

**THE ROLE OF SMALL AND MEDIUM ENTERPRISES TRAINING ON
ECONOMIC DEVELOPMENT:
A CASE STUDY OF FAULU KENYA**

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DECLARATION

I declare that this research report is my original work and has never been submitted to any other institution for the award of a Bachelor's degree, diploma or certificate.

Signature

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Date

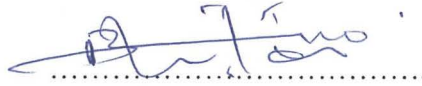
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APPROVAL

This research report has been submitted to me as the supervisor for approval, leading to the award of a Bachelor's degree in business administration of Kampala international university.

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ABBREVIATIONS

SME'S- Small and medium enterprises.

SED -Small enterprises development.

BDS- Business development services

TABLE OF CONTENTS

| | |
|---|--------|
| DECLARATION | I |
| ACKNOWLEDGEMENT | III |
| ABBREVIATIONS | IV |
| TABLE OF CONTENTS | V |
| CHAPTER ONE | I |
| 1.0 INTRODUCTION..... | I |
| 1.1 BACKGROUND OF THE STUDY..... | I |
| 1.2 GENERAL OBJECTIVE OF THE STUDY | III |
| 1.3 SPECIFIC OBJECTIVES..... | III |
| 1.4 RESEARCH QUESTIONS | IV |
| 1.5 SCOPE OF THE STUDY..... | IV |
| 1.6 SIGNIFICANCE OF THE STUDY | IV |
| CHAPTER TWO | V |
| REVIEW OF RELATED LITERATURE..... | V |
| 2.0 INTRODUCTION..... | V |
| 2.1 THEORETICAL FRAMEWORK | V |
| 2.2 CONCEPTUAL FRAMEWORK | VII |
| 2.2.1 COACHING | VII |
| 2.2.2 WORKSHOP..... | VIII |
| 2.2.3 E- LEARNING..... | VIII |
| 2.2.4 SIMULATION..... | VIII |
| 2.2.5 LECTURES | VIII |
| 2.3 TRAINING | IX |
| 2.4 TRAINING AND DEVELOPMENT..... | X |
| 2.5 THE GENERIC CHALLENGES FACED BY SMES..... | XI |
| CHAPTER THREE..... | XV |
| METHODOLOGY | XV |
| 3.0 INTRODUCTION..... | XV |
| 3.1 RESEARCH DESIGN..... | XV |
| 3.2 SAMPLING PROCEDURE | XV |

| | |
|---|-----------|
| 3.3 POPULATION AND SAMPLE SIZE | XVI |
| 3.4 THE QUESTIONNAIRE | XVI |
| 3.4.1 INTERVIEW GUIDE..... | XVII |
| 3.5 VALIDITY AND RELIABILITY OF INSTRUMENTS..... | XVII |
| 3.6 DATA ANALYSIS..... | XVII |
| CHAPTER FOUR..... | XIX |
| PRESENTATION, ANALYSIS AND INTERPRETATION OF THE RESULTS..... | XIX |
| 4.1 INTRODUCTION..... | XIX |
| 4.2 BACKGROUND INFORMATION..... | XIX |
| 4.3 RESEARCH FINDINGS..... | XXIII |
| 4.3.1 HOW DO SMALL AND MICRO ENTREPRENEURS BENEFIT FROM TRAINING AT FAULU KENYA? | XXIII |
| 4.3.2 THE CHALLENGES FACED BY SMALL AND MICRO ENTREPRENEURS AT TRAINING IN FAULU KENYA..... | XXVII |
| 4.3.3 WHAT ARE POSSIBLE SOLUTIONS OF HOW TO IMPROVE CHALLENGES FACED BY SME IN TRAINING AT FAULU KENYA? | XXX |
| CHAPTER FIVE | XXXIV |
| SUMMARY, CONCLUSION AND RECOMMENDATIONS..... | XXXV |
| 5.0 INTRODUCTION..... | XXXV |
| 5.1 SUMMARY..... | XXXV |
| 5.6 CONCLUSION..... | XXXVII |
| 5.7 RECOMMENDATIONS..... | XXXVIII |
| 5.8 AREAS FOR FURTHER RESEARCH | XXXIX |
| REFERENCES | XL |
| APPENDIX A..... | XLII |
| APPENDIX B..... | XLIII |
| INTERVIEW GUIDE | XLIII |
| APPENDIX C..... | XLIV |
| THE ROLE OF SME TRAINING ON ECONOMIC DEVELOPMENT:A CASE STUDY OF FAULU KENYA | XLIV |

CHAPTER ONE

1.0 Introduction

The study focused on the role of SME training on economic development in Kenya, this chapter presented the background of the study, Problem statement, Objectives of the study, research questions, scope of the study and significance of the study.

1.1 Background of the Study

In the mid -1960's a new approach to small and medium scale enterprise development began to emerge due to several factors. There was growing concern over low employment elasticity of modern large scale production. It was claimed that even with more optimal policies, this form of industrial Organization was unable to absorb a significant proportion of the rapidly expanding labor force, Cheney et.al (1974). Also there was wide spread recognition that the benefits of economic growth were not being fairly distributed and that the use of large scale capital intensive techniques was partly to blame, Mc Cormick (1981).

One of the significant characteristics of a flourishing and growing economy is a booming and blooming small and medium enterprises (SMEs) sector. Small and medium enterprises play an important role in the development of a country. SMEs contribute to economic development in various ways: by creating employment for rural and urban growing labor force, providing desirable sustainability and innovation in the economy as a whole. In addition to that, a large number of people rely on the small and medium enterprises directly or indirectly.

Most of the current larger enterprises have their origin in small and medium enterprises. SMEs are different from large scale enterprises in three main aspects; uncertainty, innovation and evolution. The SME sector itself can be classified into micro enterprises, small enterprises and medium enterprises. SMEs are the starting point of development in the economies towards industrialization. However, SMEs have their significant effect on the income distribution, tax revenue, and employment, efficient utilization of resources and stability of family income.

SMEs play significant contribution in the transition of agriculture-led economies to industrial ones furnishing plain opportunities for processing activities which can generate sustainable source of revenue and enhance the development process. SMEs shore up the expansion of systemic productive capability. They help to absorb productive resources at all levels of the economy and add to the formation of flexible economic systems in which small and large firms are interlinked. Such linkages are very crucial for the attraction of foreign investment. Investing transnational corporations look for sound domestic suppliers for their supply chains.

Training and development deals with systematic approaches to improving employee skills and performance. Training is any procedure intended to foster and enhance learning among employees particularly directed at acquiring job skills. Training programs exist to teach hundreds of different skills, such as equipment repair, performance appraisal, and budget preparation. Literacy training has become widespread because such large proportion of the work force is functionally illiterate. (Durbin 1997).

As its role is to achieve effective performance and thus, a well designed and executed training programme, should at least significantly improve functional, departmental and individual performance by producing the desired results on the job which must be evident in the work situation by producing certain accepted performance outputs.

There was a special need therefore, to study the economic and social development attained by people in Nairobi district. Such empirical findings would also be used by other researchers to make comparisons with other districts in Kenya. This could be accomplished by studying and evaluating the trend of SMEs' like Faulu Kenya which had been receiving training on economic development and sustainability. It was anticipated that at the end of the study this research would provide a clear picture of what the role of SME training on economic development encompasses.

1.2 General objective of the Study

The General Objective of the study was to establish the role of SME training on economic development.

1.3 Specific Objectives

Specifically it:

1. Analyzed and evaluated how small and micro entrepreneurs benefited Training at Faulu Kenya.
2. Assessed the challenges faced by small and micro entrepreneurs in Training at Faulu Kenya.

3. Identified the possible solutions of how to improve challenges faced by SME in Training at Faulu Kenya.

1.4 Research Questions

1. How do small and micro entrepreneurs benefit from Training at Faulu Kenya?
2. What are the challenges faced by small and micro entrepreneurs on Training at Faulu Kenya?
3. What are the possible solutions of how to improve challenges faced by SME on Training at Faulu Kenya?

1.5 Scope of the Study

The study covered an investigation on the role of SME training on economic development at Faulu Kenya which is situated in Nairobi. Faulu Kenya is one of the leading SME training and management organizations in Kenya. The research took a period of seven months from May 2009 to November 2009. The content scope of the study dwelt on the theoretical framework, training and development and the challenges facing SME.

1.6 Significance of the Study

There is a greater hope also that the study may be a source of a great experience and a contribution to the academic career of the researcher as it is in partial fulfillment for the requirement of a Bachelors degree in Business Administration. The results of the study may be useful to future researchers who might be interested in a related field, who could adopt the study for their future citations and referencing. There is no doubt the result may contribute to the existing theories on training and job performance by exposing the benefits of training and job performance.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

In this chapter, the literature review was based on the research objectives of the study whereby an in depth literature review of the role of SME training on economic development was conducted however there is limited literature on this area of research.

2.1 Theoretical framework

An entrepreneur is a person who comes up with an idea for a business, decides how to produce the product, and sells the product to consumers. An entrepreneur takes risks, committing time and money to a business without any guarantee of profit. O'Sullivan et.al (1998).

According to Bernard, (2007) an entrepreneur refers to one who undertakes the task and risk of organizing other factors of production. He/she is a coordinator, risk taker, innovator and a high level decision maker. He/she is rewarded with profit (or at times losses). Examples of micro entrepreneurs are owners of bakeries, beauty parlors, repair shops, arts and crafts shops, painting businesses, family-owned shops, auto body shops, small-scale restaurants, and small-inventory trading businesses. Gordon, (2008).

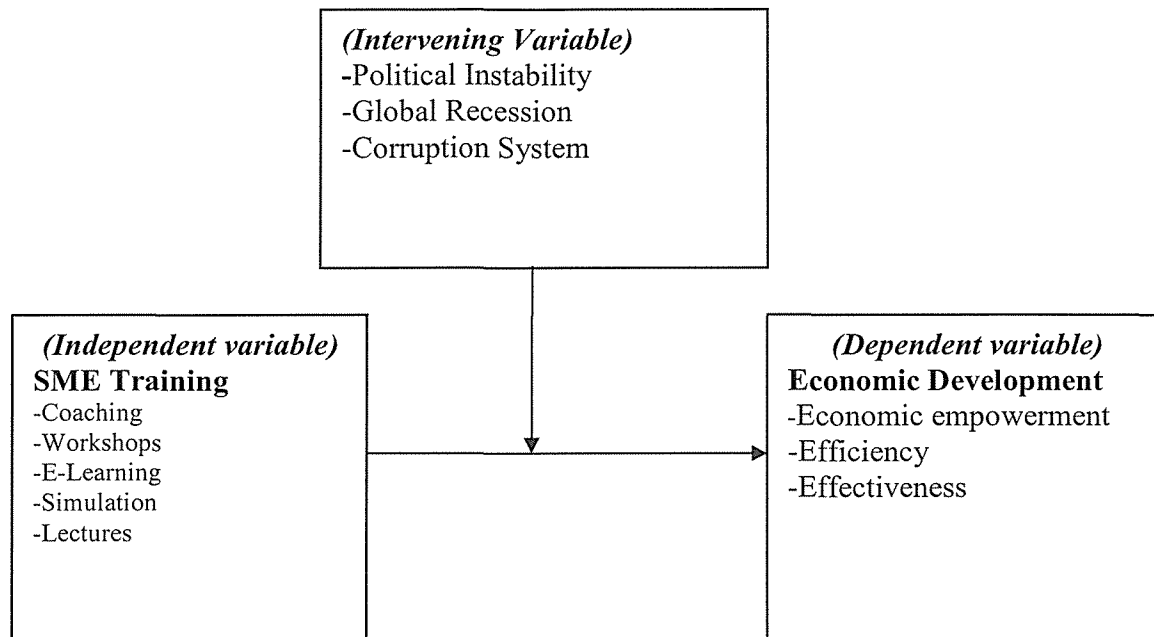
Entrepreneurs are widely recognized as the prime movers of economic development; the people who translate ideas into action. An interesting thought not widely accepted definition of an entrepreneur is a person who has the ability to scan and identify opportunities in his or her environment, gather the resources necessary to take advantage

of the opportunities and implement successful action to utilize the opportunities. O'Sullivan et.al (1998).

This definition identifies an entrepreneur by their behavior rather than the specific occupation they are involved in. Those who have studied entrepreneurial behavior have noted certain characteristics such as innovativeness, ability and willingness to take calculated risks, determination, insight, total involvement, independence, need for achievement, leadership ability and so on. O'Sullivan et.al (1998).

Recognizing the prime-mover status of business entrepreneurs, the Kenya Government has implemented a wide-ranging set of strategies to encourage people to initiate their own small businesses. The major focus for this effort is small enterprise development (SED). Small enterprise development in Kenya has traditionally involved establishing an enabling environment for small enterprise growth including analysis and adjustments to the regulatory environment that has been a hindrance to prospective small business owners. Formal small enterprise development policy encompasses entrepreneurship development programs under a heading 'Non-Financial Promotional Programs' (NFPP). The other two aspects in SED policy are the provision of responsive small enterprise credit facilities and an examination of gender issues.

2.2 Conceptual Framework



2.2.1 Coaching

Coaching is giving ongoing specific technical advice to help someone learn a job. This can be done on a formal and a planned basis by a supervisor or co-workers. It can also occur more informally in the form of help spontaneously offered in teams. Coach “is someone who helps someone else (a trainee) learn something that he or she would have learned less well, more slowly or not at all if left alone.”

2.2.2 Workshop

A workshop is a series of educational and work sessions. Small groups of people meet together over a short period of time to concentrate on a defined area of concern. These workshops include skills that can be applied immediately in the workplace. Thus, the obvious first step in building better teams is to have teams practice using teamwork skills

in facilitated workshop settings, increasing the likelihood they will use these skills in the work setting.

2.2.3 E- Learning

E-Learning enhances learning by extending and supplementing face to face learning rather than replacing it. E-Learning is not so much about technology as about learning based on technology. However, it is the use of the intranet that has offered most scope for learning. In its fully developed form, e-learning is more comprehensive approach to learning than the earlier developments, especially when blended with other learning methods.

2.2.4 Simulation

Simulation is a training technique that combines case studies and role playing to obtain the maximum amount of realism in classroom training. The aim is to facilitate the transfer of what has been learnt off the job to on -the- job behavior by reproducing, in the training room, situations that are close as possible to real life. Trainees are thus given the opportunity to practice behavior in conditions identical to or at least very similar to those they will meet when they complete the course.

2.2.5 Lectures

Lectures this is the way instructors have control over the situation and can present the material exactly as they desire. Although the lecture is use full for presenting facts, its value in changing attitudes and teaching skills is some what limited. Lectures this is the way instructors have control over the situation and can present the material exactly as they desire there for educating. (Rue et.al 2000).

2.3 Training

Training is teaching or making them exercise operational or technical employees on ways of improving on the job for which they were hired. Gomez-Mejia & Balkin, (2002) elaborate that training is a planned effort aiming at providing employees with specific skills to improve on their performance. Effective training can also improve morale and increase an organization's potential. Poor, inappropriate, or inadequate training can be source of frustration for everyone involved. Gomez-Mejia & Balkin(2002)

Scientific data support the assertions of these and others that, in the absence of skill training, performance in school are not predictive of subsequent career success. The studies of the relationship between performance in courses and subsequent life success show that, life success was measured in these studies by a variety of factors, including job performance, income, promotions, personal satisfaction, eminence and graduate degrees. (Whetten & Cameron, 1998). Training is the planned and systematic modification of behavior through learning events, programs and instructions, which enable individuals to achieve the levels of knowledge, skill and competence needed to carry out their work effectively. (Armstrong, 2008).

In short, training pays and lack of training is blamed for the failure of employees. As the diversified global environment continues to expand, the need for continuous learning and training becomes necessary for companies to remain competitive. Successful organizations adjust to changes quickly because their employees receive continuous

training. After a position is staffed, either by a new or existing employee, there is usually need to train the person to do the job. (Williams 2002)

2.4 Training and Development

Training is used to give employees the job-specific skills, experience, and knowledge they need to do their jobs or improve their job performance. (Williams, 2002). The term “quality training and development” is used to indicate a well-planned and purposeful training aiming the improvement of some specific knowledge that needs revision or aiming at acquiring some specific skill. Needs assessment based on or aiming at bridging organizational performance gap, selection of trainees and topic, selection of trainers and location and the like are points of concern while thinking of quality training and development.

Since training is a form of education, some of the findings regarding learning theory might logically apply to training. These principles can be important in the design of both formal and informal training programs. Training and development managers and specialists conduct and supervise training and development programs for employees. Increasingly, management recognizes that training offers a way of developing skills, enhancing productivity and quality of work, and building worker loyalty to the firm, and most importantly, increasing individual and organizational performance to achieve business results. Training is widely accepted. Lyman (1987), From the literature review, the material taught must transfer to the job; the trainer must do her or his best to make the training as close to the reality of the job as possible. Thus, when the trainee returns to the job, the training can be applied immediately. (Williams 2002).

Classroom training is conducted off the job and is probably the most familiar method of training. Classroom training is an effective means of quickly getting information to large groups with limited or no knowledge of the subject being presented. It is useful for teaching actual material, concepts, principles, and theories. Portions of orientation programs, some aspects of apprenticeship training, and safety programs are usually presented with some form of classroom instruction. However, classroom training is used more frequently for technical, professional, and managerial employees. The most common classroom methods used for the general workforce are lecture, discussion, audiovisual methods, experiential methods, and computer based training.(Williams 2002).

2.5 The Generic Challenges faced by SMEs

Small and micro enterprises (SMEs) form the bedrock of most economies. They are frequently the prime source of new jobs and play a crucial role in income generation, especially for the poor. Many governments and international donor agencies seek to promote the development of small and micro enterprises through establishing support agencies and enterprise development projects. These organisations provide business development services (BDS) such as training, advice, information, business planning, marketing, technology, communications and other services. BDS are often perceived as being useful in complementing credit and micro-finance programmes, and in assisting small enterprises with growth potential to become medium-sized enterprises. O'Sullivan (1998).

An important element for promoting enterprise development is to have a suitable enabling environment for business creation, survival and growth. The enabling environment refers, among other things, to policy and regulatory issues, to infrastructure, and to financial and business development services. Although SMEs represent the backbone of local economies in most developing countries, they are vehicles for accelerating economic growth, generating employment, foreign exchange and tax revenue they often face a lot of constraints and challenges in their operations. These small entrepreneurs operate against heavy odds and slight changes in the external environment hit them strongly.

They are often confronted with fierce local and international competition, lack general skills in management, marketing and financial planning, limited access to information on market opportunities and sources of competitive technology. These constraints limit substantially the productive capacity and efficiency of SMEs in Kenya to be competitive within the context of globalization. SMEs are associated with poor accounting and financial records. The result is that entrepreneurs are unable to make business decisions on the basis of sound financial records. It also deprives third parties of a vital source of information upon which to evaluate potential relationships with the company. Faulu Kenya is helping its clients institute book-keeping procedures and install simple accounting systems based on either software or manual aids. In addition, short training sessions in financial management practice for non-finance managers are being arranged for these clients. Most of the businesses operate without proper planning and have no sense of direction, leading to haphazard approach to business challenges. (Faulu 2008).

Faulu Kenya encourages all its clients to produce business plans as a necessary tool for business success. Technical assistance is given to clients to complete the draft plans they develop during training and to actually use them. Those who are not able to produce their own business plans are assisted to access the services of reputable HR consultants. Most entrepreneurs spend their time “fire-fighting” than giving the strategic guidance businesses need. This is because entrepreneurs tend to concentrate all the key responsibilities upon themselves, often assuming the executive roles of Chief Executive, Marketing Director and Financial controller. (Faulu 2008)

This poor delegation creates inefficiencies and apathy on the staff otherwise expected to take lead on those functions. Faulu Kenya helps clients to address this challenge through provision of business counseling and advisory services aimed at helping clients put in place proper systems and controls to enable them delegate effectively. Faulu Kenya assists clients to draw up detailed marketing plans with precise customer-care strategies under the business advisory services, and ensures that these are implemented. Credit sales and yet most of their purchases are made on cash basis. In spite of this however, the trend is that there often no formal credit policies in place, resulting in high incidence of bad debts and perennial liquidity problems. As part of the Business advisory services, Faulu Kenya advises clients to institute such policies and limit credit sales to only deserving customers. (Faulu 2008)

No strategy for costing and pricing their products/services, relying predominantly on the competitor to set the price. Faulu Kenya advises clients to review their costing methods

and pricing strategies, to ensure that prices incorporate all costs plus a reasonable profit margin. Mixing personal financial affairs, with business including running of the same bank account. In most cases this behavior has led to diversion of business funds into unplanned personal needs. This is major cause for poor tracking of proceeds and business failures arising from illiquidity. Faulu Kenya advises clients to recognize their businesses as distinct legal entities that ought to operate separate bank accounts. (Faulu 2008)

Employing relatives or under-qualified personnel in an attempt to cut costs. The employees lack job descriptions and frequently do not have performance targets against which performance is measured. Faulu Kenya with the help of Human Resource consultants helps clients to put in place Human Resource policies and procedures. Most SMEs tend to take up business concepts based on a conviction arising from a superficial assessment of an existing business operation. Such shallow convictions often do not stand the test of time given the risks, persistence, sacrifice, disappointments and frustrations associated with starting and running a business. Short term outlook most SME promoters attach to their involvement in business. Most promoters have no vision for their businesses and, hence, tend to drift from one business idea to another. This is hardly the approach to creating sustainable growth oriented enterprises. (Faulu 2008).

CHAPTER THREE METHODOLOGY

3.0 Introduction

This chapter dealt with the research design, sampling procedure which included simple random and purposive sampling, sample size, method of data collection which included interviews and questionnaires, research procedure, and the method of data analysis.

3.1 Research Design

This study adopted a descriptive design. The researcher sought to establish solutions to significant problems. This was done by collecting information about people's attitudes and opinions. The researcher constructed questions that were used to solicit the desired information and identify the respondents to be surveyed. The researcher identified the means by which the survey was to be conducted and summarized the data in away that provided the designed descriptive information. The study involved clients from Faulu Kenya who had received SME management training.

3.2 Sampling Procedure

The sampling procedure that was used in this study was simple random sampling and purposeful sampling. The researcher employed these sampling techniques because they enabled an in-depth knowledge of the study using a small population sample from each of the selected respondents. Simple random sampling enabled the researcher to give the respondents an equal chance of being selected therefore minimizing gender bias in the research. Whereas Purposive sampling as a technique allows a researcher to use cases

that have the required information with respect to the objectives of the study this is supported by (Mugenda 2003).

3.3 Population and Sample size

The study population involved officers from the training department at Faulu Kenya, Nairobi Branch, and beneficiaries of the training. The researcher selected (10) ten workers of Faulu Kenya and (30) thirty of their available clients from a target population of 400 respondents. The researcher adopted this sample size in accordance with Gay (1996) suggestion where he states that in descriptive research 10% of the target population is sufficiently representative enough.

3.4 The Questionnaire

The semi –structured questionnaire and structured questionnaire were the main instrument of the study to be administered to the staff and Faulu Kenya clientele. Both Open and closed ended questionnaires were administered, this is because Close ended questionnaires were easier to analyze since they are in an immediate usable form and again each item is followed by alternative answers. Open ended questions permitted a great depth of response, where a respondent was allowed to give a personal response, usually reasons for the response given may be directly or indirectly included. Equally they were simpler to formulate mainly because the researcher did not labour to come up with appropriate response categories.

3.4.1 Interview Guide

Interviews were administered to the training officers and management concerning the role of SME training on economic development. Structured interviews were designed in such a way that more specific and truthful answers that relate to the topic were realised.

Interviews have been preferred because according to Gupta (1999), they give an opportunity to probe detailed information on an issue. Interviews made it possible to obtain data required to meet specific objectives of the study. Interviews were more flexible than questionnaires because the interviewer could adapt to the situation and get as much information as possible.

3.5 Validity and reliability of instruments

The validity of the questionnaire was established by expert judgment method proposed by Gay (1996). Two experts in the field of research were contacted to judge the materials. The researcher adjusted the materials according to the expert's recommendation and analysis.

3.6 Data analysis

The data which was collected and scrutinized was then edited to eliminate any errors. The collected data was coded; this was the process of translating edited responses into numerical figure. The study used both qualitative and quantitative data analysis. Also, the researcher used generated tables and percentages to show the role of SME training on economic development.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter of the study systematically presents the results that were obtained from the research that was conducted. The results are quantitatively and qualitatively presented. The analysis and interpretation follows tabular presentation at some stages and the face to face interviews results from the respondents are also presented to supplement the quantitative presentation.

The presentation of the study is guided by the research questions that guide the study. The background information of the respondents however is also presented. Hence forth, the presentation is divided into two sections where section one presents the base line information of the respondents, section two, represents the results of the study according to the research objectives that guided collection. The presentation of the data follows in the following discussion.

4.2 Background Information

The current section presents the base line information of the respondents. The researcher felt this information was important because the respondents, background with the organization determines their ability to posses the required information and subsequently determined the necessity of the researcher to probe for any detail and establish sufficient rapport with the respondents.

On the respondents, gender distributions the researcher established the situation as presented in Table 1

Table 1: Gender distribution of the respondents

| Gender | Frequency | Percentage |
|---------------|------------------|-------------------|
| Male | 15 | 38 |
| Female | 25 | 62 |
| Total | 40 | 100.0 |

As can be observed from table 1, the gender distribution of the respondents was representative. That is 25 (62%) of the respondents were female and the other 15(38%) of the respondents represented males. The results indicate that during the survey, both sexes were accessible though the researcher interacted with more females than males this was attributed to an observation by the researcher that females were more engaged in SME activities than males.

During the face to face interviews, the researchers observations was supported by the respondents who stated that generally women were viewed as financially conscious due to the family responsibilities, thus engaging in SME activities in order to take care of their family well being and offset day to day bills. The researcher endeavored to explore the level of education of the respondents. This variable was deemed worth establishing by the researcher because the education level of the individual determined his or her ability

to possess adequate information. The results on the level of education of the respondents are presented in Table 2.

Table 2: The distribution of respondents by their level of education

| Level of Education | Total No. of respondents | Male | Female | Total Percentage |
|---------------------------|---------------------------------|-------------|---------------|-------------------------|
| Masters | 4 | 3 | 1 | 10 |
| Degree | 6 | 4 | 2 | 15 |
| Diploma | 12 | 2 | 10 | 30 |
| Secondary | 4 | 2 | 2 | 10 |
| Primary | 6 | 4 | 2 | 15 |
| Illiterate | 8 | - | 8 | 20 |
| Total | 40 | 15 | 25 | 100 |

The findings on table 2 shows the respondents' education background and depicted that 4(10%) were postgraduate holders, 6(15%) graduates. Those with diploma certificates were 12(30%), secondary level having 4(10%) primary with 6(15%) and lastly those who did not attain any formal education certificate thus being 8(20%). This showed the existing difference between the level of education between male and female respondents however male respondents still dominated in terms of the level of education attained. Equally Females were still considered to be more illiterate as demonstrated by the table 2.

During the face to face interviews it was established that not all respondents were well educated. Therefore, for the above respondents who did not comprehend the research questions, the best method of collecting data from them was through face to face interviews where the research questions were simplified to give an easily understandable meaning, even though this percentage could understand the questions asked in the interviews and respond, there was still the need to interpret some concepts further of which the enumerators were employed to that effect. The researcher felt the need to establish the respondents experience with the organizations and the results were depicted on table 3.

Table 3: Distribution of the respondents experience with the organization

| Years of experience | Respondents | Percentage |
|----------------------------|--------------------|-------------------|
| 1-3 years | 14 | 35 |
| 4-7 years | 12 | 30 |
| 7-10 years | 8 | 20 |
| Over 10 years | 6 | 15 |
| Total | 40 | 100 |

As expressed by Table 3, the respondents experience with the Organization was unevenly distributed. That is, 14(35%) had spent a period between 1-3 years as compared to 12(30%) who had spent 4-7 years with the organization. Those who had spent 7-10 years were 8(20%) of the total participants. This distribution left 6(15%) to have worked with

the organization for a period of over 10 years. The results generally indicate that the respondents had varying experiences in the Organization.

During the face to face interviews majority of respondents were categorized as having worked in the organization for 1-3 years this was attributed to the constant recruitment of new staff due to the high departure of employees to other organizations. Majority of the respondents indicated that it was not easy to spend more than 10 years with in Faulu Kenya or the SME industry. The reasons expressed were that mainly, there was a high rate of failure within the SME sector due to mismanagement and uncertain trends within the economy equally respondents attributed to SME failure to employing relatives or under-qualified personnel in an attempt to cut costs. Despite the expressions however, the researcher was confident, because she was able to obtain varying views from respondents with varying experiences within the organization.

4.3 Research Findings

This study was basically guided by three research questions that were derived from the Research Objectives. The verification of the research questions was guided by the conditions that described the data. After presentation of the research questions, the results from the face to face interviews are also presented for clarity.

4.3.1 How do small and micro entrepreneurs benefit from training at Faulu Kenya?

The first research question of this study was derived from the first research objective. The question sought to establish how small and micro entrepreneurs benefit from training at Faulu Kenya. In order to get answers to ascertain this research question, the researcher

inquired from the respondent their perceptions on a number of issues. These issues included establishing the target group for SME training sessions, the existing training techniques and its effect on economic development and the issues stressed during training sessions on economic development. On the target group for SME training sessions, the results are expressed on table 4.

Table 4: The target group for SME training sessions on economic development

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Individuals | 12 | 30 |
| Self help groups | 18 | 45 |
| Neutral | 6 | 15 |
| No response | 4 | 10 |
| Total | 40 | 100 |

According to table 4 on the target group for SME training sessions 12(30%) of the respondents felt that individuals were the target group, contrary to a distribution of 18(45%) of the respondents who thought that the self help groups were more targeted for training. However 6(15%) of the respondents remained neutral on the matter leaving a distribution of 4(10%) of the respondents who did not respond at all.

During the face to face interviews the respondents stated that though individuals also participated on the training sessions the organization prioritized training on the self help groups because this was considered an economical way in utilizing resources.

On whether there were any existing training techniques and its effect on economic development the results are presented on table 5.

Table 5: whether there were any existing training techniques that had an effect economic development

| | Respondents | Percentage |
|--------------|--------------------|-------------------|
| Lectures | 8 | 20 |
| Simulation | 12 | 30 |
| Coaching | 10 | 25 |
| E-Learning | 4 | 10 |
| No response | 6 | 15 |
| Total | 40 | 100 |

According to table 5 When asked whether there are any existing training techniques and its effect on economic development, majority of the respondents 12(30%) felt that simulation had an effect on economic development as a training technique. 8(20%) of the respondents stated that lectures did have an effect on economic development as a training technique. This left a distribution of 10(25%) of the respondents who felt that coaching did have an effect on job performance. However 4(10%) of the respondents were of the view that E-learning did have an effect on job performance. 6 (15%) Did not respond they returned the questionnaires without answering to them.

During the face to face interview the majority of the respondents attributed simulation to having an effect on economic development in that it seemed the easiest way of learning

what was been taught. It was revealed that simulation facilitated the transfer of what has been learnt off the job to on -the- job behavior by reproducing, in the training room, situations that are close as possible to real life. This training technique was considered effective in that it helped the respondents to remember what they had learnt during the training.

However other respondents felt that with the advent of internet technology it was much easier to learn the latest approaches in all applicable aspects via E-learning though the majority of respondents felt that E-learning was a long shot to call in that the majority of them were not computer literate they unanimously concluded that E-learning was very expensive venture and unrealistic. The researcher sought to establish the issues stressed during training sessions on economic development, the results are shown on table 6.

Table 6: The issues stressed during training sessions on economic development

| Respondents | Frequency | Percentage |
|---------------------|------------------|-------------------|
| Business management | 16 | 40 |
| Saving schemes | 12 | 30 |
| Expansion | 8 | 20 |
| No response | 4 | 10 |
| Total | 40 | 100 |

According to table 6 on the issues stressed during training sessions on economic development 16(40%) of the respondents felt that business management was adequately addressed during the training session as compared to 12(30%) of the respondents who felt

that methods of savings were stressed upon. However 8(20%) of the respondents felt that SME expansion was mostly addressed this left a distribution of 4(10%) of the respondents who did not respond at all to the question.

During the face to face interviews the majority of the respondents stated that one of the reasons that was attributed to their failure was poor business management skills, these had limited substantially the productive capacity and efficiency of SMEs in Kenya to be competitive within the context of globalization therefore in tandem with this state of affairs the organization had identified and incorporated business management as one of their core objectives.

4.3.2 The challenges faced by small and micro entrepreneurs at Training in Faulu Kenya

From the second objective of the study, the researcher delivered a research question. It is this research question, which guided the study. In order to get appropriate answers to this research question, a number of elements were subjected to the respondents to solicit for their perception of the variables in question. For instance, the researcher solicited respondents, opinion on challenges faced by small and micro entrepreneurs at training, how often was training undertaken and was the intended objective achieved. The results to this study were analyzed by generating tables and percentages which were used to make the comparison of the perceptions as the following data depicts on table 7.

Table 7: Respondents rating on the challenges faced by small and micro entrepreneurs at Training

| Respondents | Frequency | Percentage |
|-----------------------------|------------------|-------------------|
| Inadequate funding | 20 | 50 |
| Illiteracy | 8 | 20 |
| Lack of political good will | 6 | 15 |
| Disintegration of SME | 4 | 10 |
| No response | 2 | 5 |
| Total | 40 | 100 |

According to table 7 on the respondents rating on the challenges faced by small and micro entrepreneurs at Training the majority of the respondents felt that inadequate funding was a major hindrance this was expressed by 20(50%) of the respondents as compared to 8(20%) of the respondents who felt that illiteracy contributed to the challenges being faced in SME training on economic development. However 6(15%) of the respondents felt that lack of political good will contributed a great deal to the detriment of SME training. A further 4(10%) of the respondents felt that untimely disintegration of SMEs was an obstacle to SME training. This left a distribution of 2(5%) of the respondents who did not respond to the question.

During the face to face interview the respondents indicated that lack of adequate funding hindered the facilitation of learning materials including sufficient teaching staff, this slowed their learning process. Other respondents bemoaned illiteracy as a major concern

in that they could not grasp whatever they were taught especially financial analysis which included basic accounting methods and book keeping. Respondents equally opined that their politicians wanted to hijack the training process by politicking and yet they did not contribute to the whole process. Respondents unanimously agreed that untimely disintegration of SME was quite discouraging despite the whole training sessions and input involved. The researcher was motivated to establish how often training was undertaken and whether the intended objective was achieved, the results are presented on table 8

Table 8: How often training was undertaken and whether the intended objective was achieved

| Respondents | Frequency | Percentage |
|------------------------|------------------|-------------------|
| Once a year | 6 | 15 |
| Twice a year | 12 | 30 |
| More than twice a year | 18 | 45 |
| No response | 4 | 10 |
| Total | 40 | 100 |

Reflecting on table 8 the majority of the respondents 18(45%) stated that the training was more than twice a year, 12(30%) of the respondents stated that training was offered twice a year leaving a distribution of 6(15%) of the respondents who stated that training was offered once a year. 4(10%) of the respondents did not respond and left the questionnaire blank.

During the face to face interviews the respondents stated that much as they preferred training quite as often as possible it was expensive for Faulu Kenya to sustain this type of activity on a frequent basis, they stated that training as a means of economic development aided them in learning activities that helped members acquire business management skills and that they could apply the required knowledge, skill and attitudes to manage their SME's effectively.

4.3.3 What are possible solutions of how to improve challenges faced by SME in Training at Faulu Kenya?

From the Third objective of the study, the researcher derived research question number three. It is this research question that guided the study in the bid to get answers towards its verification. The research question sought to establish ways in which possible solutions of how to improve challenges faced by SME at Training could be derived. To get the answers to this research question, a number of elements were placed to the respondents among which the following highlights are important for instance, the researcher solicited respondents, views on how SME performance was measured. The results of this study were analyzed by generating tables and percentages which were used to make the comparison of the perceptions as the following presentation depicts. On whether training impacts on SME performance the results are presented on table 9.

Table 9: Whether training impacts on SME performance

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Strongly agree | 22 | 55 |
| Agree | 8 | 20 |
| Neutral | 3 | 8 |
| Disagree | 2 | 5 |
| No response | 5 | 12 |
| Total | 40 | 100 |

According to table 9 On whether training impacts on SME performance 8(20%) of the respondents felt that it affected SME performance where as 22(55%) strongly agreed that it did affect SME performance, as compared to 2(5%) of the respondents who disagreed leaving a distribution of 3(8%) of the respondents who were neutral on whether it did or did not affected job performance. 5 (12%) declined to reply to the questionnaires.

During the face to face interviews the respondents overwhelmingly agreed that the training had impacted a considerable change into the way they handled their SME much as there were unsuccessful cases owing to other intervening factors in play which included political instability. The researcher thus sought to establish how SME performance was measured; the results are presented on table 10.

Table 10: Indicators measuring SME performance

| Respondents | Frequency | Percentage |
|------------------------|------------------|-------------------|
| Expansion and Growth | 10 | 25 |
| Increased profits | 10 | 25 |
| Sound management | 8 | 20 |
| Increased productivity | 10 | 25 |
| No response | 2 | 5 |
| Total | 40 | 100 |

According to table 10 the results indicated that the majority of the respondents 10(25%) equally agreed on a number of different factors that they felt could be used as a measurement of SME performance this included, Increased profit, Increased productivity Expansion and Growth. However 8(20%) of the respondents felt that sound management was a means of measuring SME performance this left a distribution of 2(5%) of the respondents who did not answer the question.

During the face to face interviews the respondents stated that increased profit, increased productivity expansion and growth all positively affected the SME's one way or the other, however other respondents felt that sound management practices determined the performance of the SME. The researcher sought to establish the initiatives / strategies put in place by the organization in improving SME training on economic development. The results are depicted on the table 11.

Table 11: The initiatives / strategies put in place by the organization in improving SME training on economic development

| Respondents | Frequency | Percentage |
|--------------------------------|------------------|-------------------|
| Institute Book keeping | 10 | 25 |
| Providing Technical assistance | 10 | 25 |
| Marketing strategy | 10 | 25 |
| Setting Targets | 10 | 25 |
| Total | 40 | 100 |

According to table 11 the respondents 10(25%) were evenly distributed on the strategies set by their organization on enhancing SME training on economic development. However they unanimously agreed that sound strategies were put in place by their organization.

During the face to face interviews the respondents stated that their organization was helping its clients institute book-keeping procedures and install simple accounting systems based on either software or manual aids. In addition, short training sessions in financial management practice for non-finance managers was arranged for these clients. The training officer further stated that Most of the businesses operate without proper planning and have no sense of direction, leading to haphazard approach to business challenges.

It equally emerged that technical assistance was given to clients to complete the draft plans they develop during training and to actually use them. Those who are not able to produce their own business plans were assisted. The organization equally assisted clients to draw up detailed marketing plans with precise customer-care. It was established that most respondents had no strategy for costing and pricing their products/services hence relied predominantly on the competitor to set the price. The respondents were advised to review their costing methods and pricing strategies, to ensure that prices incorporate all costs plus a reasonable profit margin. They were equally trained not to mix personal financial affairs, with business including running of the same bank account. It emerged that in most cases this behavior had led to diversion of business funds into unplanned personal needs. This was a major cause for poor tracking of proceeds and business failures arising from illiquidity.

The respondents stated that most SMEs tend to take up business concepts based on a conviction arising from a superficial assessment of an existing business operation. Such shallow convictions often do not stand the test of time given the risks, persistence, sacrifice, disappointments and frustrations associated with starting and running a business. Short term outlook most SME promoters attach to their involvement in business. After establishing the strategies put in place by the Organization the respondent saw no need to investigate further.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The current chapter of this study presents the discussion of the results derived from the data presented in Chapter four, the discussion leads into varying conclusions and a number of recommendations are subsequently derived.

5.1 Summary

The following are the summaries on the findings based on the three objectives that guided the study. The results are also cross referenced with the findings of other scholars in related organizational environments that have got a supportive element of the current study.

The research established that the majority of the respondents attributed simulation to having an effect on economic development in that it seemed the easiest way of learning what was been taught. It was revealed that simulation facilitated the transfer of what has been learnt off the job to on -the- job behavior by reproducing, in the training room, situations that are close as possible to real life. This training technique was considered effective in that it helped the respondents to remember what they had learnt during the training. However other respondents felt that with the advent of internet technology it was much easier to learn the latest approaches in all applicable aspects via E-learning though the majority of respondents felt that E-learning was a long shot to call in that the

majority of them were not computer literate they unanimously concluded that E-learning was very expensive venture and unrealistic.

The findings were in tandem with (Williams 2002) who asserts that simulation is a training technique that combines case studies and role playing to obtain the maximum amount of realism in classroom training. The aim is to facilitate the transfer of what has been learnt off the job to on -the- job behavior by reproducing, in the training room, situations that are close as possible to real life. Trainees are thus given the opportunity to practice behavior in conditions identical to or at least very similar to those they will meet when they complete the course.

The research findings further illustrated the challenges faced by the SME sector and possible solutions to this challenges, the research established that lack of adequate funding hindered the facilitation of learning materials including sufficient teaching staff, this slowed their learning process. Illiteracy was bemoaned as a major concern in that the targeted respondents could not grasp whatever they taught especially financial analysis which included basic accounting methods and book were keeping.

This could be attributed to the level of education of the respondents as depicted in the study where female illiteracy had a considerable percentage bearing in mind that they were the key players in SME training on economic development.

The research findings equally established solutions that were put in place to facilitate SME growth through training on economic development. Amongst the strategies that were put in place include instituting book-keeping procedures and simple accounting systems based on either software or manual aids. In addition, short training sessions in financial management practice for non-finance managers was arranged for these clients.

Technical assistance was given to clients to complete the draft plans they develop during training and to actually use them. Those who are not able to produce their own business plans were being assisted. They were equally trained not to mix personal financial affairs, with business including running of the same bank account. It emerged that in most cases this behavior had led to diversion of business funds into unplanned personal needs. This was a major cause for poor tracking of proceeds and business failures arising from illiquidity.

5.6 Conclusion

The first objective sought to establish how small and micro entrepreneurs benefit from training at Faulu Kenya. The majority of the respondents opined that they benefited from training though there was need to simplify the whole process. They stated that simulation was an effective method of training in that it gave them a more practical and holistic approach to whatever they were learning.

The second objective assessed the challenges faced by small and micro entrepreneurs at Training. The respondents felt that their were challenges being faced by the SME sector

on training and attributed inadequate funding as a major concern in that they lacked sufficient learning equipments and staff. Illiteracy and untimely disintegration of SME was equally a growing threat that needed tough measure to be put in place.

The third objective sought to establish the solutions to the challenges faced in SME training on economic development, this included Instituting Book keeping, Providing Technical assistance, Implementing Marketing strategy and Setting Targets. However all this strategies were dependent on the mode of training that the organization impacted on its clients.

5.7 Recommendations

In line with the first objective the researcher recommended that simulation and role playing should be emphasized in that not all the clients were literate and equally the training sessions should be simplified so that the participants could improve on their skills on implementation of what was learnt.

The researcher recommended that on the second objectives, the organization should seek means of sourcing for funding through government and development partners. Equally a minimal fee should be introduced to facilitate the running of the training programme.

With regard to the third objective the researcher recommended that technical assistance be facilitated to the SME sector, this could involve facilitating qualified staff to guide the clients on fiscal matters.

5.8 Areas for Further Research

The researcher's point of departure was that poor tracking of proceeds and business failures arising from illiquidity were more common thus there was need to formulate a monitoring and evaluation framework that would cater for SME training on economic development and the implementation process.

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APPENDIX A

RESPONSES RATE ANALYSIS

| | Total | Percentage |
|-------------------------------------|-------|------------|
| Questionnaires distributed | 40 | 100 |
| Questionnaires returned answered | 34 | 85 |
| Questionnaires returned un-answered | 6 | 15 |

Source: Authored

During the research study the researcher distributed 40 questionnaires which reflected 100% questionnaires, of which 34(85%) were returned fully answered however 6(15%) of the questionnaires were returned not fully answered thus not being able to be used for analysis in the research study.

APPENDIX B

INTERVIEW GUIDE

1. How do small and micro entrepreneurs benefit Training at Faulu Kenya?
2. What are challenges faced by small and micro entrepreneurs at Training in Faulu Kenya?
3. What are possible solutions of how to improve challenges faced by SME at Training in Faulu Kenya?
4. What are the possible solutions of how to improve the training?
5. How often do you undertake training and is the intended objective achieved?
- 6 How do you rate and measure the results of training?
7. What strategies have been put in place in order to improve training techniques?

APPENDIX C

THE ROLE OF SME TRAINING ON ECONOMIC DEVELOPMENT:A CASE STUDY OF FAULU KENYA

Dear respondents as part of my requirements to the Award of a Bachelors Degree in Business Administration at Kampala International University. I am administering this questionnaire to collect information on the role of SME training on economic development. Please answer as honestly as possible.

INSTRUCTIONS:

- 1 Do not sign your name any where on this questionnaire.
- 2 For Section tick for section A and fill in Section B .

QUESTIONNAIRE FOR EMPLOYEES OF FAULU KENYA

SECTION A: RESPONDENT BACKGROUND (TICK WHERE APPROPRIATE)

1.1 Gender: Male ☐ Female ☐

1.2 Ages: 20-29 ☐

30-39 ☐

40-49 ☐

50-59 ☐

60-above ☐

1.3 Number of years in the organization

2-5 ☐ 5-10 ☐ 10-above ☐

1.4 Education Background

Primary ☐ O-Level ☐ A-Level ☐ other ☐

SECTION B:

2.0 What is the target group for this SME?

Individuals ☐ Self help groups ☐ Other

2.1 Do small and micro entrepreneurs benefit from SME Training and management?

Yes ☐ No ☐

2.6. Is there any form of training for the clients on the use of Loans?

Adequate Training Moderate Training No Training

2.6.1 If so, who does the training and for how long?

.....

2.6.2 What are the main issues stressed during your training sessions or seminars?

.....

3.0 What are the existing training techniques?(Tick)

i) Lectures ☐

ii) Coaching ☐

iii) Simulation ☐

iv) E-Learning ☐

3.1. Provide possible recommendations on how to improve the training department.

a).....

3.2 What strategies have been put in place in order to improve training techniques?

a).....

THE ROLE OF SME TRAINING ON ECONOMIC DEVELOPMENT:A CASE STUDY OF FAULU KENYA

Dear respondents as part of my requirements to the award of a Bachelors Degree in Business Administration at Kampala International University. I am administering this questionnaire to collect information on the role of SME training on economic development. Please answer as honestly as possible.

INSTRUCTIONS:

3 Do not sign your name any where on this questionnaire.

4 For Section tick for section A and fill in Section B .

QUESTIONNAIRE FOR CLIENTS OF FAULU KENYA

SECTION A: RESPONDENT BACKGROUND (TICK WHERE APPROPRIATE)

1.1 Gender: Male ☐ Female ☐

1.2 Age: 20-29 ☐

30-39 ☐

40-49 ☐

50-59 ☐

60-above ☐

1.3 How long have you been a client of Faulu Kenya?

2-5 ☐ 5-10 ☐ 10-above ☐

1.4 Education Background

Primary ☐ O-Level ☐ A-Level ☐ other ☐

2.0 How did you know about Faulu Kenya?

a) Colleague ☐

b) Newspaper ☐

c) Seminar/workshop ☐

d) Other (please Specify) ☐

3.0. Which other SME Training Institutions do you know?

a).....

4.0. Do you attend the training as group or an individual?

Group ☐ Individual ☐