INTERNATIONAL JOURNAL OF BUSINESS, SOCIAL SCIENCES & EDUCATION

CHALLENGES FACING STRATEGIC SUSTAINABILITY OF MICRO, SMALL AND MEDIUM BUSINESS ENTERPRISES (MSMES) IN KENYA

A Case Study of Muthurwa Market in Nairobi County in Kenya

Peter Mwaura Njogu

Presbyterian University of East Africa

Professor Namwel Bosire

Presbyterian University of East Africa

Timothy Mwangi

Presbyterian University of East Africa,

Citation: Njogu P.M., Bosire N & Mwangi T. M. (November, 2018). Challenges Facing Strategic Sustainability of Micro, Small And Medium Business Enterprises (MSMES) in Kenya: A Case Study of Muthurwa Market in Nairobi County in Kenya. *International Journal of Economics and Finance (IJEF)* Issue No XI, Volume 4, pp 340-364.

Category: International Journal of Economics and Finance (IJEF)

Abstract

The study was to investigate challenges facing strategic sustainability of micro, small and medium business enterprises (MSMES) in Kenya; case of Muthurwa market in Nairobi County in Kenya. It was guided by the following objectives; to evaluate the extent to which availability of finance, technological development, and lack of adequate entrepreneurial skills government policies and laws challenges strategic sustainability of MSMEs in Kenya. Descriptive research design was adopted in this study. This study targeted 743 business people operating in Muthurwa Market in Nairobi. The sample 248 respondents were selected using multistage sampling method. The businesses were classified into various strata depending on their operations. 20% of the target population on each stratum was sampled. Simple random sampling using random numbers were used to select the respondent from each stratum. The data was collected using questionnaires which had both closed and open ended questions. The data collected was analyzed by use of the Statistical Package for Social Sciences (SPSS) program. Quantitative methods like mean, percentages, frequencies and standard deviation were used to describe the findings while inferential statistics like correlation analysis, regression and ANOVA were used to establish relationships between the independent and dependent variables and the suitability of the model. The findings were presented in frequency tables, charts and graphs. The study found that for any MSME in Kenya to survive, it should have adequate capital. MSMEs should be encouraged to acquire entrepreneurial knowledge and skills from established institutions and experienced professionals. The study also found the cost of acquiring of electronic gadgets, cost and the knowledge of using was the major deterrents despite the traders having knowledge of usefulness of technology in running the business. The study recommended the government should train the MSMEs traders on entrepreneurial knowledge and skills as well as enable them acquire basic technological skills of promoting their products and operating their businesses. The study also recommended national and county government should provide a conducive business atmosphere for MSMEs to thrive. It should lower or waive licensing fee and provide for essential services. The national government should also lower the customs it levies on MSMEs traders who import their wares from abroad and reduce bottlenecks and bureaucracy associated with the same.

Keywords: Capital, Entrepreneurship skills, Medium enterprises, **Micro enterprise**,

Strategic sustenance and Working capital

Background of the study

Small and Medium enterprises popularly known as SMEs are engines of growth, vital to most economies. World Economic survey session paper 2015 conducted by world bank, suggests that MSMEs account for 95 percent of firms in most countries, create jobs, contribute to GDP, aid industrial development, satisfy local demand for services, innovate and support large firms with inputs and services. In Africa, SMEs create 80 percent of employment, establishes a new middle class and stimulates the demand for new goods and services.

According Kenya Central Bureau of Statistics (2017) SMEs play a key role in economic development and job creation. In 2016, 82% of jobs created were dominated by SMEs. The term micro and small enterprises (MSEs) or micro, small and medium enterprises (MSMEs), is used to refer to SMEs in Kenya. Under the Micro and Small Enterprise Act of 2012, micro enterprises have a maximum annual turnover of KES 500,000 and employ less than 10 people. Small enterprises have between KES 500,000 and 5 million annual turnovers and employ 10-49 people. Medium enterprises are not covered under the act, but have been reported as comprising of enterprises with a turnover of between KES 5 million and 800 million and employing 50-99 employees. Most SMEs fall under the informal sector and by extension, the term informal refers to people in self-employment or small-scale industries. The informal sector is estimated to constitute 98 percent of business in Kenya, contributing 30 percent of jobs and 3 percent of Kenya's GDP. The government recognizes the role of the informal sector and seeks ways to integrate these businesses into the formal sector. Humphrey, K. (2006) noted Kenya does not have a comprehensive record of SMEs. While report from Kenya Management Assistance programme (2015) estimates put Kenya's MSMEs at about 7.5 million enterprises, contributing approximately 44% to the Kenyan GDP in 2016.Despite the fundamental role SME's play in the Kenyan economy, these enterprises are not able to operate to their optimum level due to the challenges they face.

Ongile, G. (2011), notes the growth and strategic strategic sustainability of most SMEs in Kenyan are hindered by inadequate capital. Naituli, G Wagulo, F and Kaimenyi, B (2010), suggested the problem is further aggregated by their inability to access loans and credit facilities from financial institutions such as commercial banks due to lack of collateral security. Kuto, L.Y.(2003), observed that despite improved involvement of Kenyan banks in funding SMEs as compared to many to other sub-Saharan African countries, Kenyan SMEs continue to face challenges related to financing. The government of Kenya with conjunction with World Bank and Bill Gates foundation has established programmes such as Kenya's Financial Sector Deepening (FSD) aiming to expand financial services accessibility among lower-income households and small enterprises. According to Isabel M. I. (2000), approximately 61% of small businesses considers funding and retaining qualified workers as the most significant challenge to the growth or survival of their business. He also highlighted other major concern especially in United Kingdom as state and federal regulations, economic uncertainty, keeping up with technology and access to adequate capital.

Research conducted by CBK and World Bank in 2015, the World Bank and Central Bank highlighted the difficulty in tracking the size of the SME market and its need for financial services; as they attempted to identify the size of demand and supply side of finances in SMEs sector. The research showed the supply side of SME finance, which evolved between 2009 and 2013, had greatly expanded Kenya's financial sector. Ondego, G. (2007) suggested for Kenya to fulfill its desire to achieve vision 2030, SME lending must be improved further and increased. Studies conducted on FSD programmes in 2016 on Kenya's financial services sector to SMEs revealed banks were not serving SMEs effectively.

According to Kenya Management Assistance programme (2015), SMEs growth can be sustained through improved funding by financial institutions, as well as reducing the cost of credit. This should be accompanied by developing more innovative finance products such as factoring and leasing as well as by adopting more efficient collateral registration processes.

According to Jim, B (2013), lack of adequate knowledge, skills and managerial training among entrepreneurs establishing MSMEs was cited to greatest hindrance in sustenance of SMEs in Kenya today. According to Sessional Paper No. 2 (2015), most people gets into the business with vision of making livelihood but lacks basic skills to run them. He further argued that lack of proper mentorship coupled with ignorance have led to downfall of various SMEs in Kenya. Enyinna, C, and Carl, L.(1999), noted more often than not small and medium enterprises establish managerial strategies through trial and error mechanism. Their managerial techniques only focus on operational plans rather than strategic plans of their organization which are basically short term as opposed to long term. In addition, these managerial techniques are intuitive and not standardized with those of other global entrepreneurs. Hence they are not able to adequately handle challenges facing enterprises.

Longnecker J, (2000) suggested that technology is the major drive of change in the world today. It have led to introduction of new products, new processes of conducting business, shortened the product lifecycle as well as improved communication. According to the study conducted by Naituli, G Wagulo, F and Kaimenyi, B (2010), changes in technology change poses a big challenge to the growth of businesses in Kenya today. Many firms are unable to adopt new technology due to cost involved; that is the initial, installation and maintaince costs. Further noted technology may more often than not fit the needs of these enterprises. For instance, a small enterprise located in a rural area cannot reap the full benefits of internet connection due to lack of rural electrification and poor internet connectivity.

National government through legislative organ, County government and other stakeholders continue to introduce new regulations for industries and enterprises in Kenya. New laws are being enacted in a bid to regulate the operations of enterprises, protect public interest as well as spearhead sustainable economic growth in the country (Riyanti, P.B (2014)).

However, such regulations sometimes pose tremendous threat to the growth of small and medium enterprises in Kenya since some are too punitive and tough. Ban to use of plastic bags in 2017 adversely affected many businesses since the government did not provide alternative and relatively affordable method of packaging. Other challenges facing small and medium enterprises as identified by Gelderen V. and Frese M. (1998), included poor infrastructure, poor management of resources and inadequate support from the government. They further argued Small and a medium enterprises serve as backbone of any economy especially in Sub Saharan Africa hence the government should intervene and help these enterprises gain momentum.

Kenya has not ripped all the benefits that can be accrued through integration and skills development of its large, yet unproductive informal sector (Gelderen V. and Frese M. (1998)). Fortunately, the architects of Vision 2030 acknowledge the significance and need to support the informal sector to increase jobs, productivity and income distribution, and public revenues. Vision 2030, the country's development blueprint to transform Kenya into a newly industrializing middle-income country, aims at increasing and improving SMEs establishments. More than supporting the informal sector, the country hopes to accelerate economic growth by increasing jog creation ventures, improving laws that govern business practices, institutional reforms, improving infrastructure and reducing energy costs. The government is currently involved in developing and implementing a conducive environment for businesses to be established and grow (Ondego, G. (2007)).

Muthurwa market is twelve hectare market complex owned by Nairobi County Authority. The market is located in the central business district area in Nairobi, Kenya close to Railways headquarters. The market was construction at a cost of 800 Kenya shillings. Construction work started in 2006 and lasted for about 1 year. It was officially opened on February 2008. The plan included a 24-hour market with basic facilities like water, restrooms, lighting, a hospital, a police station, multi-storied stalls, a banking hall and an administration office. The major objective of its construction was to control hawking and traffic congestion in Nairobi CBD. It hosts several activities including a business activities and a terminus of almost all matatus heading to the Eastlands area of Nairobi. Business activities done at Muthurwa market includes but not limited to boutiques selling new and Second hand clothes and shoes; grocery shops dealing with agricultural products such as Fruits, Vegetables, Bananas, Potatoes, Beans, Maize and maize flour, Millet and millet flour, Cassava and Cassava flour, Spices, Groundnuts and Rice; Beauty parlors with salons and barber shops; bouquet/ floristry shops; Gift Shops; Cyber Cafes; money transfer agents (commercial banks agents and mobile phones money transfer agents) and food store such as hotels and butcheries. There are also hawkers who do not own store but sells their wares and food stuff.

Statement of the problem

Everyday all over the world, businesses are set up – large and small scale. People venture into these businesses with one major objective, that is, to make profit and sustain them for the longest period possible (Marx, Van Rooyen, Bosch &Reynders (1998). However, for many years now, sustaining these businesses has become a challenge in the business world Nickels G. et al (2008). This has made entrepreneurs start at a small scale level even though they had strategic ideas and plans.

The SMEs cut across all the sectors of the Kenya economy and provide one of the most prolific sources of employment creation, income generation and poverty reduction. The sector contributes up to 18.4% (Government of Kenya, 2015) of the country's gross domestic product. Past statistics indicate that three out of five micro-enterprises comprising of 60% SMEs fail within the first three to five months of inception (Kenya National Bureau of Statistics, 2016). According to statistics obtained from the Nairobi County Council, 2017, most of SMEs in Muthurwa market lack of growth and there is very high number of traders abandoning their businesses even before the expiry of their first annual license. Various studies have been carried on SMEs in Kenya. Clive D. and Oketch C. (2008) conducted a study on effect of government regulations on growth of SMEs, Ogola, N. (2004), Impediments faced by small-scale entrepreneurs in accessing credit from micro-finance; Ongile, G. (2003), barriers to small firm growth in rural areas in Kenya, a case of Makueni. Among all these studies none have attempted to identify factors impending strategic sustainability of MSMEs in urban areas most specifically Muthurwa market in Nairobi Kenya. Hence the study specifically focused on identifying the effect of availability of finance, change in technology, government policy and entrepreneurial skills on MSMEs in Kenya; a case of Muthurwa market

LITERATURE REVIEW

According to Mutua et al 2006, Small and medium enterprise faces a lot of challenges in their operation. These challenges range from credit rationing, insufficient finance, lack of accurate documentation, lack of collateral, regulations, and high interest rates. Small and medium-size enterprises (SMEs) have long been recognized as one of the cornerstones of a country's development. It is, thus, important to understand what contributes to their success as well as the difficulties they face. Studies conducted by Jeyanth, K. 2003, showed that the lack of available financing from financial institutions is one of the biggest problems facing small businesses today (Stevenson, L. 2007). Small businesses face a different range of problems than their larger counterparts, due to their inability to enjoy some of the same advantages in the marketplace. Humphrey, K. 2006, suggested most financial problems are due to revenue and cash-on-hand availability when the bills come due. But confronting these obstacles before they become a headache can help you to prevent them from becoming a major issue for your company.

Unforeseen expenses due to occurrence of unplanned expenses may be a big challenge especially to start-up companies (Rusdy, H. 2007). Expenses, such as government levy, county council license fees, increase in the cost of goods, can cause a major change in the business. Catastrophic Change may probably not cause a great loss as compared to MSMEs. A natural disaster or other major disruption can lead to closure of SMEs. These challenges have a lot of impact on growth, profitability and financial innovation of MSMEs.

According to Bartol M.K. (1998), new ventures, even small ones, requires funds to operate. Moreover, most of their revenues in the early years must be ploughed back into the business to fuel growth. New businesses rarely show a profit in the early months of operation. Generating sales takes time, and receipts are not usually sufficient to offset start-up costs and monthly expenses. Therefore, entrepreneurs need to estimate how much money they need and then raise that amount to transform their dream into a reality. Lincolin, A 2005, claimed that many entrepreneurs struggle to find the capital to start a business. There are many sources to consider, it is therefore important for an entrepreneur to fully explore all financing options. He should also apply for funds from a wide variety of sources. They added the major issue associated with securing funding is the amount if equity (ownership of the firm) and potential control an entrepreneur or prospective small business owner must relinquish to obtain the necessary financing.

Debt capital is a source of finance for an entrepreneur. Debt capital financing involves a loan to be repaid, usually with interest and a security is normally given which may include cars, houses or machinery. According to Rusdy, H. (2007), personal savings is the best source of capital for any business. It is easy to use, quick to access, has no payback terms, and requires no transfer of equity (ownership). It also demonstrates to potential investors that the entrepreneur is willing to risk his own funds and will per severe during hard times. Craig. F, 1997, claimed friends and family is people who believe in the entrepreneur, and they are the second easiest source of funds to access. They do not usually require the paperwork that other lenders require. These funds however, should be documented and treated like loans. Entrepreneurs can use personal credit. This is an easy source of funds to access, especially for acquiring business equipment's.

Hospes, R. 2002, observed banks are very conservative lenders. Many prospective business owners are disappointed to learn that banks do not make loans to start-up businesses unless there have outside assets to pledge against borrowing. Many entrepreneurs do not have enough assets to get a secured loan from a lending institution. However, if an entrepreneur has money in a bank savings account, he or she can usually borrow against that money. If an entrepreneur has good credit rating, it is also easy to get a personal loan from a bank. These loans tend to be short-term and not as large as business loans.

Venture investors are a major source of funding for start-ups that have a strong potential for growth (Humphrey, K. 2006). He added venture investors insist on retaining part ownership in new businesses that they fund. Formal institutional venture funds are usually limited partnerships in which passive limited partners, such as retirement funds, supply most of the money. These funds have large amounts of money to invest.

The most important issue to any small business entrepreneur is cash flow. William G. Nickel et al (2008) and Rusdy, H. 2007, stated that entrepreneurs need to estimate how much cash they need to cover expenses until the business begins to make profit through tools like income statement and cash flow statement. Christopher, J. & Colin, H. 2006, defined Cash flow as the amount of money actually available to make purchases and pay current bills and obligations. It is the difference between cash receipts (money taken in) and cash disbursements (money spent) over a specific time period. They further stated that, a cash flow statement estimates anticipated cash sales as well as anticipated cash payments of bills. This forecast is used to project the money required to finance the operation annually. They also help the entrepreneur in financial management of his/her business to enhance strategic sustainability, solvency and stability.

Entrepreneurship

Entrepreneurship is the practice of starting a business an organization or fortifying mature organizations, particularly start-up businesses, generally in response to identified opportunities. Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses fail. According to Schumpeter (1950), "an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation". Frank H. Knight (1997) added entrepreneurship is about taking risk that is the behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture.

Innovation and new technologies: entrepreneurship has introduced many new products and services that have changed the way we live. Zoltan (1997) considered small businesses created by entrepreneurs as agents of change in market economy. Ricky, G and Ronald, J (2009), added income generation and increased economic growth, more goods and services available, development of new markets, encouragement of more researches and studies and development of modern machines and equipment for domestic consumption. Development of entrepreneurial qualities and attitudes among potential entrepreneurs to bring about significant changes in the suburbs, freedom from the dependency on the jobs offered by others, the ability to have great accomplishments, reduction of the informal economy and emigration of talent may be stopped by a better domestic entrepreneurship climate (Pincus H, (1998)).

Technological Development and MSMEs

According to Sambamurthy, V., A. et al, (2003), business systems have reached the point where it's difficult to operating even a small company without basic technology such as desktop computers to receive email and keep records. Technological innovations speed up workflow and provide indispensable systems for organizing information. However, technology can also have negative effects on a business, ranging from the cost to making communication more impersonal as well as creating a false sense of knowledge. Although businesses cannot to abandon technology entirely, it is useful to understand potential pitfalls and develop solutions to compensate when needed.

Computers store and organize information in ways that would often take human beings considerably more time. It takes little time to prepare a profit and loss statement using QuickBooks, while it might take too long to compile it manually (Fairbank J., Labainca G., Steensma H., and Metters R (2006). The person who enters the data must be familiar with the company's operations, model and the templates it uses for information to be meaningful.

Technology saves money for your business by saving time. The time required compiling reports; In addition, up-to-date information, access and respond proactively will be less. However, the cost involved is very high. Acquisition of computers, its hardware and software, training, maintenance and upgrading them can be expensive. These expenditures may be costlier than the time you save.

Spam refers to unwanted and unsolicited email messages. Spam is widespread and has negative impacts on business, according to Huang, S. Y., Huang Wu, S. T H and Lin, W.-K. (2009). Wading through spam email is a waste of time, and spam filters can only do so much. Users of spam filters must then check for necessary email messages diverted incorrectly as spam. The popularity of ecommerce has had a negative impact on brick-and-mortar retail stores. Smaller stores are finding more and more difficult to compete with both Internet businesses and larger retail stores.

Government policy

According to Thomas A. Garrett (2001) government policies can be categorized as active or passive depending on whether they involve the government in determining which types of businesses are promoted. Active policies, such as targeted tax breaks, help specific forms of businesses, while passive policies help create an environment that is friendly to entrepreneurs without regard to specific firms. Garrett continues to say "both active and passive policies are effective in promoting small businesses, but passive policies promote entrepreneurship most broadly and it is this entrepreneurial-friendly environment that will allow any individual or business-regardless of size, location or mission-to expand and to thrive".

Consumers must be protected from business owners who are eager to sell without taking into consideration the well-being of customers. Ondego, G. (2007), argued Consumers must be protected from overcharging, poor quality goods and services and short measurements and weights. It is a statutory requirement that the seller must state the price of the product. To prevent overcharging of basic of subsided products, the government set maximum retail price (MRP) aiming at controlling prices. Naituli, G Wagulo, F and Kaimenyi, B (2010), added government also sets quality standards which all the traders and the producers should abide to.

Governments can also show that they value private enterprises by making it easier for individuals to learn business skills and by honoring entrepreneurs and small business owners. Longnecker J, (2000), suggested policy makers can: offer financial incentives for the creation of business incubators. These usually provide new businesses with an inexpensive space in which to get started. Often business incubators are associated with colleges, and professors offer their expertise. Enhance the status of entrepreneurs and businessmen in the society. Governments might create local or national award programs that honor entrepreneurs and call on business leaders to serve on relevant commissions or panels (Ogola, N. (2004)).

METHODOLOGY

Descriptive research design method was used for the study. This study targeted 743 business people operating in Muthurwa Market in Nairobi. The Sample size included 148 respondents representing 20% of the target population. The data was collected using questionnaires (appendix 2) which had both closed and open ended questions. The data collected was analyzed by use of the Statistical Package for Social Sciences (SPSS) program.

DATA ANALYSIS

Inferential Statistics

Inferential statistics were used to make predictions from the collected data and generalize it to all MSMEs traders at Muthurwa market in Nairobi Kenya.

Pearson Correlation Analysis

The study used Pearson correlation analysis to determine the strength of association between the independent variables and the dependent variable. Pearson moment correlation was conducted using SSPS package version 21. The tabulation below shows that there is a strong positive relationship between the strategic sustainability of MSMEs in Muthurwa Market and Finances for the traders which had correlation coefficient factor of 0.754 and significance value of 0.000. This relationship was found to be statistically significant as significant value of 0.000 was below the level of significance of 0.05 (0.01 level (2- tailed test). The study also found a strong positive correlation between entrepreneurial knowledge and skills, and strategic sustainability of MSMEs in Muthurwa Market with correlation coefficient factor of 0.747, the significance value was 0.000 which was below 0.005. Changes in technological development and Government policies, rules and regulations also showed strong positive relationship on influencing strategic sustainability of MSMEs in Muthurwa Market with correlation coefficient factor of 0.813 and 0.935 respectively. Both were statistically significant as their significance value was 0.000 which was below 0.05.

Regression Analysis

The researcher used multiple regression analysis statistical technique to measure the influence or the impact of the independent variables on dependent.

Table 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873[a]	.801	.782	.56601

Source: Researcher data, 2018

The researcher used Coefficient of determination to examine the extent to which the model used in the study fitted the data. As shown from table above, the model fit was 80.1% as shown by squared ($R^{2)}$. 78.2% of the variation in strategic sustainability of MSMEs in Muthurwa Marke had been explained by explanatory variables used in the study as indicated above by adjusted R^2. Hence the variations in strategic sustainability of MSMS in Muthurwa market had been explained by explanatory variables such as availability finances, entrepreneurial knowledge and skills, technological development and Government policies, rules and regulations.

Coefficients

Table: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1.203	1.7438		79.23	
Availability of finances	.738	.039	.413		.000
Technological development	.482	.041	.291	13.629	.000
Entrepreneurial knowledge and skills	.521	.029	.312	73.21	.000
Government policies	.701	.057	.587	28.451	.000

Source: Researcher Data, 2018

The coefficients of equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$) as generated by SSPS output was:

$Y = -1.2 + 0.738X_1 + 0.482X_2 + 0.521X_3 + 0.701X_4 + 1.7438$

Regression analysis revealed a unit change in availability of finance while holding all other factors constant affect strategic sustainability of MSMEs by coefficient factor 0.738; a unit change in technological development while holding all other factors constant would all other factors constant challenge strategic sustainability of MSMEs by coefficient factor 0.482; a unit change in level of entrepreneurial knowledge and skills holding all other factors constant would enhance strategic sustainability of MSMEs by coefficient factor 0.52; while a unit improvement in government policies while holding all other factors constant improve strategic sustainability of MSMEs by coefficient factor 0.701. Hence all the four factors in the study have direct influence on strategic sustainability of MSMEs in Muthurwa market in Kenya.

Study Findings

Out of 148 questionnaires issued 117 representing 80% were returned duly filled. 12 questionnaires were rejected because they were either not complete or were inconsistent hence not eligible for analysis. Hence 105 questionnaires amounting to approximately 71% were analyzed.

71 respondents were male while 34 were female representing 67.7% and 32.3% of all the respondents respectively. 21.9% of the traders were dealing with Grocery shops (agricultural products), 38.1% from boutiques (New, Second hand clothes and shoes), 9.5% from Beauty parlors with salons and barber shops, 8.1% from bouquet/floristry shops, 4.8% from Gift Shops, 5.7% from Money transfer agents, 6.3% Cyber Cafes and 4.5% from Ready Food store (hotels and butcheries). 2.9% of the respondents were below 24 years, 6.7% between the age of 21 to 25 years, 13.3% between 31 to 35 years, 35.2% 36 to 40 years, 35.2% between 35 to 44 years and 6% between 45 to 50 years. There was no respondent above 50 years. 14.3% of the respondents had attained Kenya Certificate of Primary Education as the highest level of education, 68.6% had Kenya Certificate of Secondary Education, 12.4% had undergone Certificates and Diploma courses, bachelor's degree and above 4.7%. 5.6% of the respondents had traded for a period below 1 year in Muthurwa Market. 10.4% have worked between 1 to 4 years, 25.6% between 5 to 9 years, 33.2% 10 to 15 years, 20.5% 15 to 19 years and 4.7% above 19 years. 21.9% had no employee(s), 48.6% of the respondents had employed between 1-5 employees, 17.1% 6-10 employees, 8.6% and 3.8% had employed between 10- 15 employees and over 16 respectively.

97.7% of the respondents agreed inadequate finances challenges strategic sustainability of MSMEs in Muthurwa market in Nairobi, Kenya while 2.3% disagreed. It also affects strategic sustainability of MSMEs to great extent with mean of mean of 4.25 and SD 0.709 in the following operations. Out of maximum of 5 (extremely great extent), inadequacy capital had mean of 4.35 and standard deviation 0.91355; unavailability of loans from banks and other financial institutions 4.182, standard deviation 0.98123; Cost of credit 4.19, and standard deviation of .97363; Deficiency in working capital (funds to finance operations, pay overheads and debts when due mean of 3.8470 with standard deviation of 0.97769 and acquisition of finances from non-formal lending firms like shylocks 3.85 with standard deviation of .78075. Pearson correlation analysis showed there is a strong positive relationship between the strategic sustainability of MSMEs in Muthurwa Market and Finances for the traders which had correlation coefficient factor of 0.754 and significance value of 0.000. This relationship was found to be statistically significant as significant value of 0.000 was below the level of significance of 0.05 (0.01 level (2- tailed test). Regression analysis revealed a unit change in availability of finance while holding all other factors constant affect strategic sustainability of MSMEs by coefficient factor 0.738.

63.7% of the respondents agreed technological development challenges strategic sustainability of MSMEs in Muthurwa market in Nairobi, Kenya while 36.3% disagreed. Technological development affects strategic sustainability of MSMEs in Muthurwa market to great extent with mean of 3.65 and SD 0.8506. All respondents used electronic gadgets to access technology with 96% of the respondents using mobile phones, 29% laptops, 15% desktops and 9% iPads. It also helps MSMEs traders to improve its operations with reduction of the cost of operating business had of mean of 4.3727; ease in communication and connectivity mean of 4.3727; improved accuracy had a mean of 3.0909, promotion of the business mean of 4.1364, improve efficiency and speed in operations mean of 4.0727 and storage and retrieval of information mean of 3.3182. Technological challenges the strategic sustainability of the MSMEs in Muthurwa market. Out of the possible maximum mean of 5 (Extremely great extent), Cost of acquisition Electronic gadgets had mean of 4.2273 and standard deviation of 0.86252, Inadequate training mean of 2.3364 and SD 0.5304, Cost of operating the technology- airtime, internet, mean of 4.2182 and SD 0.9143, Unfair business practices Fraud, cyber crime had a mean of 0.9 and SD 0.66083. Using Pearson correlation analysis, the researcher found a strong positive correlation between entrepreneurial knowledge and skills, and strategic sustainability of MSMEs in Muthurwa Market with correlation coefficient factor of 0.813, the significance value was 0.000 which was below 0.005. Regression analysis revealed a unit change in technological development while holding all other factors constant would all other factors constant challenge strategic sustainability of MSMEs by coefficient factor 0.482.

79.1% of the respondents agreed Entrepreneurial knowledge and skills challenges strategic sustainability of MSMEs in Muthurwa market in Nairobi, Kenya while 20.9% disagreed. Only 25.7% had acquired formal training while 74.3% had not acquired. From the findings, entrepreneurial knowledge and skills challenges strategic sustainability of MSMEs to great and moderate extent in the following functions; Identification of business opportunities (mean 4.45 and SD 0.8); Conducting market research/ Conducting market research (Mean 3.245; SD 0.946), Financial management (budgeting, final financial statements- balance sheet (Mean 3.7853; SD deviation 0.945). Other functions such as Identification of possible and source of cheap capital (mean 3.5 and SD deviation 0.72), managing cash flow (mean 3.8 and SD 0.91) and taking calculated risks (mean 3.6 and SD 0.848). The study also found a strong positive correlation between entrepreneurial knowledge and skills, and strategic sustainability of MSMEs in Muthurwa Market with correlation coefficient factor of 0.747, the significance value was 0.000 which was below 0.005. Regression analysis revealed a unit change in level of entrepreneurial knowledge and skills holding all other factors constant would enhance strategic sustainability of MSMEs by coefficient factor 0.52.

95.5% of the respondents agreed government policies, rules and regulations challenges strategic sustainability of MSMEs in Muthurwa market in Nairobi, Kenya while 4.5% disagreed. Government policy had mean of 4.42 and SD 0.796 out of the possible 5. The effect of the government on the strategic sustainability of MSMEs in Muthurwa Market through taxes had mean of 4.2527, licences mean of 3.3837, Quality standard control mean of 4.0909, price control mean of 4.1364, zzoning mean of 3.3252 and weight and measure control mean of 3.0727 all out of possible 5 (extremely great extent). Pearson correlation analysis showed there was a very strong positive relationship between the strategic sustainability of MSMEs in Muthurwa Market and Government policies for the traders which had correlation coefficient factor of 0.935 and significance value of 0.000. This relationship was found to be statistically significant as significant value of 0.000 was below the level of significance of 0.05. Regression analysis revealed a unit improvement in government policies while holding all other factors constant improve strategic sustainability of MSMEs by coefficient factor 0.701.

Conclusion

The study concluded most of MSMEs traders in Kenya are male with 67.7% as opposed to 32.5% female. Most traders deal with boutiques (New Second hand clothes and shoes) followed by agricultural products and grocery shops. Other businesses such as beauty parlors with salons and barber shops, bouquet/ floristry shops, Gift Shops, Money transfer agents, Cyber Cafes and ready Food store (hotels and butcheries) had each less than 10%. Majority of the traders were between 31 to 40 years amounting to approximately 72%. 22% were below 30 years while 6% above 40 years. 87% of the trader had attained Kenya Certificate of Secondary Education and above while 90 % had traded in Muthurwa market for over 5 years. Hence majority of the respondents were literate and would be able to read, understand and answer the questions correctly and they had been in the Muthurwa market for a considerably long period of time to be acquainted with various challenges affecting traders in the market. All the traders in Muthurwa market operate MSMEs since none of the business had employed over 20 employees. 22% had no employee(s).

The study concluded majority of market traders in Kenya are faced with financial challenges while trying to sustain their business. Pearson correlation analysis showed a strong relationship between the strategic sustainability of MSMEs and finances which had correlation coefficient factor of 0.754. Regression analysis revealed a unit change in availability of finance while holding all other factors constant improve strategic sustainability of MSMEs by coefficient factor 0.738. The study concluded inadequate capital, unavailability of loans from banks and other financial, cost of credit, deficiency in working capital (funds to finance operations, payment of overheads and debts when due, and acquisition of finances from non-formal lending firms like shylocks have negatively affected strategic sustainability of MSMEs in Kenya.

Majority of the respondents agreed changes in technology challenges strategic sustainability of MSMEs in Muthurwa market in Nairobi, Kenya. Almost all MSMEs traders use electronic gadgets such as mobile phones, laptops, desktops and Ipads to access technology. It also helps them to improve their operations by reducing the cost of operating business, ease in communication and connectivity, improved accuracy, promotion of the business, improve efficiency and speed as well as storing and retrieving information. Technological advancement challenges the strategic sustainability of the MSMEs in Kenya due to cost of acquisition electronic gadgets, inadequate training, cost of operating the technology (airtime, internet) and unfair business practices (fraud, cyber-crime). Using Pearson correlation analysis, the researcher found a strong positive correlation between changes in technology and strategic sustainability of MSMEs in Kenya with correlation coefficient factor of 0.813, the significance value was 0.000 which was below 0.005. From regression equation, a unit change in technological development while holding all other factors constant would challenge strategic sustainability of MSMEs by coefficient factor 0.482.

From the findings, inadequate entrepreneurial knowledge and skills challenges strategic sustainability of MSMEs in Kenya. Majority of MSMEs traders had not acquired any entrepreneurial formal training; only 25.7% had acquired formal training. Lack of entrepreneurial knowledge and skills limits the traders' ability to conduct business operations such as market research, financial management (budgeting, final financial statements- balance sheet), and identification of possible source of cheap capital, managing cash flow and taking calculated risks. The study also found a unit change in level of entrepreneurial knowledge and skills while holding all other factors constant would enhance strategic sustainability of MSMEs by factor 0.52. Hence there is a strong positive correlation between improvement of the level of entrepreneurial knowledge and skills, and strategic sustainability of MSMEs in as shown in the study (coefficient factor of 0.747).

Government policies, rules and regulations challenge strategic sustainability of MSMEs in Kenya. Government affects the strategic sustainability of MSMEs through taxes, quality standard control and price control to a very great extent while licencing, zoning and weight and measure control to moderate extent. The study concluded there had been minimal government support to MSMEs through provision of financial assistance through youth and women fund and other financial institutions, provision of infrastructure (roads, electricity, security, sewerage, water, among others), training on managerial and technical skills and incubation centre, political stability and promotion of the product. From the regression analysis a unit improvement in government policies while holding all other factors constant improve strategic sustainability of MSMEs by coefficient factor 0.701. Pearson correlation analysis showed there was a very strong positive relationship between the challenges facing MSMEs traders in Kenya and government policies with correlation coefficient factor of 0.935.

Recommendation

The study recommended for any MSME in Kenya to survive, it should have adequate capital. Entrepreneurs should improvise ways and means of accessing finance to keep their MSMEs afloat. The government of Kenya should come in handy to provide funds to the traders of MSMEs through youth development funds since the majority of traders are within the youth bracket (18 to 35 years). Government should also assist women entrepreneurs through women fund. Banks and other financial institutions should be encouraged to lend MSMEs money without stringent conditions and at a reasonable cost. This would enable MSMEs traders to avoid seeking finance from informal financial sectors such as shylocks which are quick to lend them money but at a very high cost and unreasonable terms.

MSMEs should be encouraged to acquire entrepreneurial knowledge and skills from established institutions and experienced professionals. Entrepreneurial empowerment programs/institutions should be established to organize workshops, seminars and short courses for the existing and aspiring MSMEs traders. This should be coupled by provision of study materials to guide entrepreneurs on how to conduct market analysis and research, identify business opportunities calculate the risks, develop a business plan, budget, and manage cash flow and working capital. This is important since they will be able to overcome some those issues which deter the success of their businesses. Establishment of incubation centers for both existing and aspiring entrepreneurs was also recommended.

The study also found technology has hampered the strategic sustainability of their businesses. The cost of acquiring of electronic gadgets, cost and the knowledge of using it being the major deterrents despite the traders having adequate knowledge of usefulness of technology in running the business. The study recommended more than the government training the MSMEs traders on entrepreneurial knowledge and skills it is crucial for them to acquire basic technological skills of promoting their products and operating their businesses. The government should also lower taxes on electronic gadgets to make them affordable or provide a facility where they can acquire them on loans with convenient repayment terms.

The study also recommended national and county government should provide a conducive business atmosphere for MSMEs to survive. It should lower or waive licensing fee and provide for essential services and facilities such as lightings, water, security and basic infrastructure. The national government should also lower the customs it levies on MSMEs traders who import their wares from abroad and reduce bottlenecks and bureaucracy associated with the same.

REFERENCES

Benjamin, K. M. (2000). *How to write Quality Research proposal*: A complete and simplified Recipe; Good Touch Printers, Mysore. India.

Clive D. and Oketch C. (2008). *Improving the Enabling Environment for Indigenous Enterprise Development and Investment*: Country Study Response for Kenya. Study Prepared for Bannock Consulting.

Gakure, W. (2013). Women's enterprise; *Issues impacting on growth of women's enterprises in Kenya*. Paper presented to CEED'S 1st International conferences at U.S.I.U, Nairobi; Kenya.

Galbraith, J. R. (2007); "Organization Design: An Information Processing View," *Interfaces*, Volume 4, Number 3, May 1974, pp. 28-36.

Gelderen V. and Frese M. (2008). *Strategy process as a characteristic of small-scale business owners*: Relationship with success in a longitudinal study paper presented at the annual entrepreneurship research conference, Gent.

Hafeznia, M. D. R. (2006), *Introduction to Research Methods in Human Science*, Tehran, Samt Publishers.

Hitt, L. M. and Zhou X.G, (2002). Investment in Recourse Planning: Business Impact and Productivity Measures. *Journal of Management Information Systems* 19(1): Pp. 31-35

Hospes, R. (2002), *An Evaluation of Finance Programmes in Kenya as Supported through the Dutch Co-Financing Programme*; Committee for the Evaluation of the Netherlands Co-financing Programme; Government Press, Nairobi, Kenya.

Kenya Central Bureau of Statistics (2017). Economic Survey: *National Micro and Small Enterprise Baseline Survey Results 2016*, Government Press, Nairobi, Kenya.

Kenya Management Assistance programme (2015). *Survey on legal impediments to small business development in Kenya*; Government Press, Nairobi, Kenya.

Lincolin, A., (2005). *An assessment of performance and strategic sustainability finance institutions*: A case study of village credit institutions in Gianyar, Bali, Indonesia.

Longnecker J, (2000). Small Business Management; *An Entrepreneurial Emphasis*, University Press, U.S.A.

Miles, M. B., & Huberman, M. A. (2004): "*Qualitative and Quantitative Data Analysis*: An expanded Sourcebook" (2nd Edition), Beverly Hills, Sage.

Montverde, K. and Teee, D. J. 2002), Supplier Switching Cost and Vertical Integration in the Automobile Industry. *Journal of Economics* Vol. 12, Page 206-213.

Mugenda, O. and Mugenda A. (2008). *Research Methods Quantitative and Qualitative Approaches*, Laba-Graphics Act Press, Nairobi, Kenya.

Munguti, K. (2005). *Analysis of effects of micro financing on micro and small enterprises*: A case of K-rep Bank's Juhudi and Katikati loan programmes; Longhorn publishers; Nairobi, Kenya

Mwangi, N. (2013). An investigation of factors that negatively affect the performance of female owned Micro-enterprise in Kenya. Kenyatta University (Unpublished).

Naituli, G Wagulo, F and Kaimenyi, B (2010). *Entrepreneurial Human Capital and the growth of micro and small- scale women enterprises in rural Kenya*. Paper presented at the international Entrepreneurship conference held at U.S.I.U Nairobi: Kenya.

Nickels G. William, McHugh M. James, McHugh M. Susan (2008), *Understanding Business*, 8th Edition, Graw Hill

Ogola, N. (2004). Impediments faced by small-scale entrepreneurs in accessing credit from micro- finance Institution Kenyatta University (unpublished).

Ondego, G. (2007) Factors influencing the success of Family owned Business among the Asian community in Nairobi; Kenyatta University. (Unpublished).

Ongile, G. (2003). Barriers to small firm growth: Evidence from Nairobi's Garment Industry. Published by Longhorn Kenya. Nairobi. Pg 53

Petter, S., Delone, W., and Mclean, E. R. (2013), Information Systems Success: *The Quest for Independent Variables*. Journal of Information Management System, Vol. 29, No. 4, Pp. 5-12.

Robinson, R.B. and Pearce J.A. (2004). *Research Thrusts in Small Firm Strategic Planning*. Academy of management review.

Rusdy, H. (2007). Understanding the success factors of micro-finance institution in a developing country. *International Journal of Social Economics*. Vol. 34 No. 6

Sambamurthy, V., A. Bharadwaj, V. And Grover, (2003), Shaping Agility through Digital Options: *Conceptualizing The Role Of IT In Contemporary Firms. MIS Quarterly* 27(2) Pp. 237-263.

Sessional Paper No. 2 (2016). *Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Eradication*; Government Printer, Nairobi.

Stevenson, L. (2007). *Support for Growth-oriented Women Entrepreneurs in Kenya*. Programme on boosting employment through small enterprise development

Zikmund W, (2005). *Business: Challenges for Global Competitiveness*. Chicago University Press Inc, U.S.A.