FACTORS AFFECTING THE GROWTH OF MICRO & SMALL ENTERPRISES: THE CASE FOR MACHAKOS TOWN IN KENYA

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Abstract

The concept of Micro and Small Enterprise (MSE) growth is of great concern to developing countries due to their immense contribution to employment and Gross Domestic Product (GDP). However most of these enterprises never survive beyond three years (KNBS, 2001).Though various studies have been conducted to determine the factors constraining the growth of micro and small enterprises, the trend still continues. This study sought to investigate the factors most responsible for micro and small enterprise growth, with a case study of MSEs operating in Machakos town. The main objective of the study was to determine the factors affecting the growth of micro and small enterprises in Machakos town. The study was descriptive in nature. A quantitative research design was used. A survey questionnaire was used to gather information /data using structured questions. Some unstructured questions were used so as to widen the response options. Data was analysed through the Statistical Package for Social Sciences (SPSS) software. Summary statistics such as frequencies and percentages were used to summarise data. Pearson correlation was used to measure the relationship between the independent variables (access to financial services, education and training, infrastructure and entrepreneurship) and the dependent variable (growth of MSEs, represented by increased annual turnover or increased number of employees). Tables, figures and graphs were used to enhance visual representation of data and allow comparisons. The study established a weak positive correlation between all the independent variables ($r < 0.4$) and the growth of micro and small enterprises in Machakos town. Access to finance, infrastructure and use of technology were found to be statistically significant with p values < 0.05 (0,039, 0.02, and 0.000 respectively). Although education and training and entrepreneurship ($r = 0.131$) were cited as factors affecting micro and small enterprise growth in Machakos town, they were found to be statistically insignificant to the growth of micro and small enterprises in the town, with a p value > 0.05 ($r < 0.2$ $p > 0.05$). Mediating variables including government policies, legal and regulatory framework, and use of technology (as earlier mentioned) were also found to slightly contribute to the growth of micro and small enterprises in Machakos town, although their contribution, except that of technology, was found to be statistically insignificant with p values > 0.05 ($r = 0.106$ $p=0.221$ and $r = 0.119$ $p = 0.166$ respectively).The study's conclusion was that access to finance, infrastructure, and adoption of modern technology contributed significantly to the growth of micro and small enterprises in Machakos town.

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