

**ANALYSIS OF TRAINING AS A DETERMINANT THAT INFLUENCES
BUSINESS GROWTH OF SMES IN NAIROBI COUNTY, KENYA: CASE
OF SMES IN GIKOMBA MARKET**

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Abstract

Today the role of sees in economic development, innovation, and gross domestic product (GDP) is clear to all. The Government of Kenya through Vision 2030 has tried to put an enabling environment to help nurture and grow sees. This research addresses a key determinant sees business growth. Sees have contributed to over 60% of jobs and statistics indicate that most of these sees are in the brink of failure as only two out of every five sees make it through past the first few months. This research specific objective was to establish how training influence SMEs business growth. The target population was six hundred (600) sees. A sample size of one hundred and twenty (120) sees was selected using stratified random sampling. The research adopted a descriptive research design. Semi structured questionnaires and interview guides were used to collect data. Statistical Package for Social Sciences (SPSS 21.0) and descriptive statistics was used to analyse collected data. This research revealed the existence of a positive relation between training and SMEs business growth. As the national and county governments seek to promote entrepreneurship and provides employment to the youth, there is need to invest in providing training to the youths and SME operators in general while creating an ease in business registration and operation. Entrepreneurs and the government should invest in training initiatives to boost SME entrepreneurial skills.

Keywords: small and medium size enterprises (sees), business growth, and training

INTRODUCTION

The world globally, regionally and locally has indicated great concern on SME business performance and growth. Previous reports indicate that SMEs are the backbone of our economy worldwide yet many have either collapsed or are in the verge of failing. According to a World Bank Economic Report (2014), majority of emerging economies boast of over 40% SMEs. SMEs have a notable effect on resource utilization and distribution, job creation, government revenue generation, as well as income stability (Fido, 2008). In many developed countries, SMEs employ about two-thirds of their population and a case in point is German where SMEs account for more than 85% of GDP (German Economic Report, 2015). Globally small and medium size enterprises account for over eighty percent of business and SMEs account for more than 80% of businesses organizations and more than fifty percent employment in the European Union (Mandy, 2013). According to Kenya Vision 2030 (2003) the country can only achieve macroeconomic stability by supporting and incubating SMEs. The government endeavours to develop SME parks full with the relevant services and infrastructure to make them viable (Kenya

Vision 2030, 2007). Macroeconomic stability is key for economic recovery and rapid growth and this has been witnessed since 2003. Through the policy, technical and financial support given to SMEs by the Kenyan government, Kenya's economy has grown significantly.

According to the United Nations Millennium Declaration Goals (SDG) (2015), SME growth will aid in promoting sustainable development while improving the quality of for everyone. This is a major strategy to ending poverty and ensures that all humans' beings are in a position of enjoying a prosperous and fulfilling live (SDGS, 2030). Previously, researchers have cantered research on issues affecting large corporations and this has left a remarkable gap on issues surrounding SMEs with very scarce relevant literature. With the Kenyan government pledging over one million jobs every year, its is certain that these jobs will be in the SME sector (Jubilee Alliance Manifesto, 2013). According to the KEBS (2009), eight out of ten businesses close within five months of operation. The KEBS report also indicates that 90% the two out of five SMEs that make it do not grow into a full blown corporation but rather remain within the SMEs sector for life. Very few of these SMEs grow to explore their full potential as many live to employ less than six people.

Determinants such as training has either been partially addressed or not addressed at all. The Kenyan government has put measures to strengthen SMEs and ensure they grow to be key industries tomorrow (Kenya Vision 2030, 2007). Previous governments have more or so made the same promise out of which nothing much has been achieved.

The challenge then becomes, why has this not been achieved? Are SMEs performing as anticipated? What are the factors inhibiting their growth? Is access to credit the only determinant to address or are there other major determinants worth noting and looking at? For these and many other reasons, the identification of the determinants of SME business growth is very important.

Against such a background the researcher notes that there is a gap on training and SME business growth that needs to be addressed. It is therefore important and of great necessity to examine how training influences SME business growth in Gikomba Market, Nairobi County Kenya. Therefore the specific objective for this study was:

- i. To examine how training influences SME business growth in Gikomba Market, Nairobi County in Kenya

LITERATURE REVIEW

Training

The growth and development of small firms is an erratic phenomenon (Coda, 2009). A higher percentage of SMEs go bankrupt within the first few years of establishment.

According to a study by Mania (2011), on the financial performance of SMEs in Rurik with an objective to review the lending procedures of Kenya Commercial Bank and how they affect the performance of SMEs, found out that besides finance there are other factors affecting growth of SMEs. The researcher noted that there was significant relationship between training and SME performance. Over 51 percent of participants who were trained in areas pertaining their businesses, over 49% indicated business growth.

Kenya (2014), researching on financial determinants of SME business growth in Nauru town, Kenya, found out that training is a key determinant of SME business growth. The researcher noted that finance and training are vital in ensuring competitiveness and overall business growth and development (Viscera, 2010). Kenya recommended that investors and operators should consider getting the relevant training, be innovative and practice the best business ethics in order to remain competitive. According to Mince (2014), trained individuals are believed to earn more, live longer and have a better life. In the modern day society, training is viewed as a tool that makes life better and is a critical determinant to the success and growth of an enterprise.

In her study on the factors affecting growth of SMEs in Algeria, Assam Benzazoua Bourassa (2015), noted that legal and regulatory framework was just a fraction of the main issues affecting SME growth. She mentions that lack of training was the main reason why many organisations could not establish a good legal framework in their businesses.

Modernization theory by American scientists Max Weber and Talco Parsons (1950s), looks into the idea of changing from old ways and structures of doing things and considering modern ways of operational practices. It looks into the internal factors and resources in an organization and the transition from traditional to modern techniques. The theory encourages urbanization. This theory notes that adoption of modern techniques in the organisation increases productivity leading to business growth. Talco and Max try to explain the effect of previous experience and training on organization growth hence increasing the thirst for knowledge and training in modern organizations. The theory advocates for modernization and further claims modernization is a tool to increase power while empowering staff members enjoy a higher standard of living.

The theorists link this theory to processes of modernization, industrialization and the spread training activities. Modernization theory encourages innovative strategies by developing and spreading new technologies and methodologies of carrying out tasks in the work place. Theory created a thirst for knowledge through training. This knowledge would further be applied in the organization to increase productivity and profitability. The theorists recommend that increased knowledge and training boosts the adoption of modern production and operational techniques in an organization.

KNOWLEDGE GAP

Most of the research carried out locally and abroad regarding SMEs focuses on issues to do with finance, policies and structures. Issues such as training have been narrowly approached. There is scarcity of literature touching on these issues. Available literature has focused on issues affecting established corporations. That notwithstanding the scarce literature addressing SMEs fails to explain clear strategies on how to implement the identified determinants for effective growth.

This research focused on training as determinants of SME business. There was very little literature or no literature at all as regards the framework for implementing training initiatives in SME environments. Available theories do not explain the various measures for the variable they address. They fail to explain to what extent their variables affect the growth of SMEs. Unavailability of reliable and valid data about in Gikomba market in Nairobi County, Kenya is a

major concern. This research will help provide clear strategies on how to harness training as a key-influencing determinant to SME business growth.

METHODOLOGY

Qualitative and quantitative methods were applied throughout this research. Numeric data which was converted to numbers and was generated using quantitative techniques. This method was precise and was used for purposes of analysing numeric data obtained from the questionnaires and tests the hypothesis of how each variable impacts the dependent variable.

Qualitative methods were used to collect non numerical data collective through interviews by use of interview guides. The information gathered was analysed interpretatively, subjectively, and diagnostically. This method was used to analyse data collected from interviews.

The research employed descriptive survey aimed at investigating how training influences SME business growth. Descriptive research aided in depicting the participants in an accurate way. The basic features of the variables were described using descriptive statistics. Generalization of the research findings addresses the determinants of business growth for all SMEs in Kenya as the research environment comprises of all manner of businesses of which most were studied. The target population for this research was six hundred (600) SMEs. Nairobi-Kenya has the highest number of SMEs in the country (K-Rep, 2009). The target population for the research comprised of established SME such as second hand cloth vendors, vegetable vendors, kiosks/supermarkets, restaurants, clinics/chemists, tailors, metal works, shoe vendors and cobblers operating in Gikomba market in Nairobi county, Kenya.

The number of employees was used to determine the size of the business as an SME should contain no more than 50 staff (McCormick & Pedersen, 2011). For purposes of this study, the target population was six hundred (600) SMEs operating in Gikomba. Cluster sampling technique was adopted to identify the target population. From each sampling frame, 20% of the population was selected by use of the proportionate sampling frame technique. The exact individuals to participate in the study were selected using simple random sampling. The duration, type of data to be collected and the research study objectives was considered in selecting the tools.

Semi structured instruments were used in the study employing a mix of open and closed-ended questions. Questionnaires were simply administered through dropping and picking from the study sample population. Various tools were used to edit data for incompleteness and inconsistencies. Quantitative data was analysed using description statistics. Quantitative data was edited and analysed to supplement the qualitative data. The researcher made use of quantitative analysis by using statistical techniques such as arithmetic means, frequency counts, modes, tabulations, pie charts and percentages for purposes of showing the frequency differences. The study utilizes quantitative analysis to analyze data. Statistical techniques such as percentages, frequency counts, pie charts and arithmetic means and tabulations to present differences in frequencies. In order to obtain credible results, the researcher used statistical tools such as SPSS (v21) to analyse.

RESULTS AND DISCUSSION

The research findings, analysis and presentation details on the presentation of data collected from the field, analysis of the same data using a variety of techniques and finally interpretation of the data to meaningful information. The target population for the study was 120 respondents out of which only 101 were able to fill and return the questionnaire. The response rate turned out to be 84%, which is still excellent. According to Magenta and Magenta (2011) a response rate above 50% for data analysis is good enough.

Analysis of Study Background Information

Table 1: Type of Businesses in Gikomba

Business Category	Number of respondents	Percentage (%)
Mitumba	18	17.8%
Restaurant/Hotels	14	13.9%
Vegetables	11	10.9%
Kiosks/Supermarkets	8	7.9%
Clinics/Chemists	6	5.9%
Tailors	13	12.9%
Metal Works	10	9.9%
Shoes	12	11.9%
Cobblers	9	8.9%
Total	101	100%

Period the Respondents Have Been in Business

The below Table 2 showcases the duration respondents have operated their business.

Table 2: Business experience

Frequency	Percentage (%)
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5 Years and below	12	11.9%
Between 6-10 Years	42	41.6%
Between 11-15 Years	36	35.6%
16 Years and above	11	10.9%
Total	101	100.0%

From the information generated above it is evident that 11.9% of the respondents have operated their business for 5 years and below. 41.6% have operated for between 6-10 years. A further 35.6% have run their venture for between 11-15 years where as last but not least 10.9% have operated for 16 years and above.

4.3 Influence of Training On SME Business Growth

In this section the researcher sought out to understand the training levels the respondents have undergone and how training influences SME business growth.

4.3.1 Trained

Table 6 highlights on whether the respondents received any training in business operations and management.

Table 3: Trained

	Frequency	Percentage (%)
Yes	47	46.5%
No	54	53.5%
Total	101	100%

The findings of this research realized that a total 46.5% of the SME operators had received some sort of skills or training on how to operate their business where as 53.5% of the respondents had not received any training whatsoever.

4.3.2 Topics Pursued In the Training

The Table 7 below shows the topics covered in the trainings the respondents attended in business operations and management.

Table 4: Content pursued in training

	Frequency	Percentage (%)
Keeping business records	18	38.3%
Ways of operating a business	10	21.3%
How to manage business	10	21.3%
How to manage human resources	1	2.1%
Sourcing for goods	2	4.3%
Ways of capital sourcing	3	6.4%
Customer service practices	3	6.4%

38.8% of the respondents received training in keeping business records. 21.3% received training on how to operate a business. 21.3% of the respondents received train on how to manage business. 2.1% of the respondents received training in human resource management. 4.3% of the respondents received training on how to source for goods. As regards different ways of how to source for capital, 6.4% of the SME operators received training with another 6.4% of the SME operators also receiving training in customer service management.

4.3.2 Training sponsors

The researcher in this study sought to understand on who was in charge of the trainings received by the respondents on business operations and management.

The findings are highlighted in the Table 8 below.

Table 5: Sponsor of the training

	Frequency	Percentage (%)
Bank	14	13.9%
Self	19	18.8%
Other	14	13.9%

Total	47	46.5%
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From the table above it is evident that out of the 46.5% respondents who received training, 13.95% of the training was sponsored by the bank, 18.8% sponsored their own training where as 13.9% had their training sponsored by other parties.

Business Performance

Table 6: Business performance review

	Frequency	Percentage (%)
Yes	95	94.1%
No	6	5.9%
Total	101	100%

94.1% of the respondents confirmed that they had reviewed their business performance where as 5.9% indicated that they had not reviewed their business performance.

Frequency of Reviewing Business Performance

Table 7: Frequency of business performance review

	Frequency	Percentage (100%)
Daily	32	33.3%
Per Week	44	45.8%
Per Two weeks	11	11.5%
Per Month	6	6.3%
Per Year	3	3.1%
Total	96	100%

33.3% indicated that they reviewed their business performance daily. Another 45.8% indicated that they had reviewed their business performance weekly. 11.5% indicated that they reviewed their business performance forty nightly. 6.3% indicated to have reviewed their business performance monthly where as 3.1% did it yearly.

How the knowledge acquired affected business growth

Table 8: Effect of knowledge acquired on business

	Frequency	Percentage (%)
Assisted in improving how to keep records	31	39.7%
Assisted in improving accountability	22	28.2%
Assisted in improving the customer and business relationship	4	5.1%
Aided in sourcing for finance	6	7.7%
Improved business management	10	12.8%
Improved business supplier relationship	2	2.6%
Other	3	3.8%
Total	78	100%

In terms of the impact of the knowledge acquired on the business growth of SMEs, 39.7% indicated improved record keeping. 28.2% indicated improved accountability. 5.1% indicated improvement in customer and business relationship. 7.7% indicated that it aided them in sourcing for capital. 12.8% indicated that it improved their business management. 2.6% indicated that it improved their supplier business relationship whereas 3.85 indicated other reasons.

Extent to which the training you have acquired influenced business growth

Table 9: Extent training influences business growth

	Frequency	Percentage%
To a very high extent	28	29.2%
High extent	28	29.2%

Moderately	14	14.6%
Minimally	4	4.2%
Do not know how	22	22.9%
Total	96	100%

From the research findings in Table 12 indicated above, it is clear that 29.2% of the respondents received indicated a very high influence. 29.2% also indicated a high extent. 14.6% indicated a moderate extent with 4.2% indicating a minimal extent. Lastly, 22.9% indicated no influence at all.

This research finding noted that training is key influencing determinant to SME business growth and majority of the respondents had not received any form of training. This is entirely consistent with Mania (2011), who argued that training and SME performance have a significant relationship. Many SME operators could not afford sponsoring their own training while others felt that training was not a priority. This is clearly noted in the low number of trainings.

A vast majority of the respondents who attained training concentrated on keeping business records, how to operate a business, how to manage business, human resource management, how to source for goods, how to source for capital and customer service management. Thus training is relevant as it concurs with Kenya (2014), who argued that training is important for business operations and competitiveness. These finding also concur with Mince (2014), that trained individuals are believed to earn more, live longer and have a better life.

The research findings also concur with Bourassa (2015), while researching on SME growth in Algeria and the factors affecting them. The researcher argued that that lack of training was the main reason why many organisations could not establish a good legal framework in their businesses and that the level of training and previous experience are important factors affecting SMEs growth in Algeria.

CONCLUSION AND RECOMMENDATION

From the findings of this study, it is evidently clear that training has a direct influence on SMEs business growth. The study noted that those who had received training in business operations and management skills performed better than those who had not. The respondents when further by informing the researcher that training greatly influenced their business growth. This was however not entirely uniform across board as SME business growth is a measure of many influencing determinants beyond the scope of this study.

The study found out that training is key and overly important for SMEs business growth. Seeking training is a bright avenue to ensuring promotion of SME survival and business growth. The county and national government should introduce policies that provide sponsored training to SME operators, as many cannot afford to sponsor their own training.

The study focused on the variable training as a determinant influencing SME business growth in Gikomba market. It would be prudent to look at other determinants that also have a notable influence on SME business growth not only in Nairobi but also in the country at large.

FURTHER RESEARCH

The researcher also recommends that another study to be done in the future and determine whether the suggested findings and measures in this study were implemented and if there are any gaps, how can they be filled? Through nurturing and promoting SMEs their business growth is assured and the future will be brightly guaranteed.

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