent translation into managerial action that will lead to sustained business development.

The clear distinction between entrepreneurs and managers is also evident in the words of (McGrath & MacMillan, 2000): What distinguish entrepreneurial leaders who are capable of sustained and significant business revitalization from other managers are their personal practices on the job. These practices fall into three broad categories: practice that set the work climate; practices that orchestrate the process of seeking and realizing opportunities to grow the business and; hands-on practices that

involve problem solving with the people at work on a particular venture. Entrepreneurship is often considered as a phenomenon that takes place just in start-up businesses. A minimum level of formalization, hierarchy and centralization is a need to stimulate entrepreneurial processes, but if these characteristics start playing a pervasive role, they can discourage creativity and free thought.

2.1.4 Stochastic Model

The very first attempts to understand growth phenomena in SMEs resulted in stochastic models, which have evolved from the field of economics (Matthew Dobbs & Hamilton, 2006) and developed from the "Law of proportionate effect". Stochastic models assume that there are too many factors affecting growth and that no specific factors have a dominant effect that can be used to explain growth. Accordingly, the growth of firms can be assumed to be perfectly random and cannot be predicted using any group of variables. By definition, stochastic models assume that growth is independent of any other factors, a notion which has been disproven by various studies including the work of (David Evans, 1987), (Francesca L, Enrico S. and Marco V., 1999). A recent study showed nearly 70% of firms were "very concerned" about their ability to attract appropriate staff (Mayson & Barrett, 2006), while recruitment has been considered challenging for small organizations (Gupta & Tannenbaum, 1989) due to limited financial and material resources and the high number of jobs where employees typically perform multiple roles with unclear boundaries and job responsibilities (May, 1997). Nearly a quarter of small businesses view a lack of qualified workers as a threat not only to their plans to grow and expand, but as more importantly a threat to their very survival (Mehta, 1996).

2.2 Conceptual Framework.

A conceptual framework is a research tool that assists the researcher develops awareness and understanding of the situation under scrutiny and communicates it. The success of any business is for many measured in terms of growth which is a readily observable characteristic. However, the growth of these business or enterprises is inextricably linked to the quality of product, customer satisfaction, innovation; market share-metrics like these often reflect a business economic condition and growth prospects better than its reported earnings. Technical skills, structure of the enterprise, market knowledge and capital requirements are the inputs or independent variables that affect the growth of SMEs. The figure 2.1 shows the relationship between these variables as they were involved in this study.

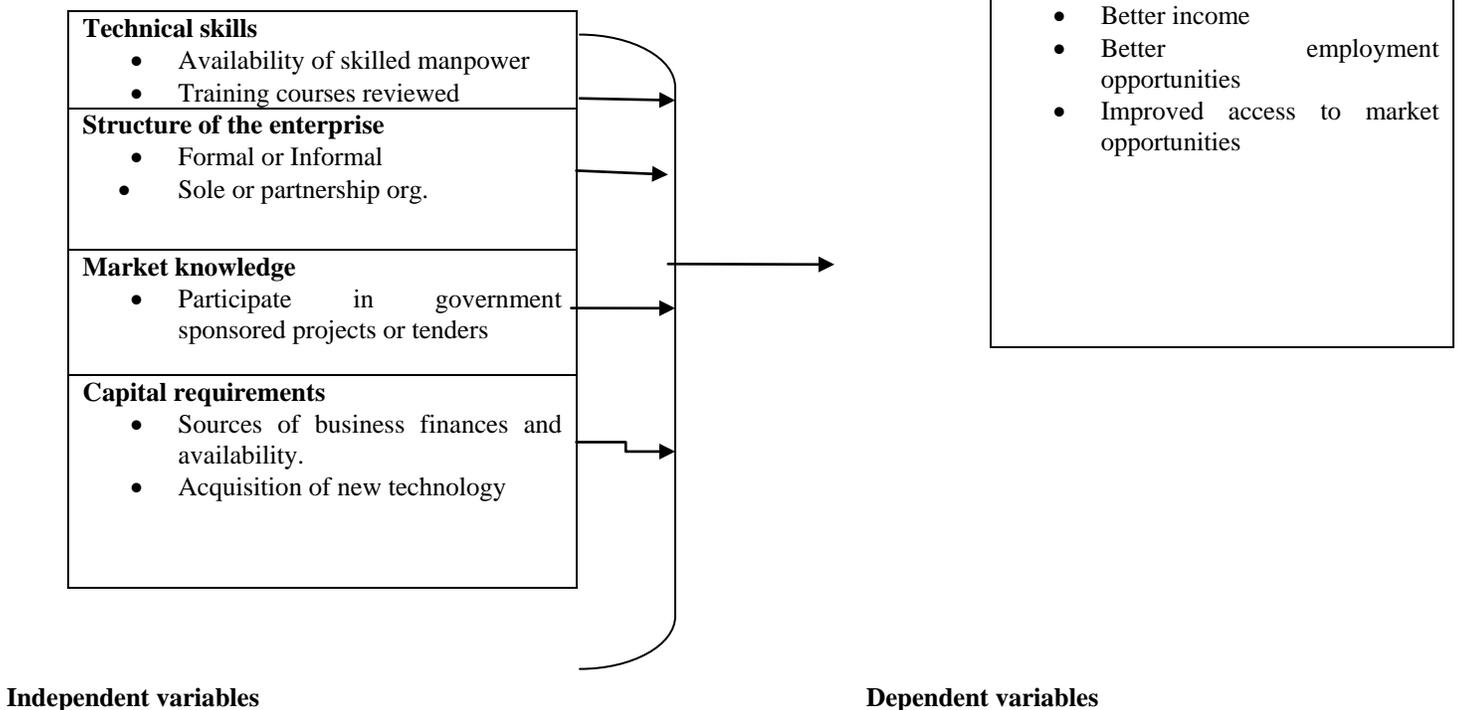


Figure 2.1 Conceptual Frame work.

2.3 Empirical Review

The growth of the firm is an evolutionary process, which is based on the accumulation of “collective knowledge in the context of a purposive firm” (Penrose, 1995). Growth can be defined from two different angles: as increase of size and other quantifiable measures, and a process of changes, improvement (Penrose, 1995). Firm size is the result of firm growth over a period of time. While firm growth is a process, firm size is a state. Firm expansion can be organic or through acquisitions. Organic expansion means extending the firm’s operations by broadening its structure gradually, set of activities, and while expansion by acquisitions means drawing in resources in the form of already existing firms (Penrose, 1995).

The Kenyan government has taken the driver’s seat in championing SME sector as key to shaping the Vision 2030, Kenyan dream. SMEs are central in creating a balance between the needs of rural and other disadvantaged areas, where the majority of the poor live thus increasing competition and contributing to a more equitable distribution of income. The government guided by Sessional Paper No 2, (2005) launched the 4k MSE 2030 initiative under the first five years 2007 to 2012 of Vision 2030. The Institutions that were to work under the 4K initiative include the Kenya Industrial Research and Development Institute (KIRDI), the Kenya Industrial Property Institute (KIPI), The Kenya Bureau of Standards (KEBS), and the Kenya National Federation of Jua Kali Association (KNFJKA).

The initiative is tasked with Ensuring SMEs produce quality products that meet both local and international standards, while enhancing consistency and cooperation with other sectors. The specific objectives are to: upgrade the SME products; build capacity for manufacture upgraded products; promote innovation

and technology transfer; instill a culture of quality and standardization; promote use of intellectual property as a tool of trade and business.

2.4 Critique of the Existing Literature Relevant to the Study

Although the deterministic approach enriched our understanding of SMEs growth patterns, “it has only been able to provide partial explanations of small business growth rates, leaving considerable unexplained variation” (Dobbs and Hamilton, 2006). Moreover, robust empirical validity has not been established for this approach, so applying this model in a different context (e.g., industry or country) will likely not result in repeatable results. The lack of empirical validity is thought to result from the complex nature of growth phenomena and heterogeneity of the SMEs.

The practicality of the Churchill and Lewis model resulted in its vast popularity among both entrepreneurs and academic researchers. Nevertheless, the model has been widely criticized for its many limitations, including the emphasis it places on internal factors while putting less focus on external factors. This limitation could threaten the validity of the model.

However, interest in the growth of SMEs has recently been renewed. Many new frameworks have been introduced, and many critical reviews of literature have been conducted to summarize the previous research and offer an integrated model from a fresh perspective. A good example of such a model is the work of (Bessant, Phelps and Adams, 2005, 2007), who developed an extensive framework to describe the growth of SMEs by integrating previous models and introducing a new model designed to address most of the criticisms of earlier models. Nevertheless, the Bessant Philips and Adams model is still no more than a framework; it has not yet been studied or validated.

2.5 Research Gaps

For small businesses to do well in Kenya, People need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained college level education (Wanjohi and Mugure,2008).In this furniture sub-sector, practical skills need to be developed at low cost and with financial support; various types of small scale technology could be developed for labour-intensive enterprises that could absorb hundreds of young job seekers. It is not sufficient to know how to produce a high quality product. The producer must also know how to sell it effectively and how to control the financial side of the business and in doing that the entrepreneur must be skilled in business management, K-rep research paper Series No 24, (1995).

III. RESEARCH METHODOLOGY

The study design was descriptive survey and will target individuals as well as focus groups that operate in the furniture industry within the town. In this the study will seek to identify the size of the businesses, the type of ownership, and the number of years the operator has been doing the business in the town. This design involves interviewing or administering

questionnaires, and conducting focus group discussions. The choice of this research design is made possible based on its ability to obtain information from a large number of respondents, conducting personal interviews at a time convenient for respondents, acquiring data as inexpensively as possible and make predictions about the population being studied (Cooper and Schindler, 2003). It also has the ability to determine the amount of correlation between two or more variables

This current study was carried out in Nakuru County Town which is situated in Nakuru County in former Rift Valley Province, Kenya. According to Nachmias & Nachmias, (2007), a population is the total collection of elements about which the research is being done. The study population consists of SMEs in Nakuru County Town who makes furniture. These businesses mainly operate from three markets within the Town namely: the Ponda Mali and Free Area markets located along Kipanga Way in the southern part of the town and the Kaptembwo market located at the western end of the town. The last two markets are located in residential areas and are not officially gazetted markets but they have been operating for years under the auspices of the local authorities. The unit of analysis for this study was individual owners of the businesses and family members who co-own the businesses. Table 3.1 shows the licensed furniture businesses in the three markets.

Table 3.1 Furniture SMEs in Nakuru County west Sub County

No	Business location	No. of furniture businesses
1	Free Area	50
2	Kaptembwo	55
3	Ponda Mali	35
Total		140

Probability sampling was used where each sampling unit of the population has a known and specified probability of inclusion in the sample. It has the advantage of giving all elements in the universe an equal chance of being included in the sample. It also provides an efficient system of capturing the variations that exist in the target population. The sampling frame which has details of carpenters owned small-scale furniture business was obtained using a headcount of the businesses within the markets in the

Town. Frankel and Wallen (2000) recommend that for descriptive studies where a minimum of 100 subjects are needed, proportional sampling was used to select the respondents. In order to determine a representative sample size of the businesses the sample was to be drawn from the total population of 200, this study adopt a formula proposed by Kothari and Pals, (1993) for estimating a sample size, n from a known population size N.

$$n = \frac{\chi^2}{\sigma^2} \frac{NP}{(N-1) + \chi^2 P}$$

n= required sample size

N= the given number of furniture SMEs in Nakuru County town which is 161.

P= population proportion assumed to be 0.50

σ^2 = the degree of accuracy whose value is 0.05

χ^2 = table value for chi-square for one degree of freedom which is 3.841

Substituting these values in the equation, estimated sample size (n) is:

$$n = \frac{3.841 \times 140 \times 0.5(1-0.5)}{\sigma^2}$$

$$n = \frac{(0.05)^2}{(139) + 3.841 \times 0.5 \times (1 - 0.5)}$$

After determining a representative sample of 114, the furniture SMEs was stratified according to the years they have been in operation. This is to done to ensure homogeneity in the sample, (Kombo and Tromp, 2006) and to enable the researcher to codify the data during analysis to yield valuable information. Every five years of operation will form a stratum. Multi stage

sampling was used to distribute the 100 furniture SMEs in the three stratum. This will ensure that the sample is proportionately and adequately distributed. Each stratum was allocated a portion of the sample by dividing the total number of furniture SMEs in the stratum by the total population of furniture SMEs and then multiplied by the sample size as shown below.

Table 3.2: Stratum Sample Size Determination

No	Years in business	No. of businesses	Sample Proportion	Sample Size
1	0-5years	50	50/140*100	36
2	6-10 years	55	55/140 *100	39
3	11-15years	35	35/140 *100	25
Total		140		100

After determining the specific number of furniture SMEs to be selected from each stratum, proportionate stratified sampling will also be conducted to distribute the sample size among the individual furniture SMEs in the stratum. This was done by

dividing the total number of the businesses by the total number of furniture SMEs in the stratum and then multiplied by the allocated stratum sample size. This is as summarized below.

Table 3.3: Furniture SMEs Sample Size Determination

No	markets	Business with 5-10years	Sample Proportion	Sample Size
1	Free area	12	12/55*39	14
2	Kaptembwo	18	15/71*50	11
3	Pondamali	25	36/71*50	25
Total		55	50	

Having determined the sample size for individual businesses, simple random sampling will then be used to select the business owners that will participate in the study. This will give every individual business an equal chance of being selected into the sample. This is also preferred due to its precision and the possibility of generalization.

To collect primary data, the study mainly utilizes quantitative and qualitative methods of data collection to give adequate insights into the topic. Interview Schedules which contain structured closed and open ended questions was used. In addition focus groups discussions will also be employed to gain more in-depth information i.e. by taking literacy levels into consideration. Each individual business was approached separately at their convenience, interviewed and appropriate responses filled in the questionnaire by the researcher or his

assistant. Focus groups were formed from only willing individuals and structured discussions conducted to control time and the direction of the discussion. The use of closed and open ended questions and the focus group discussions will generate both quantitative and qualitative data respectively.

Data collected was based on the perceptions and attitude of the business owners towards the subject of the items in the questionnaires, the interviews and the discussions. The items were of the ordinal and categorical types with range of between 1 to5 with 1 signifying lowest value and 5 highest values. Significant deviation between observational characteristics, questionnaire response and interview responses was interrogated for consistency. Secondary data was also collected to supplement the primary data. This will include documented information on the businesses. Data was collected from government offices,

internet, libraries (books, journals, periodicals, theses and government publications) and by observation. Scheduled Interview is an oral administration of a questionnaire or an interview schedule (Mugenda and Mugenda, 2003). These are face to face encounters designed to extract accurate information from the respondents by enlisting their cooperation.

The researcher will conduct a pilot study in order to test the validity of the questionnaires that were used. A pre-test sample of 10% of the sample size was used as advocated by (Mugenda and Mugenda, 2003). Therefore 10 respondents were selected randomly. The results of the pilot study were used in revising the questionnaire to enhance its appropriateness.

Orodho (2004) contends that validity concerns the accuracy with which the items generated measures what is supposed to validate. The study was confined to 114 small and medium enterprises in the furniture manufacture. In this study, multiple sources of evidence were used as a way to ensure construct validity. Consulting experts in the subject of matter will also be undertaken to ensure validity.

Mugenda and Mugenda (2003) define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trails. The study will apply systematic questions in the questionnaire. To increase the reliability of the data to be collected the researcher employed test-retest technique in which the instrument of research was administered twice to the same subjects. The pilot test of the instrument was then done on one of the subjects to ensure that the desired data or results are obtained. Correlation coefficient varies on a scale of 0.00 (indicating total unreliability) and 1.00 (indicating perfect reliability). 0.8 -0.9 indicates high reliability, 0.6 -0.8 indicates acceptable reliability value while below 0.5 is unacceptable.

Data editing and coding was done on the quantitative data generated on the years of operation, the location of the market, the type of ownership of the businesses and the number of employee per month as an important step towards data analysis. These were summarized in frequency distribution tables. Various graphs, charts, tables were used to display data for each of the objective. Data was further described by computing the mean and standard deviation to determine cohesiveness, homogeneity and heterogeneity and leadership in the studied groups. Graphical representation of each of these variables against the growth prospects was projected.

Correlation techniques were used to show the significance of the relationship between the variables and performance. Karl Pearson's coefficient of correlation also known as the product moment correlation coefficient was used to measure the degree of relationships between the dependent and independent variables. Codes from transcripts, session summaries and field notes were available for report writing. The data was then analyzed using a statistical package for social scientist (SPSS) version 11.0 to increase the accuracy of the results.

IV. RESEARCH FINDINGS AND DISCUSSION

4.1 General Information

This section covers the demographic characteristics of the respondents across gender, age, level of education, number of year in the business and number of employees in the business.

4.1.1 Response Rate.

The study targeted 100 participants in the Small and Medium Enterprises in the furniture manufacture in Nakuru County. Out of the targeted respondents, 74 participants filled and returned the questionnaires giving a response rate of 74%. The response rate is excellent and agrees with (Mugenda and Mugenda, 2003) prescribed significant response rate for statistical analysis, which they established at a minimal value of 50%. Also according to Babbie, (2010) a response of rate of 50% is believed to be adequate for analysis and reporting, whereas 60% is considered good while 70% is deemed very good. The questionnaires were coded and data analyzed using version SPSS version 11.0.

4.1.2 Gender

The study sought to find out the gender of the respondents. The results show that the majority of the furniture manufacturers are male. 73% are male and 27% are females. The study shows that majority of furniture manufacturers are using equipments that are not gender friendly hence the obsolete technology in use.

4.1.3 Age of the Respondents

The study sought to find out the age of the respondents. The findings of the study show that 55% of the respondents are within the age bracket of 18-35 years. This reflects the actual position in the counties where a majority of those within this age bracket are school leavers who are unemployed and hence have taken self employment as an alternative to formal employment. 41% are in the age bracket of 36-49 years. Those above 50 years account for 4%. This can be explained by the fact that most of the people above 50 years could be employed, the few who are in self employment are those who have retired or about to retire and have a side job to supplement their earnings.

4.1.4 Length of Period the Respondents have been in the Business.

The study sought to find out the number of years the respondents had worked in the enterprise. From the data findings, the study found out that 40.50% of the respondents had been in their businesses for 1 to 5 years. 39.4% of the respondents had been in their businesses for 11 to 15 years. 20.1% of the respondents had been in their businesses for between 6 to 10 years. This implies that the respondents have been in the business for more than two years thus they had the requisite information needed for the study.

4.1.4 Education Level

In this study the educational levels of the respondents was looked into. From the findings, the study found out that 40% of the respondents had achieved certificate or artisan level as their highest level of education. 35% of the respondents had achieved secondary as their highest level of education. 12% of the respondents had achieved primary as their highest level of education while 13% of the respondents had achieved diploma level of education.

4.1.5 Total Number of Employees in Business

The study sought to find out the total number of employees in the respondents business. The findings indicate that 79.7% of the respondents had less than 10 permanent employees in their businesses, 20.3% had above 11 to 20 permanent employees while none had more than 20

permanent employees in their businesses. Some small businesses employ less than 5 people, mostly family members who are usually not well trained, apply simple and relatively rudimentary technology in production and, therefore, the quality of their products is likely to be poor.

4.1.6 Profile of SMEs

The research sought to establish the ownership structure of the SMEs

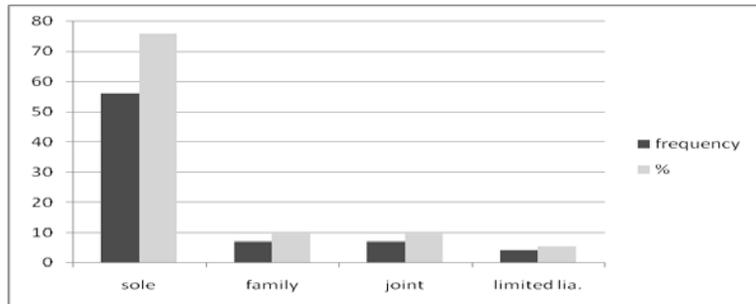


Figure 4.3 Ownership Structures of the SMEs.

75.7% of the respondent had sole proprietorship as the ownership structure for their businesses. 9.5% had family and joint-venture as the ownership structure for their businesses. 5.3% had limited liability as the ownership structure for their businesses.

4.2 Technical Skills Influence the Growth of SMEs

The study sought to establish the influence technical skills in growth of SMEs

Table 4.8 Descriptive analysis of technical skill influence in the growth of SMEs

Statement	strongly disagree	disagree	neutral	agree	strongly agree	mean	standard deviation
Availability of technical skills affects growth of SMEs.	0	0	0	56	18	4.243	0.088
No. of trainings affect the growth of business.	0	4	26	22	22	3.838	0.135
Lack of managerial skill affect growth of business.	0	0	7	30	37	4.405	0.069
Level of education of skilled Workers affect the growth of business	422	0	26	22	3	3.541	0.170
SMEs are mainly users of technology, not adaptors of technology	0	18	15	32	9	3.432	0.182

The findings indicate that the respondents rated highly availability of technical skills in the growth of their businesses

(Mean=4.243). The lack of managerial skills is also rated very high in the growth of business (Mean=4.405). Level of education

also affect the growth of business (Mean=3.541). The respondents rated no. of trainings as one of the challenges (mean 3.838). This indicates that the SMEs experience challenges in availability of technical skills, lack of managerial skills, level of education and no. of trainings affect the growth of business. SMEs are mainly users of technology, not adaptors of technology (mean=3.432). Other questions were asked in order to get more information on this variable to get its influence on growth of SMEs. The respondents were asked whether they had attended or received training on entrepreneurial or business education before and during the establishment of the SME. From the data, 76% of the respondents have received training and 24 % had not. The respondents were asked if the training took place at institution or was in house, that is at place of work. From the findings, most of the training were on the job training at 59.5% and 40.5% were trained at institutions. Short-termism: a focus on immediate requirements and or only on that training that is immediately available or needed.

4.2.1 Ease in Finding Skilled Employees

The study sought to find out the ease in finding skilled employees. The findings indicate that 65.8% of the respondents found it easy while 34.2% found it difficult. This indicates that most of the respondents found it easy to find skilled employees on piece meal basis as getting permanent employee is difficult because of the high remuneration requirement. This implies that to get an employee who can be trained for a specific unique product is not easy. The findings are supported by a similar study by Wilson, (2003), who described the links between product quality and workforce skills, at micro and macro scales, can interact in a vicious circle as follows: Products are poor because the workforce skills to produce better ones are often lacking. Workforce training and development is critical to improving business performance and local economic development.

4.3 Acquisition of Capital Affects the Growth of SMEs

The study sought to find the effect of acquisition of capital in the growth of the business. The results are shown in table 2.8.

Table 4.8 Descriptive analysis Acquisitions of capital affects the growth of SMEs

Statement	Strongly disagree	disagree	neutral agree	strongly agree	mean	standard deviation	standard	
Availability of financial Institutions that provide loans tailed for SMEs affect growth.	0	0	7	60	7	4.000	0.116	
Non-availability of joint ventures affect growth.	7	22	19	15	11	3.014	0.231	
Requirement for collaterals for loan affect the growth of SMEs .	0	15	7	33	19	3.757	0.144	
Availability of grants from Government support growth of SMEs.		4	14	15	37	4	3.311	0.196
Lack of lease financing affect growth of SMEs.	6	4	14	25	25	3.797	0.140	
Low productivity due to using inefficient technology	0	0	4	8	62	4.784	0.25	

The findings indicate that, Availability of financial Institutions that provide loans tailed for SMEs affect growth (mean=4.000). Lack of lease financing also affects the growth of business highly rated (mean=3.797) and requirement for collaterals affect the growth of business (mean=3.757). Low productivity due to using inefficient technology affects the growth of SMEs (mean=4.784). Lack of technology in terms

specialized machinery due to lack of finance or lease financing is a major challenge.

These findings are supported by a similar study by (Girabi, 2013); Olusola and Olusola, 2013) who observed that traditional long-term bank finance is generally inaccessible to small businesses because they lack the requisite collateral and have no business records. Respondents were asked additional question if

they have ever taken any SMEs loan for start-up, working capital or scaling up the business? From the findings, very few entrepreneurs have taken bank loans. This is supported by the findings of (Dun and Girma, 2012), who observed from using firm level data from China spanning the period 1998-2005 found that bigger firms source capital from the bank while smaller firms use self finance as also observed in the study.

4.4 Knowledge about Market Dynamics Affects the Growth of SMEs in the Furniture sector.

The study sought to establish the effect of lack of knowledge about market dynamics. The results are shown in table 4.10.

Table 4.10 Descriptive analysis Knowledge about market dynamics influence the growth of SMEs

Statement	strongly disagree	strongly agree	disagree	neutral	agree	strongly agree	mean	standard deviation
Government supported projects support growth of SMEs	11	4	37	22	0	2.946	0.239	
Participation in exhibitions helps to network for SMEs growth.	0	0	18	26	30	4.162	0.0974	
Low levels of information from governments on business opportunities to entrepreneurs for SMEs growth.	4	26	0	22	22	3.432	0.182	
Membership to any furniture manufacture association provide insides into SMEs growth	0	0	7	37	30	4.311	0.080	
Development of higher value-added products that will improve the competitiveness of SMEs.	6	12	32	8	16	3.189	0.211	

From the study findings, lack membership to any furniture manufacturing association was rated highly in affecting the growth of SMEs (mean=4.311) and non-participation in exhibitions also affect the growth of business (mean=4.162). Government supported Projects don't support growth of SMEs as much (mean=2.946) and Low levels of information from governments on business opportunities to entrepreneurs for SMEs growth (mean=3.432). Development of higher value-added products that will improve the competitiveness of SMEs was also rated high in their growth (mean=3.189). Additional questions were asked to find out how the businesses reach their customers.

From the study findings 44.6% of the respondents reached their customers by offering competitive prices, 28.7 % of the respondents reached their customers by offering good display of

goods, 15.8 % of the respondents reached their customers by offering a variety of goods ,10.9 % of the respondents reached their customers by advertising at exhibitions. These observations were also made by (Stanton and Futrell, 1987) who said Small and medium scale enterprises operate in highly competitive environment and suggested that SMEs businesses should constantly monitor competitor's products, prices, distribution systems and promotional strategies. Small and medium enterprises should differentiate their products to gain competitive advantage in the market. One main differentiation strategy is branding as observed by (Kotler, 2010). A majority of the SMEs market unbranded products. Branding would make it easier for the SMEs to promote their products, and thus enhance their performance and profitability.

4.5 Business Ownership Structure Affect the Growth of SMEs

The research sought to establish the effect of business ownership structure in SMEs growth. The results are shown in table 4.12 below.

Table 4.11 Descriptive analysis of Business ownership structure affects the growth of SMEs

Statement	Strongly disagree	disagree	neutral	agree	strongly agree	mean	standard deviation	
Family owned business structure support growth of SMEs	40	4	15	15	0	2.068	0.341	
Sole proprietor owned SMEs structure support growth	0	0	7	41	26	4.662	0.039	
Joint-Partnerships owned SMEs structure support growth of SMEs		7	19	15	26	7	3.095	0.049
Limited liability owned SMEs structure support growth	4	4	30	30	6	3.405	0.185	
Informal owned business structure support growth	0	7	23	37	7	3.189	0.211	

From the study finds, lack membership to any furniture manufacturing association was rated highly in affecting the growth of SMEs (mean=4.311) and non-participation in exhibitions also affect the growth of business (mean=4.162). in terms of supporting SMEs growth and limited liability SMEs structure of business ownership structure support growth (mean=3.405). Family owned business structure support growth of SMEs (mean=2.068). Joint-Partnerships owned SMEs structure support growth of SMEs (mean=3.035). Informal owned business structure support growth (mean=3.189). The business ownership structure affect the growth of SMEs as observed from the large number of SMEs as sole proprietors who have not grown for many years. This is supported by (Dietmar, 1998) who demonstrated that incorporated firms under limited liability, have higher growth than unincorporated firms. Abor, (2007) argues that the form of ownership could affect the debt-equity decisions of SMEs.

The respondents were asked which of the business ownership structure that provides the easiest decision making process. From the data sole proprietor is rated very highly by the respondents as the easiest structure of business in decision making at 47.3% and limited liability comes at 29.8%. Family owned businesses are at 14.9% and partnerships owned businesses at 8%. From the study findings, it was observed that sole proprietorship is preferred by SMEs because of easy of decision making process.

From the data findings, majority (67.3%) of the furniture manufacturers were not registered while as 32.7 % of the furniture manufacturers were registered. These findings show that majority of the entrepreneurs in furniture manufacture in Nakuru town are not registered. This implies that the majority of the furniture manufacturers can't participate in Government supported projects. Fear of being detected for taxation is the main reason for not registering hence it affects prospects of growth. The observation is supported by (Cassar, 2004) who observed that lenders may perceive incorporation as a sign of credibility and formality of operations.

V. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

There was an agreement by majority of the business owners that technical skills and adoption of technology has a positive effect on the business performance hence it is important to adopt ways of enhancing that the SMEs are able to acquire the technical skills and technology. The study found that bank finance is among the least used source of finance. The overall results show that personal savings are used as the main source of enterprise financing, followed by retained earnings and friends and relatives. As concerns form of business ownership, the studies found that majority of the enterprises in the research were sole proprietorships.

The government has a role to make regulatory and fiscal policies that are favorable for entrepreneurs to access capital. Some of these policies are made by Central Bank such as reducing interest rates. This in turn allows the commercial banks to reduce rates on loans (Daya, 2013). The government also has a role in coming up with incubation programmes to train businessmen against high business failure.

5.2 Policy Recommendations

The recommendations that follow are met to improve the business environment and inform policy formulation for both at county and national Governments. Establishing an industry association would support the development of the entire industry value chain across Kenya and would give the furniture sector a voice vis-à-vis the government. Promote input standardization, particularly in materials and design. Provide incentives to upgrade technology and expand manufacturing facilities to move towards serial production. To establish an industry association would support the development of the entire industry value chain across Kenya and would give the furniture sector a voice vis-à-vis the government. Promote input standardization, particularly in materials and design. Provide incentives to upgrade technology and expand manufacturing facilities to move towards serial production. It's recommended that a Kenyan Center for Excellence as a platform should be established to provide relevant industry training and (in the longer-term) co-ordination of R&D and to set up prototyping facilities to develop new products. Establish Jua Kali-focused marketing entities to facilitate access to formal market and improve the implementation of the Build Kenya, Buy Kenya public procurement initiative. Enhance collaboration among Jua Kali entities via clustering. This can be done by promoting "cluster initiatives" and by (literally) further clustering Jua Kali entities such that the provision of common services and facilities can be targeted more effectively. In order for SMEs to access credit, it is important that commercial banks and MFIs reduce contingent conditions already set. Many MFIs give loans to groups, which act as the guarantors to the individuals who wish to take up loans. Business people should be encouraged to make savings with financial institutions to improve their chances of being funded. Increase access to finance, the government could make available soft loans for investments in upgraded. This would enable increases in output, productivity, sales, exports, and value addition.

5.3 Recommendations for Further Research. This study focused on establishing and analyzing the numerous challenges influencing growth and development of SMEs face in Nakuru County, it therefore recommends that a similar study should be done on challenges influencing growth and development of SMEs face in Nakuru County as a whole. Further study should be done on growth strategies employed by SMEs in Nakuru County as a whole. Effectiveness of the trainings offered should be studied.

REFERENCES

[1] Republic of Kenya (2004). Investment programme for the Economy Recovery Strategy for Wealth and Employment creation 2003-2007. Nairobi: Ministry of Planning and National Development.

[2] Republic of Kenya: Sessional paper No 2 (1992). Small Enterprise and Jua Kali Development in Kenya. Nairobi: Government printers

[3] Republic of Kenya: Sessional Paper No 2(2005). Development of Micro and Small Enterprises for wealth and Employment Creation for Poverty, Reduction. Nairobi: Government press

[4] Stanworth M. and Curran (1992). Growth of Small Firms, An Alternative View; *Journal of Management Studies*, Nairobi Kenya.

[5] Terpstra, D. and Olson, P. (1993). *Entrepreneurial start-up and growth: a classification of problems*, Entrepreneurship Theory and Practice, vol. 17, no. 3.

[6] Todaro, M. (1994). *Economic Development in the Third World*. New York: Longman publishers

[7] Torrence R.. (1987). In the owners chair; Success for building your small business. New Jersey: Prentice Hall, Englewood Cliffs

[8] Tsauni, A. (2006). "Economic Reform in Nigeria: A Critical Analysis (1999 – 2004)", Publication of the Department of Economics, Bayero University, Kano-Nigeria, Vol 1 No 1

[9] Wanjohi, A. and Mugure, A. (2008). *Factors affecting the growth of MSEs in rural areas of Kenya*: A case of ICT firms in Kiserian Township, Kajjado District of Kenya. Nairobi: Unpublished.

[10] Anahita B. and Davies, (2012). Innovation in food sector SMEs: *Journal of Small Business and Enterprise Development* Vol. 19 No. 2, 2012.

[11] Hill and Charles W. (2009). International Business: Competing in the Global Marketplace. New York: McGrawHill/Irwin.

[12] Biggs, T. and Shah M., "Kenyan SMES, networks, and Manufacturing Performance," *Journal of Banking and Finance*. (2006).

[13] Cogburn, Derrick L. and Catherine N., (2006) "Exploring the Challenges and Opportunities for Kenya in the Information Economy," The United Nations University, INTECH, Discussion Paper Series.

[14] Elkan, W., (2008). "Entrepreneurs, Entrepreneurship in Kenya," Research Observers, World Bank.

[15] Kula, O. Downing, and Field, (2009). "Globalization and the Small Firm: A Value Chain Approach to Economic Growth and Poverty Reduction," United States Agency for international Development (USAID) (micro REPORT 42), Washington, DC.

[16] Lawrence, P., (2005). "Explaining Sub-Saharan Kenya's Manufacturing Performance," *Development and Change*.

[17] Mambula and Charles, (2002) "Perceptions of SME Growth Constraints in Nigeria," *Journal of Small Business Management*.

[18] McCormick, D. (1999). "Kenyan Enterprise Clusters and Industrialization: Theory and Reality," in *World Development*.

[19] United Nations Office of the Special Adviser on Kenya, (2008). "Small Scale Enterprise Development & FDI in Kenya: Challenges and Opportunities,".

[20] Wallace, J. (1999). "Small Enterprise Development in Kenya: Lessons from Success", Proceedings of the Small Business Institute Directors' Association, Annual Conference, San Francisco.

[21] Yumkella, K. and Vinanchiarachi J., (2003). "Leading Issues on Kenya's Path to Industrialization: The Role of Support Systems and Instruments," *Journal of Kenyan Economies*,

[22] King, K. and McGrath, S. (2002). *Globalization, Enterprise and Knowledge Symposium*. Oxford.

[23] K-Rep research paper series (1995). Employment and Income in Micro and Small Enterprises in Kenya. Nairobi: K-Rep

[24] Paul D., Leedy and Ellis O., (2010). *Practical Research: Planning and Design*, 9th Edition. Merrill publishers. New jersey USA

[25] Longenecker, Moore, Petty and Palich (2006). *Small Business Management: An entrepreneurial Emphasis*. South-Western College Publication. Toledo, OH, U.S.A.

[26] Mc Cormic, D. (1988). *Small Enterprise in Nairobi: Golden Opportunity or Dead end?* Michigan University: Unpublished thesis.

[27] McCormick and Pedersen. (1996). *Small Enterprises: Flexibility and Networking in African Context*: Nairobi: Institute for Development Studies (IDS), University of Nairobi and Centre for Development Research (CRD) Copenhagen.

[28] Mugenda, M. and Mugenda, G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: African Center for Technology Studies.

- [29] Obadan, M. I. (2004). "Globalization: Elements, Opportunities, Challenges and Risks". A Paper Presented at the Eleventh DPRS Directors Conference, Organised by NCEMA, in Ibadan,
- [30] Orodho, J. and Kombo, D. (2004). *Elements of Education and Social Science: Research Methods*.
- [31] Gaboroune, Botswana, Masuala (2006), Publishing Kenya Economic Survey, *Central Bureau of Statistics*, Ministry of Planning and National Development.
- [32] Pistrui, D. (2003). Growth intentions and expansion plans of new entrepreneurs in transforming economies: an investigation into family dynamics, entrepreneurship and enterprise development, *Universidad Autonoma de Barcelona*.
- [33] Pitelis, C. (2002). *The Growth of the Firm: the legacy of Edith Penrose*, Oxford University Press, Oxford.
- [34] Priem, R L. (2001). "Is the Resource-Based 'View' a Useful Perspective for Strategic Management Research?" *Academy of Management Review*.
- [35] Reid, G C. (2007). *The foundation of Small Business Enterprise - An entrepreneurial analysis of small firm inception and growth*, Routledge, London.
- [36] Steffens, P , Fitzsimmons and Davidsson, P. (2006). "Small firm performance: patterns of evolution in growth - profitability space," *Regional Frontiers of Entrepreneurship*.
- [37] Akwani and Obi A., (2009) "Manufacturing in Nigeria: The Many Huddles Facing the Small Manufacturer,"
- [38] Kothari, C. (2004). *Research Methodology, Methods and Techniques*, New Delhi; New Age International Publishers
- [39] Bwisa H. . (2010). Towards the Improvement of Entrepreneurship Education in Africa. Paper
- [40] presented at the JKUAT Scientific, Technological and Innovation Conference, JKUAT, November, 2010
- [41] Figura, R. (2002). An end to Poverty through Micro lending. An examination of the Need from credit by poor, Rural Women and success of Micro lending
- [42] Gakure, R. (2001). *Issues Impacting on Growth of Women Owned Enterprises in Kenya*. Paper presented at Shifting Gears in Women's Enterprises Conference, Durham University, UK, September 2001

AUTHORS

First Author – Samuel Nyakundi Mogeni, Master of Science in Entrepreneurship, Jomo Kenyatta university of Agriculture and Technology
Second Author – DR. Jane Omwenga, College of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology