

INFLUENCE OF POLITICS ON GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KIBUYE MARKET, KENYA

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR AWARD OF THE DEGREE OF MASTER OF ARTS IN PROJECT
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DECLARATION


This research project is my original work and has not been submitted for any award in any University.

Sign  Date 27/8/2010

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

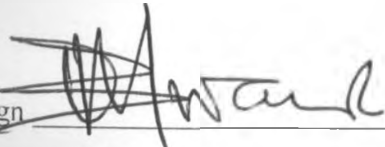
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DEDICATION

To my loving father Mr. Denish Kaumba Ooko who is a retired Agricultural Officer, my mother Mrs. Zilper Denish a retired teacher, my loving husband Mr Jeremiah Osogo Obon'go and my children Stephanie Osogo and Zyll Terryline. May God bless you for your continued financial and moral support you gave me during my study.

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TABLE OF CONTENT

	Page
DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENT.....	v
LIST OF TABLES.....	ix
LIST OF FIGURES.....	x
ABBREVIATIONS AND ACRONYMS.....	xi
ABSTRACT.....	xii

CHAPTER ONE

1.0 INTRODUCTION.....	1
1.1 The Background of the study.....	1
1.2 The Statement of the Problem.....	4
1.3 The Purpose of the Study.....	5
1.4 The Objectives of the Study.....	5
1.5 Research Questions.....	6
1.6 Significance of the Study.....	6
1.7 Basic Assumptions.....	7
1.8 Limitations of the Study.....	7
1.9 Delimitations of the Study.....	7
1.10 Definition of Significant Terms.....	8
1.11 Organisation of the Study.....	8

CHAPTER TWO

2.0 LITERATURE REVIEW.....	10
2.1 Introduction.....	10
2.2 The Concept of Small and Medium Enterprises (SME).....	10
2.3 The Effects of Political Factors on the Growth of SME's in Kenya.....	12

2.3.1 Government Policies Influencing the Growth of SME's.....	12
2.3.2 Government Strategic Plans on Growth of Small and Medium Enterprises.....	18
2.3.3 Basic Laws Governing Small and Medium Enterprises in Kenya.....	21
2.3.4 The Role of Political Leadership in the Growth of SME's.....	23
2.3.5 Major Political Barriers.....	25
2.3.6 The Effects of Political Unrest on Management of Small and Medium Enterprises.....	24
2.4 Theoretical Framework.....	25
2.5 Conceptual Framework.....	29
2.6 Knowledge Gap.....	31
2.7 Literature Summary.....	31

CHAPTER THREE

3.0 RESEARCH METHODOLOGY.....	33
3.1 Introduction.....	33
3.2 Research Design.....	33
3.3 Target Population.....	33
3.4 Sample Size and Sample Selection.....	34
3.4.1 Sample Size.....	34
3.4.2 Sample Selection.....	34
3.5 Research Instruments.....	35
3.5.1 Pilot of the Instruments.....	36
3.5.2 Validity of the Instruments.....	36
3.5.3 Reliability of the Instruments.....	37
3.6 Data Collection Procedure.....	37
3.7 Data Analysis Technique.....	38

CHAPTER FOUR

4.0 DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS	
4.1 Introduction.....	39
4.2 Questionnaire Response Rate.....	39
4.3 Demographic Characteristics of Respondents.....	39
4.3.1 Distribution of SME's Respondents by Districts.....	40

4.3.2 Distribution of SME's Respondents by Gender.....	41
4.3.3 Distribution of SME's Respondents by Age.....	41
4.3.4 Distribution of SME's Respondents by Level of Education.....	42
4.4 Political Factors on Planning of SME's Operation Structures.....	43
4.4.1 Contribution of political leaders on growth of SME's.....	44
4.4.2 Management structures	46
4.5 Roles of Political Leaders on Growth of SME's According to SME Respondents.....	47
4.5.1 The Respondents opinion.....	47
4.5.2 The effectiveness of political leadership managing Kibuye Market.....	48
4.6 Legislation laws and policies on growth of SME's.....	49
4.6.1 Presence of market by-laws	50
4.6.2 Punishment of Market By-laws breakers.....	50
4.6.3 Formulation of market By-laws.....	51
4.6.4 Taxation system.....	52
4.7 Political Unrest on Growth of SME's.....	53
4.7.1 The presence of political unrest.....	52
4.7.2 Influence of political unrest.....	53
4.8 Strategies to Improve SME's Growth.....	57

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	60
5.1 Introduction.....	60
5.2 Summary of Findings.....	60
5.3 Conclusions.....	61
5.4 Recommendations.....	62
5.5 Contribution to the body of knowledge.....	65
5.6 Recommendations for further study.....	66
REFERENCES.....	67
APPENDICES	
Appendix I : Letter of Transmittal.....	71
Appendix II: Questionnaire for SME's Respondents.....	72

Appendix III: Questionnaire for Market Administrators.....	77
Appendix IV: Interview Schedule for Key Informants.....	83
Appendix V: Kibuye wholesale and Retail Department	84
Appendix VI: Sample size (S) required for the given population size (N).....	85
Appendix VII: Copy of Research Permit	86
Appendix VIII: Copy of Authorization Letter.....	87

LIST OF TABLES

Table 4.1: Distribution of respondents by districts.....	40
Table 4.2: Distribution of SME's respondents by gender	41
Table 4.3: Distribution of SME's respondents by age....	42
Table 4.4: Distribution of SME's respondents by education level.....	43
Table 4.5: Political factors on planning of SME's operation structures.....	44
Table 4.6: Management structures	45
Table 4.7: Ratings of management structures	46
Table 4.8: The respondents opinions.....	47
Table 4.9: Effectiveness of political leadership in managing Kibuye Market	48
Table 4.10: Presence of By-laws in the market.....	49
Table 4.11: Rating of Market by-laws formulation	51
Table 4.12: The presence of political unrest.....	52
Table 4.13: Political unrest on SME's life and property.....	53
Table 4.14: Political Unrest on consumption rate.....	54
Table 4.15: Political unrest on entry of goods into the market.....	55
Table 4.16: Political unrest on SME's commodities.....	55
Table 4.17: Political unrest on prises of goods.....	56

LIST OF FIGURES

Figure 2.1: Successful Business Adaptation in Kenya.....19

Figure 2.2: Systems Governing Management of SME's in Kisumu Municipal Council.....22

Figure 2.3: An Assessment of Schematic Contingency Theory.....27

Figure 2.4: Conceptual framework29

ABBREVIATIONS AND ACRONYMS

ATU:	African Trade Union
BDS:	Business Development Department.
BPA:	Buying Plat form of Action
BRP:	Best Regulatory Practices
CEDAW:	Convention on Elimination of All Forms of Discrimination against Women.
CDF	Community Development Fund
DFID:	Department for International Development.
ERS:	Economic Recovery strategy
ILO:	International Labour Organisation
KBA:	Kisumu Business Association
KIPPRA	Kenya Institute for Public Policy Research Analysis
MDG:	Millennium Development Goals
PEM:	Public Expenditure Market
PPP:	Public Private Partnership
SBD:	Small Business Association
SCP:	Social Corporate Responsibility
SME:	Small Medium Enterprises

ABSTRACT

The study sought to investigate the influence of politics on growth of small and medium enterprises in Kibuye market of Kisumu city, Kenya. The statement of the problem was that SME's within Kibuye market operate on small and temporary structures with poor sanitation and inadequate infrastructural facilities hence the study focussed on political factors on planning of SME's operation structures in Kibuye market, roles of political leaders on the growth of SME's in Kibuye market, legislation laws governing the growth of SME's and strategic plans on growth of SME's. The objectives were studied using the following research questions: what are the political factors determining the planning and operation of SME's structures? What are the roles of political leaders on the growth of SME's? What are the effects of Government policies on growth of SME's? What are the effects of legislation laws on growth of SME's? What are the effects of Government policies on growth of SME's and how does Government strategic plan promote growth of SME's? The target population was 1700 and the methodology of sampling respondents was simple random sampling and key informants identified by purposive sampling which included market administrators, area councillor and Deputy Town Clerk. The sample size selection table by (Krejcie and Morgan 1970) was used to establish a sample size of 313. The study was conducted by descriptive survey and instruments administered were questionnaires to SME respondents and interviews to key informants. Demographic characteristics found out that majority of SME's who participated in trade activities came from outside Kisumu district yet they were managed by majority administrators from within Kisumu district. SME's activities were undertaken by the majority female gender as compared to the male gender as was also identified that 84.5% SME activities was undertaken by youthful bracket of age 35 and below. It was also discovered that more than half of the population of SME's were having primary level of education as compared with 42.6% of those with secondary, tertiary and university education.

Other findings indicated that financial support was Key in political leadership, SME's growth depended on effective political management, involvement of stakeholder in formulation and implementation of laws was vital for growth, political leaders role was key to development of SME's activities and political unrest to a large extent negatively impacted on growth of SME's. The study concluded that majority of SME's in Kibuye market were managed by administrators within the district also they were not involved to a larger extent in formulation of by - laws. It was also concluded that political leadership was key in the development of the market although political leadership interfered with the technical activity implementation. Furthermore the study concluded that by laws existed governing operation of SME's activities although there was need for increased involvement of stakeholders in formulating and implementing laws. Further studies concluded that political unrest impacted negatively on SME's growth thus need to address properly the existing laws and policies, infrastructural facilities and management structures. The recommendations of the study were need to increase involvement of stakeholder participation in policy making, involvement of technical management of SME's activities, increased financial allocations, improved infrastructural facilities and partnership with NGO's. Suggestions made for further studies were; factors influencing poor participation of youths in SME activities, challenges facing low literate SME's in managing business activities, challenges hindering equitable distribution of resources for SME development and effects of modern technology on growth of SME's

CHAPTER ONE

INTRODUCTION

1.1 The Background of the Study

Small and Medium Enterprises (SME's) contributes to short and long term economic sustainability of all countries worldwide. Several studies associated with growth of SME's such as social factors affecting the growth of SME's, economic factors affecting growth of SME's and challenges facing the market operation of SME's. This is due to the importance realised when SME's are sustained and well managed. Among some of the benefits realised are employment creation, bridging disparities between the rich and the poor, improving the capacity to access basic needs, reduces conflicts, prevents environmental degradation, helps in innovation and adaptation of the economic system, alleviating poverty, indirect boost to tax evasion and develops a pool of skilled and semi-skilled workers as a basis for the future industrial expansion. Hence the topic of the study ; influence of politics on growth of small and medium enterprises attempted to relate studies as it's evidenced that when a country is politically unstable then all activities as pertains economic, social, cultural, environmental may not cherish. Political stability in the study refers to good political leadership, government proper planning of the operation of SME structures, effective legislation laws, government strategic plans, government policies and general stability of the country.

Storey (1994), Levitsky (1996) and Hallberg, (2000) outlines better performance of SME's in developed countries as compared to the developing countries. Their argument has been facilitated by practical efficient good governance. Secondly, the government's ability in developed countries since 1970's was to be able to implement adequate planning procedures for the operation of SME's, implement policies designed to promote aspects of growth in Small and Medium Enterprises, exercise legislation laws that govern the management of SME's and applying strategic plans that focuses on growth of SME's. Concurrently the growth has coincided with an increase in the importance of SME's in terms of contribution to employment and GDP growth (Storey, 1994).

SME's currently accounts to a total of 95% in the developed countries confirming the implementation of the industrial restructuring which began in the late 1970's. The process was given added impetus with the move towards privatisation and market deregulation in the late 1980's and 1990's, resulting in broad organisational trends that have included outsourcing and downsizing of market demand (Parker, 2000).

In Denmark, the government has introduced a pilot early warning system which is a strategy modelled on the business that are heading for insolvency due to temporary problems. France equally offers the entrepreneur's non-payment of VAT, free expert advice business owners with liquidity problems and insurance contract covering expenses for settling debt at an early stage. Good policy practice (2000).

Other efforts which have been employed by France in promoting growth of SME's includes; creating market linkages, good infrastructural facilities, efficient financial facilities offered to SME's, improved technology which results to quality production of goods and services, promoting enabling environment for the private sector, emphasizing taxation, intellectual property protecting competition policy, measures that impact on overall competitiveness of an economy, strength supply capacity of local SME's ranging from technical skills in production process to management competences, promoting development industrial clusters that generate economies of scale and agglomeration which can help to develop a network of firms cooperating in complementary areas of specialization. Hall, (2002) confirms that the above listed steps have enabled the following developed countries to categorically realise growth in SME's as follows: Australia 99%, Singapore 97.8%, Thailand 99.4% and USA 98.3%. Ghana among the developing countries has taken active participation in promoting growth of SME's through borrowing strategies used in developed countries to facilitate SME activities and this has led to increased job opportunity within the country and increased economic boost in general.

In Kenya, the Government has taken various steps to ensure growth in terms of huge credit facilities to various enterprises. However, there is need to conduct a close monitoring and

evaluation on the performance of leadership roles and dissemination of duties geared towards the development of SME's. Consequently most of the existing policies such as environmental policy, finance, women and gender development to improve the performance of SME's. However, they are inadequate as compared to the existing policies in developed countries such as poor implementation and lack of marketing management policies in some developing countries, subsequently the legislative laws which were established at the time of independence in 1963 have contributed in governing of SME's activities. However, due to political influence characterised with poor governance; planning and strategies have led the country to experience slow growth in the economy. Worse of all was the recently experienced violence which made traders to lose most of their property worth billions of shillings.

In order to enable effective growth of SME's in Africa, the following observations were proposed to be implemented : creation of an environmentally favourable condition for business growth with particular attention to macro-economic policy, taxation, transparency efficiency of public administration, implementation of appropriate laws for property rights, enforcement of property rights, enforcement of commercial contracts and fair competition. Secondary governments should remove constraints to the start-up including constraints on access to credit and capital markets develop good transport and other infrastructural services, ensure effective and timely registration of traders. The developing countries should include SME's to be represented and engaged in the sector of social dialogue, particularly with respect to developing a conducive environment for business growth and social responsibility.

Following the increasing global financial crisis, special attention should be paid to promote value chain across border by industrialised countries allowing freer access of low-income countries exports their markets by further liberalizing trade in Agriculture and labour-intensive manufacturers (ILO, 2002). In Kisumu municipality planning operational structures have not been properly managed due to inadequate funds and political interference. The study identified that leaders have been unable to perform various duties towards growth of SME's due to challenges they encounter.

Investigation on strategy formulation and implementation found that a lot of efforts are required to improve growth of small and medium enterprises. Alongside, adjustments on existing laws need to be revised to mitigate unnecessary unrest and demonstration.

Pointing out to the researchers' area of study, which is Kisumu Municipal Council, similar policies and by-laws have been clearly stipulated to govern the growth of SME's although the strength of their practicability cannot be compared with those in the developed countries. Hence the traders' contribution to the council economy has not been very high to help promote the entire economic development of Kisumu City. Consequently, following the election violence in Kenya 2007, most Non-Governmental Organisations intervened to help constructing better structures for traders due to the destruction and massive loss of traders' property (Kisumu Municipal Council, 2010)

1.2 The Statement of the Problem

Kibuye market is an open air market which is centrally located along Kisumu Kakamega Highway in Kisumu Municipality at the shore of Lake Victoria. Kibuye market is not only serving the small market within the district such as Obunga, Oile, Manyatta, Nyalenda and Kondele, but it is also accessible across East Africa regions which is Kenya, Uganda and Tanzania. Furthermore Kibuye Market is the second largest open air market in sub-Saharan Africa (Storey, 1994). after. This has contributed to majority participation of SME's from outside Kisumu district which has boosted the economic performance within the market.

However, Kibuye market facilities are inadequate as SME's operate on small space allocations which are temporarily structured and in some cases, a section of SME's operate their activities on the dusty ground without any form of raised structures. Consequently Kibuye market lack proper infrastructural facilities as the existing paths within the market are not tarmac. The market concurrently experiences poor drainage and poor sanitation which is a health hazard to the SME's within the market. Further more, the market security is inadequate in terms of fencing of the market premise yet SME's live their commodities worth thousands of shillings behind. Although

SME's operate under the conditions mentioned, they are taxed on daily basis. Despite the limiting conditions of operations, Kibuye market is able to serve East African countries which indicates that politically it is an influential area which requires proper political management and this led to the study topic; influence of politics on growth of small and medium enterprises.

Therefore if efforts are not put in place to stream line its political leadership based on management structures and strategies of improving growth, then Kenyan is bound to loose. Furthermore, studies have been established that in developed countries, SME activities are more successful as compared to developing countries thus need to establish reasons for success which can be adopted to improve growth in developing countries. Among the reasons includes; effective management structures, provision of infrastructural facilities and adequate financial allocation (Storey, 1994).

1.3 The Purpose of the Study

The purpose of this study was to establish the influence of politics on the growth of SME's in Kibuye market, Kenya.

1.4 The Objectives of the Study

The study was guided by the following objectives:

1. To investigate how political factors impact on planning of growth of SME's in Kibuye market of Kisumu city, Kenya.
2. To establish the extent to which roles of political leaders influence the growth of SME's in Kibuye market of Kisumu city, Kenya.
3. To identify the extent to which legislation policies influence the growth of SME's in Kibuye market of Kisumu city, Kenya.
4. To establish the level at which political unrest influences the growth of SME's in Kibuye market, Kenya.
5. To explore what strategies can be employed to strengthen the growth of SME's in Kibuye market of Kisumu city, Kenya.

1.5 Research Questions

The study was guided by the following research questions:

1. How do political factors impact on planning of SME's growth in Kibuye market of Kisumu city, Kenya?
2. To what extent do roles of political leaders' influence the growth of SME's in Kibuye market of Kisumu city, Kenya?
3. To which extent does legislation policies influence the growth of SME's in Kibuye market, Kisumu City?
4. To what level does political unrest influence growth of SME's in Kibuye market of Kisumu city, Kenya?
5. What are strategies can be employed to strengthen the growth of SME's within the market?

1.6 Significance of the Study

The study is significant as it would help the government to strengthen political leadership participation on growth of SME's through improved allocation of fund, improved infrastructural facilities to promote accessibility of trade items and maintaining political stability for peaceful operation within the market. Secondly, the study would help the Local Council of Kisumu to readdress the existing legislation laws and policies and increase the representation of SME's both from within Kisumu District and outside the District to fully address issues which directly affects them. The City Council would also ensure that within their management structures, SME's are made aware of existing policies, ensuring that market facilities are well maintained, taxation charges are used to develop the market environmental conditions and SME's are involved in laying strategies which the government can put in place to ensure their growth. The study would also add to the academia body of knowledge for reference and serve as a starting point for further studies.

1.7 Basic Assumptions

The study assumed that politics influences the growth of Small and Medium Enterprises. It also assumed that political leaders played a major role on growth of SME's through formulation of legislation policies governing management and development of SME activities.

1.8 Limitations of the Study

Vastness of the study area which required adequate amount of time and finances was one of the limitations of the study. In order to collect adequate data within the allocated time frame, the researcher had to involve more than one research assistant to facilitate fast distribution of questionnaires and collection of the same. This meant soliciting for more finances to help pay the extra incorporated research assistant

Secondly, the operation of the market was another major limitation of the study. The major and specific market day falls once a week. The challenge was overcome by limiting the study to a population of regular registered traders to represent the entire operation of Small and Medium Enterprises in Kibuye market.

1.9 Delimitations of the Study

This study identified Kibuye market and not any other market within Kisumu District or in Kenya since it is the largest market not only in East Africa but also the second largest open air market in sub-Saharan Africa. Secondly, unlike other small markets like Kondele, Obunga, Kibuye market attracts majority of traders from outside Kisumu District which is also an advantage of improving political relationship. Kibuye market was not only able to feed other small and neighbouring markets but was also a source of employment to a large population within the country Kenya.

1.10 Definition of Significant Terms

Influence of politics- This refers to what extent issues directly associated with Political Management in terms of roles, policies, legislation affect Small and Medium Enterprises.

Growth of SME- The term refers to a consistent expansion, stability and increase in profit of Small and Medium Enterprises

Political Leaders' -Refers to the government representatives who take active role to ensure SME's needs were addressed.

Legislation Policies- Means the laws governing the management and operations of small and medium enterprises.

Operation Structures-According to the study is the design of Small and Medium Enterprise management in terms of space, financial facilities in terms of buildings, Administration and leadership

Business Resources - Availability of business equipment, skills, technologies for traders' effective management and growth

Small Enterprise -According to the study refers to the enterprise with regular workforce of twenty people.

1.11 Organisation of the Study

The study covers three chapters. Chapter one includes the background of the study, the statement of the problem, the purpose of the study, the objectives of the study, research questions, significance of the study, basic assumptions, limitations of the study, and delimitations of the study.

Chapter two of the study which is the literature review includes the concepts of SME's, importance of SME's, effects of political factors on the growth of SME's in Kibuye market of Kisumu city, Kenya, government policies influencing the growth of SME's, government strategic plans, basic laws governing SME's in Kenya, administrative structure of municipal council of

Kisumu, the role of political unrest on management of SME's, conceptual framework, literature gap and summary.

The third chapter which entails the research methodology includes the research design, area of study, target population, sample and sampling procedures, research instruments, Reliability of the instruments, Validity of the instrument and data analysis techniques.

Chapter four presents data analysis, interpretation and discussions under the following thematic areas; study demographics, political factors on planning of SME's, legislation laws and policies on the growth of SME's, political unrest and demonstration and strategies to improve SME's growth. Chapter five, the last section presents the summary of study findings, conclusions, recommendations, contribution to the body of knowledge and suggestion for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter reviewed literature related to the study. It covered the concept of SME's, government policies influencing the growth of SME's, government strategic plans, basic laws governing SME's in Kenya, the role of political leadership in the growth of SME's, the effects of political unrest on management of SME's, theoretical framework and conceptual framework.

2.2 The Concept of Small and Medium Enterprises (SME)

Cooley (1997) states that generally there is no universally accepted definition of Small and Medium Enterprise (SME) because classifying business as large scale is subjective and on qualitative judgement. For instance in the United States of America (USA), Small Business Administration (SBA) defines Small Business (SB) as any business with less than 500 employees, in Mauritius, SME's are defined as manufacturing enterprises which use production value not exceeding ten million rupee. Consequently in Kenya, micro-entrepreneurs are those with 10 or fewer workers such as 11 to 50 while medium entrepreneurs have a range of 50 to 100 workers. However, he defines an enterprise as an income earning activity that is not in line of provision of agriculture or mineral production.

Consequently, Kilby (1969) sees SME's as quasi sponge for urban employment and a provider of inexpensive consumer goods with little or no import content, serving an important pressure releasing and welfare augmenting function. Beyene, (2002) asserts that SME's are universally acknowledged to be effective instruments for employment generation and economic growth. Even in countries with larger corporation such as the United States of America, SME contribute a very substantial percentage to the employment generated.

In Africa, private sectors are not well developed hence SME's plays a critical role in stimulating development and alleviating poverty. Thus providing SME's to become effective players in regional and global markets.

Dallago and Mclntyre, (2003) outlines the SME sector supports Italy transformation of the economy by creating jobs, helping the innovation and adaptation of the economic system. Their analysis with specific reference to central Europe is that a growing segment of SME's investing in growth and modernization supplies mostly to transactional companies or final producers and experts.

Small and Medium Enterprises gives an indirect boost to tax evasion and regulation avoidance as adaptation mechanism IIMN (2003). The role and contribution of SME's are propelled by the dynamic economy. This makes them change. Other than: job creation, innovation and competition resulting as a development of SME's. Hayatu (2003) identified the following contributions of SME's which includes improved economy in terms of output of goods and services, creating jobs out of relatively low capital cost, providing a vehicle for reduction of income disparities among the people and develops a pool of skilled and semi-skilled workers as a basis for the future industrial expansion.

Macqueen, (2006) explores the importance of SME's, in the survey; he concluded that in China, Guyane, India, South Africa and Uganda; SME's contributions includes enhancing security by reducing conflicts, boosts the increase of access to basic needs, helps to overcome social isolation and powerlessness, provides descent work, prevents environmental degradation and helps to strengthen cultural degradation. The contribution of SME's is also seen across Low income countries, Middle income countries and High income countries. World Bank (2010). Low income countries refer to the world's most impoverished countries in terms of their low Growth National Income (GNI). Weak human assets and their high degree of economic vulnerability. However, Small and Medium enterprises have contributed to the Gross National development of 15% leading to employment level of 35%. Such countries are Afghanistan, Chad, Ethiopia and Uzbekistan.

The middle income countries are also referred to as the developing countries or the third world countries. Their economy consistently and fairly develops over along period of time. Countries falling in this category are South Africa, Brazil, Kenya, Guinea, Benin and Liberia have

taken active participation in SME's operation thus contributing to 55% employment creation and 35% to the Gross domestic product.

High income countries have attained high development rate in terms of national income, human asset and economic stability. These include Europe, America, Canada and Australia whose contribution is 65% towards employment opportunity and 55% increment towards growth of domestic product. All the contribution in low, middle and high income countries are realised through efforts being made to implement and practice effective political roles in leadership, clear policies, relevant legislation laws, inventing good strategic plans that can facilitate SME development and proper planning of the SME's operation structures. The effective efforts and effective implementation of the factors listed above have contributed to increase in income levels in all the least developed, developing and developed countries.

2.3 The Effects of Political Factors on the Growth of SME's in Kenya

Based on the above views, it is the concern of the researcher to critically analyze how the importance can be sustained and made stable. In as much as the growth of SME's is affected socially, economically culturally, political factors embraces all of them hence accounts for positive and negative contributions towards the growth. The study intended to access the following under effects of political factors affecting the growth of SME's in Kenya:

Government policy: guiding the management and growth of SME's, legislation governing the operation and growth of SME's, by-laws government the operation of SME's. Government strategies: planning and management of SME's, roles of political leaders in promoting the growth of SME's, the effect of political unrest on the growth of SME's and Political barriers.

2.3.1 Government Policies Influencing the Growth of SME's

Africa's overall economic performance with few exceptions of countries like South Africa has not been that impressive, Beyene (2002). The results have been mixed sometimes with performance showing improvements and at another time deteriorating. This is characterized with high population, declining per capita income, crushing external debt, fragile democrats and a

political climate characterized by civil unrest and strife have not provided an environment conducive to developments. The case for nurturing and supporting SME's becomes obvious when governments consider their potential for development as manifested in their labour intensive nature, income generating possibilities, capital-saving capacity, and potential use of local resources, imports and linkages with other sectors of the economy. The Ministry of Commerce, (2005) outlined the following government policies that support the development of SME's;

The government clearly defines property rights, specified responsibility, strict protection and smooth circulation provision guidance to enterprise in reforming their property right system. Consequently, the government provides operational mechanism by means of acquisition merger, lease, contract operation and sales which prompts restructuring of state owned SME's like private and foreign investments, so as to diversify the capital subjects. Concurrently, the state establishes the administration of basic management, legally controlled systems, safety management, management of commodities, maintenance of legislative rights, interest of workers and staff as well as maintenance of social stability.

According to the Ministry of Commerce (2005), the government shall make state laws and regulations available on the ground. More importantly: the availability of access land for SME's operation and supporting integration of domestic and foreign trade. The government encourages SME's to conduct the import-export business and to promote cooperation of domestic and foreign oriented enterprise. This would enable the SME's with the opportunity of entering into strategic and cooperative partnership which gives SME's impetus to display their respective advantage and explore domestic and foreign markets.

Perfecting financing system of SME's is one of the government's priority interventions. Thus in solving financial problems, the Ministry outlines special funds to be set up by pertinent local department for the developments of SME's. Consequently, the government encourages the establishment of funds to be used for sound development. The efforts were intended to integrate the

commercial departments in all localities to actively coordinate with any or all commercial banks to give more credit items which can promote and sustain the development of SME's.

Juma (2002) supports the active provision and access of macro and micro services to the SME's. His point of argument was that banks should be able to increase credit to the SME's according to their roles and needs. In similar case of China, the government proposes the establishment of Banking Regulatory Commission which enables an expansion of financial resource allocation to the SME's.

The government shall in co-operate SME's into the plan and development of local economy to give active support to supply of land and power. Furthermore the government of Kenya intends to in co-operate competent commercial departments in all localities to make a rational layout for big, medium and small commodities. The networking will enhance urban development renewal and development of newly built residential areas. Juma, (2002) proposed that efforts should be made to ensure that adequate facilities are provided to women enterprises as they take active role and participation in SME's which is in similar agreement with Kenya's situation in which the government has allocated funds for Women Development Enterprise through groups association with the Ministry of Gender and Social Services .

Marketing Information System is one of the recent technologies which have been initiated to promote growth of SME's. The system co-ordinates: sales, pricing distribution and promotion of commodities for sale. Furthermore the system facilitates various linkages by forecasting on marketing research, product planning and new product development. However the system has been well adapted in the developed countries such in America, Europe as compared to the developing countries like Nigeria, Uganda, Kenya among others.

The Marketing Information System plays an important role by developing the best retrieval, storage and dissemination of information within and between countries. This helps partnering countries in trade to identify commodities to produce in large quantities to avail for export, secondly the countries implementing the use of the system have the opportunity of preparing and

disseminating high-quality publications and training materials both in hard copy and electronic formats to help the small and medium enterprises to improve on their quality production. The efficient function has been a success due to the practical implementation of good leadership, proper planning of SME's operation structures, existing government strategic plans and legislation laws which governs the management of SME's. However the developing countries experiences challenges of corruption, financial instability, ineffective policy implementation, poor planning of SME's operation structures, unrevised legislation laws to suit the varying phenomenon.

According to ILO (2005) women's entrepreneurship development is important for the achievement of broader development objectives such as growth with equity. Studies indicate that in Africa, many women entrepreneurs are found working in difficult situations as compared to their male counterparts. Factors like political instability, poor infrastructure, high production cost and non-conclusive business environment affect more women entrepreneurs than men. Limited resources like: land, credit, legal and socio-cultural technologies necessities skill enhancement that many women entrepreneurs in the continent are yet to possess.

The International Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) has made it obligatory for the government to emphasize the role of women development by eliminating discriminatory practices. For instance, the Beijing Platform of Action (BPA) adapted in September 1995, led to the Adaptations of National Gender Policies thus laying the thrust of mechanisms to ensure that women and men had the same rights, obligations and opportunities in all areas of life including economic activity. According to DFID, Millennium Development Goal Two (2006) female literacy women make up around 64% of the estimated 774 million illiterate adults in the world.

Globally, 77% of adult women are literate compared to 87% literate men. Women participation in Non-Agricultural employment and income earning opportunities are increasing in the developed countries. But in developing countries, majority of women work in the informal sector therefore it is noted that the total number of women who participate in southern Asia and

sub-Saharan Africa account to 80%. The study identified lack of security income which enables women to have a vital contribution to the economy to be slow. For instance in Kenya, women own nearly half of all micro-Small and Medium Enterprises yet they receive less than 10% of the available credit. Good governance should be able to precipitate adequate credit to facilitate women enterprises.

Ethiopia for instance which adapted its first micro and small enterprises development strategy in 1997, puts an estimate contribution towards the development of SME's by women to be 65%. ILO,(2005). However, in order to pursue growth, women entrepreneurs need to be able to easily register and or license their enterprises. In the past, this has been expensive and cumbersome process for all SME's. Women have been double disadvantaged because of lack of information, knowledge, confidence and financial resources. Despite all the above mentioned factors, all governments have made considerable progress in simplifying registration process.

Finally, women face various barriers that prevent them from realizing the full potential of economic contributions of their enterprises. As they are unable to accumulate titled assets that can be offered as collateral for loans, therefore the scale and growth of their enterprises are adversely affected.

The government of Kenya advocates for social policy implementation to be based on mutual responsibilities. This enables a peaceful co-existence of SME's to boost the flow of goods and interaction of different communities. The government has objectively intended to restore economic growth within the context of a sustainable microfinance. This is importantly done to alleviate poverty across the country. Both physical and financial facilities are provided to SME's to help them manage and sustain their businesses.

According to Asmelash (2002), the availability of good infrastructural facilities provide environment for productive activities to take place and facilitates the generation of economic growth.

There is no way production process and location advantages can be optimized in the absence of adequate power, water, transport and communication facilities. Low cost and high quality infrastructure service tends to improve price competitiveness. According to the Africa Development Vol. XXVII, No. 3, 2002; Kenya with the help of DFID has managed to improve the legal and policy environment. It has introduced a single business permit contributing to lowered costs of operating business.

The Regulatory environmental policy is one of the major policies which have been used to measure the growth of SME's in African countries. Among these countries includes Kenya, Mauritius, Tunisia, Uganda, Senegal, Nigeria, Namibia, Morocco, Gabon, Ethiopia, South Africa and Cameroon. The measurement is based on the previous states of those countries which hindered or triggered the development of SME's with the present prevailing environment condition. The identification on influence of politics on growth of SME is categorized under environmental enabling factors for example, political stability which ensures security to traders hence enhancing growth, variable factors for example, the effect of political leadership, policies, legislation laws, strategic plans and planning of the SME's activities that fosters their growth and finally the disabling factors such as poor governance, corruption, inadequate implementation of policies, unavailability of efficient trade resources and facilities which hinders the growth of SME's in most African countries.

Among the listed African countries above, with exception of Mauritius and Tunisia, the environment is found disabling or variable, suggesting mixed results on performance of SME's. Most countries lack a holistic policies responsibility to foster growth of SME's for example, in Ethiopia the customs systems tend to direct proactive task, in Nigeria in spite of favorable rules and regulations on contracts, leasing and corporate tax as well as fiscal incentives, the enforcement of these conditions are lacking due to weak political will. This has led to support programmes intended to boost the growth of SME's to be diverted to unintended parties due to corruption and poor governance. In South Africa, the system of apartheid compounded serious constraint on

participation of Africans and non whites in SME's opportunities. However the conclusion has recently improved after the system was replaced by democratic governance.

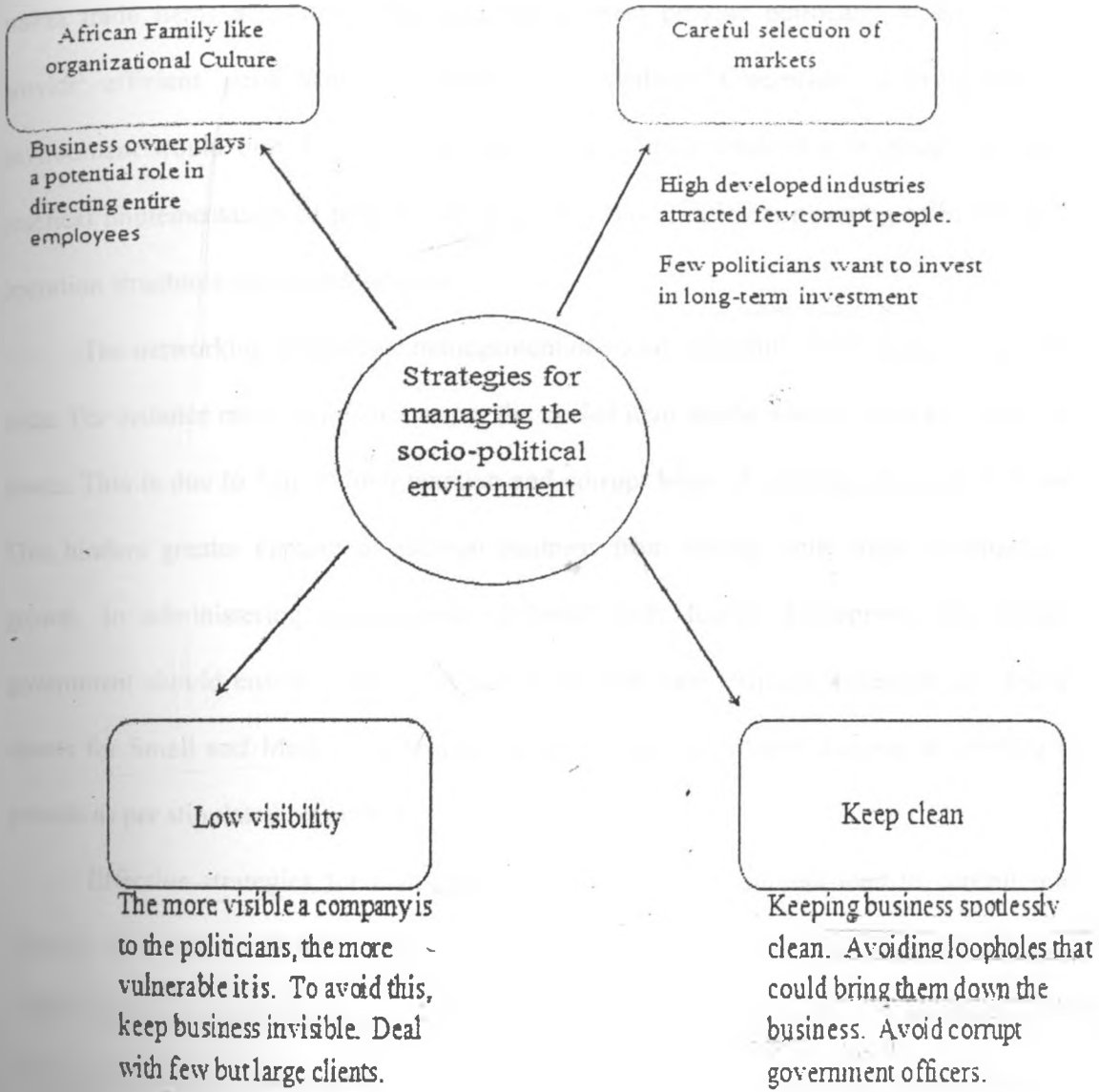
Finally Kenya being one of the developing countries experiences various challenges which have not promoted fast and steady growth of SME's. This is due to previous political unrest, lack of revised legislation laws which were developed several years back in 1999 and are still being used in the present environment, poor governance characterized by corrupt leaders, lack of practical democratic rights, lack of involvement of stakeholders, participation in decision making to promote growth of SME.

2.3.2 Government Strategic Plans on Growth of Small and Medium Enterprises

Government strategic plans are political factors that if well implemented includes policy advice in the areas of SME's development and industrial policy. The SME's through their political leaders and technical advisors help to interpret the policies that if adopted by the traders would foster the growth of their sector. The government's intention of strengthening and creation of private sector support institutions includes chambers of commerce, industry associations and business support centers which help to provide the SME's with the needed physical and financial resources.

Project cycle management which includes project formulation, monitoring and evaluation is a crucial strategic plan in which the government intends to ensure effective development of management consulting clusters and associates. Achievement of financial self sustainability of business centres and regional development is illustrated in figure 2.1.

Figure 2.1: Successful Business Adaptation Strategies in Kenya



Source: A Critical Review of SBD (1999)

Figure 2.1 illustrates the government's strategic roles in managing socio-political environment. The social environment within the figure refers to strategies that would improve the skills and capacities of Small and Medium Enterprises towards proper management of their

business. This the government has taken initiatives to offer training workshops on capacity building, methods of management of business, book keeping and borrowing of credit facilities.

The government has ensured free interaction and movement of people and commodities that makes trade items accessible. The government must provide politically stable environment to provide efficient performance of Small and Medium Enterprises. Consequently, political environment would only be conducive with good political leadership in place, transparency and practical implementation of policies and legislation laws, efficient planning of Small and Medium operation structures and administration.

The networking of strategic management of social and political environment also impacts on trade. For instance most companies as per the cycled item would want to keep their business at low levels. This is due to fear of high taxation and corrupt ways of dealings demanded by politicians. This hinders greater capture of start-up business from linking with larger companies for high growth. In administering management of Small and Medium Enterprises, the leaders of the government should ensure clean observations of their roles. This is linked to fair distribution of spaces for Small and Medium Enterprises without being corrupted. Issuing of licenses and trade permits as per stipulated regulation.

Effective strategies for managing socio-political environment lead to careful selection of market. For instance, in high developed industries there is a well laid down system structure of operation that prevents forms of corruption that would lead to slow growth of Small and Medium Enterprises. Hence would encourage even politicians to invest on long-term investment to boost the sector SME's. Finally provision of technical skills to business owners would enable them to run and direct their employees in SME management towards greater realization of profits. Efficient interpretation of roles, policies, laws plans of management would facilitate the growth of SME's like any African Family Organizational culture.

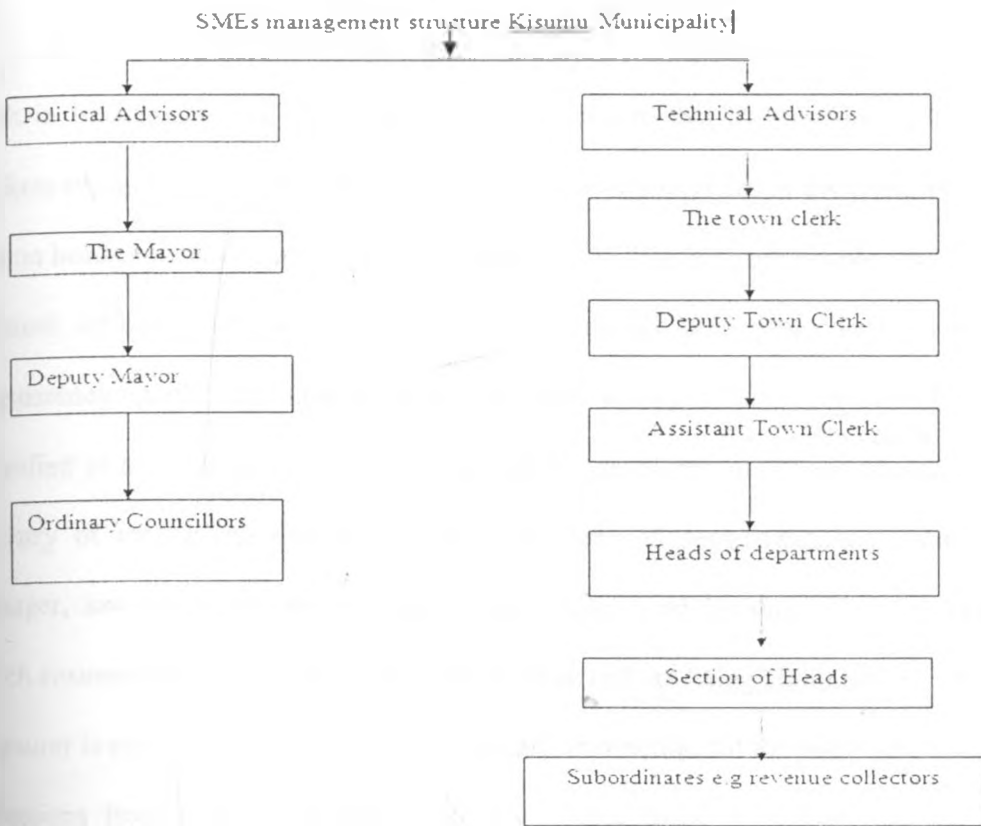
2.3.3 Basic Laws Governing Small and Medium Enterprises in Kenya

The purpose of law in Kenya according to the Ministry of Local Government Act No. 154 (1963: Amended in December 3, 1999) is to promote in a comprehensive manner, measures for small and medium enterprises by establishing the basic principles, basic policies and other basic matters relating to measures for SME's responsibilities. For instance, the state and local entities when incorporated produces sound development of the national economy and improvement in the quality of life of the people. The Act defines the basic measures that govern the SME's operation and management. The state shall take active measures in promotion of business innovations and start-up of SME's. This would be conducted through research and developing new technologies for developing new products and services. Consequently, the state shall avail relevant information as pertains star-ups, facilitate financing of business and frequent training of SME's start-up to help them have effective management skills.

The law outlines the modalities of strengthening business fundamentals by providing the needed business resources, encourage exchange and business relationships, development of cooperative societies and joint stores to equally offer convenience to the residents. Smoothing adaptation to the changes in economic and social environment is necessary for the growth of SME's, to ensure stability of the market, the state shall put on ground necessary measures to prevent unfair impingement of interest on SME's activities, providing mutual relief systems to prevent occurrence of bankruptcy and facilitate closure of SME's by developing business recovery system.

The government shall take active role in facilitation of financing and enhancement of equity capital. This will be strengthened by developing a credit ensuring system, to propel lending SME's by private sector financial institutions. Finally effective administrative structure should be established to ensure efficient operation of SME's as illustrated in figure 2.2.

Figure 2.2: Systems Governing Management of SME's in Kisumu Municipal Council



Source: The Local Government Act (1998).

Figure 2.2 illustrates the systems governing management of small and medium enterprises or Kisumu Municipal council. The system of Governance was adopted from the local government Act 265 which clearly spells out the duties and roles of the political advisors and technical advisors. The political advisors includes area councilor, member of parliament who represents the development needs of his constituents at the parliamentary level, town mayor who identifies and prioritize community needs which requires immediate attention such as improving the local roads, community development funds (CDF) to facilitate SME activities.

The Mayor of the council ensures that the planned activities are implemented, he focuses on other development projects with advice from the technical advisors. This is with support of the Deputy Mayor, the councilor's also acts as super seers of projects which needs funding in their wards. They advocate for true needs of their stakeholders and makes a follow up that management

of markets within their wards is effectively done to promote growth of SME's. The councilors take active role in interpretation of government policies and legislation law to their stakeholders.

On the other hand the political advisors, the mayor, deputy mayor and ordinary councilors work in liaison with the technical Advisors to ensure that the functioning and management of markets are up to date. Therefore the technical advisor comprises of the clerk, Head of departments, section heads and subordinates .It is important to note that these are people who are appointed under political influence which to some extent encourages corruption, lack of accountability and transparency, poor leadership, poor management among others. However the Town clerk was identified to be in charge of administering all the developments of the council as directed by the ministry of local Government act Cap 215. Head of department is constituted by personnel manager, town treasurer market superintendent and town planner. They perform various duties which ensures that the legislation laws are in place and are being administered and followed, Town Treasurer is responsible for handling all the cash transactions of the municipal council , the revenue collections from markets on daily, monthly, yearly basis, personnel manager is in charge of recruitment of employees, Town planner, is responsible for planning for various activities and structural allocation .The sub-sections headed by other junior officers perform their duties with their duties with the subordinate for example, the revenue officers.

2.3.4 The Role of Political Leadership in the Growth of SME's

A planning workshop held in London, (2003) presents an analysis of Best Regulatory Practices (BRIP); a Kenyan case like any other developing country is grappling with the problems of growth and worsening poverty. However, high economic growth rate of over 6% in 1960s declined due to population increase, corrupt practices and weak reinforcement of policies. In this context, political leaders across the country have tried to implement several actions that promote the growth of SME's. Subsequently, the government of Kenya has reduced transaction of doing business which has enabled to in co operate the pro-private sectors in their consultative meetings which includes PRSP and ERS. Political leadership has fostered the promotion of BRP and enabling

the environment to the support of DFID. Consequently the government in liaison with Kenya Institute for Public Policy Research Analysis (KIPPRA) has invested on the ways of capacity building to remove legislation and regulatory barriers to start up enterprises. According to Kenyan media press release (2005) the Kenyan government since 1997 established KIE to assist SME's across the country. The formulation of KIE has demonstrated competent opportunities in terms of ambition for loans, scope of services, provision of medium and long term machinery, equipment, finance, shades or parks for SME's, BDS for example, preparation and appraisal of business plan, project implementation, trading and supervision of short term working capital. Finally good governance has led to reforms strengthening public expenditure management (PEM) and Result Based Management (RBM).

2.3.5 Major Political Barriers

According to Kilby, (1998) political barriers have hindered the growth of SME's. He argued that political appointments to senior government positions have contributed to mismanagement of public utilities which could be channeled for the development of SME's. However, politics of exclusion have made those who do not support their political representatives to be completely excluded from benefiting from the national resources. Politically motivated allocations of the country's resources have created room for politicians to use national resources as an enticement for attracting votes and not for purposes of promoting SME's growth. Eshusha, (2002) established a socio political barrier to business in Africa which includes occurrence of the outbreak of violence in Kenya, political risk, civil unrest and insecurity which was ranked 73%, corruption and weak legal framework at 63%, dependency syndrome at 52%, and poor leadership, governance and general mismanagement at 38%.

2.3.6 The Effects of Political Unrest on Management of Small and Medium Enterprises

According to Leo (2008), traders under the umbrella of Kisumu Business Association (KBA) confirmed the massive losses which were expressed by the Asian traders; In their statement, they confirm it would be very difficult to recover what they had lost. The youths swan into the

streets destroying shops, cell phone shops, hotels, hardware's, motor vehicle spare parts and any other property in which they could lay their hands on. Consequently, the flawed election results in Kenya 2007 led youths to set some business premises a blaze. Nyowa (2008) states that, Kibuye, the famous open air market in East Africa that feeds and provides employment to many, was reduced to ashes alongside stalls within estates where residents bought groceries for example, Manyatta, Kondele, Nyalenda and Obunga. Turkish Daily Mail (2006) asserts that controversial political laws causes political unrest. For instance, if a country is politically unstable, it would incur increase in expenditure and reduced savings.

Economic survey (2007), states that post election violence although fading, is having a negative impact on trade, which in 2008 led to slippage in both export and import. Consequently, the country's Gross Domestic Product (GDP) which picked up to 2.3% in early 2004 and nearly 6% in 2005 and 2006 compared with the sluggish growth of 1.4% in 2003 slowed down due to election violence in 2007. However, political upheaval came at a time when Kisumu was making slow and steady economic recovery with some potential investments making inquiries about opportunist and potentiality in towns' growth (Sam, 2009)

2.4 Theoretical Framework

The influence of politics on growth of SME has been studied under various theories such as the politics of trade and industrial policy in Africa. The theories explain in general the factors affecting growth of SME's right from the time of independence. This is characterized with foreign investments, distribution of resources prevailing socio-economic environment and environmental policies (Gerishan and Joshua, 2000), Development theory of (Ian, 1996) examined development policy initiatives in areas such as governance, human rights and participation to better understand the context of high production of SME's. However it required practitioners to be well equipped with knowledge governing production. However the study focused on contingency theory which is based on holistic management and governance of SME's. The theory contends that there is no one best way of organization or leadership style that is effective in all places. While the governance may be

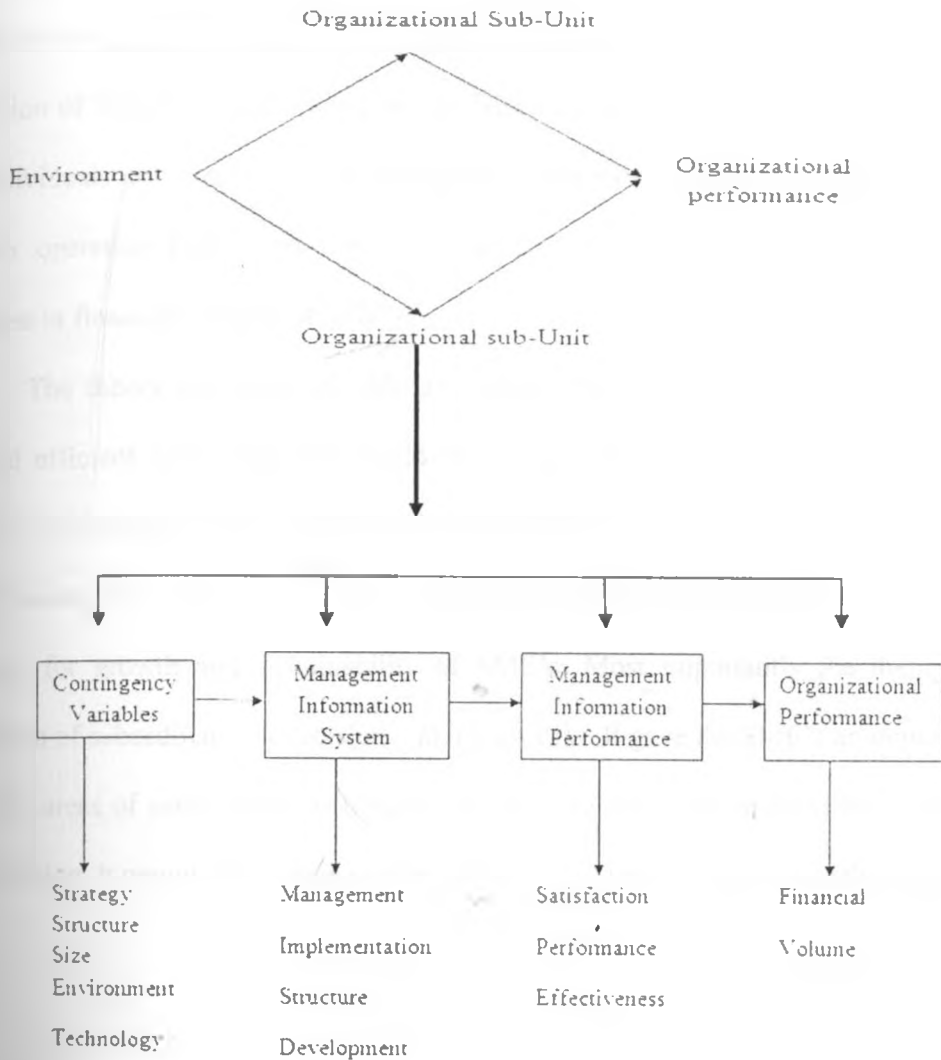
effective and successful in one place it may fail in other situations depending on the underlying factors. Therefore the optimal organization leadership style is contingent upon various internal and external constraints.

Contingency theory adapted has four major aspects namely: systems fitting the environment, effective organisational leadership, proper design of management style and decision making procedures. The aspects depends on other factors such as the situation, importance of the decision being made, quality of production, acceptance and amount of relevant information possessed by the leaders and subordinates (Vroom, 1973)

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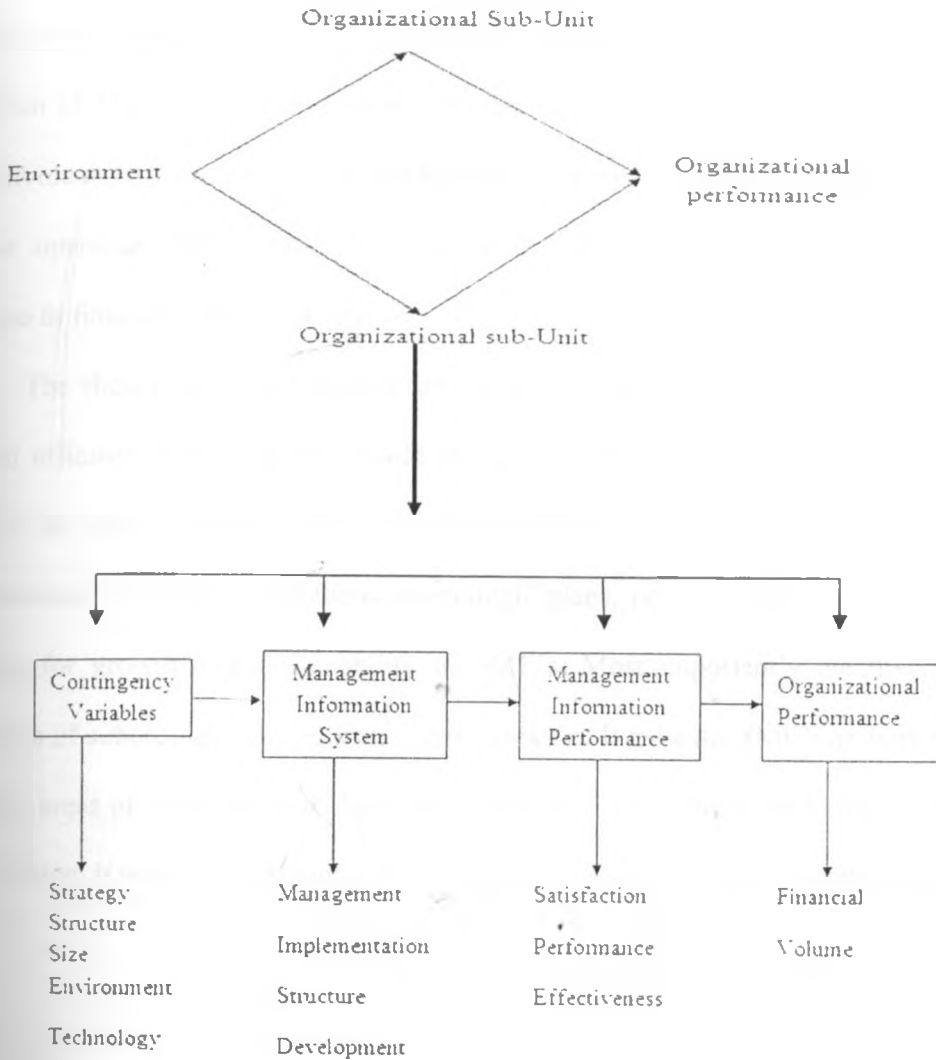
Figure: 2.3: An assessment of Schematic Contingency Theory



Source: Peter (1989)

The theory best suits the study as it widely tackles on successful performance based on proper leadership. Politics are issues of government initiatives. It deals with how effective a government is able to reinforce its political roles, planning, policies, laws, strategies, stability in ensuring voluminous production in fields of SME. Government leaders need to establish their performance effectively, the developing countries need to borrow a leaf from the developed countries that have greater contribution of SME to the economic development. The sub-systems in

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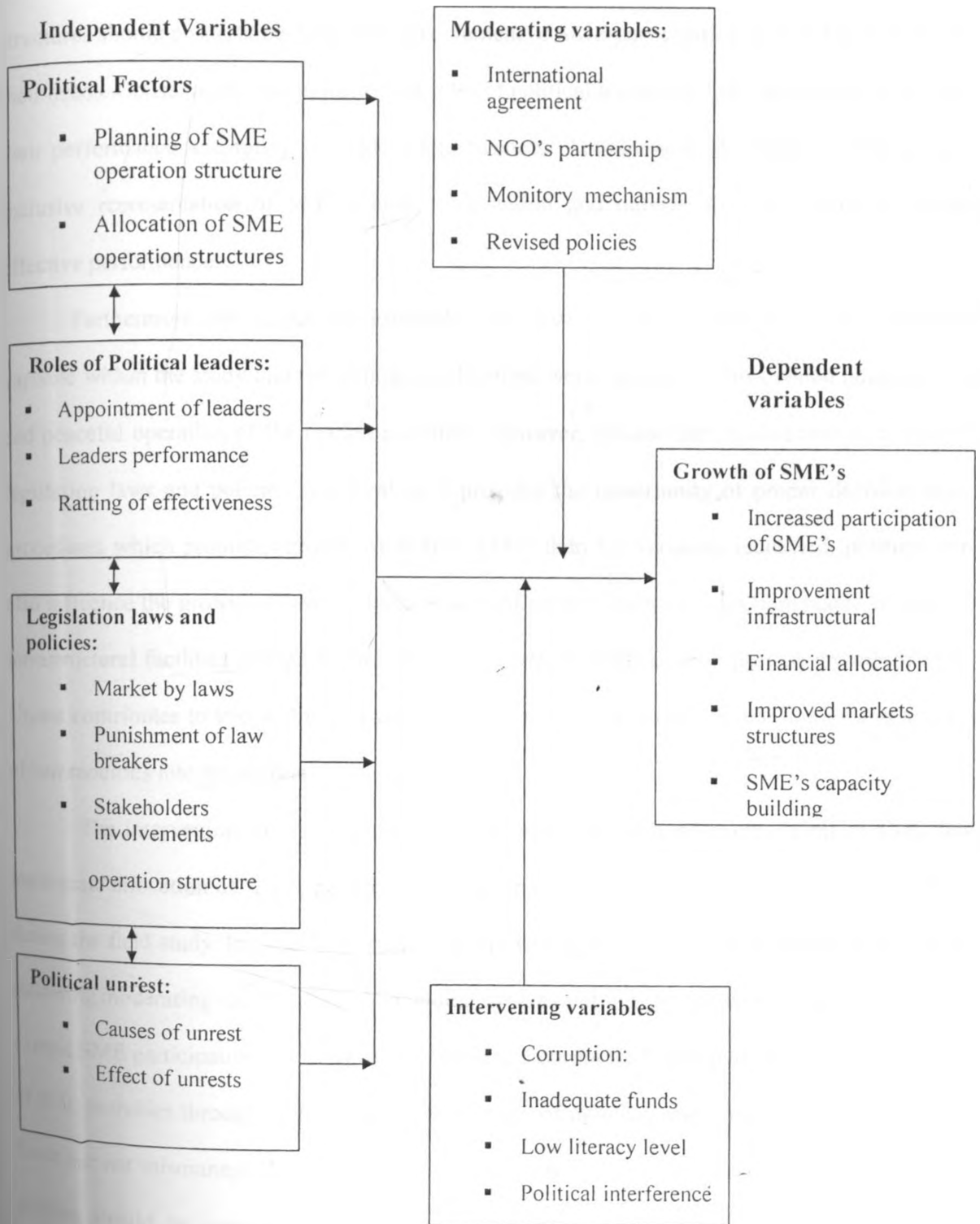
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the theory stands in for various departments in the study such as the political advisors technical advisors who are able to perform the roles transparently through an inclusion of subordinates which includes stakeholders in decision making. The schematic diagram further illustrates the need for provision of SME's effective environment based on structures, strategies, technology, tasks, roles' of individuals to promote good management, implementation and development. The effective system operation further promotes high performance through new innovations leading to an increase in financial volume of SME's.

The theory was most suitable and acceptable for the study because the success of SME needed efficient leadership that would be in a position to monitor and evaluate the success of SME's, the leaders need to plan for effective operation of SME structures based on the nature of environment, the leaders will focus on strategic plans, policies and laws that suit each and every country for growth and sustainability of SME's. Most importantly the theory allowed for the inclusion of subordinates in decision making process. It gave the SME's an opportunity to highlight on their areas of needs and how best the needed services could be provided. Since the SME's own the decision, it would allow them to consistently work towards sustaining the growth of the sector

2.5 Conceptual Framework

Figure 2.4: Assessment of the influence of politics on growth of small and medium enterprises.



The frame work identified the independent variables which influence growth of SME's namely; political factors which included indicators such as planning of SME operation structures and allocation of operation structures. The framework indicates that planning of SME operation structures should properly be done with involvement of SME participation as they better understand their needs. Consequently the indicators of roles of political leaders include: appointment of leaders, their performance and rating of leaders effectiveness. Appointment of leaders should ensure an inclusive representation of SME's both from within and outside Kisumu district to facilitate effective performance.

Furthermore the framework established legislation laws and policies as an independent variable within the study and the indicators identified were; market by-laws which guide the order and peaceful operation of the market activities. However, stakeholder involvement in formulating legislation laws and policies is critical as it provides the opportunity of proper decision making procedures which promotes growth of SME's. Other than the variables identified, political unrest also influence the growth of SME's due to causes of unrest which includes high taxation rates, poor infrastructural facilities and poor sanitation which results to negative impact on growth of SME's. Unrest contributes to loss of life and property, low consumption rates by consumers and low entry of commodities into the market.

The intervening variables within the framework included mismanagement of SME funds, inadequate allocation of funds, poor sanitation and poor infrastructural facilities which was evident during the field study. In order to mitigate the intervening variables, the framework established the following moderating variables which included involvement of inter-national agreements in order to expand SME participation across borders of Kenya, incorporate NGOs participation in development of SME activities through partnership, reinforcement of monitory mechanisms to ensure that SME funds are not mismanaged but channelled for purposes of improving growth. Finally the existing policies should be consistently revised to help suit the operation of SME environment. The

framework concluded that with proper planning of independent variables and proper control of intervening variables then SME growth can be realised.

2.6 Knowledge Gap

According to Kilby, (1988) the study intends to investigate whether the roles of political leadership in London and other developed countries are similar to those practiced in Kenya. If not, then how and what steps should be taken to improve them. Subsequently, the study sought to identify the implementation of laws established in 1963 and revised in 1999. If they are being used, then the researcher sought to explore why the laws have not been revised up to date yet SME's experienced frequent environmental changes. More importantly, the researchers intended to make recommendations on what can be done to improve the policies on the ground to foster growth of SME's in Kisumu Municipality, reinforce efficient performance of political leaders' roles, improve proper management structures of SME's operation, create political stability that promotes security of SME's operation and finally laying foundation strategies that can be helpful in sustaining SME's' growth.

2.7 Literature Summary

Literature review looked at general and empirical literature in order to capture all relevant information concerning the influence of politics on growth of small and medium enterprises and determine the existing gaps. General literature attempted to look at how growth of small and medium enterprises can be influenced by political roles of leadership, governing policies, government strategic plans, planning of SME's operation structures, legislation laws and effect of political unrest.

Review revealed that SME's contributes significantly to economic growth of countries worldwide. However in developed countries, the growth rate of SME's has been higher as compared to the developing countries. For instance, in countries such as Australia, U.S.A, and Britain; SME's economic growth rate is above 90%. This gave a clear indication of inadequate implementation of political measures put in place in developing countries to improve SME's growth

rate .Locally, literature reviewed SME operation in Kenya specifically Kibuye market in Nyanza province Kisumu Municipality. The study effectively identified the importance of SME's to the locality. It focused on influence of politics in which poor governance hindered effective facilitation of needed resources in terms of proper and accountable leadership, proper implementation of policies, stake holder participation in laws governing the operation of SME's, Government Strategic Plans on growth of SME's and planning of SME's operation structures

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes procedures which were followed in conducting the study. The design allowed the study to establish target population, sampling and data collection procedure and data analysis techniques.

3.2 Research Design

The study employed descriptive survey design which was suitable for establishing the effects of demographic characteristics on growth of SME's (Mugenda, 2008) Descriptive survey is a suitable tool for studying large population in order to establish a range of issues affecting a particular community. The design enabled the study to explore the effects of political factors on planning of SME's operation structures, roles of political leaders on growth of SME's in Kibuyu market, existing legislation laws and policies governing the operation of market activities within Kibuye market, the effects of political unrest and demonstration on growth of SME's and strategies which can be put in place to improve growth of SME's in Kibuye market. Oso and Omen,(2008) - advocates for the use of descriptive design as it explains the events as they are or as they would be.

3.3 Target Population

The target population focused on individuals in Kibuye market whom the researcher generalized in the study findings. Because of the vastness of the market, the study narrowed down to 1700 regular registered SME's both from the wholesale and retail departments. Kibuye retail department comprises 500 SME's while the wholesale department comprised of 1200 SME's (see Appendix v). The population selection enabled the investigator to establish parameters used in studying influence of politics on growth of small and medium enterprises in Kibuye market. Population refers to the entire group of individuals, cases, or things with common attributes of characteristics within a study (Mugenda, 2008).

3.4 Sample Size and Sample Selection

This section describes the sample size and sampling techniques adopted in the study.

3.4.1 Sample Size

A sample size is a small population selected for observation. The ideal sample size should be large enough to serve as adequate representation of the population about which the researcher wishes to generalize and small enough to be selected economically in terms of subject availability and expenses in both time and money.(Amin,2005;Mugenda andMugenda,1999).The study selected the sample size from the Sample size(s) required for the given population (N) by Krejcie and Morgan ,(1970);(see Appendix V1) which states that a population of 1700 is represented by a sample size of 313. The study further divided the sample size to equally represent the 24 departments of registered SME's (see Appendix V) which gave a representation of 13 selected sample size per department.

3.4.2 Sample selection

The study used probability sampling which included stratified sampling, simple random sampling and purposive sampling to select the sample. Stratified sampling was used to select categories of SME respondents within Kibuye wholesale and Kibuye retail department. Simple random sampling was then used to give an equal representation of SME's within each department. This was done by giving a number to every 13 SME's within each department to pick. The SME's corresponding to the assigned numbers 1 up to 13 were included in the sample(Mugenda and Mugenda,1999).Purposive sampling was then used to select three key informants which included market administrator, Kibuye area councilor and Deputy Town Clerk. Purposive sampling is a technique in which the researcher decides based on the type of information needed and who to be included in the sample (Kathuri and Pals, 1993). Mulusa, (1990), points out that purposive sampling is based on the assumption that the researcher can use initiation to select individuals who are presumed to represent the community. The key informants are in a better position to describe the

phenomenon. The survey covered all the above institutions warranting the use of probability sampling proportionate. This helped determine the size to be used in allocating the research tools per department.

3.5 Research Instruments

The study used both quantitative and qualitative instruments. Under qualitative data, questionnaires were administered to SME respondents while interviews held with the key informants. Quantitative data provided full explanation on the phenomena under investigation Hancey (1993). The questionnaires had three sections describing demographic information of SME respondents in Kibuye market, the influence of political factors on planning of SME's growth in Kibuye market and strategies of improving SME growth.. Under the demographic information, the study sought to find out the district from which SME respondents came from gender, age and level of education of SME respondents. Political factors investigated in part I were- effects of political factors on planning of SME's operation structures in which both closed and open ended questions were administered. The study in part II also investigated on roles of political leaders and challenges in which they experienced from performing their roles. Part III Section II sought to find out information on effects of legislations and policies on the growth of SME's in Kibuye market while Part IV Section II identified and evaluated the influence of political unrest on growth of SME's in Kibuye market. In the last section of the questionnaire, open ended questions were used to allow proper information of SME's opinion on what strategies could be employed to improve their growth.

Interviews were also administered to the key informant specifically market administrators, Kibuye market ward Councilor and the deputy Town Clerk. Discussion were held with key informants while administering the interview session to capture in-depth information with what is going on among SME's in Kibuye Market. (Best and Kahn, 2006). The interview sought to find out information on what responsibilities and involvement the key informants had towards growth of SME's in Kibuye Market, the key informants also explained how political factors affect the

planning of SME's operation structures, how they are formulated and implemented, the existing legislations and policies governing the growth of SME's, the kind of unrest and demonstration experience among SME's and what measures were put in place to ensure that solutions were availed. In conclusion, the key informants gave strategies which should be implemented to ensure growth of SME's in Kibuye Market. The interview scheduled enabled the study to establish variables that could not be directly observed (Touliatos and Camptons, 1988).

3.5.1 Pilot of the Instruments

Piloting was done at Jubilee Market, Kisumu East District on a sample of 14 traders and further given to two experts to check on the validity and reliability of the instruments. The same instruments were administered to the same respondents two weeks later and the findings were as stated in 3.5.2 and 3.5.3 respectively.

3.5.2 Validity of the Instruments

The instruments used in the study were given to two experts who evaluated the relevance of each item in relation to study objectives. During the discussion with the experts, themes and sub-themes capturing the topic of the study were established. Open ended questions and closed ended questions in the questionnaire were constructed to conduct the questionnaire and interview sessions. The experts also decided in which sections to be included in each part. During the discussion, the experts discarded the questions which were not relevant and improved on others which were somewhat vague to be relevant to adequately capture the area of study. Validity of research instruments is a measure of the extent to which the instruments measure what they are intended to measure (Gay 1987; Kathuri and pals, 1993.) A research instrument is valid if it actually measures what it is supposed to measure and when the data collected through it accurately represents the respondents opinion (Amin, 2005).

3.5.3 Reliability of the Instruments

Reliability is dependability or trustworthiness of the research results or the degree to which a measuring instrument consistently measures what it is supposed to measure. The instruments were administered to fourteen respondents who were again given to the same instruments two weeks later. Scoring was done to ascertain the number of items answered the same. The scores were then correlated using Pearson's Coefficient Correlation(r). According to Amin (2005), it is evident that scores obtained on a test at one time have remained fairly the same when the test was re-administered some other time (re-test). Gay (1987) concurs with Amin (2005) that reliability is the extent to which the study instruments produce consistent results under similar circumstances. Reliability of the study instruments was determined through the test, re-test method. A Reliability index of 0.756 was obtained. The instruments were therefore considered reliable.

3.6 Data Collection Procedures

Data collection procedure was categorized into three parts; pre-field work, field work and post field work. In pre-field work, the researcher identified the study area and topic for the study after a comprehensive writing of the research project proposal, the investigator sought for a research permit from the Ministry of Higher Education, Science and Technology to be able to conduct the field study at Kibuye Market. The research instruments were identified and discussed with the supervisor before being pre-tested. Pre-testing of the instrument was done in Jubilee market in Kisumu City using a randomly selected group of 14 respondents. During the field study, sections representing both Kibuye wholesale and retail department were administered for the questionnaires. The questionnaires were distributed to the sample size population using random sampling technique. Interview session was conducted within a greed time frame between the researcher and the respondent. Finally post field work was conducted in which the data collected from the field was recorded, presented, interpreted and analyzed for the study findings and conclusions. Data

collection procedures refer to the protocol that must be followed to ensure that data collection tools are applied correctly (Mugenda, 2008).

3.7 Data Analysis Techniques

The study applied both qualitative and quantitative approaches to process, analyze and interpret the data. In the quantitative data analysis, statistical package for social sciences; SPSS was used to run the descriptive analysis to get the distributions while tables were produced using Ms Excel. The qualitative data analysis techniques were organized in key thematic areas in line with the objectives of the study. Themes refer to topics or major subjects that come up in discussions. This form of analysis categorized related topics. The data was summarized, described and expanded to incorporate additional insights from observations made in the field. Bogdan and Biklen (1992) define data analysis as the process of systematically searching and arranging field findings for presentation. It involves working with data, organizing, breaking into manageable units, synthesizing, searching for patterns, deciding what is important and deciding on what to tell others. In scientific inquiry, data is transformed into knowledge when it is properly analyzed interpreted and the interpretation given meaning (Mugenda, 2008).

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis, findings, interpretation and discussions under the following sub-sections in line with: study objectives, study demographics, political factors on planning of SME's operation structures, roles of political leaders on growth of SME's, legislations and policies on growth of SME's, political unrest and strategies to improve growth of SME's.

4.2 Questionnaire Response Rate

The questionnaires response rate was 258 (83.2%) which was assumed to be relatively good for establishing the study findings, recommendations and conclusions. A total of 313 questionnaires were randomly distributed to SME's in Kibuye market with help of two research assistance. The response rate was achieved through the following steps; distributing the questionnaires to the SME's respondents, explaining to them the purpose of the study and asking them to state whether they could read and write. The investigator then explained to the respondents the content of the questionnaire and the instructions they were supposed to follow. However the respondents who could not read or write were asked the questions and responses instantly filled on the questionnaires. The investigator together with the two research assistants constantly made follow ups after an interval of three days each to collect back the questionnaires which were issued. Efforts were also made to replace the questionnaires which were found missing or lost.

4.3 Demographic Characteristics of Respondents

To investigate the effects of demographic characteristics on growth of SME's, the SME respondents were asked to state their district of origin, age, gender and level of education.

4.3.1 Distribution of SME's respondents by district.

To find out the distribution of SME's respondents by district, the respondents were asked to state the district from which they came from and the results shown on table 4.1

Table 4.1: Distribution of Respondents by Districts

Districts	Frequency	Percent
Outside Kisumu	162	62.8
Within Kisumu	96	37.2
Total	258	100

Table 4.1 shows that 162 (62.8%) of SME respondents came from outside Kisumu district while 96 (37.2%) came from within Kisumu district. Also the study established that 7 (58.3%) market administrators managing SME's in Kibuye market came from within Kisumu District while 5 (41.7%) administrators came from outside Kisumu Districts. The data implied that there were more SME respondents from outside district than from within managed by market administrators from within the district. Politically this is very weak administration since the policies formulation and implementation would not involve adequate representation of outsiders. Findings within the study established that growth of SME's in high income countries was greater as compared to low and middle income countries. This was because of effective planning of SME's operation structures which was inadequately practised within Kibuye market (World Bank, 2010). To achieve effective planning for growth, then there is need to have a balanced representation of SME's both from outside and within Kisumu District.

4.3.2 Distribution of respondents by gender.

To establish the influence of gender participation on growth of SME's, the respondents were asked to state their gender. Table 4.2 indicates the results

Table 4.2 Distribution of Respondents by Gender

Gender	Frequency	Percent
Female	180	69.8
Male	78	30.2
Total	258	100

Table 4.2 shows that 180 (69.8%) of respondents were of female gender followed by 78 (30.2%) male gender. These implied that most of SME's were of female gender, this findings were in line with study findings in Kenya by ILO (2005) which suggested that more women were involved in SME's activities and they needed government financial support to promote growth of SME's.

4.3.3 Distribution of respondents by age

To investigate to which extent category of various age affects the growth of SME's, the respondents were asked to state their age bracket. The results are shown on table 4.3.

Table 4.3: Distribution of SME's Respondents by Age

Age	Frequency	Percent
Below 25	8	3.1
25-29	50	19.4
30-35	160	62.0
Above 40	40	15.5
Total	258	100.0

Table 4.3 shows that the youthful bracket of age 30- 35 was 160 (62.0%), age 20-29 was 50 (19.4%), above age 40 was 40 (15.5%) and below age 25 was 8 (3.1%). This implies that majority of SME's activities are undertaken by youthful age. The younger age group stood a higher risk of growth for SME's than the old because of lack of skills, knowledge and ability to strategies for further development and this was evident from observation during the field study. On the other hand, findings in Italy by Dallago and Mclyntre (2003) outlined that SME sector supported transformation of the economy by creating jobs which was evident from the population in Kibuye market who took part in SME's activities leading to its growth.

4.3.4 Distribution of SME respondents by level of education

To find out the influence of level of education on growth SME's, the respondent were asked to indicate their level of education and the results are shown on table 4.4.

Table 4.4: Education Levels of SME's Respondent

Level of education	Frequency	Percent
Primary	148	57.4
Secondary	92	35.7
College/ technical	15	5.8
University	3	1.1
Total	258	100

The statistics indicated that the SME's with Primary education were 148 (57.4%), those with secondary education were 92 (35.7%), while those with technical education were 15(5.8%) and those with University education were 3 (1.1%). At primary level of education, there was likelihood that SME's were not exposed to issues concerning business administration and management, therefore the study considered this level as low for sustaining growth of SME's hence the findings may not be good for proper growth in Kibuye Market. From table 4.2, it was established that the female participation in SME activities were 180 (30.2%). This indicated risk impacted on growth of SME's activities by low literacy levels in Africa. Similar research in Africa conducted by ILO (2005) suggested that women literacy levels were low in Africa as compared to male gender yet it was women who took up majority of SME activities.

4.4 Political factors on planning of SME's operation structures

The study sought to find out to what extent political factors on planning of SME's structures affect growth of SME's. To answer this, the respondents were asked to state the contribution of political leaders on growth of SME's and the effect of management structures within Kibuye Market. The results are recorded in table 4.5 and 4.6 respectively

4.4.1 Contribution of political leaders on growth of SME's

To find out the positive and negative contribution of political leaders on growth of SME's, the respondents were asked to state in what ways leaders contributed towards their growth. The results are presented in table 4.5.

Table 4.5: Political Leaders on Growth of SME's

Opinion	Frequency	Percent
Positive contribution	155	60
Negative contribution	103	40
Total	258	100

Table 4.5 shows that 155 (60%) of the respondents said political leaders made a positive contribution towards SME's while 103 (40%) said that political leaders did not make any contribution towards there growth. From this table it is clear that political leaders were Key in development of SME's activities.

Further interviews with key respondents indicated that SME's growth depended on political management which included infrastructural development, fund allocation, space availability and operational procedures. For those who thought otherwise stated those political leaders did not make any positive contribution and they argued that it was due to corruption, low literacy levels, lack of technical expertise and poor infrastructural facilities. Further interview with market administrators indicated that financial support was important in political leadership as far as SME's growth is concerned. This was in line with similar findings in Africa by Beyene (2002) who stated that support of SME growth was not consistent because performance levels was either improving or deteriorating. This was confirmed during field discussions with the SME respondents.

4.4.2 Management structures

The study also investigated lack or presence of management structures within Kibuye market. The respondent were asked to state whether management structure existed within Kibuye market. The results were presented on table 4.6.

Table 4.6 Small and Medium Enterprises Management Structures

SME's Opinion	Frequency	Percent
Yes	245	95
No	13	5
Total	258	100

Table 4.6 shows that 245 (95%) SME respondents were in agreement that management structures existed while 13 (5%) were in disagreement that the market lacked management

structures. To confirm this further, the respondent were asked to rate their involvement in formulating management structure guiding SME's activities. The results are presented on table 4.7.

Table 4.7 Rating of Management Structures

Contribution	Frequency	Percent
Greater extent	148	57.36
Medium extent	100	38.76
Low extent	10	3.88
Total	258	100

Table 4.7 shows that involvement of stakeholders at greater extent was 148 (57.36%) while involvement at medium extent was 100 (38.76%) and at low extent was 10 (3.88%). The implication of the results showed that there were traces of management structure within Kibuye market. However this involvement is of great question since not all SME's were involved in formulation of management structures at greater extent.

From table 4.1 it was stated that 162 (62.8%) SME's respondents came from outside Kisumu district while 5 (41.66%) came from within the district. It therefore seemed to appear that representation of stake holders from outside the district was low as management of the market was done by 7 (58.3%) market administrators from within Kisumu district as compared to 96 (37.2%) administrators from outside. The probability of them choosing to make decisions which do not address needs of SME's could be high. This was in agreement with studies in U.S.A by Kilby (1998) who stated that unfair political appointments to government positions had led to politics of exclusion thus affecting representation of SME in formulating management structures. Further

assessment of Contingency Theory by Peter (1989) suggested that; successful performance was based on proper leadership.

4.5 Roles of political leaders on growth of SME's

The study sought to investigate the effects of roles of political leaders on growth of SME's. To achieve this, the respondents were asked to state their opinion on leaders' roles and rate the effectiveness of political leadership in managing Kibuye market. Results are presented on table 4.8 and 4.9

4.5.1 The Respondents Opinion

The opinion of respondents was sought to determine whether or not political leaders' roles influenced the growth of SME's. The results are recorded on table 4.8.

Table 4.8: Respondents Opinion

SME's opinion	Frequency	Percent
Yes	181	70
No	77	30
Total	258	100

Table 4.8 shows that 181 (70%) respondents opinion indicated that political leaders had roles to perform while 77 (30%) were of the opinion that political leaders were not performing any role. The statistics indicated that it was indeed true that political leaders had roles to perform.

Interview sessions with key respondents also indicated that the key roles of leaders were to protect traders' rights, improve infrastructural facilities of the market, allocation of funds for developing SME's activities and initiating development with NGO's. However, the 30% who indicated that political leaders did not have any role towards growth of SME's were of the opinion that, technical experts should highly be involved in managing SME's activities independently without political interference. As much as political leaders had been very influential in the growth of SME's within the market, there was need to involve technical expertise in managing technical activities involving the growth of SME's . Study findings in Africa by Kilby (1998) indicated that political barriers hindered political leaders from effectively performing their roles which included weak judiciary system, corruption and political appointments to senior government positions.

4.5.2 The effectiveness of political leadership in managing Kibuye market.

The respondents were asked to rate the effectiveness of political leadership towards growth of SME's activities. The results are recorded on table 4.9.

Table 4.9 Effectiveness of Political Leadership in Managing Kibuye Market

Rating	Frequency	Percent
Don't know	24	9.30
Poor	50	19.38
Fair	120	46.51
Good	47	18.22
Very good	17	6.59
Total	258	100

The ratings on table 4.9 showed that 120 (46.51%) SME's respondents rated effectiveness of leaders as fair, 50 (19.38%) of them rated effectiveness of leaders as poor, 47 (18.22) as good and 24 (9.30%) rated it as don't know. However 17 (6.59%) returned Very Good response. This implied

that political leaders' effectiveness was Key to the development of SME's growth. The data shows that more than half of the population were in agreement that their effectiveness was fair and above. This inclusive of 64 (24.81%) which rated it as good or very good .The 74 (28.68%) who rated their effectiveness as Poor or Don't Know gave the implication that government should initiate more efforts to ensure enhanced effective performance from political leaders. Discussions with SME's respondents on the challenges that hindered the political leaders' effectiveness produced factors such as: inadequate funds, corruption and low literacy levels with the first two factors being the key reasons. This was in agreement with findings in Kenya of similar studies conducted by Eshusha (2002) which indicated that corruption, weak legal framework, poor leadership and general mismanagement of funds hindered effective performance of political leaders towards growth of SME's.

4.6 Legislation laws and policies on the growth of SME's

The study sought to find out the influence of legislation laws and policies on the growth of SME's. To achieve this, and respondents were asked to state whether they had market by-laws governing their activities to state the effect of punishment on market by-laws breakers to explain their involvement in formulation of market by -laws and the taxation system which was used.

4.6.1 Presence of by-laws in the market

To find out whether or not by-laws guiding market activities were present, the respondents were asked the following questions. “Are there rules from the ministry of Local Government guiding your operation?”, in your opinion do you think the market by laws contribute to peaceful operation of this market?”, Explain your answer” The response to the above questions are recorded on table 4.10.

Table 4.10: Presence of by- laws in the Market

SME's opinion	Frequency	Percent
Yes	210	81.6
No	48	18.4
Total	258	100

Table 4.10 shows that 210 (81.6%) SME respondents were in agreement that by laws governing market operation existed while 48 (18.4%) were not aware of the by-laws because of weak administration. There was need to circulate the by-laws to make people aware of what governed them. One of the respondents stated:

“Political leaders are hard to come by unless you have a direct political connection with them. Secondly the leaders only avail themselves for personal interests during political campaigns. Once the leaders have been elected, they forget all the promises they make to the electorate. Hence there is nobody to practically address and solve SME's grievances. Thirdly, the leaders act in pretence when certain funds from CDF or LATIF have been allocated towards development of SME's activities. This is purely to get a soft way of squandering large portions of the money in pretence that they have fought hard to ensure that the Government participates in developing SME's activities”.

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From the statement, it was concluded that political leaders interfered with growth of SME's activities as they only made contacts with the SME's for their personal interests. Further, the statement showed that probably there were laws which SME's were not aware of or what was branded as law was not what was branded on the ground. These implied that little efforts had been taken by the government to ensure that political leaders adequately addressed needs of SME's. This was in line with the findings in Europe by Kilby (1998) who stated that political appointments to senior government positions interfered with the laws and policies put in place to enhance growth of SME's. However it was concluded that could be laws do exist but they are not properly implemented.

4.6.2 Punishment of market by-law breakers.

To establish the influence of punishment of market by-law breakers, the respondents were asked the following questions. "Has punishment of market by-laws breakers contributed to stability of this market?" and the results was that 258 (100%) respondents were in consensus that punishment contributed towards growth of SME's.

Further discussion with the SME's respondents to explain how punishment contributed towards growth of SME's showed that it promoted market stability through reduced theft cases and observation of the market order. This was in agreement with the market administrators who stated that the by - law breakers were heavily charged and suspended from market operations.

4.6.3 Extent to which SME's are involved in formulation of market by-laws.

In order to understand the extent with which the SME's were involved in formulation of market by-laws the following question was asked. "To what extent are SME's involved in formulation of market by-laws?", and the response presented on table 4.11.

Table 4.11 Ratings of Market By-laws

Ratings	Frequency	Percent
High extent	9	3.5
Medium extent	214	83.0
Low extent	35	13.5
Total	258	100

Table 4.11 shows that involvement of SME's respondents at medium extent was 214 (83.0%) while low extent 35 (13.5%) and high extent at 9 (3.5%). The statistics indicated that SME's were not involved in formulation of by- laws or if they did, then it was to a medium extent. This was in line with ratings of SME's involvement in formulating management structure. On greater extent, 148 (57.36%) were involved while 110 (42.64%) were either involved at medium or low extent.

4.6.4 Taxation system.

To find out to what extent taxation system influence the growth of SME's, the respondents were asked to state whether there was a system used to tax their commodities. The results were that 100% respondents were in consensus that their commodities were taxed based on quantity. To confirm this, further discussion was conducted with the market administrators who stated that a system of taxation was implemented based on the approved rates and charges from the Ministry of Local Authority.

4.7 Political unrest on growth of SME's

From literature reviewed, political unrest impacted negatively on growth of SME's. To confirm this, the study sought to investigate the presence of political unrest and demonstration within Kibuye market and to evaluate the influence of political unrest on growth of SME's within Kibuye market. The results were recorded on table 4.12 and 4.13 respectively.

4.7.1 The presence of political unrest.

To find out whether or not political unrest had been experienced in Kibuye market, the following question was asked, "For the past five years, have you experienced unrest and demonstration among SME's?". The results are presented in table 4.12.

Table 4.12 Presence of Political Unrest

SME's Opinion	Frequency	Percent
Yes	258	100
No	0	0
TOTAL	258	100

Table 4.12 shows that 258 (100%) respondents were in consensus that they had experienced political unrest, the SME's respondents were asked to explain the causes of unrest among which they stated high rate of taxation, lack of market security, constant out break of fire, poor infrastructural facilities, poor sanitation and unfair distribution of stalls allocations. This was in line

with the key informant responses who also stated that taxation rates were being increased without proper communication to the stakeholders thus causing unrest. Further implication is that the government has (in the past) taken no steps in ensuring that unrest is prevented by providing SME's with adequate environmental and infrastructural facilities to promote growth. This was in agreement with studies conducted in Kenya by Nyowa (2008) who stated that political unrest experienced in Kenya in 2008 led Kibuye(the famous open air market) to be brought down to ashes.

4.7.2 Influence of political unrest.

The study sought to investigate the influence of political unrest on growth of SME's. To achieve this, respondents were asked to evaluate the influence of unrest on loss of SME's life and property, consumption rates by the consumers, entry of goods into the market, destruction of SME's commodities and increase in prices of goods.

Influence of political unrest on SME's life and property

To establish the influence of political unrest on SME's life and property, the respondents were asked the following question. "Was there loss of SME's life and property?" The results are presented on table 4 .13.

Table 4.13 Influence of Political Unrest on SME's Life and Supply

SME's Opinion	Frequency	Percent
Yes	258	100
No	0	0
TOTAL	258	100

Table 4.13 shows that 258 (100%) respondents were in consensus that political unrest caused loss of SME's life and property while 0% indicated lack of loss of SME life and property. This showed that SME's growth was seriously interfered with. The result implied that the government should make effort which prevents unrest causing loss of SME's life and property. This was in agreement with Leo (2008) who stated that traders under the umbrella of KBA confirmed massive losses of commodities due to political unrest.

Influence of unrest on consumption rate by the consumers

To find out the influence of political unrest on consumption rate by the consumer, the respondents were asked the following question "was there low consumption rate by the consumer during political unrest?" and the results presented in table 4.14

Table 4.14 Influence of Political Unrest on Consumption Rate by the Consumer

SME's Opinion	Frequency	Percent
Yes	258	100
No	0	0
TOTAL	258	100

Table 4.14 indicates that 258 (100%) respondents were in agreement that consumption rates had declined while no percentage was in disagreement. The result indicated that there was decreased consumption rate of commodities by the consumer. Further investigation was also conducted with the market administrators and key informants who were in agreement that unrest

reduced consumption rates as indicated in table 4.13 that SME's lost their life and property leading to inability of consumers to afford what was available at that particular time. The results confirms impact on consumption rate as stated by Economic Survey (2007) which stated that political unrest in 2008 in Kenya led to decreased consumption rates.

Influence of political unrest on entry of goods into the market

The study sought to investigate influence of political unrest on entry of goods into the market. To achieve this, the respondents were asked the following questions” Was there a complete cut down of goods entering the market?” and the results presented in table 4.15.

Table 4.15 Entry of Goods into the Market

SME's Opinion	Frequency	Percent
Yes	178	68.99
No	80	31.01
TOTAL	258	100

Table 4.15 indicates that 178 (68.99%) respondents were in agreement that there was complete cut down of entry of goods into the market while 80 (31.01%) were of the opinion that there was no complete cut down of commodities into the market. To investigate further the trend of entry of commodities, the SME respondents were asked to explain the previous trend of entry of commodities before encountering unrest in which 80 (31.01%) stated that most of the goods entering the market were seasonal and could be got locally. However 178 (68.99%) argued that

political unrest hindered majority SME's respondents who come from outside Kisumu district as indicated in table 4.1 from supplying the goods thus an indication of cut down in supply of goods in Kibuye market.

Influence of political unrest on SME's commodities.

Political unrest causes destruction of SME's commodities. To investigate this, the respondents were asked the following questions; "was there destruction of SME's commodities?" and the results recorded in table 4.16.

Table 4.16 Influence of Political Unrest on SME's Commodities

Destruction of commodities	Frequency	Percent
Yes	258	100
No	0	0
Total	258	100

Table 4.16 shows that 100% respondents were in consensus that political unrest caused destruction and discussion were held with market administrators who stated that SME's properties were destroyed during political unrest and this interfered with their growth. The result indicated that there was need for the local council to put in place structures that prevents destruction of SME's commodities in case of out break of unrest.

Influence of political unrest on prices of goods.

To investigate the influence of political unrests on prices of goods, the study sought to find out whether or not political unrest impacted on prices of commodities. To answer this, the respondents were asked the following question "Were there increment in prices of available goods?" and the results were shown in table 4.17

Table 4.17 Influence of Unrest on Prices of Goods

Increment of prices	Frequency	Percent
Yes	258	100
No	0	0
TOTAL	258	100

Table 4.17 indicates that 258 (100%) respondents were in agreement that prices of commodities were increased while 0% indicated lack of increment. Further discussions with market administrators indicated that since accessing trade commodities at that particular time was difficult. The SME respondents who were in a position to acquire goods were charging at their own convenient rates.

4.8 Strategies to improve SME's growth

The study also sought to investigate strategies which could be put in place to improve SME's growth. To achieve this, the respondents were asked to give suggestions on strategies which could be implemented to increase SME participation, improved level of education, planning of

operation structures, roles of political leaders, legislation laws and policies and measures of preventing unrest and demonstration as follows:

Strategies to increasing SME participation

The respondents were of the opinion that their participation could be increased by improving their level of education, initiating SME's workshops, increased loaning facilities and low rates of taxation.

Strategies to increase level of education

To improve on level of education, Respondents were of the opinion that their education level could be enriched though frequent workshops which could boost their skills and knowledge in SME's management and this was in conformity with literature reviewed on successful business adaptation in Kenya; A Critical Review of SBD and Political Institutional Environment in Kenya (1999) Providing for adequate SME's.

Strategies to improve SME operation structures

To improve planning of SME operational structures, the study established that the government should make efforts to address economic, environmental and political challenges SME's experienced. They also proposed that technical experts should be allowed to independently plan and operate SME activities as most political leaders were inexperienced in handling the challenges the traders faced. This was in agreement with the technical informants who suggested that there was need to have SME representatives without political interest.

Strategies to improve legislation laws and policies

Respondents were of the opinion that SME involvement in formulation of laws and policies be increased as they better understood their own needs and challenges. The respondents further proposed that the government should put measures to ensure that leaders were not corrupt in managing their resources and at the same time, only leaders with high literacy levels should be involved in their activities to ensure effective representation.

Strategies to improve roles of political leaders

Respondents were of the opinion that the government should put measures which prevents mismanagement of resources which were intended to promote growth of SME's.

Strategies to prevent unrest and demonstration

To prevent unrest and demonstration, respondents were of the opinion that rates of taxation were reduced, market environment and infrastructural structures be improved and the government should avoid controversial political laws.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions, recommendation contribution to the body of knowledge and suggestions for further research.

5.2 Summary of findings

The study established that politics influences growth of small and medium enterprises. The sub-themes discussed under the study included characteristics of demographic distribution on growth of SME's, the influence of political factors on planning of SME operation structures, the roles of political leaders on growth of SME's the effect of legislation laws and policies on growth of SME's, political unrest and strategies of SME's growth.

On demographic characteristics, the study established that majority SME respondents 162 (62.8%) came from outside Kisumu district while minority respondents 96 (37.2) came from within Kisumu District. However on the administration of SME's activities, the study established that 7 (58.3%) of the administrators came from within Kisumu District while 5 (41.7%) came from outside the District. This shows that the SME's are poorly represented in terms of management. On gender, the study revealed that 180 (69.8%) female participated in SME's activities while 78 (30.2%) were male participants. This shows that majority participants of SME's activities were undertaken by female. The study also established that 218 (84.5%) of the respondents were of youthful age of 35 and below while 40 (15.5%) that were recorded were found to be of age 40 and above. Concerning education level, the study established that slightly above the average were of primary education level while 110 (42.66%) were secondary, tertiary and university level and above.

Regarding objective one of the study, it was established that political factors influence planning of SME operation structures, the study established that political factors influenced the growth of SME's to a large extent. This was cited by 155 (60%) respondents who said that political leaders had positive contribution on growth of SME's. Objective two found out that there was influence in growth of SME's by political leaders. Majority of the SME's respondents 181 (70%) were of that opinion while minority of the respondents 77 (30%) were of the opinion that there is no political influence on the growth of SME's.

According to Objective three, the study established that there were existing laws governing SME's activities. The study also established that there was effective law enforcement to correct those who broke the laws. Objective four established that political unrest greatly interfered with the growth of SME's activities. Objective five established that for SME's activities to be improved, the following must be done: improved infrastructural facilities, increased financial allocation, personnel capacity building, reduced rates of taxation, reinforcement of formulation and implementation of laws and policies, reinforcement of monitory services to ensure that funds were not mismanaged and increased partnership with NGO's.

5.3 Conclusions

The study concluded that there are more SME's from outside Kisumu managed by administrators form within Kisumu district. This SME's were not adequately represented in the management structures presented. They were also not involved to a larger extent in formulation of by-laws that were in control of the market.

Regarding Objective two which sought to establish the roles of political leaders on growth of SME's, the study concluded that political leadership was Key in development of the market.

Regarding the findings on influence of legislation policies on growth of SME's, the study concluded that involvement of stakeholder participation in formulation and implementation of by-laws and policies was key in promoting growth. The market by-laws such as suspension from the market activities and payment of fixed amount of fee ensured that SME's welfare and operation was taken care of.

On establishing the level at which political unrest influences the growth of SME's, the study concluded that SME's had experienced political unrest in the past years due to high taxation rates, poor market sanitation, poor infrastructural services and mismanagement of funds. Political unrest impacted negatively on the growth of SME activities. Regarding what strategies could be used to improve growth of SME's, the study concluded that the following should be improved: infrastructural facilities, performance of political leaders, management structures and enforcement of laws and policies to promote growth of SME's.

5.4 Recommendations

Based on the findings of the study, the following are the suggestions given regarding the influence of politics on growth of SME's in Kenya.

- 1) The policy makers should increase the stakeholder participation in formulation of by-laws and policies. Increased involvement of stakeholders' participation in formulating and implementing laws is necessary because; stakeholders have direct awareness of challenges which they experience and possible proposals of solutions which should be implemented as strategies of improving their growth. Consequently their involvement would create awareness to the policy makers on areas which needs adjustments for steady growth. Further more involvement of stakeholders' representation should take into consideration the groups to be involved at a fair distribution.

- 2) The government should reinforce management of SME activities by technical experts to a greater percentage without political interference. Technical experts are those who have adequate knowledge and skills in the field required. In as much as political leaders have a key role to largely in-cooperate technical experts who would give proposals on basic needs that facilitates growth of SME's and strategise how resources allocated the local government should be implemented and utilised. Further more the technical experts have the required knowledge which would be explored to improve SME's capacity in managing their business to realise growth.
- 3) Municipal council should run its activities independently without diverting revenues collected to pay workers salaries. It should use them for purposes of improving SME growth. The study established that revenue collected were not wholesomely spent on improving; infrastructure, sanitation and security in the market. The funds were diverted to pay workers of municipal council. The local council should have its own independent source of revenue to help pay workers salaries without diverting funds which are meant to improve SME's growth.
- 4) Reinforcement of policies such as Private Public Partnership and Social Corporate Responsibility should be incorporated to enable SME's to develop a culture of self sustainability. Such policies will encourage SME's to be in a position of independently managing their business and ensuring growth through their contribution and participation. The study established that majority of SME's respondents believed that their growth depended on government support in providing financial, infrastructural, capacity building and marketing services,. The concern of the study at this point was how SME's could be involved to a greater extent to improve their growth.
- 5) Taxation rates should be reduced and if possible based on market price fluctuations to help cut down the cost of capital reduction. The government should increase its financial support as well as ensuring that there is transparency and accountability of the allocations. The local council

should make efforts of not only revising the taxation rates but also in-cooperate the stake holders in making decisions on what rates should be imposed on commodities. The study establishment that commodities were taxed based on quantity of the goods. However other factors could be considered such as distance from where the commodities came, perish ability of goods and market prices at that particular time. The study was also in agreement that once the goods had been taxed at the time of entry into the market, there is no need of daily taxations of the same commodities as it hindered growth of SME's.

- 6) SME infrastructural facilities should be improved by providing adequate space for trade, well maintained toilet facilities, proper security, permanent shades and proper market security .While increasing financial allocations, the government should ensure that funds channelled for SME's growth are not mismanaged.
- 7) Increased capacity building of the SME participants is very necessary to enhance growth and sustainability of the SME's projects. The government should do this by organizing for workshops and seminars for the SME's growth. A few should be sponsored to middle level colleges like poly-techniques to study relevant area. The Municipal Council should ensure maximum security of market goods.
- 8) Restrictions on participation of SME's in international markets should be removed to allow accessibility and expansion of more markets.

5.5 Contribution to the body of knowledge.

Research objectives	Contribution to the body of knowledge
1. Effects of political factors on planning of SME's operational structures in kibuye market	Political leaders net work with NGOs to improve market structures, they counter check CDF, LATF and LASDAP funds, managing market structures, licensing of market traders, space allocation supporting traders welfare and harmonising commodity prices.
2. Role of political leaders on growth of SME's in kibuye market.	Political leaders protect rights of SME's, facilitates improvement of market infra structural facilities, promotes public and private partnership, social cooperate responsibility and enforcement of law to ensure transparency and accountability.
3. Effects of legislation laws and policies on growth of SME are in kibuye market.	Few laws and policies are on the ground. Increased participation of stakeholders' involvement in formulation of laws is necessary. This enables their challenges to be addressed effectively. Punishment of market by-law breakers enhances peaceful operation.
4. Effects of political unrest and demonstration in management of SME are in kibuye market.	SME's have in the past years experienced unrest and demonstration because of: poor environmental management, controversial political laws, poor infrastructural facilities, political influence on election of market representatives, high rates of taxation and unfair political decision making on allocation of resources resulted to political unrest. Political unrest impacted negatively on SME's activities.
5. Strategies of improving SME's growth.	Government has made efforts to implement policies that can promote growth of SME's. This includes: financial policies focusing on micro loaning, capacity building of traders' skills and knowledge in managing business activities, youth and women development fund. However these policies need to be improved on to promote growth of SME's.

5.6 Recommendations for further study.

The following areas were recommended for further research.

1. Factors influencing poor participation of youth in SME's activities.
2. Challenges in management of business operation due to low literacy levels of SME's members.
3. Effects of taxation systems in relation to fluctuation of market demand and supply.
4. The influence of political leaders in formulating SME's management policies.
5. Challenges hindering equitable distribution of resources for SME's development.
6. The effect of modern technology on growth of SME's.

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APPENDIX 1: LETTER OF TRANSMITTAL

Joyce Atieno Osogo,
P.O.BOX 4030,
Kondele.

20th February, 2010.

Email Address: osogojosy@yahoo.com.

Mobile Number 0726-236388.

Dear Sir/Madam,

I am a post graduate student at the University of Nairobi carrying out a research on influence of politics on growth of SME in Kibuye market.

I hereby brought to you questionnaire meant for the purpose of this research. The schedule given is to assist me get honest and unbiased information about influence of politics on growth of SME in Kibuye market. All the information you provide will be treated with confidentiality.

Yours Faithfully,

Osogo J. Atieno

APPENDIX II: QUESTIONNAIRE FOR SME RESPONDENTS

INSTRUCTIONS

- i. Answer all questions.
- ii. You may or may not indicate your name
- iii. Put a tick or provide the required information for the various questions.

SECTION A: DEMOGRAPHIC INFORMATION.

1. Name of District _____
2. Indicate your gender (1) male (2) female.
3. Indicate your age bracket.
Below 25
25 – 30
30 --35
Over 40
4. What is the highest level of education that you have completed?
 - i. Primary level.
 - ii. Secondary level
 - iii. College/Technical Level.
 - iv. University level or beyond.

SECTION B: THE INFLUENCE OF POLITICAL FACTORS ON PLANNING OF SME'S IN KIBUYE MARPART I: Effects of political factors on planning of SME's operation structures.

6. (a) Do political leaders contribute to the growth of SME's in Kibuye Market?

YES NO

- (b) If yes, then in what ways do they contribute to the growth of SME's?
-
-
-

APPENDIX II: QUESTIONNAIRE FOR SME RESPONDENTS

INSTRUCTIONS

- i. Answer all questions.
- ii. You may or may not indicate your name
- iii. Put a tick or provide the required information for the various questions.

SECTION A: DEMOGRAPHIC INFORMATION.

1. Name of District _____
2. Indicate your gender (1) male (2) female.
3. Indicate your age bracket.
Below 25
25 – 30
30 --35
Over 40
4. What is the highest level of education that you have completed?
 - i. Primary level.
 - ii. Secondary level
 - iii. College/Technical Level.
 - iv. University level or beyond.

SECTION B: THE INFLUENCE OF POLITICAL FACTORS ON PLANNING OF SME'S IN KIBUYE MARPART I: Effects of political factors on planning of SME's operation structures.

6. (a) Do political leaders contribute to the growth of SME's in Kibuye Market?

YES NO

- (b) If yes, then in what ways do they contribute to the growth of SME's?
-
-
-

If no, then what are some of the reasons of lack of contribution towards growth of SME's within the market?

7. To what extent does their participation encourage the growth of SME's within the market?

- i. Greater extent
- ii. Less extent
- iii. No extent

8. (a) Do you have any management structure in this market?

YES NO

(b) In your opinion, to what extent does the management structure involve the key market stakeholders?

- i. Greater extent
- ii. Moderate extent.
- iii. Low extent.

(c) Explain your answer.

PART II: Roles of political leaders on growth of SME's.

9. Do political leaders have roles to perform towards the growth of SME's within the market.

YES NO

10. If yes then, what are some of their specific roles towards the growth of SME's within the market?

If no, then explain your answer.

- i. High extent
- ii. Medium extent
- iii. Low extent

17 (a) In your opinion, is there a system of taxation of SME's commodities?

YES NO

(b) In your own opinion, to what extent does the taxation system contribute to the growth of SME's within the market?

High extent Medium extent Low extent

(c) Explain your answer.

PART IV: Influence of political unrest on growth of SME'S

18a. For the past five years have you experienced unrest and demonstration among SME's?

YES NO

b. If yes then what was the complaint?

c. Other than SME's unrest have you experienced any other political unrest?

YES NO

19. Using YES or NO, evaluate the effect of the unrest you encountered on the following:

- | | | |
|--|------------------------------|-----------------------------|
| 1. There was loss of SME's life and property. | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 2. There was low consumption rate by the consumers. | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 3. There was complete cut down of goods entering the market. | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 4. There was destruction of SME's commodities. | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 5. There were high increments of prices of available goods. | YES <input type="checkbox"/> | NO <input type="checkbox"/> |

SECTION C: STRATEGIES TO IMPROVE SME's GROWTH.

20. Please indicate any four strategies of improving SME's growth.

APPENDIX III: QUESTIONNAIRE FOR MARKET ADMINISTRATORS

INSTRUCTIONS

- i. Answer all questions.
- ii. You may or may not indicate your name.
- iii. Put a tick or provide the required information for the various questions.

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of district: _____
2. Department: _____
3. Indicate your gender? (1) Male (2) Female
4. Indicate your age bracket.
18 – 30
31 – 40
41 – 50
51 – 60
56 and above
5. What is the highest level of education that you have completed?
 - i) Primary level
 - ii) Secondary level
 - iii) College/Technical level
 - iv) University level or beyond
6. What is your specific discipline of qualification?
 - i) Accountancy
 - ii) Administration
 - iii) Management
 - iv) Other _____
7. What are your employment terms?
 - i) Permanent
 - ii) Contract
8. What is your current position? _____

9. How were you appointed to your present post?

- i) Interview
- ii) Promotion
- iii) Appointment

10. For how long have you been working in this current position?

- i) Less than one year
- ii) 1 – 3 years
- iii) 3 – 5 years
- iv) More than 5 years

11. For how long have you generally worked in SME related activities?

- i) Less than one year
- ii) 1 – 3 years
- iii) 3 – 5 years
- iv) More than 5 years

SECTION B: THE INFLUENCE OF POLITICS ON GROWTH OF SME'S IN KIBUYE MARKET, KENYA.

PART I: Effects of political factors on planning of SME's operation structures.

12. a) Do you agree that political factors affect the planning of SME's operation structures.

YES

NO

b) Explain your answer

11. a) To what extent does the participation of political leaders encourage growth of SME's within the market.

- i) High extent
- ii) Moderate extent
- iii) Low extent

b) Explain your answer

14. a) Do you have any management structure in this market?

YES

NO

b) Briefly outline the structure and the role played by each management level.

c) To what extent does the management structure involve the key market stake holders?

i) Greater extent

ii) Moderate extent

iii) Low extent

d) Explain your answer

PART II: Roles of political leaders on growth of SME's

15. What are some of the specific roles performed by political leaders that promote the growth of SME's

On a scale of 1 – 5 with 1 being the lowest rating and 5 being the highest, how would you rate the effectiveness of roles of political leaders on the growth of SME's?

1. Don't know

2. Poor

3. Fair

4. Good

5. Very

PART III: Effects of legislations and policies on the growth of SME's

16. Are there rules from the ministry of local government guiding your operations

YES NO

17. a) In your opinion do you think the market by-laws contribute to peaceful operation of this market?

YES NO

b) Explain your answer

18. To what extent are the SME's represented in by-law governing market formulation

- i. High extent
- ii. Medium extent
- iii. Low extent

19. a) Is there a system in place used to tax SME's commodities

YES NO

b) Explain your answer

20. In your own opinion to what extent does the taxation system contribute to the growth of SME's within the market

- i. High extent
- ii. Moderate extent
- iii. Low extent

Explain your answer

PART IV: Influence of political unrest on growth of SME's

21. For the past five years, have you experienced unrest and demonstration among SME's?

YES

NO

If yes, then list some of their complains

i.

ii.

iii.

iv.

22. In your opinion what efforts have been put in place to solve their complains

i.

ii.

iii.

23. Other than SME's unrest, have you experienced any other political unrest?

YES

NO

If yes, then list some of the effects of political unrest experienced on the growth of SME's

i.

ii.

iii.

iv.

If no, then go to section C.

PART IV: Influence of political unrest on growth of SME's

21. For the past five years, have you experienced unrest and demonstration among SME's?

YES

NO

If yes, then list some of their complains

i.

ii.

iii.

iv.

22. In your opinion what efforts have been put in place to solve their complains

i.

ii.

iii.

23. Other than SME's unrest, have you experienced any other political unrest?

YES

NO

If yes, then list some of the effects of political unrest experienced on the growth of SME's

i.

ii.

iii.

iv.

If no, then go to section C.

SECTION C: STRATEGIES TO IMPROVE SME'S GROWTH

24. Please indicate any five strategies of improving SME's growth

i.

ii.

APPENDIX IV: INTERVIEW SCHEDULE FOR KEY INFORMANTS

1. What are the political factors determining growth in planning of SME's operational structures?
2. What are the roles of political leaders towards growth of SME's?
3. Are there challenges hindering political leaders performance, explain your answer?
4. Are there management structures guiding SME's activities, explain your answer?
5. Have SME's in the past experienced any form political unrest?

If yes, what were the causes and effects of political unrest?

If no what strategies are there in place to prevent political unrest?

6. In your opinion, what strategies should be employed to improve growth of SME's?

APPENDIX V: KIBUYE WHOLESALE AND RETAIL DEPARTMENT

KIBUYE WHOLESALE DEPARTMENT

ITEM	POPULATION
1. Banana mbichi	31
2. Avocado	43
3. Cereals	67
4. Tomatoes	67
5. Onions	23
6. Irish Potatoes	10
7. Fruits	64
8. Sukuma Wiki	40
9. Retail Shops	103
10. Mitumba Supplies	10
11. Mitumba Brokers	17
12. Fish	25
TOTAL	500

KIBUYE RETAIL DEPARTMENT

ITEM	POPULATION
1. General Carpentry	120
2. Metal Jua Kali Artisan	250
3. Textile	190
4. Whole Sale Shops	10
5. Cereals	308
6. Food Kiosk	40
7. Vegetables	20
8. Tomatoes	15
9. Onions	13
10. Small fish	06
11. Irish Potatoes	16
12. Green Maize	12
TOTAL	1200

Source: Kisumu Municipal Council Trade Office, (1999).

APPENDIX VI: SAMPLE SIZE (S) REQUIRED FOR THE GIVEN POPULATION (N)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	256	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

NOTE: From R.V. Krejcie and D.W. Morgan (1970), Determining sample size for research activities, Education and psychological measurement, 30, 608, Sage Publication.

APPENDIX VIII: COPY OF RESEARCH PERMIT

CONDITIONS

1. You must report to the District Commissioner and the District Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed with-out prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2)/four(4) bound copies of your final report for Kenyans and non-Kenyans respectively.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice



REPUBLIC OF KENYA
 RESEARCH CLEARANCE
 PERMIT

GPK6055(3m)10/2009

(CONDITIONS— see back page)

PAGE 2

PAGE 3

THIS IS TO CERTIFY THAT:

Prof./Dr./Mr./Mrs./Miss OSONGO
 JOYCE ATIENO
 of (Address) UNIVERSITY OF NAIROBI
 P.O. BOX 825 KISUMU
 has been permitted to conduct research in.....
 Location,
 KISUMU MUNICIPALITY District,
 NYANZA Province,
 on the topic THE INFLUENCE OF
 POLITICS ON GROWTH OF SMALL
 AND MEDIUM ENTERPRISES IN
 KIBUYE MARKET, KENYA.
 for a period ending 31ST SEPTEMBER 20 10

Research Permit No. NCST/RRI/12/1/SS/217
 Date of issue 6/04/2010
 Fee received SHS1,000



Applicant's
Signature

Secretary
 National Council for
 Science and Technology

APPENDIX VIII: COPY OF RESEARCH PERMIT

CONDITIONS

1. You must report to the District Commissioner and the District Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed with-out prior appointment.
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REPUBLIC OF KENYA
RESEARCH CLEARANCE PERMIT

GPK6055(3m/10/2009)

(CONDITIONS— see back page)

PAGE 2

PAGE 3

THIS IS TO CERTIFY THAT:

Prof./Dr./Mr./Mrs./Miss..... OSONGO
JOYCE ATIENO

of (Address) UNIVERSITY OF NAIROBI
P.O. BOX 825 KISUMU

has been permitted to conduct research in.....

.....Location,
KISUMU MUNICIPALITY District,
.....Province,
NYANZA

on the topic..... THE INFLUENCE OF
POLITICS ON GROWTH OF SMALL

AND MEDIUM ENTERPRISES IN
KIBUYE MARKET, KENYA.

for a period ending 31ST SEPTEMBER 2010

Research Permit No..... NCST/RRI/12/1/SS/217
Date of issue..... 6/04/2010
Fee received..... SHS1,000



Applicant's
Signature

Secretary
National Council for
Science and Technology

APPENDIX IX: COPY OF AUTHORIZATION LETTER

REPUBLIC OF KENYA



NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

Telegrams: "SCIENCETECH", Nairobi
Telephone: 254-020-241349, 2213102
254-020-310571, 2213123.
Fax: 254-020-2213215, 318245, 318249
When replying please quote

P.O. Box 30623-00100
NAIROBI-KENYA
Website: www.ncst.go.ke

Dur Ref: NCST/RR1/12/1/SS/217/5

Date: 6th April, 2010

Ms. Joyce Atieno Osogo
University of Nairobi
P. O. Box 30197
NAIROBI

Dear Madam,

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*The influence of politics on growth of Small and Medium Enterprises in Kibuye Market, Kenya*" I am pleased to inform you that you have been authorized to undertake research in **Kisumu Municipality, Kisumu East District** for a period ending *1st September, 2010*.

You are advised to report to the **District Commissioner and the District Education Officer Kisumu East District, and the Town Clerk Kisumu Municipality** before embarking on the research project.

On completion of the research, you are expected to submit two copies of the research report/thesis to our office.

A handwritten signature in black ink, appearing to read 'P. N. Nyakundi'.

P. N. NYAKUNDI
FOR: SECRETARY/CEO

Copy to: