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FACTORS AFFECTING GROWTH OF SMEs IN MOTOR VEHICLE MECHANICS INDUSTRY IN KIAMBU COUNTY

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ABSTRACT

The role played by small and medium size enterprises has been recognized in the world over due to their ability to create employment at low cost, contribute to Gross Domestic Product, alleviation of poverty, equitable distribution of income, utilization and conservation of local resources, earning and conserving foreign exchange, provision of goods and services at reasonable cost .However, despite their immense contribution to the economies they are faced with a myriad of challenges including; access to finances and technological growth.

The specific objectives of the study were to find out how access to finance and technological use affect growth of the SMEs with particular reference to the Motor Vehicle Mechanics in Kiambu County.

The target population was 156 garages under five operations and a sample of 47 garages was selected from different categories of garages according to service rendered using stratified random sampling. Data was collected using questionnaires and interviews. For the main purpose of this research, the study collected primary data and compared it with the available secondary data for the literature review. Descriptive statistics were used mainly to summarize the data. This included percentages and frequencies. The study concluded that human resource development affected the performance of the business to a great extent. Access to finance affected performance of SMEs to a great extent as it limited the entrepreneurs' ability to take advantage of opportunity when they arose. Technology affected the businesses to a very great extent by facilitating communication with both the supplier and customers. The study recommends the Government of Kenya works out on how to finance SMEs and technology be included in aspects of the business.

Key Words*: Access to Finance, Technology, SMEs, Motor Vehicle Mechanics*

INTRODUCTION

SMEs in many countries become more efficient through the help of policies and incentives exercised in ones country. This in turn assists them to become more competitive as they seek growth outside their comfort zones.

The Japanese are commonly known to have initiated the process of promoting the SMEs earlier, their high technology absorption skills has pushed them up in the value chain, which is one of the targets of these highly integrated players.

In this context therefore, most SMEs are realizing that growth and value creation may be achieved through embracing cost effective technology, increasing output and curving out market \niches (Biswafit and Debdeep, 2008).

For these reasons, in the motor vehicle parts, we find that some firms have curved niches through specializing in parts that are interchangeable across various vehicle makes. The Japanese automotive industry has traditionally been viewed as the leading competitor for the United States auto industry in most regions of the world (Okunet et. Al, 2010).

In 2001, Japanese automakers produced 8.1 million passenger cars and exported 44% of these vehicles (Oshikoya, 2013). According to the Kenya bureau of statistics, in the year 2011 saw a record 205,841cars registered by the Kenya revenue authority. Up to May 2012, a total of 64,598 motor vehicles were registered. This practically shows that Kenya thrives on second hand motor vehicles import from japan.

The role played by micro, small enterprises (MSE) in the global economy cannot be overemphasized. The enterprises form the backbone of global economy as they constitute 99% of all the enterprises in the world (Capital Markets Authority, 2010).

In Kenya, MSEs contribute over 80% of the country's employment and over 40% of the country's Gross Domestic Product (Strategic journal, 2012). The sector further contributes to the Kenyan economy by way taxes, utilization and conservation of local resources, earning and conserving foreign exchange, provision of goods and services among others.

Kenyans are going into SMEs, in search for better alternatives and higher incomes. As the economy continues to register, weak signs of growth and high levels of unemployment are experienced. With these reasons, the start of an SME enterprise will continue to be even more absorbing.

The motor vehicle industry in Kenya is essentially made up of all those firms that are engaged in the supply of motor vehicles, parts and accessories to the final consumer.

It also includes firms engaged in maintenance and repair of those vehicles (Bennet et. al, 2012). Up until early 1990s, Kenya had a growing vehicle assembly industry that supplied the country and the east Africa region. But with the liberalization of the motor industry, second hand imports flooded the market effectively killing the industrialization dream as far as vehicle assembly was concerned.

The prospects for markets in specific activities significantly affect the choice of the particular activity taken up. These signals the need to have supporting policies for the marketing of SME activities, including subcontracting, level playing in competition with imports, fairs to promote products. (Economic Baseline Survey, 2010).

A positive relationship has been documented between small-business development and economic growth in developed countries (Harris and Gibson, 2010). However, far less research has been conducted on this relationship in developing countries.

Studies in small-business development and performance are necessary in countries like Kenya because of the dissimilarities in the process between developed and developing countries (Arinaitwe, 2012).

It is also essential to understand the factors influencing small-business performance in African countries because they are significantly different from those facing developed countries.

SMEs and Motor vehicle Industry in Kenya

The term SME has a wide range of definitions varying from country to country and the classification may be based on the size of capital investment, the number of employees, the turnover, the management style, the annual sales, the location and market share (Kasekende, 2013).

The number of employees or turnover in SMEs tends to be smaller in developing countries compared to their counterparts in developed countries.

However, it is important to note that there is no standard definition of an SME in Kenya. Owners of small businesses recognize that being small offers special advantages. Greater flexibility and an uncomplicated company structure allow small businesses to reach more quickly to changing market forces. (Bwisa, 2016).

Innovative product ideas can be developed and brought to market more quickly using fewer financial resources and personnel that would be needed in a larger company. In addition, operating more efficiently keeps cost down, as well. Small companies can also serve specialized markets that may not be cost effective for large companies (Thuranira, 2014).

Another feature is the opportunity to prove a higher level of personal service, such attention often brings many customers back to small business (Mc Daniel and Gitman, 2011).Entrepreneurs are the ones who provide goods and services and employment for others which in turn leads to healthy and viable economic communities.

According to KRA, there was an increase on new registration of road motor vehicles from 85,324 vehicles in 2007 to 205,841 vehicles in 2011 most of which were saloon cars and station wagons.

However, from 2008 the biggest number of the road motor vehicles registered was motor and auto cycles which were mostly due to their increased use as an alternative means of transport especially in the rural areas (KNBS 2012).

In addition to the existing motor vehicles, all these newly registered motor vehicles require regular service, repairs and maintenance.

Apart from a few mostly those who own new vehicles who take their vehicles for service and repairs to various car dealers like DT Dobie Ltd, Toyota Kenya, Cooper Motor Corporation and Simba Colt Motors.

Most vehicle owners rely on either the more developed garages in Industrial area, Nairobi or the numerous Jua Kali garages like those in Kiambu County. Moreover, most of the imported vehicles are second-hand and the owners mostly prefer Jua Kali garages which are flexible and offer personalized service.

Motor Sector has undergone major transformations since the advent of Structural Adjustment Programmes (SAPs) in the 1990s that advocated for liberalization, which replaced policies pursued earlier on, such as Import Substitution (Mwangi, 2012)

The sudden opening up of the Kenyan economy caught some players in the Motor Sector unprepared to face competition. In addition, the Kenyan economy has been performing dismally, registering negative 0.2 growth rate in 2000.

This poor performance of the economy coupled with high interest rates and depreciation of the Kenya shilling, has reduced the purchasing power of the average Kenyan making the vehicles, and particularly new vehicles less affordable. Subsequently, there has been a sharp increase in the demand for cheap imported second hand vehicles that is, both used and reconditioned (Mwangi, 2012)

In such a white-collar job crazy country as ours, motor vehicle mechanics are oftentimes viewed with a bit of disdain if not outright contempt. However, every vehicle owner desires the best service from a mechanic, but almost always at the lowest cost.

The irony of demanding such services for a song is that it could mean life or death. But perhaps lack of a proper industry yardstick has been the worst enemy of quality service in motor vehicle repair. While drunk driving is a huge hazard, driving defective contraptions with multiple mechanical malfunctions is a frightful disaster.

Statement of the Problem

SMEs in motor vehicle business face problems in business choice due to constraints such as incompetent managements, poor financial control, failure to plan, inappropriate technology, inappropriate locations, improper managerial attitudes and inability to make the "entrepreneurial transition" (Scarborough and Zimmerer, 1996).

Other problems include, law of a conducive environment due to regulatory challenges, limited management, operation capacity and challenges of access to finance and market for growth (International Finance Corporation, 2000).

A number of studies have been done on Small and Medium Scale Enterprises in Kenya example Okoth (2007) looked at the factors influencing the failure of SMEs and found out that lack of markets and finance, inadequate access to technology, regulatory challenges, limited management are significant challenges facing SMEs, also, Wasonga (2008) carried out a study on challenges facing small and micro enterprises (SMEs) in Kenya the Fina Bank experience. However, there is limited information on growth of SME's.

Inspite of the importance of SMEs in Kenya and the issues relating to the their performance more so in terms of their successes failures and their strategic responses to the environment, no study has been done on factors affecting SMEs more so on business in motor vehicle mechanics.

This study therefore, aimed at narrowing the existing knowledge gap. It thus purposed to answer the question: What factors affect the growth SMEs in motor vehicle mechanics in Kiambu County?

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Study Objectives

The study sought to establish the factors affecting the growth of small and micro enterprises (SMEs) in motor vehicle mechanics in Kiambu County, Kenya. The specific objective were:

- To examine the effect of access to finance on the growth of SMEs in motor vehicle mechanic industry in Kiambu County.
- To determine how the use of technological input affect the growth of SMEs in motor vehicle mechanic industry in Kiambu County.

LITERATURE REVIEW

Theories of SME's Growth

There are various modern management and growth measurement theories on SMEs that have been used over the years. The most common know is resource based theory, theory of economic development and the contingency theory of the firm.

The Resource Based Theory

The resource based view has been a common interest for management researchers and numerous writings can be found of the same. A resource based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian 1992).

Resource based view explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, and non - tradable ,non- substitutable, as well as firm specific(Barney, 1999). This was also cited by Finney et al., (2004) and Makadok (2001).

The two wrote about the fact that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred or copied and simultaneously, add value to the firm while being rare. It also highlights the fact that not all resources of a firm may contribute to its sustainable competitive advantage.

Varying performance between firms is a result of heterogeneity of assets(Lopez ,2005), (Helfat and Peteraf,2003), and resource based view is focused on the factors that cause these differences to prevail(Grant, 1991) ,(Mahoney & Pandian, 1992).

This theory can apply in the Jua kali industry through specialization for instance, a garage can decide to specialize on the gear box and perfect on it this will give them a competitive advantage over the rivals and competitors in the market. This can be achieved through recruiting the best in the area or training mechanics to specialize in an area.

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Barney and Barney, 2003).

First, this model assumes that firms within an industry (or within a strategic group) may be heterogeneous with respect to the bundle of resources that they control.

Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms (that is, some of the resources cannot be traded in factor markets and are difficult to accumulate and imitate). Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage. The argument goes "If all firms in a market have the same stock of resources, no strategy is available to one firm that would not also be available to all other firms in the market" (Costa and Dierickx, 2002).

The Resource based theory is an efficiency-based explanation of performance differences (Peteraf and Barney, 2003) performance differentials are viewed as derived from rent differentials, attributable to resources having intrinsically different levels of efficiency in the sense that they enable the firms to deliver greater benefits to their customers for a given cost (or can deliver the same benefit levels for a lower cost) (Peteraf and Barney, 2003). The assumed heterogeneity and immobility are not, however, sufficient conditions for sustained competitive advantage. According to Barney (1991), a firm resource must, in addition, be valuable, rare, and imperfectly imitable and substitutable in order to be source of a sustained competitive advantage. In her 1993's paper, Peteraf presents four conditions underlying sustained competitive advantage: superior resources (heterogeneity within an industry), ex post limit to competition, imperfect resource mobility and ex ante limits to competition.

Peteraf and Barney (2003) make clear that Barney's (1991) and Peteraf's (1993) frameworks are consistent once some terms are unambiguously defined. The Resource based theory has developed very interesting contributions, among others, with regard to imitation with the concepts of isolating mechanisms (Rumelt, 1984), time compression diseconomies, asset mass efficiencies, and causal ambiguity (Dierickx and Cool, 1989). Recently, much resource-based research has focused on intangible assets, which include information (Sampler, 1998), knowledge (e.g. Spender, 1996), and dynamic capabilities (Teece, Pisano and Shuen, 1997).

Theory of Economic Development

The entrepreneur has been a fundamental agent in most production, distribution and growth theories. The role of entrepreneurship as the driving force of economic growth found its most explicit foundation in Joseph Schumpeter's theory of long waves.

According to Schumpeter, "Everyone is an entrepreneur when he actually carries out new combinations". Finding new combinations of factors of production is a process of entrepreneurial discovery that will become the engine that drives economic development.

These new combinations constitute better ways to meet existing demand or create new products, often making current technologies and products obsolete (in a process of creative destruction).

The firm of the innovative entrepreneur will, consequently, grow through the dual process of taking market share from existing suppliers and increasing overall demand for the products offered in the market (by extending the boundaries of economic activity). Thus, the process of creative destruction is built on dynamic, deliberate entrepreneurial efforts to change market structures and can be propitious for additional innovations and profit opportunities. Based on the concept of creative destruction, (Schumpeter, 2008) formulated this theory of long waves of business cycles and economic growth. Business cycles are seen as the result of innovation, which consists of the generation of a new idea and its implementation in a new product, process or service, leading to the dynamic growth of the national economy, the increase of employment, and creation of pure profit for the innovative enterprise (Schumpeter and Barret, 2009).

While developing economies grow as standard economic growth models predict (through the accumulation of human and physical capital and increasing specialization), once an economy has entered the industrialized phase of capitalist development, a qualitative change in the drivers of economic growth occurs.

In advanced industrial economies, growth is driven by the process of technological advance and knowledge accumulation brought about by efforts of firms (Peretto 2009). Schmitz presents a model in which entrepreneurial activity is a key determinant of productivity growth. In his model Schmitz focuses in particular on the role of imitative activities of entrepreneurs in economic growth.

This focus is motivated by the growth experience of numerous economies, suggesting that it is less the innovating entrepreneur than the imitating entrepreneur who contributes to growth. Imitating entrepreneurs are entrepreneurs who imitate existing activities and put them into practice, thereby often creating knowledge through a process that Schmitz characterizes as learning by implementing (Schmitz 2010).

Closer scrutiny of the relationship between entrepreneurship and economic development is therefore needed. In order to stimulate the development-entrepreneurship discourse it may be necessary to first attempt to formalize or reconcile the role of entrepreneurship in the grand

ideas of development economics, and to consider how this resonates with available evidence, and what this means for policy.

In economic theory entrepreneurship has been modelled as an occupational choice between self-employment and wage-employment (Lucas 2007). Hence someone will become an entrepreneur if profits and the non-pecuniary benefits from self-employment exceed wage income plus additional benefits from being in wage employment. Entrepreneurship is thus often synonymous with self-employment. Because self-employment is often not by choice but by necessity, a distinction if often made in between necessity and opportunity entrepreneurs – as in for instance the Global Entrepreneurship Monitor (Reynolds et al. 2005).

Contingency Theory of the Firm

This theory was developed by Robert Tannenbaun and Richard Schmidt (1957) which has an orientation characterized by high employee freedom on one extreme and task oriented behavior characterized by high use of leader authority at the other extreme.

According to this model, a leader becomes more relationship oriented, and less task oriented. These authors concentrated more on the strategic management as part of the contingency theory to the growth and performance of the SME's.

Therefore, the necessity of taking account of moderator's parameters such as the environment seems essential for a better understanding of the relationship between revolution theory of the firm and SME's growth and performance (Beard and Dess 2011).

In this perspective, revolution theory determines the success of SME's, being intimately linked to firm performance. According to previous study done by Garengo et al. (2005), as compared with NGOs, SME's possess little complexity and heterogeneity and focus more on the local market. Therefore, they don't possess the unique characteristics which exist only in NGOs.

A study by McKinsey & Company and the Centre for Economic Performance (2014) found that, the growth in the number of businesses is part of a longer term trend which has seen the total business population increase by just over 41% since the start of 2000.

However, growth has not been experienced among businesses of all sizes. The number of large businesses has actually declined since 2000, while the number of SMEs has risen. The greatest increase has been among businesses without employees.

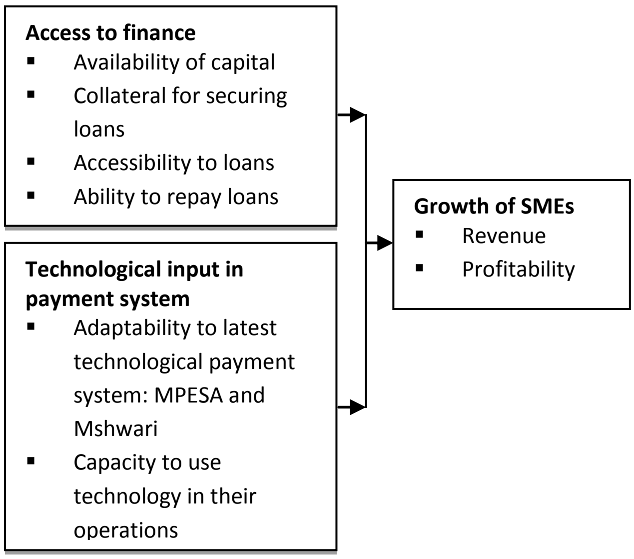
High growth firms are particularly important to the economy, driving competition and productivity growth. Research found that from 2005 to 2008, seven per cent of SMEs met the high growth. A similar proportion also achieved this over 2002 to 2005 and 2007-2010.

Over a three year period, these high growth SMEs are credited with creating around a quarter of all new jobs among existing businesses. However, evidence suggests that the contribution of high growth firms to job creation has fallen since 2005.

This theory has been used widely in researches on measuring performance and effectiveness of an organization and it claims that there is no optimum method to systematize a firm and the organization structure of the company (Fielder, 1964). In other words, contingency theory argues that the most appropriate structure for an organization is the one that best fits a given operating contingency, such as technology (Woodward, 1965, Perrow, 1970), or environment (Burns& Stalker, 1961), (Lawrence& Lorsch, 1967). As every company faces its own set of internal and external constraints as well as special environmental incidents that affect in distinctive levels of environmental uncertainties, there is no one optimal organization design for every company because every company has different organizational culture and different perspective towards risk.

The contingency theory in SMEs has contributed to standardized products and services on a local and regional market, e.g. SMEs in the retail or restaurant sector, bakeries, motor vehicle mechanics as well as services like hair-cutting or car repair. In the great majority of these cases the business strategy chosen by the owner-manager of the SME is from the very beginning to occupy a local or regional market niche, large enough to satisfy the own income expectations and to guarantee the maintenance or re-emplacement of buildings and machinery.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

EMPIRICAL REVIEW

Access to Finance

Availability of finances to entrepreneurs ensures a continuous flow of activities within their business enterprise. Lack of access to finance is almost universally indicated as a key problem for MSE. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives who are not enough to enable MSE undertake their business activities optimally.

Lack of access to long-term fiancés for small enterprises forces them to rely on high cost short term finance. There are various financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs.

Numerous money lenders in the name of Pyramid schemes came up, promising hope among the 'little investors,' which they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing MSE in Kenya. 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.

Research findings by Beatrice (2011) show how MSE are constrained by finance. Access to finance is essential for improving MSEs competitiveness, as MSEs 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, which are accompanied by capacity deficiencies. A wide spectrum such as this may only be tackled by mainstreaming MSE's development in national frameworks. It is also noteworthy to add that effort to resolve access to finance issues is not solely the responsibility of governments. MSE's need to take a better initiative than pointing it out as their number one obstacle: they need to mobilize joint advocacy and recommendations, based on sound analyses, through their membership organizations. (mugambo, 2015).

Technology

Information and communication technology is more relevant to business growth while also recognizing that motor vehicle industry is one of the biggest showcases of product technology at work. SMEs in this industry are straddled between the choice of catching up or silent participation. Introduction to Information systems (IS) provide major opportunities to SMEs for obtaining added value through exploitation of the information resource. IS are also a major driver of strategic change. There is less evidence of small and medium enterprises (SMEs) investing in information systems to capture similar benefits. While many SMEs have taken a reactive approach to investment in IS/IT, primarily focused on cost. The adoption of IS by an SME for strategic competitive advantage. More recently, Jane (2011) report that SMEs do in fact align their IS strategy to the strategic context, as defined by the level of customer dominance, to capture both cost advantages and value added benefits.

Because of their smallness these enterprises end up using a cheap technology which is usually not top of the range. This results into high costs of production and un- competitiveness. For instance small enterprises cannot afford to use computers or even where they have a computer, to continuously upgrade their equipment. Therefore they cannot compete with large enterprises. This may not be the case in the developed countries where because of market opportunity and likely success due to environmental enabling factors, it is easier to secure new technology. Besides, this technology originates from the developed countries and unlike in the developing countries where it must be imported, it is relatively cheap. The emergence of the internet has allowed small- and Medium size enterprises to compete effectively and efficiently in both domestic and international markets .Information And Communication Technologies (ICT) play a prominent role in the field of commerce and Trade nowadays. While the developed world forges ahead with e-transformation of businesses, the developing world struggles to keep pace with emerging technologies. In a challenging global society, effective use of ICT is critical for the success of businesses especially SMEs. Despite advances in IT and the acceptance by large organizations of such technologies, the same level of adoption is not evident among SMEs. This also suggests that SMEs face significant and unique challenges in adopting ICT and e-commerce. (Jane, 2011)

Study of SMEs based on factors contributing to failure in Africa find out that it is an apparent issue that when businesses are not properly marketing their products, it is likely for such business to perform poorly. Scholars argue that it is imperative for SMEs to improve the way they market their products as reflected in the Responses where most of the entrepreneurs agree that many businesses collapse because of poor product marketing. It has been found out that SMEs have' limited marketing capacity that the economic power of many SMEs is small, hence they mostly serve their localities - local markets and environment, and that there is a need for marketing orientations and market expansion.

Jane (2011) in her study on an analysis of strategic factors affecting performance of small and Medium industries in Kenya found that SME face serious market constraints, including inability to sell their products, and lack of access to appropriate and relevant Information and advice. Because most SMEs lack adequate staff with managerial skills, proper marketing planning and strategies are absent. Increase globalization and trade liberalization in Kenya has encouraged the dumping of cheap, fake and substandard products in Kenyan Markets.

RESEARCH METHODOLOGY

The researcher applied descriptive research design because the study sought to answer the why, how and when of the problem under study. The research design was conducted on a sample of small and medium sized enterprises (SMEs) within the Kiambu County. The target population in this study was 156 garages who were registered members of Garage Associations in Kiambu and Thika County. The operations were mainly in Mechanical repair (37), Electrical repair (63), Welding (16), Spray painting (20) and upholstery (20).

This study used proportionate sampling technique to select a sample of 30% of the population. This gave a sample size of 47respondents. A simple Radom sampling technique was used to select the sample.

For data collection, the study employed the use of questionnaires to collect primary data through interviews as research tools (Kothari, 2005). A pilot study was carried out in an attempt to predict an appropriate sample size and improve study design to performance of full scale (Validity and Reliability). The study used both face and content validity to ascertain the validity of the questionnaires. The researcher selected a pilot group of 10 individuals from the target population to test the reliability of the research instrument. The researcher administered a total of 47 questionnaires to the relevant respondents in an effort to achieve the necessary information. Self-administered questionnaires allowed the participants to respond to the questions by themselves and at their own pace.

The questionnaires were checked for completion and reliability of the data. The quantitative data was then coded and analyzed using descriptive statistics such as percentages, mean and standard deviation.

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

The study targeted the 47 respondents as the sample size for the study. Of the 47administered questionnaires, 43 questionnaires were completed and returned giving a response rate of 91% which was excellent in research.

The study sought to establish the kinds of business are involved in. From the findings, 30% of the respondents were in mechanical repairs business, 26% were in electrical repair business, 16% were in welding business, 19% were in spray painting business while 9% were offering services. This showed that the respondents were drawn from various business types hence more appropriate in finding out the factors affecting their performance in the County. The study sought to establish the number of years the respondents had been in business. 16% had been in operation for less than 2 years, 23% for between 3-5 years, majority (44%) for between 5-8 years, 9% for between 9-11 years, and 7% for more than 11 years. These findings showed that the respondents had operated in the industry for different period ranging from less than 2 years to more than 11 years. These findings showed that the respondents had operated their business within the County for a long period hence were more informed on the factors affecting SMEs growth. The researcher further sought to establish the ages of the respondents. 5% of the respondents were below 20 years, 26% were between 21-30 years, 44% were between 31-40 years, 19% were between 41-50 years and 7% were above 50 years. The age of the respondents was important as different age groups have different challenges in operating their businesses. The researcher sought to find out the respondents highest level of education. 33 % of respondents indicated that had secondary school as their highest level of education, 21% said they were university graduates, 16 % of the respondents were college graduates while only 7% had no formal education. These findings show that the respondents had attained different levels of education. The study sought to establish the gender of the respondents. The study established that most (56%) of the respondents were male and that 44 % were female.

Access to Finance

The study sought to establish the influence of access to finance on the performance of business in Kiambu County.

Source of capital

From the data findings, majority (53%) of the respondents got their capital from savings, 33% from bank loans, 12% from donations from family and friends and 2% from other sources. Capital was an important determinant of business success. Koop, de Reu, and Frese (2000) found that the amount of starting capital is positively related to business success. It is through availability of capital that a business would be able to meet its obligations as and when they fall due.

Sufficiency of the source of income business

From the research findings majority (40%) of the respondents indicated that the source of income for the business was moderately sufficient, followed by 21% of respondents who indicated that the sources were sufficient, 21% said it was less sufficient, 13% said it was not sufficient and only 2% said it was very sufficient. There are different sources of capital available to businessmen. For SMEs, a majority of them use capital from own savings, contribution from friends and family.

Effects of the challenges to the business

49% said that there was reduced sales due to limited stocking, 30% said that there was reduced the variety of goods they sale 16% indicated that it limited their taking advantage of economies of scale and 5% represented the others. Limited stocking which arised from the entrepreneurs' inability to access more stock to meet market demands limited their operations and profitability. This was because the entrepreneurs would not had enough stock hence would keep on shopping from time to time which may in turn be expensive. Because of their limited capital, SMEs would sell a limited variety of goods and have limited economies of scale if any (Chijoriga & Cassiman, 2007).

Technological input in payment

The findings indicated that most 86% of the respondents indicated technological changes affected the business while only 14% of the respondents said no. These findings showed that technological changes greatly affect the performance of SMEs. Through technological changes, the SMEs were able to access latest information and ways of doing things in order to leverage their operations.

Effects of technology to businesses

From the study findings, 26% of the respondent said it affected by facilitating communication with both the supplier and customers, 9% said by easing the transportation of goods, majority 44% indicate that it affected by easing the marketing of our products and 21% said it affected by offering a new distribution channel. Advancements in technology had influenced the way business was conducted. It had revolutionized the payment systems and the manner in which businesses conduct their marketing activities. These changes in technology affected the ability of SMEs to reach certain market segments hence have a direct impact on their growth. Technological advancements can ease communication with suppliers and customers thus facilitating smooth flow of goods from the suppliers to customers.

The extent to which technology affected the businesses

21% of respondents indicated that technology affected the businesses to a very great extent, 9% to a great extent, 42% to a moderate extent 16% to a little extent and 12% to a very little extent. From the, it was evident that changes in technology moderately affected the growth of SMEs as supported by the highest response rate of 42%. This could largely be attributed to ease of accessibility to mobile phones in Kenya which had ensured that all Kenyan can use mobile phone payment system provided they are registered as per the laws.

Growth of SMEs

The study sought to establish how the respondents measured the growth of the business.

Measure the growth of the Business

Majority 63% of the respondent said they measured the growth of the business by the number of clients, 28% measured using sales and 9% measured using the number of employees. Business growth could be measured using different yardsticks. Sales represented the amount purchases that the organization had been able to release for generation of income/revenue.

Effectiveness of the measure of growth in measuring the business

The study sought to determine Effectiveness of the measure of growth in measuring the business. 19% said it was very effective, 47% said it was effective, 26% indicated it was moderately effective, 6% said it was less effective while 2% indicated it was not effective.

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

Summary of Findings

Effects of access to finance on growth of SMEs in Motor Vehicle Mechanics Industry in Kiambu County.

From the findings of the study, the study established that accessibility to finance affected the growth of SMEs, the study established that it did affect performance to a great extent. First the study established that the sources of capital for SMEs differed ranging from own savings, bank loans, and donations from family and friends among other sources. However, the entrepreneurs in this county were found not to have enough capital to finance their business operations. They only had access to moderate capital which limited their ability to take advantage of opportunities as and when they arose.

Effects of technological input on the growth of SMEs in Motor Vehicle Mechanics Industry in Kiambu County.

86% of the respondents indicated technological changes affected the business while only 14% of the respondents said no. It affected by facilitating communication with the supplier, easing the transportation of goods, easing the marketing of our products and offering a new distribution channel. Technological input in payments affected the flexibility of entrepreneurs in the distribution and payment of their goods. Many entrepreneurs had a functional mobile phone which was enabled with mobile money transfer.

Conclusion

Access to Finance

The study further concludes that access to finance affected performance of SMEs. It affected the growth to a great extent because it limited the entrepreneurs' ability to take advantage of opportunity as and when they arose. The sources of capital for SMEs differed ranging from own savings, bank loans, and donations from family and friends among other sources. The entrepreneurs in this market were found not to have enough capital to finance their business operations.

The respondents indicated that they mainly used savings as their source of income complemented with bank loans and donations from family and friends. These funds gotten through the above mentioned sources. This is consistent with Chijoriga and Cassiman (1997) who identified finance as one of the key constraints to small enterprise growth among SMEs

Use of Technological Input

The study further concluded that technology affected the businesses to a very great extent by facilitating communication with both the supplier and customers, by easing the transportation of goods and by easing the marketing of our products. Technology provided payment options to entrepreneurs thereby expanding their payment options.

Hagmann and McCahon (1993) indicated, the adoption of information technology promotes the competitiveness of SMEs hence offering them an opportunity to maximize their financial performance. However, because of their smallness these enterprises end up using a cheap technology which is usually not top of the range (Levy and Powell, 2000).

Recommendations

Access to Finance

The study recommends that the Government of Kenya works out modalities on how to finance SMEs. This has been promoted to some extent by the creation of several funds like the Youth Development Fund and Women Development Fund. This would promote accessibility to pre-requisite capital necessary for the growth and development of SMEs in Kenya.

Use of Technological Input

It further recommends that technology be included in aspects of the business to facilitate communication with both the various stakeholders in business. By doing this, the SMEs will benefit from the ease of transportation of goods, marketing and pricing of their commodities.

Suggestions for future study

This study concentrated on factors affecting the growth and performance of SMEs in Kiambu County with specific reference to motor vehicle mechanics in the said county. To facilitate generalization of the findings, this study recommends that another study be carried out to determine the factors affecting the performance of SMEs in rural settings. This will help bring to the fore the factors affecting their growth and performance.

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