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**EFFECTS OF COUNTY GOVERNMENT POLICIES ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISE IN KENYA: A CASE OF KIAMBU COUNTY**

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**ABSTRACT**

Small and Medium enterprises (SMEs) contribution to the Kenyan economy is widely acknowledged, they cut across all sectors of the economy and provide many employment opportunities and generate widespread economic benefits. However, SMEs face a mixture of success and failure with past statistics indicating that three out five fail within the first few months of operation. The purpose of this study was to investigate the effects of county government policies on the performance of Small and medium enterprises in Kiambu County, Kenya. This study employed a descriptive research design. The target population of this study was therefore 1,743 SMEs in Kiambu County and stratified random sampling was used to select 174 respondents from the target population. This study made use of primary data which was collected by use of semi-structured questionnaires. A pilot test was conducted to ensure the reliability and validity of the research instrument. This study generated both qualitative and quantitative data. Descriptive statistics as well as inferential statistics was used to analyze quantitative data with the help of a statistical program, Statistical Package for Social Sciences (SPSS version 21). The results were presented in frequency tables, pie charts and bar charts. The study also used correlation analysis as well as multivariate regression analysis to evaluate the relationship between the dependent variable and independent variables. The study found that taxation and licensing have an inverse and significant influence on the performance of Small and medium enterprises in Kenya. In addition, the study found that training and capital financing influence performance of Small and medium enterprises in Kenya positively and significantly. The study further established that high tax rates, tax complicity, tax compliance and bureaucratic tax payment procedures influence the performance of SMEs businesses. The study also established that licensing requirements, licensing procedure and business registration influences the performance of SMEs in Kiambu County. It revealed that topics covered in training, financing of training, training institution, duration of training and frequency of training influence SMEs performance to a great extent. The study also revealed that financing procedures, financing requirements for capital financing, amount obtained, duration of payment and interest rates influence the performance of small and medium enterprises to a great extent. The study recommends that the County government of Kiambu should develop a system for tax payment so as to enhance efficiency in tax collection and payment. In addition, the County government of Kiambu should streamline the licensing procedure and reduce the licensing requirements. Also, the County government of Kiambu should increase awareness on the training program for SME owners as well as the SME loans to entrepreneurs.

***Key Words:*** *Taxation, Licensing, Training and development, Capital Financing, Performance of SMEs in Kiambu County*

**Background to the Study**

Reducing unemployment is one of the major challenges facing most governments in the world for decades to come. With an estimated 88 million young women and men worldwide unemployed, the need for employment creation efforts focusing on youth is undeniable. A survey conducted by Morgan, Kaleka and Katsikeas (2004), indicates that youth are generally three and a half times more likely than adults to be unemployed. In 2015, approximately 660 million young people will either be not working or looking for work – an increase of 7.5 per cent over the number that was there in 2003. According to Collis and Montgome (2007), this challenge has its own specific dimensions and therefore requires targeted responses. Within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as an important means and a valuable additional strategy to create jobs and improve livelihoods and economic independence of young people. It is an innovative approach to integrating youth into today's changing labor markets (Mazzarol & Choo, 2003).

Small and medium enterprises (SMEs) are widely recognized for their role in the social, political and economic development. Their importance is particularly apparent in its ability to provide reasonably priced goods, services, income and employment to a number of people as observed by Kauffmann (2006). Nabintu (2013) note that while the contributions of small businesses to development are generally acknowledged, micro and small entrepreneurs face many obstacles that limit their long term survival and development. This is in line with Kenya National Bureau of Statistics (2012) report which indicated that, three out of five businesses fail within the first few months of operation. Therefore, there has been a growing concern and interest by the government and development agencies for the improved performance and growth of the micro and small enterprises.

**Global Perspective on County Government Policies**

Over the last three decades of the 20th century, Peres and Stumpo (2010) observe that Brazil implemented a series of measures to encourage the formalization of Small and medium enterprises and to promote the creation of formal employment in this segment of companies. Consistent with the observation those small companies are responsible for the majority of jobs in Brazil, according to Lukacs (2011) the country has implemented a set of public policies to encourage their growth and formalization. Lukacs (2011) further indicate that a significant landmark in the creation of an enabling environment for Small and medium enterprises was microenterprise statute 4 promulgated in 1984. For the first time, this law established the need for differential treatment of microenterprises in terms of their tax and labour obligations and in relation to access to credit and business development services. Despite these efforts of the government to favor micro and small enterprise growth and formalization through tax alleviation and simplification of administrative and accounting procedures, the initial results in terms of formalization were not positive.

According to Cardoza et al (2014), MSEs in Latin America that benefit from sound government policy frameworks, favorable environmental conditions, and well-designed assistance programmes are more likely to expand internationally. Zhu (2011) identified several institution-based barriers to innovation and business growth in China; in particular, barriers related to access to financing, the quality of laws and regulations, and the effectiveness of support systems, besides competition fairness and tax burdens. Also, Child and Lu (2012) found that firms from emerging and transition markets face different institutional constraints related to intervention by authorities and regulatory bodies in the decision making process, restrictions of information usually controlled by authorities, and access to public funding. The fact is that, in spite of public assistance programmes, MSEs remain small, fail to export, and experience higher transaction costs and relatively higher rates of business failure (World Bank, 2008).

The government of Tanzania formulates and implements various policies aimed at increasing job opportunities, development of infrastructure as well as income generation through the creation of new Small and medium enterprises and improving the performance and competitiveness of existing one (Oludele & Emilie, 2012). In Uganda, Johnson and Nino-Zarazua (2011) indicate that Small and medium enterprises(MSE) limited performance has been associated with limited access to finance, inadequate provision of public services, unfavorable system of taxation, high regulatory burden and corruption.

**Kenya Perspective on County Government Policies**

The official policy framework of SMEs in Kenya is contained in the Sessional Paper No 2 of 2005: Development of Small and medium enterprises for Wealth and Employment Creation for Poverty Reduction ("Sessional Paper No. 2 of 2005"). This policy paper was intended to form the basis for enacting the SME Act to institutionalize SME Policy in Kenya. The new SME Act would give direction to among others, key issues such as: the legal and regulatory environment, markets and marketing, business linkages, the tax regime, skills and technology and financial services. Indeed the Small and medium enterprises Bill 2011 enacted into law in the year 2012 was developed upon this Policy framework (GOK, 2013).

The current constitutional framework and the new Micro and Small Enterprise Act 2012 provide a window of opportunity through which the evolution of SMEs can be realized through the devolution framework. However, the impact of devolution of SMEs development depends on the architecture of the regulatory and institutional framework inclined to support SMEs in an economy. A study by Mazzarol and Choo (2003) observes that governments that are concerned with the promotion of small enterprises should examine the impact of its policies and programmes on the small businesses. Lumpkin and Dess (2001) makes a similar observation that government regulation about wages, taxation, licensing and others are among the important reasons why the informal sector business develops. Without careful attention, government policies could crush the small business sector in any economy.

In Kenya today, businesses employing between 1 to 99 people account for about 48 percent of all businesses; with a majority of these being managed or owned by the young people (25-34 years) (Bontis, Chong & Richardson, 2000). According to Government of Kenya (2007), three out of five of these businesses fail within the first Three years of operation and those that continue 80 percent fail before the fifth year. This failure of enterprises performance is marked by poor return and bankruptcy proceedings, (Jibrilla, 2013), having noted how important the contribution of SMEs sector is in Kenya; despite their poor performance. Leadership must be increased to effectively respond to the challenges of creating productive and sustainable employment opportunities in the country amongst the youths (Mohamed & Mnguu, 2014).

**Small and Medium Enterprises in Kiambu County**

Microfinance institutions recognize the importance of promoting SMEs as the basis of economic growth. It is estimated that there are about 2751 registered SMEs have between 5 and 50 employees in Kiambu County. It is on this basis that MFIs should create a platform for SMEs growth. The growth in SMEs should be encouraged and supported to bring about favorable economic growth and development, alleviate poverty and improve the standards of living at the County (Kiambu County, 2015).

Kiambu county government seeks to create an enabling business environment and institutional structures that are conducive to investments be it public or private. The Government is geared to improving the policy framework for the private sector which is central to Development of Kiambu County. All businessmen and entrepreneurs must be accorded all necessary support in order for them to reap maximum profits from their businesses. The County Government demands all departments in the Kiambu County Government to improve, create and sustain conditions that are the conducive environment of doing business in the County (Kiambu County, 2015).

**Statement of the Problem**

According to the economic survey of 2013, the Small and Medium Enterprise (SME) sector accounted for 74.2 percent of the total persons engaged in employment and contributed up to 18.4 percent of the country's GDP in 2013 (RoK, 2013). Further, the Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 recognized the need to establish and maintain a conducive environment for the growth and transformation of SMEs into medium sized enterprises that have capacity to create more employment opportunities (RoK, 2017). As a result, many governments have increased their interest in this sector with an aim of improving it. Since inception, Kenya government has developed strategies and promotion programs aimed at improving economy by promoting small-scale enterprises (Ruirie, 2012).

Despite these initiatives, it was revealed that the established enterprises have a very low survival rate, with serious challenges leading to 60 percent failures in performance within the first three years of operation (Sharu & Guyo, 2015). This poor performance has hampered their ability to contribute to the growth of Kenya's GDP as required. It also makes them unable to compete with other larger businesses including multinational corporations, or take full advantage of the economy and access the global markets for profitability and sustainability (Gichuke, 2013).

In the devolved system of government, several county governments have disagreed with SMEs mainly over policies regarding an increase in the cost of doing business, leading to demonstrations by SMEs owners in various counties across that country. County governments have come up with policies that increase the rate of taxation, changed the licensing procedures, and increased the training of entrepreneurs and policies related to entrepreneurs financing (Gichuke, 2013).

While national government financing shows high small business birth-rates, the business failure or stagnation is equally high. Despite many studies having been done in the past on performance of SMEs, (Gichuke, 2013; Ruirie, 2012), the effects of County government policies on Small and Medium Enterprises performance in Kiambu County have not been adequately identified and, hence the research gap this study aims to address. This study therefore seeks to investigate the effects of county government policies on the performance of small and medium enterprise in Kenya by focusing on Kiambu County.

**General Objective**

The general objective of this study was to examine the effects of county government policies on the performance of small and medium enterprise in Kenya by focusing on Kiambu County.

**Specific Objectives**

This study was guided by the following specific objectives:-

- To establish the influence of taxation on the performance of Small and medium enterprises in Kenya.
- To examine the effect of licensing on the performance of Small and medium enterprises in Kenya.
- To identify the effect of training on the performance of Small and medium enterprises in Kenya.
- To determine the effect of capital financing on the performance of Small and medium enterprises in Kenya.

**LITERATURE REVIEW**

This chapter presents a review of literature on the effect of government policy on the performance of SMEs.

**Theoretical Review**

A theory is a set of statements or principles devised to explain a group of facts or phenomena, especially one that has been repeatedly tested or is widely accepted and can be used to make predictions about natural phenomena. This study will use social systems theory, resource based theory, human capital theory and pecking order theory.

**Social Systems Theory**

This study was guided by the social systems theory of group functioning by Ludwig von Bertalanffy (1968) which theorizes groups as systems. Groups are conceived as entities that reasonably can be differentiated from their environment and have some kind of boundaries across which interactions take place with the environment. Transactions from the environment to the community systems are inputs while boundary management is important to sort acceptable inputs from other potential stimuli through coding. Most groups are open systems taking into account the possibilities for spontaneous internal action and other forms associated with living behavior. This theory forms the basis of this study since SMEs in this study are part of the functioning of street vendors (Morgan, Kaleka & Katsikeas, 2004). Their achievements of the goals SMEs are supported by the opportunities present both within and outside the markets' environment. These opportunities include accessibility to loans and other financial services, availability of market, education and training, technological advancement and infrastructure among other factors (Collis & Montgomery, 2007).

The SME sector in Kenya can be considered to be an open system. The system comprises of the SMEs, suppliers and customers. The system is however governed by various regulations which include licensing. If not carefully formulated licensing related polices can negatively affect the performance of SMEs.

**Resource Based Theory**

Organizations may experience scarcity in the supply of resources, and at the same time they have to maximize resources efficiently. To overcome scarcity of resources, organizations may need to acquire complementary external resources and search for other capabilities (Bontis, Chong & Richardson, 2000). Not just that, organizations are able to seek experts to provide better quality products and services. At the same time the organization can produce quality products without having to employ a large amount of people. Normally, in SMEs there is a limited access to resources and ideas, hence outsourcing allows the organizations to gather new ideas and innovations. It could also result possible cash influx due to the transfer of assets to new provider. In the light of the above, resource-based theory posits that it is possible for seeking resources from vendors to supplement in-house competencies, rather than total acquisition of the resources (Lumpkin & Dess, 2001).

The Resource-Based View of the firm suggests that performance is driven by the resource profile of the firm while the source of superior performance is embedded in the possession and deployment of distinctive resources that are difficult to imitate (Mazzarol & Choo, 2003). RBV proposes that firms achieve sustainable competitive advantage if they possess certain key resources and if they effectively deploy these resources in their chosen markets. O'cass *et al.*, (2004) argues that a firm's specific characteristics are capable of producing difficult to imitate core resources which determine the performance variation among competitors The resource-based view further stipulates the fundamental sources and drivers of firms' competitive advantage and superior performance is mainly associated with the attributes of their resources and capabilities which are rare, valuable, difficult to imitate and not substitutable. The resource-based view (RBV) of the firm proposes that firm performance depends on firm specific resources and capabilities. Lumpkin and Dess (2001) argue that complementarily, scarcity, low tradability, inimitability, limited substitutability, appropriatability, durability and the overlap with strategic industry factors constitute the key firm resources. Mazzarol and Choo (2003) argued that that intangible assets such as market orientation, knowledge management and organizational learning allow firms to develop abilities that enhance competitive advantage leading to enhanced market performance.

In this study, the resource based theory is used to explain the taxation tariffs in the county governments. As they start SMEs usually have limited resources in terms of finances, human capital and assets. For them to increase their resources and capability, they need to reinvest their profits in their businesses. However, high taxation tariffs would significantly reduce the business profits, which would subsequently reduce their profits and hence their resources.

**Human Capital Theory**

Human Capital theory was proposed by Theodore Schultz in 1960s. Schultz argues that both knowledge and skill are a form of capital, and that this capital is a product of deliberate organizational growth. The concept of human capital implies an investment in people through education and training (Bontis, Chong & Richardson, 2000). Schultz compares the acquisition of knowledge and skills to acquiring the means of production. The difference in earnings between people relates to the differences in access to education and health. Schultz argues that investment in education and training leads to an increase in human productivity, which in turn leads to a positive rate of return and hence of growth of businesses as well as achievement of organizational objectives. In this theory people are regarded as assets. The theory stresses that investments by organizations in people will generate worthwhile returns (Rochaa, 2014).

The theory is associated with the resource based view of strategy. The theory proposes that sustainable competitive advantage is attained when the firm as a human resource pool that cannot be imitated or substituted by its rival. For the employer investments in training and developing people is a means of attracting and retaining people. These returns are expected to be improvements in performance, productivity, flexibility and the capacity to innovate that should results from enlarging the skills base and increasing levels of knowledge and competence. Eniola and Entebang (2015) suggest that the general message in persuasive skills, knowledge and competences are key factors in determining whether organizations and firms will prosper.

Previous empirical research have emphasized that human capital is one of the key factor in explaining achievement of organizational objectives. In that highly educated staffs leverage their knowledge and the social contacts generated through the education system to acquire resources required to perform effectively (Rochaa, 2014). The specific human capital can be attained through precise trainings and previous experience. More focused entrepreneurial training can provide managers, owners and staff with specific knowledge, compared to a formal education.

**Pecking Order Theory**

The pecking order theory of capital structure hypothesizes that the primary determinant of firms financing decisions is the problem of information asymmetry about firm quality between firm insiders and outsiders. Aware of their informational disadvantage, external investors demand a lemons premium that raises the required rate of return on external capital relative to its full information level. Faced with this problem, firm managers acting in the interests of existing shareholders follow a pecking order of financing choices (Abhijit, 2013).

They rely first on internally generated capital, or internal equity, which is free of this problem; next, they issue debt for which the problem exists but is relatively small; finally, as a last resort, they issue external equity for which the problem is large. The pecking order theory has two important empirical implications (Fowler, 2006). First, it predicts that internal cash should be the primary source of funds for firms. Second, debt should be more common as an external financing choice than new equity, which should be used only after all other sources have been exhausted (Njoroge, 2012).

Mukherjee and Mahakud (2012) argue that an interesting discussion has been generated in recent studies designed to detect whether the tradeoff theory or the pecking order theory best describes the adoption of pecking order theory of corporations. Debt capacity is the ability to borrow. It deals to the amount of fund that a company can borrow. There is no set pattern to set the portion of debt in the capital structure. The choice of debt for the fund is the crucial issue in the corporate finance policy. There are different factors which company considers before taking any decision regarding its debt. Taxes are deductible expense therefore are favorable for the firms when tax rates are high companies move to debt to reduce the burden of taxes. Management styles either conservative or aggressive may also be a reason which can support company to determine its debt level (Abhijit, 2013).

Organizations do not have ability to borrow money as much as they want in some cases. Many factors are involved which stops them to borrow but the main factor is the growth of the company because if the company growth is on the track their debt level would be high and if the company growth level is not on track then their debt level would be low. This is consistent with the dynamic view of Pecking order theory. So generally it can be concluded that when company increase their debt level there should be positive impact on growth of the firm (Atiyet, 2012).

**Conceptual Framework**

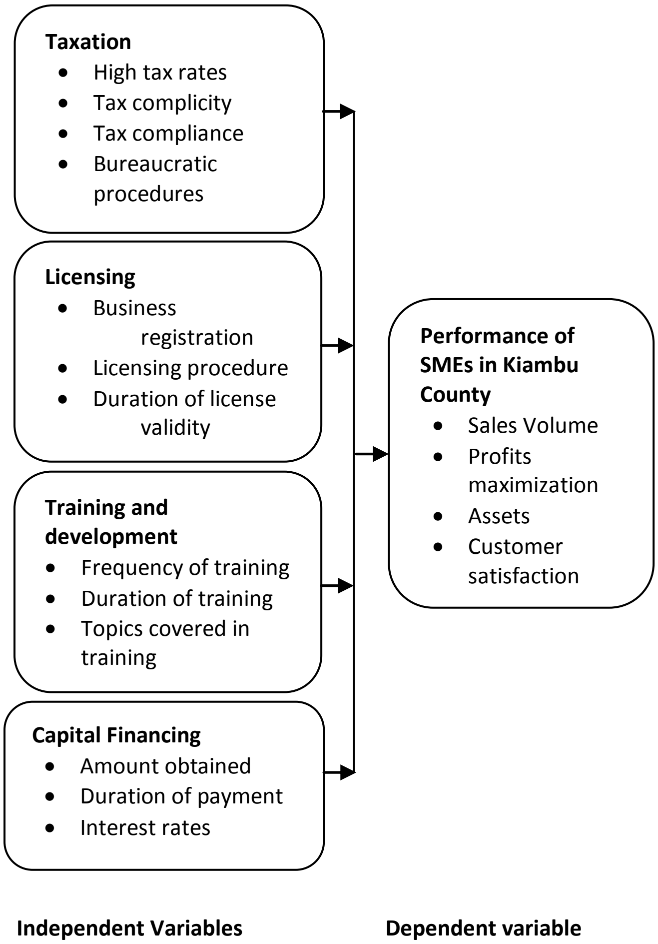


**Figure 1: Conceptual Framework**

## Empirical Review

### Taxation

The tax plays important role in the growth of Small and medium enterprises (MSEs). The role of MSEs is critical in pushing the socio-economic development agenda of the country further. Therefore, alignment of the tax system to the environment specific MSE growth needs can be considered an important agenda for the policy makers (Poutziouris *et al.*, 2009). For the purposes of protect and control the operation of SMEs in Tanzania, Government of Tanzania imposes several types of taxes which aim in protecting home/infant industries (protectionism) and ensure fair competition among SMEs. High tax rates and tax complicity discourage the growth of SMEs (Oludele & Emilie, 2012). This has the economic impact to the growth of the economy in the given country. From economic point of view, taxes increase production cost of goods and services which would eventually leads to higher price of goods/services to the final consumers. On the other hand, the revenue collected from taxes represents the major funding source for governmental expenditures (Baurer, 2005).

Tax systems play an important role in encouraging growth, investment and innovation and facilitating international trade and mobility. For SMEs key considerations are to minimize administrative burden while ensuring compliance, including considering the drivers and impacts of operating in the informal economy (Reijonen & Komppula, 2007). Bowen et al. (2009) indicated that taxes are perceived to be a major problem for both young and old firms. Therefore, taxation has showing a way towards impacting small and medium enterprises.

In Nigeria, Adebisi and Gbegi (2013) conducted a study on the effect of multiple taxation on the performance of small and medium scale business enterprises in West African Ceremics Ajeokuta, Kogi State. The study involved a survey research design with a population of 91. The researchers derived their sample size to arrive at 74 and a self-administered questionnaire was used to collect data. These data was quantitatively analyzed with simple percentages and tested the research hypothesis with ANOVA. The findings revealed that multiple taxation has negative effect on SMEs' performance and the relationship between SMEs' size and its ability to pay taxes is significant.

In addition, Ocheni (2015) conducted a study on the impact analysis of tax policy and the performance of small and medium scale enterprises in Nigerian

Economy. Descriptive survey research design was adopted and the population comprised of sixty eight (68) SMEs currently operating in Kogi State and Abuja. Descriptive statistics was used to analyze the data collected and to obtain the mean assessment for each scale item. The research hypotheses for this study were tested using z-test statistics to establish $p < 0.05$ significant differences. The analysis revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria. It was also revealed that there is no significant difference in the mean opinion scores of managers and accountants of the implications of tax policy on SMEs growth.

A study by Kristiansen (2010) covering tailors and furniture makers in Tanga Region/Province note that paying (corruption) to get out of tax and license duties is common in the Tanzanian system thus undermining government revenues. Taxes are considered to be very prohibitive and the general feeling among small entrepreneurs is that they see no benefits from their payment according to this study. A fairly recent study in Tanzania also reveals that the majority of companies studied complained about the multiplicity of taxes, duties and fees. According to this study, no less than 19 different compulsory contributions are paid to government institutions by firms. Overall, small-scale entrepreneurs saw no significant changes in the current tax policies and bureaucratic maze, as compared with the pre-reform period.

In Tanzania, Mungaya, Mbwambo and Tripathi (2012) conducted a study on tax system impact on the growth of Small and Medium Enterprises (SMEs) in Shinyanga Municipality. The study was based on the survey of 120 managers/ Executive officers of the selected SMEs in the Shinyanga Municipal region in Tanzania. The survey was administered using questionnaire and interview with the selected respondents. Data was analyzed by descriptive analysis method and findings were presented in terms of frequencies and percentage analysis. Findings indicate that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the Country.

**Licensing**

Regulatory constraints also pose serious challenges to MSEs development (Kauffmann, 2007) and although wide-ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm-level. Licensing and registration requirements, as well as high cost of settling legal claims, and excessive delays in court proceedings adversely affect MSEs operations (Wanjohi & Mugure, 2008).

Tolentino (2005) argue that a legal and regulatory framework which results into excessively complex registration and licensing requirements and demands tedious and costly reporting practices is likely to impose constraints on the business activities in addition to placing heavy burden on entrepreneurs and their businesses. In addition to stimulating the creation of new enterprises and fostering their viability and growth, an environment that is supportive to MSEs is likely to contribute to the effectiveness and sustainability of support programs. A conducive and enabling policy and regulatory environment are therefore crucial to the development of SMEs.

Nkya (2012), the business licensing process is another area most entrepreneurs consider to be bureaucratic. Generally centralization of licensing is considered to play a major part in bureaucratizing the whole process. The practice of renewing the business license according to interviewed entrepreneurs also increases the cost of MSEs remaining formal as it involves obtaining clearance from the same list of authorities that are involved in the initial process of granting the license. Apart from consuming entrepreneurs' time, this procedure encourages corrupt practices.

Despite the effects to consolidate the process of trade licensing and business registration, the entire legal and regulatory harmonization remains a nightmare. Examining laws, regulations and procedures were frustrated MSEs from competing on equal footing with more established business (Reijonen & Komppula, 2007). Little progress made in the areas of business registration of names, business regulation, labor laws and insecurity of tenure for SMEs. Laws and institutional procedures to protect rights and interest of local operators in the SMEs do not exist. Compliance costs relate to the time and money involved in learning about and meeting government regulations and the cost of receiving informal penalty costs from things like favors requested by government officials.

Rankhumise and Rugimbana (2010) in their study of licensing practices for small-scale firms has shown that the law does not discriminate against those small firms which are unable to meet set standards prescribed by the colonial government to discriminate against small businesses. Further, business licenses are too costly and most of the business codes prescribed cannot be attained by small businesses. This point was further emphasized by Harper when he noted that, the restrictions that apply to large scale businesses were also applied to small businesses and tended to hamper the small ones (Nichter & Goldmark, 2009).

Kimuyu and Omiti (2010), in their study on the causes of business failure in Machakos District found the licensing of businesses to be defective because it allowed the wholesalers a retailer's license. This do not only permit competition between these two but also creates undue advantage because the wholesalers can engage in hoarding practices in order to sell at a premium to retailers or refuse to sell their fast moving goods. On the other hand taxation policies pursued by the government are also to blame for poor performance especially because of profit margin reduction. They complain that the industrialist is paying about 30 different taxes and wants the government to waive some of them.

Kasiewicz and Kurkliński (2014) conducted a study on problems of regulations for SME in Poland. The study was based on a theoretical review of the available reports, surveys, publications and practical experience of authors. It recognizes the necessity for a radical restructuring the process of creating new regulations. The key conclusion indicates the need to change the approach to legislation procedure by the SME sector itself. The study found that companies must exit current "dormant perception" about regulations. Without the active attitudes of the main recipients of the regulations it is impossible to increase the quality of law- -making in Poland. The present mechanism determining the regulatory process keeps insufficient system, thereby producing defective legislation, not following the changes in highly competitive markets and hampering the process of the development of companies and the Polish economy. Potential initiatives to achieve a breakthrough of existing barriers for better regulations are presented.

Oludele (2014) conducted a study on regulation, SMEs' growth and performance in Cameroon's Central and Littoral provinces' manufacturing and retail sectors. The study established that trade regulation and company law have a negative impact on small and medium-size businesses, being more pronounced on the trading volumes of younger enterprises. Corruption in general, paying bribes to tax regulators, age of business owner and business location in the Littoral province impact negatively on trading volumes. Total registration cost impacts negatively on business trading volumes which then impacts on business performance and growth.

Bouazza, Ardjouman and Abada (2015) conducted a study on establishing the factors affecting the growth of small and medium-sized enterprises in Algeria. The study revealed that the external factors hampering the growth of SMEs include the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprise entrepreneurial characteristics, management capacities, marketing skills, and technological capacities.

**Training**

The importance of entrepreneurial training as one of the key ingredients for MSME growth has been recognized worldwide. Several studies have pointed that training contributes positively in the growth and performance of enterprises. For instance, Child and Lu (2012) established that training has significant impact on participant characteristics and final participant outcomes. As a result of training, enterprise operators can obtain better management techniques, expand their entities, adopt new technology and build more business linkages.

According to Cheung (2008), small business owners often lack experience and training in management of their businesses. Previous study by Wawire and Nafukho (2010) show that poor management is the second most cause of MSEs' failure after lack of enough funds. This is despite the fact that management has been established to be a very important aspect that affects the success of any given enterprise. Despite the numerous institutions providing training and advisory services, there is still a skills gap in the MSE sector as a whole (Kayanula & Quartey, 2000). This is because entrepreneurs cannot afford the high cost of training and advisory services while others do not see the need to upgrade their skills due to complacency (King & McGrath, 2002). As a result, they cannot meet the future needs of society.

Ahmad (2009) adds that factors that hamper MSEs growth include a lack of abilities and skills. Ihua (2009) reports that one of the serious constraints on small business growth is lack of management skills, which results in the poor management actions taken by small business owners (Wawire & Nafukho, 2010). Literature makes it clear that 54 per cent of those who manage the MSEs had no training at all, while 38 per cent had some limited project management knowledge (Wawire & Nafukho, 2010). The literature is confirmed by findings of Mbonyane and Ladzani (2011) that almost no training was provided for MSE staff.

Wawire and Nafukho (2010) found that most group MSEs are managed through committee members. About 52.3% of the youth group MSEs' managers are in 18-24 years age bracket thus contradicting the findings by Bowen et al (2009) that most Small and medium enterprises are owned and mainly run by people in their late 20s and early 30s. On the other hand, 57.3% of members of the management team have a maximum of primary level education. This finding is in agreement with an earlier finding by M'Mthiaru (2008) that most (74.6%) of the MSEs are run by individuals who had a maximum of primary level education. More so, over two-thirds (68.7%) of the management teams do not have trainings on business related fields thus agreeing with an earlier finding by M'Mithiaru (2008) and Kayanula and Quartey (2000) that majority of the MSEs managers did not have business related training.

Yahya, Othman and Shamsuri (2012) conducted a study on the impact of training on Small and Medium Enterprises (SMEs) performance. The methods used are descriptive analysis, Pearson correlation, stepwise regression procedures and t-test. The data for the study were collected through mail questionnaires sent out to selected SMEs. Of the total number 500 questionnaires mailed to SMEs in Malaysia, 27.6 percent responded and completed the questionnaires. The empirical information resulted from analyzing the data obtained from the SMEs, suggests that manager's, enterprises and external characteristics affect the demand for training. It was also found that training has a positive impact on SMEs performance (profits, revenues and size).

Macharia (2013) conducted a study on the effects of training on the performance of small and medium enterprises SMEs in Mt. Kenya region. The study used various methods to collect primary and secondary data. Structured and unstructured questionnaires were used to collect primary data. The target population was 500 enterprises operating in Nyeri and Embu Districts. The research was focused on 100 employees (owners or managers) who formed the sample size. The results revealed that lack of training affects the performance of the small and medium size business enterprises. Training is essential for the smooth operations and running of these enterprises and without training no enterprise will prosper.

Njoroge and Gathungu (2013) conducted a study on the effect of entrepreneurial education and training on development of small and medium size enterprises in Githunguri District- Kenya. The study used an exploratory research design. The target population was all the 1670 legally registered SMEs in Githunguri district. The study used simple random sampling in which 167 SMEs were sampled. Data was collected using structured questionnaire. The study established that after the training entrepreneurs were able to market their products within the district but not around the country. The results of the study revealed that the entrepreneurs were able to do simple daily book keeping of business transactions but were not able to do complex financial statements. This leads to the conclusion that even though the entrepreneur may be reporting an increase in sales and profits, and may seem to be registering growth, lack of training on financial, strategic management and marketing will mean that the SME will not grow beyond the first stage of enterprise development to other stages and will hence eventually fail within its first five years of existence.

**Capital Financing**

Financial constraint remains a major challenge facing SMEs in Kenya (Wanjohi & Mugure, 2008). Finding start-up finance for the business is the biggest hurdle that many entrepreneurs go through. Even after getting started, getting sufficient finance to sustain business growth is another problem. Studies undertaken by Kimuyu and Omiti (2010) for Kenya Rural Enterprise Programme (K-Rep) confirm that a major constraint within the small business enterprise sector is financing.

Gibb and Li (2003) point to finance as one of the key constraints to small enterprise growth. This is worsened by the absence of financial markets in the developing countries. Small enterprise owners cannot easily access finance to expand business and they are usually faced with problems of collateral, feasibility studies and the unexplained bank charges. This means that they cannot access finance to enable them to grow. Gibb and Li (2003), makes a detailed analysis of finance as a constraining factor and includes collateral, interest rates, extra bank charges, inability to evaluate financial proposals and lack of financial management skills as hindrances to small enterprise growth. Under developed financial markets impose additional constraints. There are no financial instruments and no independent financial sources that are market driven.

In South Africa, Acs and Karlsson (2009) found finance as cited as one of the most prominent constraints. The problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs. Access to finance is essential for improving SME competitiveness, as SMEs have to invest in new technologies, skills and innovation. Access to finance issues cannot be resolved by implementing financing schemes or programs in a vacuum. There are institutional issues covering a spectrum from the macro level to the micro level, which are accompanied by capacity deficiencies (Pissarides, 2011).

Smolarski and Kut (2011) conducted a study on the impact of venture capital financing method on SME performance. The study examined how equity based-venture funding methods affect SME performance. Venture capital financing was divided into several categories: incremental financing where firms receive their venture capital funding in portions, lump-sum funding where firms receive their funding in one lump-sum, syndication where two or more external investors participate in a single financing round and non-syndicated financing where one investor participates in a single financing round. The results show that type of equity-based venture capital financing affect performance. Annual sales growth rate and annual turnover were used as proxies for performance.

Ahiawodzi and Adade (2014) conducted a study on access to Credit and growth of small and medium scale enterprises in the Ho Municipality of Ghana. The survey involved a sample of 78 SMEs in the manufacturing sector from the Ho Municipality. The specified econometric model has firm growth as the dependent variable, and the independent variables include access to credit. Both survey and econometric results show that access to credit exerts a significant positive effect on growth of SMEs in the Ho-Municipality of Ghana.

**Performance of SMES**

Wawire and Nafukho (2010) explain the methods to address the performance and various approaches implemented by scholars and academicians in order to measure the performance aspect of an organization. Tolentino (2005) argues that various aspects that are considered while measuring the performance of SMEs are sales, employees, assets, profits, equity and others. There is a time variation in the literatures that analyzes the performance aspect of an organization. The time variation is determined to be varying from one to several years (Shariff, Chea & Juhary, 2013).

Measurable characteristics like changes in turnover, change in productivity, and change in employment, change in sales, profit and total assets are different ways of measuring firm performance. Rochaa (2014) noted that when compared to sales, employment is considered to be effective in terms of reliability and volatility as owners-managers make sure that the demand has expanded to certain level before personnel are recruited. When compared to financial data, reliable information with respect to the employment performance is easy to access and collect. Peres and Stumpo (2010) conducted 50 case studies on small businesses units of Asia, Africa, Europe, and America by means of various measures of performance. The study revealed the distribution of performance measures were employment growth, sales growth, profitability growth, income growth and assets growth (Reijonen & Komppula, 2007).

Chong (2008) conducted a study on measuring performance of small-and-medium sized enterprises. Using the procedures stipulated by the grounded theory, this study reported the findings of in-depth semi-structured interviews with five owners-managers of small and medium sized enterprises (SMEs) on how performance is being measured. The findings reveal that the owners-managers use a hybrid approach combining both the financial and non-financial measures to evaluate performance against the predetermined goals and time. In line with the goal approach, the owners-managers focus their evaluation process on abilities to attain the internally generated goals and targets. The owners managers of these SMEs use a hybrid approach on measuring performance due to their concerns on ensuring meeting the financial results as well non-financial returns. Financial measures include profits and turnover while non-financial measures are the long-term growth and survivals of the organizations.

## RESEARCH METHODOLOGY

### Research Design

This study employed a descriptive research design.

### Target Population

Target population in statistics is the specific population from which information is desired. The target population under the study was all the registered SMEs in Kiambu County. Of the registered SMEs in Kiambu County an estimated 2751 registered SMEs have between 5 and 50 employees and are located in Kiambu County (Kiambu County, 2014). The SMEs employing 5-50 persons were chosen for the study. These respondents were the owners or senior managers (employees) of the SMEs. The target population of this study was therefore 1,743 SMEs in Kiambu County.

### Data Collection Instrument

This study made use of primary data. Primary data according to Cooper and Schindler (2006) is the data collected a fresh for the first time.

### Data Collection Procedures

Prior to the commencement of data collection, the researcher will obtain all the necessary documents, including an introduction letter from the University and a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). The study exercised control and care to make sure that all questionnaires issued to the respondents were received and to attain this, the researcher preserved a register of questionnaires, which were sent, and which were received.

## DATA ANALYSIS AND INTERPRETATION

This chapter presents analyses and interpretations of the research findings in line with the study objectives.

### Response rate

The sample size of this study was owner managers and senior managers (employees) who were working from various categories stationary, clothing and textile, kiosks and general shops, professional services, electronics and mobile phones, textiles and clothing, health and beauty, hotels, restaurants, clubs, tours and travel as well as utensils and home appliances in all the registered SMEs in Kiambu County. The researcher distributed the questionnaires to all the 174 anticipated respondents of the study, out of which 173 responses were acquired. This represents a 99.42% response rate.

### Gender of the Respondents

The respondents were asked to indicate their gender. From the findings, 50.3% of the respondents indicated that they were male while 49.7% indicated that they were female.

**Age Bracket of the Respondents**

The respondents were also asked to indicate their age bracket. From the findings, 44.5% of the respondents indicated that they were aged between 36 and 45 years, 34.15 indicated between 26 and 36 years, 11% indicated between 46 and 55 years, 7.5% indicated between 18 and 25 years while 2.9% indicated above 56 years. These findings clearly show that most of the SME owners in Kiambu County were aged between 36 and 45 years. These findings disagree with Bowen et al (2009) findings that most small and medium enterprises are owned and mainly run by people in their late 20s and early 30s.

**Highest Level of Education**

The respondents were further asked to indicate their highest level of education. According to the findings, 36.42% of the respondents reported that they had diploma as their highest level of education, 30.06% indicated that they had first degrees, 12.14% indicated that they had masters degrees, 13.29% indicated that they had KCSE certificates, 6.36% indicated that they had KCPE certificates and 1.735 indicated that they had Phds'. These findings show that most of the respondents had diplomas as their highest level of education.

**Duration of time in the Business**

The respondents were asked to indicate for how long their businesses had been in operation. From the findings, 39.9% of the respondents indicated that their businesses had been in operation for between 5 and 8 years, 34.1% indicated that their businesses had been in operation for between 2 and years, 12.7% indicated that their businesses had been in operation for between 8 and 10 years, 6.9% indicated that their businesses had been in operation for more than 10 years and 6.4% indicated that their businesses had been in operation for less than 2 years. These findings show that most of the SMEs in Kiambu County have in operation for between 5 and 8 years. These findings are contrary to Sharu and Guyo (2015) argument that small and medium enterprises have a very low survival rate, with serious challenges leading to 60 percent failures in performance within the first three years of operation.

**Respondents Current Position in the Business**

The respondents were also asked to indicate their current positions in the SMEs. According to the findings, 85% of the respondents indicated that they were the owners of the SMEs, 5.8% were co-owners, 4.6% were partners, 3.5% were mangers and 1.2% were excecutives in the SMEs. This shows that most of the respondents in this study were the owners of the SMEs.

**Effect of Taxation on the Performance of SME's**

The first objective of this study was to establish the influence of taxation on the performance of Small and medium enterprises in Kenya.

**Awareness on Tax Payment**

The respondents were asked to indicate whether they were aware that they were supposed to pay tax for their business. From the findings, 87.9% of the respondents reported that they were aware that they were supposed to pay tax for their businesses while 12.1% indicated that they were no aware. This shows that most of the SME owners in Kiambu County were aware that they were that they were supposed to pay tax for their business.

**Payment of Tax in the Last One year**

From the respondents who indicated that they were aware that they were supposed to pay tax for their businesses, the study also sought to find out whether they had paid tax in the last one year. According to the findings, 78.6% of the respondents who indicated that they were aware that they were supposed to pay tax for their businesses also indicated that they had paid tax for their businesses in the last one year while 21.4% disagreed. This shows that most of the SME owners who were aware that they were supposed to pay tax for their businesses had done so in the last one year.

**Aspects of Taxation and the performance SMEs**

The respondents were asked to indicate the extent to which various aspects of taxation in Kiambu County influence the performance of their businesses. From the findings, the respondents indicated with a mean of 4.092 and a standard deviation of 0.808 that high tax rates influence the performance of their businesses to a great extent. These findings agree with Adebisi and Gbegi (2013) findings that high taxation rates negatively influence the performance of small and medium scale business enterprises in West African Ceremics Ajeokuta, Kogi State.

**Effect of Taxation on the Performance of SMEs**

The respondents were asked to indicate the effect of taxation on the performance of SMEs on Kiambu County. From the findings, the respondents indicated that taxation lowers the business profits. The respondents also indicated that the businesses are weakened due to the increase in tax rates hence less growth of the business. These findings are in line with Kristiansen (2010) argument that taxes are considered to be very prohibitive and the general feeling among small entrepreneurs is that they see no benefits from their payment. The respondents indicated that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. The respondents further indicated that small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises.

**Effect of a Licensing on the Performance of SME's**

The second objective of the study was to examine the effect of licensing on the performance of Small and medium enterprises in Kenya.

The respondents were asked to indicate the extent to which business licensing in Kiambu County affects the performance of SMEs. From the findings, 42.8% of the respondents reported that business licensing in Kiambu County affects the performance of SMEs to a great extent, 36.4% indicated to a moderate extent, 19.7% indicated to a very great extent and 1.2% indicated to a low extent. From these finding we can deduce that business licensing in Kiambu County affects the performance of SMEs to a great extent. These finding agree with Kauffmann (2007) findings that business licensing pose serious challenges to SMEs performance.

**Business Licenses**

The respondents were asked to indicated whether they had licenses in their businesses. Accordng to the findings, 78% of the respondents indicated that they had licenses in their businesses while 22% indicated that they did not. This shows that most of the SMEs in Kiambu County had businesses licenses. These licenses include single business permits, fire permits, medical and practitioners permits as well as food and beverage licenses. According to Wanjohi and Mugure (2008), licensing and registration requirements, as well as high cost of settling legal claims, and excessive delays in court proceedings adversely affect SMEs operations.

The respondents were requested to indicate the extent to which various aspects of business licensing in Kiambu County influence the performance of their businesses. From the findings, the respondents indicated with a mean of 4.335 and a standard deviation of 0.709 that licensing requirements influence the performance of SMEs in Kiambu County to a great extent.

**Effect of Training on the Performance of SME's**

The third objective of the study was to identify the effect of training on the performance of Small and medium enterprises in Kenya. The respondents were asked to indicate whether they had attended training funded by the County government. According to the findings, 76.9% of the respondents indicated that they had not attended training funded by the County government of Kiambu while 23.1% indicated that they had. This shows that most of the SME owners had not attended training funded by the County government of Kiambu. The respondents were requested to indicate the extent to which training provided by County government influences SMEs performance. From the findings, 58.4% of the respondents indicated that training provided by County government influences SMEs performance to a great extent, 22.5% indicated to a very great extent, 13.3% indicated to a moderate extent and 5.8% indicated to a low extent. These finding show that training provided by County government influences SMEs performance to a great extent. The respondents were further asked to indicate the extent to which various aspects of training in Kiambu County influence the performance of their business. According to the findings, the respondents indicated with a mean of 4.092 and a standard deviation of 0.612 topics covered in training influences SMEs performance to a great extent. These findings are in line with Wawire and Nafukho (2010) argument that topics covered in training has a positive impact on SMEs performance (profits, revenues and size). The respondents were requested to indicate the effect of training on the performance of SMEs on Kiambu County. They indicated that people are taught on different business environment hence one is able to understand his business better. The respondents also indicated that training in business management leads to better business performance.

**Effect of a Capital Financing on the Performance of SME's**

The fourth objective of the study was to determine the effect of capital financing on the performance of Small and medium enterprises in Kenya. The respondents were asked to indicate whether they were aware of that the county government offers loans to SMEs. According to the findings, more than half of the respondents (54.7%) indicated that they were not aware that the county government offers loans to SMEs. However, 45.3% indicated that they were aware. From these findings we can deduce that most of the SME owners in Kiambu County were not aware that the county government offers loans to SMEs. These findings agree with Kimuyu and Omiti (2010) findings most entrepreneurs are not aware of where they can get finances to boost their businesses and hence most of the times depend on business profits. From the respondents who indicated that they were aware that the county government offers loans to SMEs, the study also sought to establish whether they had tried to apply for the loan. According to the findings, 67.9% of the respondents reported that they had not tried to apply for the loan while 32.1% indicated that they had t tried to apply for the loan. These finding clearly show that most of the SME owners in Kiambu County who were aware that county government offers loans to SMEs had not tried to apply for the loans. The respondents were asked to indicate whether they had received funding from the government. According to the findings, 80.3% of the respondents who had applied for the funds from the County government of Kiambu did not get the funds, but 19.7% got it. This shows that most of the SME owners who apply for the funds from the county government do not get it. The respondents were requested to indicate the extent to which capital financing influences the performance small and medium enterprises. According to the findings, 56.1% of the respondents indicated that capital financing influences the performance small and medium enterprises to a great extent, 27.7% indicated to a moderate extent, 13.3% indicated to a very great extent, 2.3% indicated to a low extent and 0.6% indicated to no extent at all. From these findings we can deduce that capital financing influences the performance small and medium enterprises to a great extent. These findings agree with Kimuyu and Omiti (2010) access of capital financing influences the performance of SMEs significantly. The respondents were asked to indicate the extent to which various aspects of capital financing in Kiambu County influence the performance of their business. From the findings, the respondents indicated with a mean of 4.063 and a standard deviation of 0.748 that financing procedure in the County government of Kiambu influences the performance of small and medium enterprises to a great extent. These findings agree with Ahiawodzi and Adade (2014) argument that financing procedures involved have a significant influence on the entrepreneurs willingness to obtain financing.

**Performance of SMEs**

The respondents were asked to rate the performance of their SMEs. From the findings, 80.3% of the respondents rated their business performance as good, 9.8% rated it as moderate ad the same percent rated it was excellent. From these findings we can deduce that the performance of most of the SMEs in Kiambu County government was good. The respondents were also asked to rate various measures of performance of small and medium enterprises in their businesses. From the findings, the respondents rate their business customer satisfaction as good. However, the respondents rated net assets in their businesses a moderate. Lastly, the respondents rated number of employees in their businesses as moderate. The findings agree with Gichuke (2013), who rated number of employees, sales volume, profit maximization and customer satisfaction in SMEs in Kenya as good.

**Inferential Statistics**

This study used both correlation analysis and multivariate regression analysis to evaluate the relationship between the independent variables (taxation, licensing, training and capital financing) and the dependent variable which was performance of Small and medium enterprises in Kenya.

**Correlation Analysis**

A correlation is a number between -1 and +1 that measures the degree of association between two variables. A positive value for the correlation implies a positive. A negative value for the correlation implies a negative or inverse association.

**Table 1: Correlation Coefficients**

| | | Performance of SME's | Taxation | Licensing | Training | Capital financing |
|---|---|---|---|---|---|---|
| Performance of SME's | Pearson Correlation | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| | N | 173 | | | | |
| Taxation | Pearson Correlation | .-287 | 1 | | | |
| | Sig. (2-tailed) | .000 | | | | |
| | N | 173 | 173 | | | |
| Licensing | Pearson Correlation | -.311 | 0.434 | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | | | |
| | N | 173 | 173 | 173 | | |
| Training | Pearson Correlation | 0.422 | 0.597 | 0.383 | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | | |
| | N | 173 | 173 | 173 | 173 | |
| Capital financing | Pearson Correlation | 0.389 | 0.578 | 0.328 | 0.732 | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | |
| | N | 173 | 173 | 173 | 173 | 173 |

From the correlation analysis, the study found that there is an inverse relationship between the taxation and performance of SME's, where the correlation coefficient was 0.287 and a p-value of 0.000. The study also found that business licensing and performance of SME's correlate inversely with correlation coefficients of 0.311 and p-value of 0.000. The study further established that there is a positive relationship between training and performance of SME's with a correlation coefficient of 0.422 and p-value of 0.000. Additionally, the study found that there is a positive relationship between capital financing and performance of SME's with a correlation coefficient of 0.389 and a p-value of 0.000.

**Regression Analysis**

Regression analysis was used in this study to evaluate the strength of the relationship between the dependent and the independent variables.

The regression equation was;

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Whereby Y = Performance of SMEs in Kiambu County, $X_1$= Taxation, $X_2$=Licensing, $X_3$=Training, $X_4$=Capital Financing, ε = Error Term, $B_0$ = Constant Term and $B_1$, $B_2$, $B_3$ $B_4$ = Beta Co-efficient.

**Table 2: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.862 | .743 | .735 | .34511 |

The R-Squared shows the proportion in the dependent variable that can be explained by the independent variables. In this study the R-squared was 0.743, which shows that the nine independent variables (taxation, licensing, training and capital financing) explain most of the dependent variable (performance of Small and medium enterprises in Kenya) at 74.3%. This shows that the other factors not considered in this study explain the least of the dependent variable (performance of Small and medium enterprises in Kenya) at 25.7%.

**Table 3 Analysis of Variance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 6.450 | 4 | 1.613 | 13.540 | .000[b] |
| | Residual | 20.009 | 168 | .119 | | |
| | Total | 26.459 | 172 | | | |

The analysis of variance in this study was used to determine whether the regression model is a good fit for the data. The results show that the model was significant since the p-value is 0.000 which is less than 0.05 thus the model is statistically significance in predicting the influence of the nine independent variables on the dependent variable. Further, the F-calculated (13.540) was more than the F-critical (2.4472) which shows that the models was fit in predicting the influence of the four independent variables on the dependent variable.

**Table 4: Regression Coefficients**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 1.286 | .208 | | 15.818 | .000 |
| Taxation | -.228 | .053 | -.198 | -4.302 | .000 |
| Licensing | -.321 | .066 | -.301 | -4.864 | .000 |
| Training | .425 | .057 | .398 | 7.497 | .000 |
| Capital financing | .339 | .057 | .311 | 5.912 | .000 |

The constant term ($B_0$) shows that, when the nine independent variables are held constant, the performance of Small and medium enterprises in Kenya will be 1.286. The findings show that taxation inversely and significantly influences the performance of Small and medium enterprises in Kenya (β=0.228, p-value=0.000). This shows that a unit increase in taxation will lead to a 0.228 decrease in the performance of Small and medium enterprises in Kenya. Since the p-value (0.000) is less than the significance level (0.05), there is an inverse relationship between taxation and the performance of Small and medium enterprises in Kenya

The findings also show that licensing inversely and significantly performance of Small and medium enterprises in Kenya (β=0.321, p-value=0.000). This shows that a unit increase in business licensing will lead to a 0.321 decrease in the performance of Small and medium enterprises in Kenya. Since the p-value (0.000) is less than the significance level (0.05), we can infer that there is an inverse relationship between licensing and the performance of Small and medium enterprises in Kenya.

The findings further show that training influences performance of Small and medium enterprises in Kenya positively and significantly (β=0.425, p-value=0.000). This implies that a unit increase in training would lead to a 0.425 increase in the performance of Small and medium enterprises in Kenya. The relationship is significant as the p-value (0.000) is less than the significance level (0.05), we can therefore deduce that there is a positive significant relationship between training and the performance of Small and medium enterprises in Kenya.

According to the findings, there is a positive relationship between capital financing and the performance of Small and medium enterprises in Kenya (β=0.339, p-value=0.000). This shows that a unit increase in capital financing would lead to a 0339 increase in the performance of Small and medium enterprises in Kenya. Since the p-value (0.000) is less than significance level (0.000) we can therefore infer that there is a positive relationship between capital financing and the performance of Small and medium enterprises in Kenya.

## SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of the findings, conclusions and recommendations for practice and further research on the problem.

### Summary of the Findings

### Effect of a Taxation on the Performance of SME's

The first objective of this study was to establish the influence of taxation on the performance of Small and medium enterprises in Kenya. The study found that most of the SME owners in Kiambu County were aware that they were that they were supposed to pay tax for their business. The study also found that most of the SME owners who were aware that they were supposed to pay tax for their businesses had done so in the last one year. The study also established that high tax rates influence the performance of their businesses to a great extent. In addition, the study revealed that tax complicity influences the performance of their businesses to a great extent. The study found that tax compliance influences the performance of their businesses to a great extent. In addition, the study revealed that bureaucratic tax payment procedures influence the performance of their businesses to a great extent.

The study revealed that taxation lowers the business profits. The respondents also indicated that the businesses are weakened due to the increase in tax rates hence less growth of the business. The study also revealed that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. The study established small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises.

### Effect of a Licensing on the Performance of SME's

The second objective of the study was to examine the effect of licensing on the performance of Small and medium enterprises in Kenya. The study found that business licensing in Kiambu County affects the performance of SMEs to a great extent. The study also found that most of the SMEs in Kiambu County had businesses licenses that include single business permits, fire permits, medical and practitioners permits as well as food and beverage licenses. The study established that licensing requirements influence the performance of SMEs in Kiambu

County to a great extent. The study also established that licensing procedure influences the performance of SMEs in Kiambu County to a great extent. Also, the study established that business registration influences the performance of SMEs in Kiambu County to a great extent.

**Effect of Training on the Performance of SME's**

The third objective of the study was to identify the effect of training on the performance of Small and medium enterprises in Kenya. The study revealed that most of the SME owners had not attended training funded by the County government of Kiambu. The study also found that training provided by County government influences SMEs performance to a great extent. The study revealed that topics covered in training influences SMEs performance to a great extent. The study also revealed that financing of training as well as training institution influence SMEs performance to a great extent. Further, the study found that duration of training and frequency of training influence SMEs performance to a great extent.

The study found that in business trainings people are taught on different business environment hence one is able to understand his business better. The study also found that training in business management leads to better business performance. The also revealed that training enhances employee skills, as well as general management training. In addition, training helps SME owners to cope with the latest accounting systems, information technology, management concepts and production techniques.

**Effect of a Capital Financing on the Performance of SME's**

The fourth objective of the study was to determine the effect of capital financing on the performance of Small and medium enterprises in Kenya. The study found that most of the SME owners in Kiambu County were not aware that the county government offers loans to SMEs. The study also found that most of the SME owners in Kiambu County who were aware that county government offers loans to SMEs had not tried to apply for the loans. The study revealed that most of the SME owners who apply for the funds from the county government do not get it. The study also found that capital financing influences the performance small and medium enterprises to a great extent.

The study revealed that financial procedure in the County government of Kiambu influences the performance of small and medium enterprises to a great extent. In addition, the study found that financing requirements for capital financing influence the performance of small and medium enterprises to a great extent. Further, the study found that the amount obtained influences the performance of small and medium enterprises to a great extent. Also, the study established that duration of payment influences the performance of small and medium enterprises to a great extent. The study established that interest rates in the County government capita financing influences the performance of small and medium enterprises to a great extent.

**Conclusion**

The study concludes that taxation inversely and significantly influences the performance of Small and medium enterprises in Kenya. The study found that most of the SME owners in Kiambu County were aware that they were that they were supposed to pay tax for their business. However, the study revealed that high tax rates, tax complicity, tax compliance and bureaucratic tax payment procedures influence the performance of their businesses to a great extent.

The study also concludes that business licensing inversely and significantly performance of Small and medium enterprises in Kenya. The study found that most of the SMEs in Kiambu County had businesses licenses that include single business permits, fire permits, medical and practitioners permits as well as food and beverage licenses. The study found that licensing requirements, licensing procedure and business registration influences the performance of SMEs in Kiambu County to a great extent.

Further, the study concludes that training influences performance of Small and medium enterprises in Kenya positively and significantly. The study established that most of the SME owners had not attended training funded by the County government of Kiambu. The study sloa found that topics covered in training, financing of training, training institution, duration of training and frequency of training influence SMEs performance to a great extent.

Lastly, the study concludes that there is a positive relationship between capital financing and the performance of Small and medium enterprises in Kenya. The study revealed that most of the SME owners in Kiambu County were not aware that the county government offers loans to SMEs. The study also found that financing procedures, financing requirements for capital financing, amount obtained, duration of payment and interest rates influence the performance of small and medium enterprises to a great extent.

**Recommendations**

The study found that multiple taxation as well as bureaucratic tax payment procedures influences SMEs performance negatively. This study therefore recommends that the County government of Kiambu should develop a system for tax payment so as to enhance efficiency in tax collection and payment.

The study also found that licensing procedures and licensing requirements had a negative influence on SMEs' performance. The study therefore recommends that the County government of Kiambu should streamline the licensing procedure and reduce the licensing requirements.

The study found that most of the SME owners had not attended training funded by the County government of Kiambu as a result of lack of awareness. The study therefore recommends that the County government of Kiambu should increase awareness on the training program for SME owners.

The study also found that most of the SME owners in Kiambu County were not aware that the county government offers loans to SMEs. The county government of Kiambu should make SME owners in the County aware that the County government offers loans to SMEs.

**Suggestions for further studies**

This study was limited to the County government of Kiambu and hence its findings cannot be generalized to other counties in Kenya. The study therefore suggests similar studies to be conducted in other counties in Kenya. The study also found that the four independent variables covered in this study were only explaining 74.3% of the performance of Small and medium enterprises in Kiambu County. The study therefore recommends a study to outline other factors influencing the performance of Small and medium enterprises in Kiambu County.

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