FACTORS INFLUENCING PARTICIPATION OF SMALL MEDIUM ENTERPRISES IN EXPORT TRADE IN KENYA: A CASE OF MANUFACTURING SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY

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FACTORS INFLUENCING PARTICIPATION OF SMALL MEDIUM ENTERPRISES IN EXPORT TRADE IN KENYA: A CASE OF MANUFACTURING SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY

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ABSTRACT

The role played by the micro and small enterprises (MSE) sector has increasingly been recognized and appreciated not only in the developing but also the developed countries globally. This appreciation has largely been due to the contribution of the MSE sector to economic development particularly in employment creation. Kenyan small and medium sized enterprises, however, are still not fully competitive, especially in foreign markets which require efficient production, good management structures, market capabilities, product and service development that meets international standards and strong networks in conducting business operations. Despite the importance of export to economic development among economies there is little attention has been given to the factors that influence SMEs participation in export trade. This study sought to investigate factors affecting participation of small medium enterprises (SMEs) in export trade in Kenya with focus to manufacturing SMEs in Nairobi County. The study aimed to investigate whether firm characteristics, skill workforce, government assistance and foreign investment influence SMEs participation in export trade in Kenya. The target population of this study was manufacturing SMEs registered with KRA. The study relied mostly on primary data sources. The study employed a stratified simple random sampling technique in coming up with a sample size of 114 respondents. The study generated both qualitative and quantitative data where quantitative data was coded and entered into SPSS and analyzed using descriptive statistics. The study found that there was a positive correlation between SMEs participation on export trade and firm characteristic, skilled labour, government assistance and foreign investment. Based on the study findings, the study recommended that managers should take into account the marketing and trading dimension of which plays a substantial role in export trade. Management should ensure competency in workforce since it is directly linked to export trade. Government should give priority on promoting SMEs export activity since they have potential to provide sustainable development if they are exposed to foreign trade. On foreign investment, the study recommended that management staffs should recognize collaboration with foreigners, since export performance is influenced by controllable internal determinants.

Purpose of the Study.

This study sought to explore factors influencing participation of small medium enterprises in export trade in Kenya. Over the years the role played by the micro and small enterprises (MSE) sector has increasingly been recognized and appreciated not only in the developing but also the developed countries globally. This appreciation has largely been due to the contribution of the MSE sector to economic development particularly in employment creation. It is argued that in Latin America and the Caribbean, MSE's make up more than 95% of the total number of business establishment and absorb more than 85% of total private sector employment in most countries (Sithore, 2007). The sector accounts for almost 60% of the Canada's private sector employment and 43% of private sector gross domestic product (GDP). In countries like Botswana, Malawi, Swaziland and Zimbabwe, the estimated number of people engaged in MSE activities is nearly twice the level of employment in large enterprises and in the public sector (Mead & Liedholm, 2008).

Background of the Study

This study sought to explore factors influencing participation of small medium enterprises in export trade in Kenya. Over the years the role played by the micro and small enterprises (MSE) sector has increasingly been recognized and appreciated not only in the developing but also the developed countries globally. This appreciation has largely been due to the contribution of the MSE sector to economic development particularly in employment creation. It is argued that in Latin America and the Caribbean, MSE's make up more than 95% of the total number of business establishment and absorb more than 85% of total private sector employment in most countries (Sithore, 2007). The sector accounts for almost 60% of the Canada's private sector employment and 43% of private sector gross domestic product (GDP). In countries like Botswana, Malawi, Swaziland and Zimbabwe, the estimated number of people engaged in MSE activities is nearly twice the level of employment in large enterprises and in the public sector (Mead & Liedholm, 2008).

Strong export performance is known as one of the important factors in driving a country's economic growth, since exports can improve a firm's production efficiency to overcome higher trade barriers and address different market tastes in competitive international markets. Kenyan small and medium sized enterprises

(SMEs), are still not competitive in foreign trade which require efficient production and strong networks in their operations. More importantly, the competitiveness of Kenya industry, particularly SMEs, has traditionally relied on low-cost labour and natural resource (raw materials) advantages rather than technological capability or qualified human capital. Thai business segments, nevertheless, are now under the "Nut-Crackers Effect" (OSMEP, 2007).

Behavioral Theories

Several theoretical approaches have focused on the phenomenon of SMEs' internationalization by exploring empirical links between resources, networks and foreign expansion (Ahmed, 2012). However, behavioral theories remain certainly those that have significantly impacted the literature on firms' internationalization. Under the behavioral view, firms penetrate international market incrementally to improve their learning and knowledge of the market on the one hand and on the other hand by adjusting and developing their available resources in order to effectively meet the needs of the intended market (Khayat, 2004).

The scientific literature has often established links between internationalization success and firm characteristics such as organizational learning. In fact, while Khayat (2004) asserts that learning capacity has a lot to do with the decision of a firm to go abroad. Kaleka (2012) sees internationalization as an incremental process in which companies are in a context of uncertainty and seek to minimize their business risk. The accumulation of knowledge about international markets helps increase learning abilities of the firm, reduce uncertainty and risk to which it is subjected, and improve its competitive position and ability to capture new business opportunities overseas (Autio et al., 2000). Accordingly, it is in this sense that companies seek to offset their lack of knowledge by targeting foreign markets with many similarities to their domestic market.

New Trade Theory

This theory was advocated by Paul Krugman, he was a leading academic in developing New Trade Theory. Krugman was awarded Nobel Prize (2008) in economics for his contributions in modeling these ideas of trade patterns and location of economic activity. New trade theory (NTT) suggests that a critical factor in determining international patterns of trade are the very substantial economies of scale and network effects that can occur in key industries.

Another element of new trade theory is that firms who have the advantage of being an early entrant can become a dominant firm in the market. This is because the first firms gain substantial economies of scale meaning that new firms can't compete against the incumbent firms. This means that in these global industries with very large economies of scale, there is likely to be limited competition, with the market dominated by early firms who entered, leading to a form of monopolistic competition. New trade theory also becomes a factor in explaining the growth of globalization.

Comparative Cost Theory

Comparative advantage theory, originated from David Ricardo in the early part of the 19th century. It's useful to present it in detail because it is one of most powerful explanation of trade concepts put forward by economic professionals in foreign trade.

One reason why the amount of goods and services available to a country at a point in time can increase through trade is because it allows the country to buy goods and services from sources where it costs comparatively less to produce them. Local resources tied up in the production of these goods in the absence of trade are hence liberated so that comparatively more of other goods can be produced.

Classical Trade Theory

Classical trade theory dictates that the extent to which a country exports and imports relates to its trading pattern with other nations. That is, countries are able to gain if each devotes resources to the generation of goods and services in which they have an economic advantage (Ricardo, 1817). Via export trade country identifies opportunity. Therefore, classical trade theory effectively describes the scenario where a country generates goods and services in which it has an advantage, for consumption indigenously, and subsequently exports the surplus. Consequently, it is sensible for countries to import those goods and services in which they have an economic disadvantage.

Kenya Perspective of SMEs Participation

In Kenya, they create employment at low levels of investment per job, lead to increased participation of indigenous people in the economy, use mainly local resources, promote the creation and use of local technologies, and provide skills training at a low cost to society (ILO, 2009). Estimates are that there were about 900,000 small and microenterprises

establishments employing 2 million Kenyans and generating about 14 per cent of the country's GDP (Dolman, 1994). It is also stated that in Kenya this sector accounted for 20% of the GDP in 1999 (CBS, 1999) and 64% of the urban employment by 2002 (Karekezi & Majoro, 2005). According to the Economic Survey (2006) the sector contributed over 50 percent of new jobs created in the year 2005. In addition to its importance in creating jobs, the small enterprise sector contributes 33% of the value-added in manufacturing and the retail trade in Kenya (Onyango & Tomecko, 1995).

The Kenyan MSE sector is mixture of self-employment outlets and dynamic enterprises involved in an array of activities that concentrate in urban areas but are also evident in rural Kenya.

These enterprises cut across all the sectors of the Kenyan economy and provide one of the most prolific sources of employment creation, income generation, and poverty reduction (Republic of Kenya, 2005). Majority of MSEs in Kenya are informal in nature with majority not regularizing their operations beyond the licensing requirements by local authorities. However, they play an important role in the economy by creating employment at low levels of investment per job, promoting local creativity and innovation and creating skills training at a low cost to society (KIPPRA, 2009).

Research Design

Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. This study employed a descriptive research method. Creswell (2008) stated that the descriptive method of research is to gather information about the present existing condition. The emphasis is on describing rather than on judging or interpreting. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study.

Target Population

Borg and Gall (1996) defines population as all members of a real set of people, events or objects to which the researcher wishes to generalize the results of the research. According to Chein (1981) a population is the aggregate of all cases that conform to some designated set of specifications.

The target population in this study comprised registered manufacturing SMEs and which make

tax returns to KRA. According to KRA (2012) there are currently 594 SMEs which meet this condition in Nairobi. These SMEs are distributed across the administrative units. From these manufacturing SMEs, all the sales and marketing managers constituted the target population because they are directly in charge of export business of these SMEs.

Target Population

Respondent	Manufacture of Agricultural Produce	Manufacture of furniture	Manufacture of metal	Manufacture of cosmetics	Total
Sales & Marketing Manager	239	132	89	134	594

Source: KRA (2012)

Sampling Procedure and Design

Sampling Technique

Orodho (2005) sampling is a technique where the investigator seeks knowledge or information to a whole population and extending the findings to the entire population. For this study stratified random sampling was to select the sample size from each stratum. Random sampling designs are based on selections where each individual or item has an equal chance of being represented (Cooper & Schindler).

The SMEs in the population differ by type Manufacture of Agricultural Produce, Manufacture of furniture, Manufacture of metal and Manufacture of cosmetics). In order to ensure that these different categories are adequately represented in the sample, stratified sampling will be used. According to Nachmias and Nachmias (1996), stratified sampling is used primarily to ensure that different groups in the population are adequately represented in the sample. These are: Manufacture of Agricultural Produce, Manufacture of furniture, Manufacture of metal and Manufacture of cosmetics, (KRA, 2012). The SMEs in Nairobi County were therefore first be classified according to whether they are Manufacture of Agricultural Produce, Manufacture of furniture, Manufacture of metal and Manufacture of cosmetics). The population was thus sub-divided into four mutually exclusive strata which was based on the four types of SMEs. The list obtained served as the sampling frame from which a representative sample of the population was obtained.

Sample Size

A sample is a representative subset of a population (Nachmias & Nachmias, 1996).

Orodho (2005) the extreme upper limit of the sample size is 2000–3000 while the extreme lower limit is 30 cases for statistical data analysis. On this strength, the researcher selects a sample size of 114 SMEs.

Sample Size

Stratum	Population	Percentage	Sample Size
Manufacture of Agricultural Produce	239	0.2	45
Manufacture of furniture	132	0.2	26
Manufacture of metal	89	0.2	17
Manufacture of cosmetics	134	0.2	26
Total	**594**	0.2	**114**

Data Collection Procedure

The study employed a questionnaire to collect primary data. Questionnaire is appropriate for studies since they collected information that was not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals (Mellenbergh, 2008). The questionnaire comprised of both open and close-ended questions. Franker (2006) stated that a questionnaire is useful in obtaining objective data because participants are not manipulated in any way by the researcher.

The data instrument addressed the five research objectives while it was sub-divided into two sections. The first section of the questionnaire enquired general information about the respondents, while the next sections sought to answer the five objectives. The quantitative section of the instrument employed both a nominal and a Likert type scale format to determine each of the variables. A 5 point Likert scale ranging from 1 to 5 was used as answers to statement like questions. The Likert - type format were selected as the format yields equal - interval data, a fact that it allows the use of more powerful statistical to be used to test hypotheses (Kiess & Bloomquist, 2008).

Pilot Testing

A pilot study was undertaken to 11 SMEs owners and operators. The purpose of the pilot testing aimed to establish the validity and reliability of the research instruments and hence enhance face validity (Joppe, 2000). The pilot groups were selected through random sampling. The rule of thumb is that 1% of the sample should constitute the pilot test (Cooper & Schilder, 2011). The proposed pilot test was within the recommendation.

Validity

According to Mugenda and Mugenda, (2003) validity is the accuracy and meaningfulness of inferences, based on the research results. One of the main reasons for conducting the pilot study will be to ascertain the validity of the questionnaire. The study used both face and content validity to ascertain the validity of the questionnaires. Gillham (2008) stated that the knowledge and skills covered by the test items should be representative to the larger domain of knowledge and skills.

Reliability

Reliability of the questionnaire was evaluated through administration of the said instrument to the pilot group. A construct composite reliability co-efficient (Cronbach alpha) of 0.6 or above, for all the constructs, was considered to be adequate for this study.

Data Analysis

Before processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering and cleaning the data. The study generated both qualitative and quantitative data. Quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 17.0) and analyzed using descriptive statistics. Qualitative data was analyzed based on the content matter of the responses. Responses with common themes or patterns were grouped together into coherent categories.

The descriptive statistical tools help in describing the data and determining the respondents' degree of agreement with the various statements under each factor. Descriptive statistics involved the use of absolute and relative (percentages) frequencies, measures of central tendency and dispersion (mean and standard deviation respectively). The study also employed inferential statistics to establish the factors affecting SMEs participation in export trade. Specifically, the study used Spearman correlation to establish this relationship.

The following regression equation was used;

$$\mathbf{Y = \beta_{0+}\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+e}$$

Where Y= Participation

X_1= firm characteristic

X_2 = skill labour

X_3 = government assistance

X_4 = foreign investment

e = Error

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

The purpose of the study was to analyze factors influencing participation of small medium enterprises in export trade in Kenya with focus to manufacturing SMES in Nairobi County. Data composed was collated and reports were produced in form of tables and figures and qualitative analysis was done in prose.

Response Rate

The study targeted a sample of 114 respondnets' with their business being involved in export trade. However, out of 114 questionnaires distributed 87 respondents completely filled in and returned the questionnaires, this represented a 76% response rate. According to Mugenda and Mugenda (2008) this is a reliable response rate for data analysis for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent.

However, 24% of the respondent were reluctant to responded to fill the questionnaire this was due to reasons like, the respondent were not available to fill them in at the required time. The response rate demonstrates enthusiasm of the respondents' to partake in the survey that the study sought.

Response Rate

	Frequency	Percentage
Response	87	76
Non response	27	24
Total	**114**	**100**

Demographic Characterization of the Respondents

As part of the general information, the research requested the respondents to indicate the duration of their business operation, legal ownership of their business and number of employees that their business had employed.

Duration of Business Existence

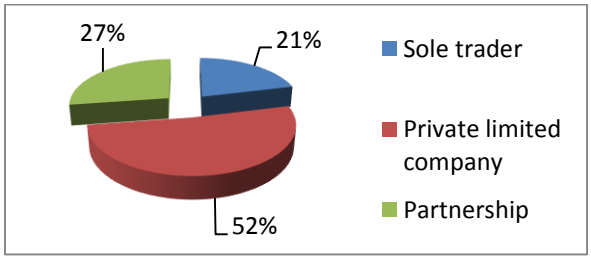
The respondents were required to indicate the length of time that their business enterprises had been in existence. 33.3% of the respondents indicated that their enterprises had been in existence for a period of 1 to 5 years, 30.3% of the business enterprises that were surveyed had been in existence for 6- 10 years, 15.2% of them indicated that they had been operating in the country for 16 – 20 years, while only 3.0% of the respondents indicated that their enterprises had been in existence for a period of more than 20 years.

Duration of Business Existence

Duration of Existence	Frequency	Percent
1 – 5 years	29	33.3
6- 10 years	26	30.3
11- 15 years	16	18.2
16 – 20 years	13	15.2
More than 20 years	3	3
Total	**87**	**100**

Legal Business Ownership

The study requested respondents to indicate the type of ownership of the business enterprises they operate. According to the results, majority (52%) of the respondents indicated that their enterprises were private limited companies, 27% of the enterprises were partnerships while 21% of the respondents worked in sole trader owned enterprises. This shows that most of the SMEs in manufacturing sectors are privately owned by the locals and even foreigners.



Legal Business Ownership of Business Enterprises

Number of Employees

Further the study also sought to establish the size of the companies in terms of number of employees. 45.5% of the business enterprises had between 11 and 20 employees, 24.2% of them had less than 10 working employees, 15% of the enterprises had between 20-30 employees, 9.1% of the respondents worked in enterprises which had between 30-40 employees while 6.1% of the respondents indicated that their enterprises had between 40–50 employees.

From the findings, it is clear that most of the SMEs are still small as depicted by their number of staff they have employed. Most of the SMEs have employed less than 20 employees.

Number of Employees

Number of Employees	Frequency	Percent
Less than 10	21	24.2
11-20	40	45.5
20- 30	13	15.2
30- 40	8	9.1
40 – 50	5	6.1
Total	**87**	**100**

Benefits Accrued from SMEs Participation on Export Trade

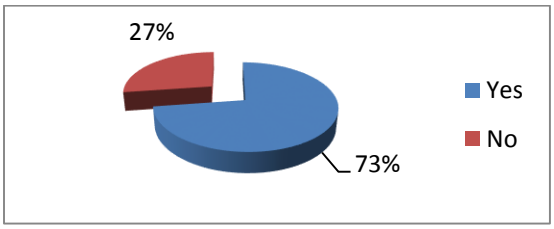
From the findings, creation of employment, increased productivity, economies of scale and larger international markets were ranked as the main benefits accrued to a great extent when SMEs participate in export trade as indicated by mean score of 4.15, 4.01, 3.77and 3.73 respectfully. Increased efficiency and greater technological are realized to a great extent as shown by mean 3.66 and 3.64 respectfully. On other hand, specialization, product innovation and markets expansion were realized to a moderate extent as depicted by mean score of 3.57, 3.52 and 3.45 respectively. Export activities stimulate growth in a number of ways such as production and demand linkages, economies of scale due to larger international markets, among others (Were, 2002).

Benefits of SMEs Participation on Export Trade

	Mean	STDev
Demand linkages	3.74	1.041
Increased efficiency	3.66	1.133
Specialization	3.57	0.899
Creation of employment	4.15	1.009
Larger international markets	3.73	0.87
Product innovation	3.52	1.168
Economies of scale	3.77	1.297
Increased productivity	4.01	1.196
Greater technological	3.64	1.284
Markets Expansion	3.45	0.943

Firm size and its effect on SMEs Participation in Export Trade

The researcher requested the respondent to indicate whether their business size affect their firm to participate in export trade. From the findings, majority (73%) of the respondents' indicated that firm size affect their business to participate in export trade while the rest (27%) of the respondent indicated that firm size does not affect them in participating in export trade. According to Calof (2004) smaller companies experience more growth opportunities and a higher flexibility, hence improve export performance. This implies that most of large SMEs identify foreign business opportunity that they exploit by exporting their product to other countries.



Firm size and its effect on SMEs Participation in Export Trade

Firm Years of Experience

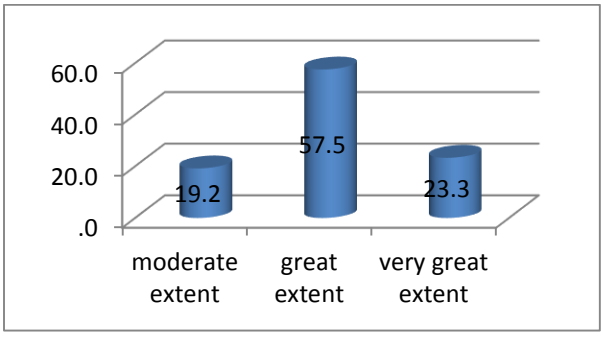
From the findings, most of the respondent indicated that marketing participation, business networks, duration of operation and employee experience are the major aspects of firm year of experience as indicated by mean score of 3.84, 3.84, 3.74 and 3.73 respectively. Skills adopted, date of establishment, trading on foreign markets, mode of exporting and technology advancement affects firm participation in export trade to a great extent as shown by mean score of 3.67, 3.66, 3.63 and 3.56 respectively. the findings confer to Majocchi (2005) that experience influencing export trade as it gives the company more maturity in terms of management. The positive relationship between the number of years of exporting and export performance is moderated (Ursic & Czinkota, 2004). Firm overall experience is the age of the company, assessed through its date of establishment or the number of years since it was create.

Firm Years of Experience

	Mean	STDev
Duration of operation	3.74	1.041
Date of establishment	3.66	1.133
Mode of exporting	3.57	0.899
Marketing participation	4.15	1.009
Employee experience	3.73	0.87
Business networks	3.84	0.746
Trading on Foreign markets	3.63	0.808
Skills adopted	3.67	1.131
Technology advancement	3.56	0.913

Extent to which Firm Characteristics affects SMEs Participation on Export

Majority (58%) of the respondents' purported that firm characteristics affects SMEs participation on export to a great extent, 23% were of the opinion firm characteristics affects SMEs participation on export to a very large extent while 19% argued that firm characteristics affects SMEs participation on export to a moderate extent. Duenas and Caparas (2006) pointed that there is a positive linear and negative non-linear relationship between firm size and export performance as measured by export sales to total sales. From the findings, this firm characteristic provides a company with a stronger network as well as a better knowledge of the industry which does constitute a driver for a better export performance.



Firm Characteristics on SMEs Participation on Export

Skilled Labour SMEs Participation in Export Trade

Majority (96%) of the respondents indicated that skilled labour influence SMEs participation in export trade while 4% diverged with the majority opinions. Dueñas (2006) skilled manpower is one of the important determinants of a firm's export decision, since higher skilled labour is associated with higher labour productivity which will affect a firm's export decision. This reveals that SMEs with more skills and experienced staff is more likely to perform and participate better in foreign market and particularly export trade compared to firm with less skilled staff.

Skilled Labour SMEs Participation in Export Trade

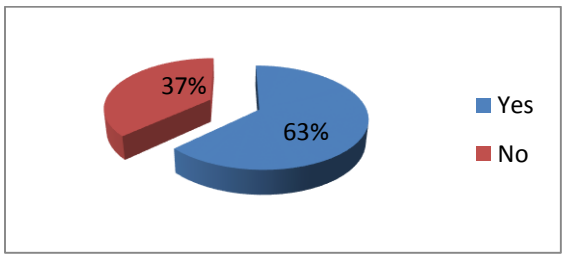
	Frequency	Percent
Yes	83	95.9
No	4	4.1
Total	**87**	**100**

Skilled Labour and its Effects on Firm Participation on Export Trade

	Mean	STDev
We have higher skilled employees resulting to higher labour productivity which affect a firm's export decision	4.31	0.276
Diffusion of knowledge and skills to a wider business community was the first step to initiate when participating in export activity	4.37	0.559
Our firm upgrade employees skills through training and intra-industry transfer of talented workers	4.05	0.358
Our firm is very keen to recruit skilled employees who have a significant and positive effect on the export decision of our firm	4.00	1.109
Our organization consider skills as determinant of individuals' adaptability to new settings	4.34	0.771
We find it easy to grow because we have employees who have the right knowledge, skills, and abilities are able to fill critical jobs	3.97	1.176
Professionalism of employees in our organization has influenced our firm to participate in export activities	4.28	0.66

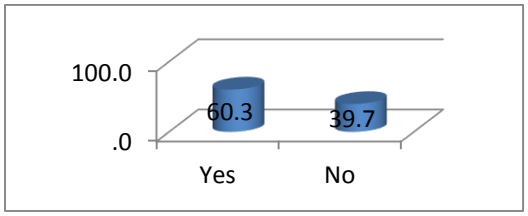
Assistance Programme Provided by Government

The study further aimed to investigate whether there government provided assistance programme to SMEs participating in export trade. Majority (63%) of the respondents indicated that government provided assistance programme to SMEs participating in export trade while 37% were of the opinion that there was no any government assistance. Wu and Cheng (2009) found that government financial support contributes positively towards the international competitiveness of township and village enterprise's export performance.



Ownership and its Effect on SMEs Participation in Export Trade

Figure 4.12 shows the result of the findings on whether ownership affect SMEs participation in export trade. Majority (60%) pointed that foreign ownership of a firm influence SMEs participation in export trade while the rest 40% were of the opinion that foreign ownership of a firm influence SMEs participation in export trade. Greenaway et al. (2007) found that foreign ownership had a significant and positive effect on export participation. This positive result implies that an increase in foreign participation also encourages firms to participate in export markets, since foreign partners bring access to new foreign markets and distribution facilities.



Ownership and its Effect on SMEs Participation in Export Trade

Inferential Analysis

Coefficient of Correlation

To compute the correlation (strength) between the study variables and their findings the researcher used the Karl Pearson's coefficient of correlation (r). It was clear that there was a positive correlation between SMEs participation on export trade and firm characteristic as shown by a correlation figure of 0.523, there was a positive correlation between SMEs participation on export trade and skilled labour with a correlation figure of 0.614, there was also a positive correlation between SMEs participation on export trade and government assistance with a correlation value of 0.746 and there was a positive correlation between SMEs participation on export trade and foreign investment with a correlation value of 0.521. This shows that there was a positive correlation between SMEs participation on export trade and firm characteristic, skilled labour, government assistance and foreign investment.

		Export Trade Participation	Firm characteristic	Skilled labour	Government assistance	Foreign investment
Export Trade Participation	Pearson Correlation	1				

	Sig. (2-tailed)					
Firm characteristic	Pearson Correlation	.523	1			
	Sig. (2-tailed)	.0032				
Skilled labour	Pearson Correlation	.6140	.3421	1		
	Sig. (2-tailed)	.0021	.0014			
Government assistance	Pearson Correlation	.7460	.1240	.0621	1	
	Sig. (2-tailed)	.0043	.0120	.0043		
Foreign investment	Pearson Correlation	.5210	.3420	.0000	.1660	1
	Sig. (2-tailed)	.0172	.0031	1.000	.0031	

Model Summary

The coefficient of determination was carried out to measure how well the statistical model was likely to predict future outcomes. The coefficient of determination, r2 is the square of the sample correlation coefficient between outcomes and predicted values. As such it explains the contribution of the four independent variables (firm characteristic, skilled labour, government assistance and foreign investment) to the dependent variable.

All the four independent variables that were studied, contributes to 83.4% on SMEs participation on export trade as represented by the adjusted R^2. This therefore means that other factors not studied in this research contribute 16.6% of the SMEs participation on export trade. Therefore, further research should be conducted to investigate the other factors (16.6%) that influence SMEs participation on export trade.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.913	0.834	0.751	0.4538

Multiple Regression

As per the SPSS generated table 4.19, the equation

($\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$) becomes:

$Y= 1.308+ 0.558X_1+ 0.785X_2+ 0.620X_3+0.731X_4$

The regression equation above has established that taking all factors into account (firm characteristic, skilled labour, government assistance and foreign investment) constant at zero, SMEs participation on export trade will be 1.308. The findings shows that taking all other independent variables at zero, a unit increase in firm characteristic will lead to 0.558 increase of SMEs participation on export trade; a unit increase in skilled labour will lead to 0.731 increase SMEs participation on export trade; a unit increase in government assistance will lead to 0.785 increase SMEs participation on export trade and a unit increase in foreign investment increase SMEs participation on export trade 0.620. This infers that government assistance contribute most to SMEs participation on export trade followed by skilled labour then foreign investment while firm characteristic contributed the little to participation on export trade. This notwithstanding, all the variables were significant as their P-values were less than 0.05.

Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
AModel	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	1.308	1.342		1.623	0.357
Firm characteristic	0.558	0.310	0.172	4.342	.02 76
Skilled labour	0.731	0.156	0.210	3.532	.02 85
Government assistance	0.785	0.322	0.067	3.542	.02 02
Foreign investment	0.620	0.245	0.148	3.458	.02 49

Conclusion

The study aimed at finding out factors influencing participation of small medium enterprises in export trade in Kenya with focus to manufacturing SMES in Nairobi County. Based on the findings, the study concluded that firm size affect their business to participate in export trade where firms that has been in the business for many has more experience in export activities and that they have adequate number of employees diverse qualification who place SMEs in better position to participate in export activities. SMEs that have engaged on export activity are making a precise turnover from the

products they sell, investing heavily on required equipment to facilitate export such as assets gives us competitive advantage in export and that stronger network on sources of good to export has given us better knowledge which has accelerated them better export performance to a great extent.

To the objective of skilled labour, the study found that that skilled labour influence SMEs participation in export trade. Likewise, the study found that diffusion of knowledge and skills influences firm participation on export trade to a wider business community was the first step to initiate when participating in export activity.

On government assistant programmes, the study concluded that government provided assistance programme to SMEs participating in export trade government had imposed favorable policies that enable us to engage in export trade, government provide financial support contributing positively towards the international competitiveness and government provide us with training support.

To the objective of foreign investment, the study concluded that ownership of a firm influence SMEs participation in export trade. Also the study concluded that SMEs adhere to the international standards set to govern export trade to a great extent. Manager's expertise and commitment in export play a positive role in export performance and that firm is owned by foreigner and bring access to new foreign markets and distribution facilities, new products, managerial know how, and advanced production technology influence their participation on export trade to a great extent.

Recommendation

The study recommended that managers of SMEs participating in export trade need to take into account the marketing and trading dimension of their activity which plays a substantial role in their success. This dynamic and willing behaviour and management can be represented by the construct entrepreneurship.

On skilled labour, the study recommended that management should ensure competency is labour force since the idea of export commitment is directly linked to that of export orientation. Indeed, companies adopting an export-oriented management are more likely to experience better export performance. To be export-oriented, one must be or become market-oriented. Firms having this ability are more able to catch international opportunities available and to compete successfully.

The study further recommended that government to give priority on promoting SMEs export activity, the promotion of SMEs and, especially, of those in the informal sector will provide sustainable development because it suits the resources. Export promotion programmes enable managers to get the necessary information, competencies about export markets, export techniques and processes in order to compete successfully on international markets.

The export success of an organization relies not only on management-related determinants but also on government policy-related determinants. Also the study recommended that the environment must be taken into account because they constitute constraints and opportunities a company must face and manage when operating abroad.

On foreign investment, the study recommended that management staff should recognize collaboration with foreigners, since export performance is influenced by controllable internal determinants, attitudes and perceptions. The study recommended that resource and effort to be undertaken by individuals in the firm, impacts on the innovation and the degree of internationalization of the firm, which improves its export performance.

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