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FIRM CHARACTERISTICS AND GROWTH OF SMALL AND MEDIUM ENTERPRISES IN NYERI COUNTY, KENYA

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Abstract

Growth of SMEs in firm size, age, and industry/sector and management efficiency is an area of concern in Nyeri County. As a result of various challenges most SMEs have not grown in size and collapses within a very short period of time after they start. In addition, several SMEs in Nyeri County have not appreciated concentrating in one industry sector and advancement in management skills which may be a major contributor to slow growth in the enterprises within the County. The study therefore sought to establish the relationship between firm characteristic and growth of SMEs in Nyeri County, Kenya. The specific objectives of the study were to determine the relationship between firm size, age, management efficiency, industry sector and growth of SMEs in Nyeri County, Kenya. The study was anchored on Stakeholders Theory, Resource Based Theory, Agency Theory and Operating Cycle Theory. The research design adopted by the study was descriptive design. The study targeted 840 SMEs and a stratified random sampling method was used to arrive at 126 SMEs. Out of the 126 questionnaire distributed to proprietors who operate small and medium enterprises 104 were filled and returned yielding a response rate of 82.5%. The results of the study indicated that the size of the firm and the age of the firm had positive and statistically significance effect on growth of SMEs. In particular, large firms were found to perform better than small firms due to their ability to source for more funds from external sources, increase in sales turnover and value of capital employed leads to growth of firms. Industry sector had positive but statistically insignificance effect on growth of SMEs while management had negative and statistically significance effect on the growth of SMEs. The study concludes that the management of the SMEs gains experience over time and the longer the time in the operation the more the managers are experienced and efficient in dealing with enterprise challenges. In addition, SMEs need to be trained on entrepreneurship and management skills. The study further concludes that SMEs should evaluate how the industry is performing in order to establish whether their business has adapted well in the industry sector.

Keywords: Firm Characteristics, Growth of SMEs, Firm Size, Age of the Firm, Management Efficiency, Industry Sector.

Introduction and Background

SMEs characteristics refer to the origin of business or the industry sector, length age/time in action, business size, managers' attributes and sources of capital which assume vital element on the success of a business (Small gene, Leigh, &North, 2005). Empirical investigations into small and medium sized enterprises (SMEs) have developed in the recent past. According to Beck and Demirguc-Kunt, (2006), Most SMEs globally assume a vital function in the county's economy by contributing to employment and GDP growth more than the large scale firms. SMEs are the upcoming private sector in developing countries and thus form the base for private sector led development (Hallberg & Konishi, 2003). Therefore, the SME sector performance is directly connected with the country's performance (Fowler, 2008; Lee & Lings, 2008; & Quinlan, 2011). In Kenya, SMEs represent a wide segment of the total enterprises in different sectors of the economy. The growth of SMEs has since long ago fascinated scholars, yet the greater part of the research conducted has concentrated on huge organizations instead of SMEs. Nevertheless, changes within the business environment have also lead to additional vulnerability of SMEs as compared to large organizations in an industry.

The shortcomings of SMEs can be credited to diverse changes and trade progression measures that have reduced the Government's contribution to business growth. Thus, the private sector needs to guide the economy in an active development way. The greater part of the previous investigations paid attention to the large scale firms as opposed to SMEs (Mallak & Sardone, 2006; Kauranek, 2006 & Pelham, 2000). In any case, changes within the surroundings result to extra vulnerability within SMEs as compared to huge organizations. Their resources for securing important market information as well as diversification of the business is extra restricted. SMEs have for some time been accepted to be vital in supporting a nations GDP increase (Borman, Jawaharlal, Doss, & Theirry, 1999). It is fundamental to have a well trained and experienced manager for a business to cope and easily adapt to the rapidly changing business environment (Chen, 1995). One of the imperative parts of SMEs in this setting is reduction of poverty levels through employment creation. A few SMEs are progressively observed as developer of new employment opportunities (Swiercee & Hamo, 2003) and Kenyan SMEs sector account for 64% of industrial workforce. Small and Medium Enterprises is a significant sector for the Kenyan economy like numerous other emerging economies since it employs more than eighty five percent of the Kenyan aggregate labour force (Wahid, 2003).

SMEs are by and large considered as the motivating force of economic development, employment creation, and reduce poverty in developing countries. Small business ventures have been the means through which rapid economic growth and increase in industrialization have been realized (Yusuf & Schindehutte, 2000; Arinaitwe, 2002; Sauser, 2005; Hams & Gibson, 2006). Although the contributions of SMEs to economic growth are generally recognized, entrepreneurs are faced by many challenges that hinder their long-term survival and growth. Research on SME Growth shows that failure rate in developing countries is more than in the developed world (Arinaitwe, 2002). Many Scholars note that starting a business is a pretty risky undertaking and cautions that the likelihood of SME entrepreneurs succeeding beyond five years

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is very low (Wanjohi & Mugure, 2008). Both long-term and short-term strategies should be developed and implemented by entrepreneurs in the SME sector to protect against failure (Sauser, 2005; Monk, 2000).

SMEs are very important source of resources for the national economies growth (Sadler-Smith & Spicer, 2006). The SMEs contributions as well as role vary from businesses to business as well as from nation to nation. Like other businesses, SMEs additionally confront various constraints which in some instances might affect their development as well as their returns. Considering the above situation, the significant as well as the fascinating matter for a researcher to reflect on, at this phase, would be characteristics that enhance growth and success of the SMEs sector in Kenya. In Kenya, irrespective of the way several SMEs have been developing and are a success, several others have been deteriorating or are dormant. SMEs in Nyeri County are faced by exceptional difficulties which influence their development and productivity and subsequently lessen their capacity to contribute viably to sustainable advancement (Wanjohi, 2012). A report by the county administration of Nyeri (2015) identified different difficulties experienced by SMEs including absence of innovative capacity, absence of administrative training and experience, insufficient education and aptitudes, technological change, poor infrastructure, inadequate market data and absence of access to credit.

Research Problem

Besides SMEs playing an important role in the country's economic growth they are not as productive as compared to larger firms and they are less able to compete in the markets, as evidenced by their poor survival and low total production factors growth Hallberg & Konishi (2003). As per these findings there is need to investigate the survival rate (age) and growth of SMEs in Nyeri County, Kenya. Majority of SMEs in Nyeri County are of lesser scale ventures having employed less than 10 workers, whereas 70 per cent of them are sole proprietorship or own account laborers (Mugure, 2012). This means that majority of SME entrepreneurs are small in size and operating at the economy base, with a critical percentage falling amongst the 53% of Kenyans living below the poverty line of USD 1 each day. The latter are to an immense degree for survival and participate in monetarily uncompetitive exercises both in rural as well as urban areas (Kihonge, 2014). Management experience and the size of SME symbolize competitive advantage of today, enhanced by strong typical abilities in quality, speed, flexibility and efficiency. Growth of SMEs in size, age and management experience play a principal function in shaping the industries future, however according to the Nyeri County Governor, many of the SMEs growth in Nyeri County have become dormant over the last five years, and some have relocated to other counties and some closing down indefinitely (County Voice, 2016).

Vijayakumar and Tamizhselvan (2010) studied the effect of firm characteristics on growth generated varied outcomes ranging from those supporting a positive connection to those opposing it. The study found a positive relationship between firm size and performance. In their study, they used different measures of size (total assets& size) and performance (profit margin and profit on total assets). Majumdar (2012) investigated the impact of firm size on profitability and productivity of a firm and found that Larger firms are less productive but more profitable. In addition, management techniques such as financial analysis, forecasting and project management are rarely used by SMEs (Davis & Craig, 2008). Kristiansen, Furuholt, and Wahid (2003) studied the relationship between age and performance of SMEs; they established that the length in time in a business activity was considerably related to success of business. Charney and Libecap (2010), studied relationship between entrepreneur's management education and performance of SMEs and discovered that education on business enterprise management produced independent and effective enterprising individuals. Moreover, the examination found that business enterprise training improves the probability of SMEs victory. The reviewed empirical literature was in developed nations: similar studies need to be done in developing nations like Kenya. Hence, this study sought to determine the relationship between firms' characteristics and growth of SMEs in Nyeri County, Kenya.

Objective of the Study

The specific objectives of the study were:

i. To establish the relationship between firm size and growth of SMEs in Nyeri County, Kenya.
ii. To determine the relationship between age of the firm and growth of SMEs in Nyeri County, Kenya.
iii. To establish the relationship between management efficiency and growth of SMEs in Nyeri County, Kenya.
iv. To establish the relationship between industry sector and growth of SMEs in Nyeri County, Kenya.

***Null hypotheses were formulated and tested for each specific objective at a Significance level of 0.05.**

Significance of the Study

The research would beneficial to the following entities; the results of this study would help the Nyeri SMEs lay emphasis on how to improve their business growth. This could ensure business survival for longer period such that they may graduate to medium and later to large enterprises. Further, the Nyeri County government could be able to ascertain how various laws and regulations has been effective on achieving set goals and also identify the policy framework that need to be in place so as to support growth of SMEs in the county. The study could also be vital to the management of the SMEs in understanding the management skills available or lacking thereof and how they affect the growth of their SMEs. The study will also significantly aid the national government to access relevant information on the expectations the public as regards to SME sector is concerned. This would enable the formulation of customer focused policies and regulations in the Ministries of Devolution, youth affairs and industrialization in the aim of achieving the goals of Vision 2030 and Sustainable Development Goals.

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Review of Literature

Theoretical Review

The study is anchored on *stakeholders theory, resource based theory, agency theory and operating cycle theory*. Stakeholders' theory was propounded by Friedman (1970) who proposed that the sole responsibility of business is the maximization of profit. He believed that organizations are run with one primary objective in mind which is profit making. Stakeholder theory further contends that an organization is a collection of groups (customers, shareholders, suppliers, employees, creditors, and neighbouring communities) who are affected or affect the actions of the organization. The theory suggests that the purpose of the firm should be broader than the economic value creation. Instead, it includes the societal interests as well as other players who affect or are affected by the firms' operations (Hillman & Keim, 2001). This theory is applicable to the growth of the SMEs in that the growth of the particular SME will affect many stakeholders. The motivation behind this theory according to Asher and Mahoney (2005) is the economic value creation and distribution of wealth to multiple benefactors of SMEs. The operationalization of the theory in SMEs compels managers to set ambitious objectives which create value to the stakeholders (Freeman, Wicks & Parmar, 2004) and this may include advancing the management skills and increase investment by means of additional capital.

According to Eisenhardt and Schoonhoven, (1996) resource based theory explains performance differences by application of information asymmetry. A firm's capability to meet its cost of capital relies on its competitive attractiveness in its industry. Industrial business economics bring out industrial attractiveness as the fundamental base for greater financial performance. The assumption is that management of a business entity are primarily concerned in searching for favorable business industry environments, looking for prospective business opportunities within the industries and controlling economic forces of the industry by influence industrial organizations and competitors' actions (Kaguri, 2012). The resource based theory gives emphasis to the fact that organization's size of capital and management competence as significant factors of growth and competitiveness. The theory posits two postulates (Barney, 1991 and Peteraf & Barney, 2003). To begin with, this philosophy believes that resource diversity might persist for a time since the mobility of capital used to achieve goals of the firm is not similar across and within firms. Secondly, it implies that organizations within the same industry could be different in regard to the assets that they are in charge of. The resource theory argument is that all firms would enjoy equal opportunities and strategies within the same market if they had similar resources, (Cool, Almeida Costa & Dierickx, 2002). They argued that fixity and diversity are not yet adequate conditions for continuous competitive benefit. In addition, studies have been devoted on non-tangible resources, encompassing material evidences (Sampler, 1998), familiarity (Spender, 1996), and dynamic skills (Teece, Pisano & Shuen, 1997).

The agency theory was advanced by Jensen and Meckling (1976). According to this theory, management and owners of a business have different interests. Generally, managers are concerned in attaining their personal targets which might vary from the value of the firm while the shareholders might try to monitor and regulate the management actions. These regulation activities generate agency costs of equity. Similarly, when creditor provides debt to a firm, the finance cost is centered on the risk level of the business while the management may try to transfer value from debt holders to owners of the firm. This will in turn affect performance and growth of the firm value. This theory is relevant to this study in that, management and size as a firm characteristic will be affected by agency cost for this reason SMEs performance and growth will be affected. It demonstrates who bears these costs, why and how they exist.

Richards and Laughlin (1980) developed Operating Cycle Theory which focuses explicitly on current assets of a firm and this gives income statement measures of firms operating activities on production, distribution and collection. Receivables, for example are directly influenced by debt recovery strategy of the firm and how these receivables are easily and quickly converted to cash for use in the business (Myhre, 2008). By allowing the clients more liberal credit approach, this affects cash flow negatively although it may lead to increased profitability. This theory is applicable to the study in that assets in an SME are very vital in their day to day operations of the business and increase or decrease in asset has an effect on growth of SME. It is also relevant in that managers of an SME are required to understand how current asset affect their business and the theory would improve their decision making process.

Empirical Review

Firm Size and Growth of SMEs

Sebastian (2010) Studied size and performance of SMEs and found out that, smaller firms show larger degrees of data asymmetry amongst insiders and outsiders. What's more, the examination discovered that, these organizations likewise face higher expenses in issuing new value. Bigger firms will probably deal with their working capitals more proficiently than little firms. Most large scale firms realize economies of scale and accordingly can limit their expenses and enhance their financial growth and performance (Kumar, 2015). Pandey (2009) studied the effects of capital employed on SMEs performance and found out that, an SME will require less investment to fund its capital, while, a large scale business will require a great deal of money to plan and back the investment. In many studies, it has been discovered that organization size is significantly related to firms' financial growth and success. Hence bigger firms have more noteworthy ability to managing unfriendly market vacillations than smaller firms, expansive firms can without much of difficulty select capable workers with proficient skills than smaller firms and they additionally have economies of scale in labour cost, which is the most important factor of production.

Brown Atkinson (2011) studied the company size and financial performance of SMEs and found out that there is a positive relationship between organization size and its growth. However, organization size isn't observed to be a critical determinant of operational performance in the large scale firms in the course of the period 1993-1997 (Adams & Buckle, 2000). Beck, et al (2006) found that size, age and ownership are the most dependable predictors of firms' growth. Schiffer and Weder, (2001) established that SMEs time and again report higher growth

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challenges than medium-size or large firms. Hannan and Freeman, (2009) study on age and size of SMEs and performance, found out that more established organizations are more impervious to transformations in an aggressive surroundings and fresher innovations which might, because of the want to work throughout a time old institutionalized way, leave extra seasoned organizations dynamically outdated and prompt association disappointment.

Another investigation by Malikat, (2011) analyzed the determinants of Pakistan's organizations' productivity proxies by return on add up to assets. The factors tried were time of organization, organization age, the capital volume, use proportion and misfortune proportion. The outcome demonstrates that there is no connection amongst gainfulness and organization age and there is a positive and huge connection amongst size as well as benefit. Then again, the investigation recommends that use proportion and misfortune proportion negatively affect productivity of insurance agencies in Pakistan. McMahon, (2001) did an investigation in Australia and reported that high dependence on external support related with enhanced development of business. He discovered that enterprise size was significantly connected to improved implementation of business. Larger enterprises were reported to have an extra superior accomplishment record. In another study, Kristiansen, Furuholt, and Wahid (2003) conducted a study in Indonesia and revealed that financial ability was altogether related to achievement of business. The SMEs which exploited industry, outsider and family venture experienced larger levels of progress.

Age of the Firm and Growth of the SMEs

Similar to the size-profitability association of a firm, the relationship between age of firm and economic success has been broadly examined. From one viewpoint, Sidhu and Bhatia (2013) reported that more youthful organizations will be outflanked by ones which are more established. Firms which are more seasoned have the early mover advantage and may have particular capabilities as well as abilities which more youthful organizations might not have created up until at this time. In so doing, they can become quicker to achieve superior profit.

Kristiansen, Furuholt, and Wahid (2013) examined the connection amongst age and growth of SMEs and discovered that operation time span was fundamentally connected to achievement of business. Moussavi, (2010) in his unpublished PhD postulation revealed that experience with respect to the chief proprietor was factor adding to the organizations survival.

In their study of small organizations, Duchesneau and Gartner (2010) found that lead business people in fruitful firms were most probably have been brought up by entrepreneurial guardians, to have had an extra wide experience of business and earlier establishment encounter, as well as to trust that they had limited power of their accomplishment in business, as compared to unproductive business proprietors. These researchers also reported that lead businessmen in successful organizations worked longer periods, had an individual who were excellent communicators and who had interest in the firm. In addition, they reported that successful organizations were those started with aggressive goals, and lead business entrepreneurs had a wide as well as sensible business idea. Reynolds, (2000) studied individuals age on SMEs performance, discovered that those ranging from 25-44 years of age were the most entrepreneurially vibrant. Results from another investigation in India conducted by Sinha, (2006) discovered that efficient business proprietors were fairly more youthful age wise. In their investigation on Internet bistro business people within Indonesia, Kristiansen, Furuholt and Wahid (2003) on the study of age and entrepreneurial performance, established an important relationship between entrepreneurs' age and success of the business. The older entrepreneurs that is to say having the age of above 25 years were more victorious as compared to the younger entrepreneurs.

Different age groups of female on SMEs performance was studied and the findings revealed that female were in general less probable to be initiators of novel business as compared to male (Mazzarol et al., 2009). Likewise Kolvereidik, (2016) in the study of gender and age on how they affect SMEs performance, reported that males had considerably superior entrepreneurial intents as compared to females. The research additionally revealed that individual with prior experience of entrepreneurship had in total superior entrepreneurial goals as compared to those with no such experience. Conversely, Mazzarol, et al., (1999) reported that respondents with previous work experience on government employment were not likely to be fruitful entrepreneurs of small private ventures (SMEs). Age is a key determinant of financial execution of the firm. The time of operation that a firm has been in operation exceptionally decides the money related execution of the firm. Firms that have a huge involvement in the market can pick up economies of scale from the providers and different partners of the firm because of good connections and trust. Such a firm will probably perform superior to anything a firm that is new in a domain. The firm may spend a great deal of cash before it gets to adjust to the environment (Santa & Becerra, 2008).

Management Efficiency of the Firm and Growth of SMEs.

Rutherford and Oswald (2010) studied firm characteristics impact on performance of SMEs found out that; success and growth of small business has often been categorized into three classifications of predecessors: the individual proprietor attributes, organization qualities as well as environmental qualities. The qualities of an individual integrate properties such as the training, age, administrative know-how, social aptitudes and industry experience of the owner/manager. Charnel and Liberal (2002) investigated the effects of education on entrepreneurship performance and found out that education of business enterprise creates independent determined individuals. Moreover, they noted that business related training creates the likelihood to form new ventures; growing new product mix as well as the likelihood of creating self-employment to graduates through business with high-innovations and technology. Similarly, the examination revealed that business enterprise training of employees increases the sales, profit rates, development of graduates and rising firms' benefits.

Also, Sinha (2006) studied the business entrepreneurial educational foundation and found that 72 percent of the effective business individuals are those who had a specialized technical training at the base level, and the majority (67 percent) of the ineffective business ventures owner didn't have any technical foundation. The researcher concluded that business visionaries having particular education background in the business are in a better position to examine as well as acknowledge tough actuality and naturally manage, which appears to presume a basic part in entrepreneurial effectiveness. Adnan, Abdullah and Ahmad (2012) studied management of human resources on productivity of firms in Malaysia; they discovered that management practices considerably affect Malaysian firms' performance; which demonstrated that management practices utilized are notable factor impacting growth of the business. Keh, Nguyen and Ng (2011) studied management skills and performance of entrepreneurs and found a significant positive relationship between information utilization and performance of the firm.

In their research of factors affecting novel small organizations performance, Duchesneau and Gartner (2010) reported that lead entrepreneurs in victorious organizations were extra probable to have been brought up by entrepreneurial guardians, to have acquired a wide experience of business as well as extra earlier set up experience, and to suppose that they had limited power over their achievement in business, as compared to fruitless entrepreneurs. The researchers as well reported that lead entrepreneurs in victorious organizations worked for longer hours, had an individual investment in the organization, and the individuals were excellent communicators. Furthermore, thriving organizations were those started with determined objectives and also lead entrepreneurs had a broad as well as clear idea of business. Ramachandran and Shah (1999) investigated the association between minority entrepreneurship and firm's growth in sub-Saharan Africa. They found that firm managers with technical training or higher relevant education influenced the firm's performance. Amongst the SMEs owned by Africans, better growth rate were realized in firms which had managers with secondary or university levels of education. According to West head et al. (1995), organizations with over one shareholder when it was established were considerably more probable to carry on. Earlier experience and education in business have been viewed as vital factors of success for small organizations (Yusuf 1995; Wijewardena and Cooray1996).

Industry Sector and Growth of SMEs

Anghazo (2011) inspected the effect of firm level qualities on US bank net premium edge. The outcomes demonstrated that there was a positive association between bank premium with leverage, default hazard, opportunity cost and administration effectiveness. Neely and Wheelock (2009) investigated the gainfulness determinants of SMEs and reported that benefit decidedly associated with changes in per capita wage. Asimakopoulos, Samitas and Papadogonaz (2009), outlined that organizations productivity is decidedly influenced by measure, deals development and venture whereas use and current resources contrarily associated with benefit on the investigation of effect of industry on development of SMEs.

Methodology

The study adopted descriptive research design. Orodho, (2004) states that descriptive research is utilized when the problem to be studied has been well designed. This study used descriptive design of survey as it sought to describe and establish the effects among the study variables (Mugenda & Mugenda, 2003). Descriptive design also allows a researcher to determine the research variables by posing questions to the respondents and then probing their effects

(O'Connor, 2011). The target population of the study comprised of 840 SMEs licensed by the County government of Nyeri in the Year 2018. Stratified random sampling method was used to get the 126 SME proprietors from the selected sub counties in a representative manner this constituted 15% of the target population. According to Mugenda and Mugenda, (2003) 10 to 30% is a good representation of a population. Questionnaire was the data collection instrument used in this study to gather primary data. Questionnaires were preferred as it was relatively quick to collect data in a standardized and more objective way certainly more so than interviews (Saunders, Lewis & Thorn hill, 2012). To assess the validity, the researcher consulted the supervisor and the recommendations given were used in the improvement of the final questionnaires. Reliability of the research instrument was enhanced through a pilot study that was done in SMEs by selecting a pilot group of 10 respondents who were excluded from the final study. Cronbach Alpha coefficient of 0.7 was considered sufficient in this study.

Data that was collected was coded and fed into the computer software for descriptive and inferential analysis. Multiple linear regression was conducted to establish the relationship between firm characteristic and growth of SMEs. The model adopted by the study was: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ Where:

Y= Growth of SMEs

β_0= Constant

$\beta_{1to}\beta_4$=Coefficients

X_1 = Firm size

$X_{2=}$ Age of the firm

X_3=Management efficiency

X4 =Industry sector

ε=Error term of the model

Data was interpreted with the help of significance P-values; if the P-value was less than 0.05 the variables were deemed significant to explain the changes in the dependent variable. The coefficient of determination (R^2) was also used to analyze the percentage in which the independent variables determine the dependent variable.

Results and Findings

Descriptive Analysis

Data that was analyzed was obtained from one hundred and four (104) respondents out of the targeted one hundred and twenty six (126) respondents who operate small and medium enterprise. Thus the response rate achieved was 82.5%, this is a response rate of above 80% which is referred as excellent according to (Mugenda & Mugenda, 2003). The results of the study were obtained using descriptive and inferential statistics guided by the research objectives

Period of Operation

With respect to the period the business has been operational, the researcher sought to establish how long the respondents had operated the enterprise. The researcher considered this information

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relevant given that the longer the period the respondent operated the business, the more they would be able to establish the relationship between firm's characteristic and growth of SMEs due to the level of experience and exposure.

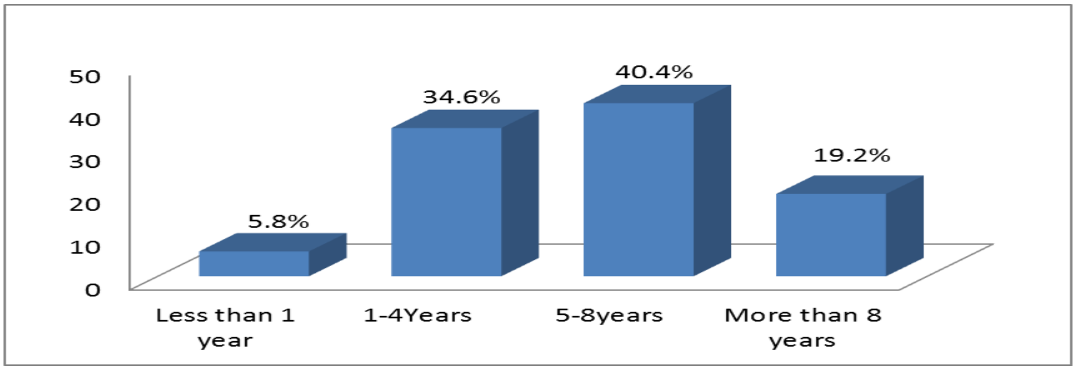

Figure 1: Number of years the respondent has operated SMEs

From Figure 1 above, the finding of the study revealed that 5.8% had operated the business for less than 1 year, 34.6% for a period of 1-4years, 40.4% to a period of 5-8 years while 19.2% for more than 8 years. The indication is that majority of the respondent had operated SMEs for a period between 1 to 8 years which is adequate to establish the impact of firm characteristic on growth of SMEs. Yusuf (1995) stated that prior experience as well as education in business has been viewed as vital factors of success for small organizations. Bulanova, Isaksen and Kolvereid, (2016) revealed that individual with prior experience of entrepreneurship had in total superior entrepreneurial goals as compared to those with no such experience. He concluded that length of time in action may be related with anticipation to absorption of information.

Firm Size and Growth of SMEs

Objective one of the study sought to establish the relationship between size of the firm and growth of SMEs in Nyeri County, Kenya.

Table 1 Descriptive Statistics showing Firm Size Characteristics

Firm Size Characteristics	Minimum	Maximum	Mean	Std. Dev
Large firms will probably perform better than small firms due to their ability to source more funds	2.00	5.00	4.4423	.74816
Increase in sales turnover leads to growth of firms	3.00	5.00	4.5000	.63857
The total assets acquired by the firm increased over the years	1.00	4.00	2.8654	1.00540
The value of capital employed leads to growth of the firm	2.00	5.00	4.2500	.85616
Valid N (list wise)				

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As shown in Table 1, the study findings indicated that increase in sales turnover leading to growth of firms was highly rated with a mean of 4.500 followed by the notion that large firms will probably perform better than small firms due to their ability to source more funds with a mean of 4.4423. The value of capital employed leads to growth of the firm was also rated high with a mean of 4.2500 while the acquisition of total assets by the firm increased over the years was rated below average. This implies that various strategies put in place to increase sales, size of the firm, capital employed and total assets lead to growth of SME. The finding of the study support earlier study by Sebastian (2010) who studied size and performance of SMEs and found out that, smaller firms show larger degrees of data asymmetry amongst insiders and outsiders. According to Kumar (2015), huge firms will probably deal with their working capitals more proficiently than little firms. He noted that most extensive firms appreciate economies of scale and accordingly can limit their expenses and enhance their budgetary execution. The literature review revealed that sales turnover is one of the measures that can be utilized measure the size of the firm.

Age of the firm and Growth of SMEs

Objective two of the study sought to determine the relationship between age of the firm and growth of SMEs in Nyeri County, Kenya.

Table 2 Descriptive Statistics showing Age of the firm Characteristics

Age of the firm Characteristics	Minimum	Maximum	Mean	Std. Dev
The management of the SMEs has gained experience over time	3.00	5.00	4.4038	.59966
The management gradually improve their control of business all operations with time	3.00	5.00	4.2115	.63358
The longer the time in the operation the more the managers are experienced in dealing with challenges	3.00	5.00	4.3846	.59623
The business has operated for a long time without changing the mode of operations	1.00	5.00	3.2885	1.03035
Valid N (list wise)				

Table 2 indicated that the management of the SMEs has gained experience over time had been rated high with a mean of 4.4038 followed by the longer the time in the operation the more the managers are experienced in dealing with challenges with a mean of 4.3846. The management gradually improve their control of business all operations with time had a mean of 4.2115 while the business has operated for a long time without changing the mode of operations had a mean of 3.2885.This implies that management experience may be gained with time where managers are

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exposed to various ways of dealing with challenges. The finding is in line with Hanniah and Freed or (2009) who studied the impact of age and size of SMEs on performance of firms and found out that more established organizations are more impervious to transformations in an aggressive surroundings and fresher innovations which might, because of the want to work throughout a time old institutionalized way, leave extra seasoned organizations dynamically outdated and prompt association disappointment. Results from another investigation in India conducted by Sin had (2006) discovered that efficient business visionary were fairly more youthful age wise.

Management Efficiency and Growth of SMEs

Objective three of the study sought to establish the relationships between management efficiency and growth of SMEs in Nyeri County, Kenya.

Table 3 Descriptive Statistics showing Management Efficiency Characteristics

Management Efficiency Characteristics	Minimum	Maximum	Mean	Std. Dev
Managers are trained on technical issues regarding the affairs of the SMEs	1.00	4.00	2.3462	1.10400
Managers of the SMEs has the right experience to manage the businesses	1.00	4.00	2.8654	1.00540
Managers have the skills and competence aspects in running day today issues	1.00	4.00	3.0192	.99495
Managers have the ability to control costs and manage finances effectively	2.00	4.00	3.5962	.63121
Valid N (listwise)				

Based on Table 3, manager's ability to control costs and manage finances effectively had a mean of 3.5962 while manager's skills and competence aspects in running day today issues had a mean of 3.0192. The respondents were indifferent on whether managers are trained on technical issues regarding the affairs of the SMEs and whether they had the right experience to manage the businesses with a mean of 2.3462 and 2.8654 respectively. This implies that managers acquire skills and competence of running SMEs with time and tries to control cost although they may not have been trained on technical issues. Charnel and Liberal (2002) studied effects of education on entrepreneurship performance found out that education of business enterprise creates independent determined individuals. Moreover, the researchers reported that training on the enterprise creates the arrangement of novel pursuits; the independent work probability, the growing new items probability, as well as the likelihood of independently employed graduates having a business which is of high-innovation.

Rutherford and Oswald (2010) studied firm characteristics impact on performance of SMEs and found out that small achievement of business has often been categorized into three classifications of predecessors which are the individual proprietor attributes, organization qualities as well as

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environmental qualities. The qualities of an individual integrate properties such as the training, age, administrative know-how, social aptitudes and industry experience of the owner/manager. In their research of factors affecting novel small organizations performance, Duchesneau and Gartner (2010) documents that lead entrepreneurs in victorious organizations were extra probable to have been brought up by entrepreneurial guardians, to have acquired a wide experience of business as well as extra earlier set up experience, and to suppose that they had limited power over their achievement in business, as compared to fruitless entrepreneurs.

Industry sector and growth of SMEs

Objective four of the study sought to establish the relationship between industry sector and growth of SMEs in Nyeri County, Kenya.

Table 4 Descriptive Statistics showing Industry Sector Characteristics

Industry Sector Characteristics	Minimum	Maximum	Mean	Std. Dev
The business has been in the same industry for a long period	2.00	5.00	4.0769	.80884
The business has adapted well in the industry	1.00	5.00	3.0385	1.32139
The business is aware of the government regulations and laws regulating the industry	1.00	5.00	3.3462	1.13008
On average the industry is performing as expected	1.00	4.00	2.8654	1.00540
There is high concentration of business of the same industry within the area of operation	1.00	5.00	3.9519	.93870
Valid N (listwise)				

As Table 4 above espouses, the business has been in the same industry for a long period was highly rated with a mean of 4.0769 followed by the presence of high concentration of business of the same industry within the area of operation with a mean of 3.9519. The business is aware of the government regulations and laws regulating the industry had a mean of 3.3462. The business has adapted well in the industry had a mean of 3.3462. However the respondent could not clearly tell whether the industry is performing as expected with a mean of 2.8654.This implies that SME have remained in the same industry for a long period although there has been high concentration related businesses of the same industry. Anghazo (2011) investigated the effect of firm level qualities on US bank net premium edge. The outcomes demonstrated that bank premium edge emphatically associated with use, opportunity cost, and default risk and administration effectiveness.

Regression Analysis

Regression analysis was conducted to empirically establish whether a firm characteristic was a significant determinant of growth of SMEs in Nyeri County. This was performed using the field data and the results interpreted according to the correlation coefficient (R values), coefficient of determination (R^2 values), the coefficient beta values and F ratio at the 95% level of significance. The results for model summary indicated a Pearson's Simple Correlation of 0.518 indicating that there is a fairly strong positive relationship between industry sector, age of the firm, size of the firm, management efficiency collectively and Growth of SMEs in Nyeri County. The R squared (R^2) value of 0.268 indicates that 26.8 percent of changes in Growth of SMEs in Nyeri County is explained by firm characteristic variables collectively, all other factors were held constant.

Analysis of variance (ANOVA) results indicates a p-value of 0.000 which implies that the model overall is a good fit. Hence, firm characteristics are a good measure of growth of SMEs in Nyeri, Kenya. The beta coefficients were used to establish the relationship between firm characteristics and growth of SMEs. The results revealed that size of the firm, age of the firm and industry sector had a positive effect on the growth of SMEs with β_1=0.300, β_2=0.276and B_4=0.020 respectively. The positive beta implies that an increase in the size of the firm, the age of the firm and the industry sector lead to growth of SMEs in Nyeri County. Consequently, management of SMEs in Nyeri County had a negative effect on the growth of SMEs with β_3 = -0.207. The negative beta implies that the growth of SMEs tends to go down due to the current management of SMEs. The finding indicates that the way SMEs are managed currently adversely affect their growth hence there is need to ensure SMEs are efficiently managed. The regression model for the study is as summarized as follows:- $Y= 2.375+ 0.300X_1 + 0.276X_2 - 0.207X_3 + 0.020X_4$. Where Y = the dependent variable (growth of SMEs), X_1 =size of the firm, X_2 = age of the firm, X_3 = management, X_4 = industry sector. This implies that if all other factors (SME size, Age of the SME, Industry of the SME and Management of the SME) were held constant the growth of SMEs in Nyeri County would be 2.375.

Hypothesis Testing and Discussion

Regression results in Table 4.8 indicated the relationship between firm size and growth of SMEs was positive and significant with β_1=0.300 at p value of 0.001. This is an indication that a unit increase in size of the firm increases growth of SMEs by 0.300. Hence, we reject the null hypothesis that firm size does not have a significant relationship with growth of SMEs in Nyeri County, Kenya. This study finding is consistent with Kristiansek, Furuhart, and Wahid, (2009) who found that size of the business was significantly associated to success of business. McMahon (2001) discovered that enterprise size was significantly connected to improved implementation of business. He opined that larger activities were reported to have an extra superior accomplishment amount.

Atkinson & Brown (2011) studied the company size and financial performance of SMEs and found out that organization size is emphatically identified with the financial performance of the organizations. According to Santa and Becerra (2008), firms that have a huge involvement in the market can pick up economies of scale from the providers and different partners of the firm

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because of good connections and trust. Such a firm will probably perform superior to anything a firm that is new in a domain.

The study findings further indicate that the age of the firm had positive and significant relationship with growth of SMEs withβ_1=0.276 at p value of 0.003. This indicates that a unit increase in the age of the firm increases growth of SMEs by 0.276. Hence, we reject the null hypothesis that age of the firm does not have a significant relationship with growth of SMEs in Nyeri County, Kenya. The finding of the study assert earlier findings by Sidhu and Bhatia (2013) who found that more youthful organizations will be outperformed by effectively existing organizations. They noted that more established organizations have the early mover benefit and might have particular capabilities as well as abilities which more youthful organizations might not have created up until at present. In so doing, such organizations can become faster to achieve superior profit. Sidhu and Bhatia (2013) reported that more youthful organizations will be outflanked by ones which are more established. Firms which are more seasoned have the early mover advantage and may have particular capabilities as well as abilities which more youthful organizations might not have created up until at this time. In so doing, they can become quicker to achieve superior profit.

Kristiansen, Furuholt, & Wahid (2013) studied the relationship between age of the firm and performance of SMEs, reported that time of length in action was considerably related to success of business. The finding of this study is also inconsistent with Malikat, (2011) who analyzed the determinants of Pakistan's organizations' productivity proxies by return on add up to assets. The factors tried were time of organization, organization age, the capital volume, use proportion and misfortune proportion. The outcome demonstrated that there is no connection amongst gainfulness and organization age and there is a positive and huge connection amongst size as well as benefit. Their findings was contrary to Kristiansen, Furuholt, & Wahid (2013) who examined the connection amongst age and execution of SMEs and reported that time of length in function was fundamentally connected to achievement of business. They concluded that age is a key determinant of financial execution of the firm.

The findings further indicate that the relationship between management efficiency and growth of SMEs was negative and significant with β_1=-0.207 at p value of 0.001. This is an indication that a unit increase in the manner SMEs are managed leads to reductions of growth of SMEs by 0.207 hence, we reject the null hypothesis that management efficiency does not have a significant relationship with growth of SMEs in Nyeri County, Kenya. The study finding is contrary to Keh, Nguyen and Ng (2011) who studied management skills and performance of entrepreneurs and found a significant positive relationship between information utilization and performance of the firm. The findings could differ depending on the management skills and the level of education of the personnel leading the organization.

In this study descriptive analysis findings indicate that that the respondents were indifferent on whether managers are trained on technical issues regarding the affairs of the SMEs while the

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rating on whether management had right experience to manage the businesses was rated below average. Sinha (1996) dissected the business individual instructive foundation and found that 72 percent of the effective business individual who had a specialized ability base level, which enables them to manage their business effectively. He noted that businesses that were ineffective managed their managers didn't have any particular foundation on management skills. According to Kihonge (2014), management experience and the size of SME symbolizes competitive advantage of today, enhanced by strong typical abilities in quality, speed, flexibility and efficiency

The study findings on the relationship between the industry sector and growth of SMEs was positive but insignificant with β_1=0.020 at p value of 0.751. This was an indication that a unit improvement of the industry sector increase growth of SMEs by 0.020 hence, we support the null hypothesis that industry sector does not have a significant relationship with growth of SMEs in Nyeri County, Kenya. The study findings indicate as the industry sector performance improves growth of SMEs, it may increase but the level of growth may not be statistically significant. This may be associated with unique characteristic of individual SME in terms of range of products, geographical location and population size among other demographic considerations.

The evaluation of SMEs in relation to industry sector was supported by Duchesneau, (2001) who opined that evaluating the future benefit potential of the firm is urgent since over the long term, the firm needs to work productively with a specific end goal to survive. The proportions are essential to banks, investors, suppliers, employees and different partners. Asimakopoulos, Samitas and Papadogonaz (2009), outlined that organizations productivity is decidedly influenced by measure, deals development and venture whereas use and current resources contrarily associated with benefit on the investigation of effect of industry on development of SMEs.

Conclusion and Recommendations

In view of the study findings, conclusions are derived thereof. The study concludes that the growth of SMEs is highly dependent on the size of the firm. In addition, large firms were opined to perform better than small firms due to their ability to source for more funds from external sources, increase in sales turnover and value of capital employed leads to growth of firms. The study further concludes that the longer the period the SMEs has been existence the more effective it would focus on growth. In addition, the management of the SMEs gain experience over time and the longer the time in the operation the more the managers are experienced in dealing with enterprise challenges. The study also noted that improvement of industry sector would improve growth of SMEs however the way the SMEs are currently managed has resulted to stagnation or reduction of growth of SMEs in Nyeri County. This implies that for SMEs to growth there is need to train the entrepreneurs on management skills and technical issues regarding the affairs of the SMEs.

From the study findings, it is recommended that the SMEs should come with strategies of increasing the size of the firm since it is positively and significantly associated with growth since larger firm are able to perform better in terms of sales turnover, asset based and capital employed which leads to growth. In addition, management of SMEs should ensure that SMEs going concern is not at stake since the longer the SMEs operate the more it is capable to address challenges facing enterprises and eventually lead to growth due to experiences gained and exposure. Moreover, management of SMEs should ensure that they are trained on general management skills and technical skills to enable them operate their enterprise effectively since the way the SMEs are currently managed had an adverse impact on growth of SMEs. From the literature if effective and efficient management of SMEs has positive and significant effect on performance and growth. The study also recommends that even though industry sector is insignificantly associated with growth of SMEs, the improvement of the industry has a role on growth of SMEs. Therefore the study recommends that SMEs should evaluate how the sector is performing in order to strategically position them.

Contribution to Knowledge

The results of the study contribute to finance theory by establishing the model that can depict the relationship between the firm characteristic and growth of SMEs in Nyeri County, Kenya. In addition, the study provides basis for future reference to the academician especially on areas pertaining the effect of firm size, age of the firm, management efficiency and industry sector on the growth of SMEs in Nyeri County, Kenya.

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