

**FACTORS INFLUENCING THE PERFORMANCE OF SMALL AND MEDIUM SCALE
ENTERPRISES IN RURAL AREAS IN KENYA**

**A CASE STUDY OF SMALL AND MEDIUM SCALE ENTERPRISES IN KERUGOYA
TOWN**

JACKLINE MUKAMI MWANIKI

**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING
AND FINANCE IN THE SCHOOL OF BUSINESS AND ECONOMICS IN PARTIAL
FULFILLMENT OF THE DEGREE IN BACHELOR OF COMMERCE (Finance Option),
MOUNT KENYA UNIVERSITY**

APRIL, 2016

ABSTRACT

The aim of this study was to establish factors affecting the performance of small and medium scale enterprises in rural areas in Kenya with focus on financial constraints, lack of business management skills, unfair competition and regulations. The study was carried out in Kerugoya Town, which is located in Kirinyaga County. To achieve the research objectives, a descriptive research design was used to carry out the research. A sample of 87 respondents was selected from the town and its environs. Stratified and simple random sampling designs were used to select the respondents. Stratified sampling was used to identify the strata's while simple random sampling was used to select respondents from each stratum. The sample size included small and medium enterprise owners and employees. A questionnaire was used to collect data for the study. The questionnaires were dropped to the sampled respondents and then picked after 2 days. The data collected was analyzed using descriptive statistics and the results obtained presented using tables and pie charts. The study findings established that financial problems, lack of business management skills, unfair competition, rules, regulations and policies influenced the performance of small and medium scale enterprises in rural areas in Kenya. The study recommended that SMEs operators should look for alternative financing methods such as SACCOs, microfinance institutions and other fund like youth enterprises funds in which they can obtain cheaper funds. In addition, the study recommended that SME entrepreneur should take on short courses on management, accounting, finance and administration so that they can improve their business management skills.