

**ASSESSMENT OF COUNTY GOVERNMENT SYSTEMS INFLUENCE ON
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA: CASE OF
KAPSABET TOWN**

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ABSTRACT

This study intended to investigate the influence of county government systems on the performance of Small and Medium Enterprises(SME's) in Kenya: case of Kapsabet town. SME's contribute greatly to job creation but unfortunately they make a dismal contribution to Gross Domestic Product (GDP) especially in developing countries like Kenya. SME's create about 85 per cent of Kenya's employment but only contribute to about 20 per cent of the county's total GDP. This implied that SME's are performing below their potential of contributing substantially to the economy of Kenya as compared to other sectors of the economy. It has been observed that one of challenge facing SME's is payment of levies and getting licenses from the state to start businesses. Therefore the newly created county governments need to make effort to create legal and institutional frameworks to reverse the poor performance of SME's in Kenya. The study objectives were to: establish the influence of county government levies on SME's performance; assess the county government regulatory framework and its influence on performance of SME's and to determine how county government institutional framework has affected SME's performance in Kapsabet town. The study adopted a descriptive research design. A survey was done on the target population of 427 SME's in Kapsabet town. The sample size for the survey was 30 respondents. The data was collected by use of questionnaires whereby 35 questionnaires were distributed and 30 were returned. The data collected was analyzed using descriptive statistics. Regression analysis and ANOVA was done on multivariate variables to determine the importance of the three variables with respect to SME's performance. The findings of the study were; that increased county government levies have a negative effect on the performance of SME's in Kapsabet town. The study found out that a reduction in the amount of levies charged to SMEs will lead to SMEs' improved performance by a margin of 37.6%. Similarly, adjustment of the regulatory and institutional framework in a manner that supports the operations of SME's will lead to improved performance of the SMEs by a margin of 76.7% and 3.1% respectively. These findings are an indication that County governments have a major role to play in business operations of SMEs. Based on the findings, it can be concluded that; performance of SMEs could be affected by overlap and inconsistencies in legal and sectoral policies, lack of clear boundaries in the institutional mandates and lack of a suitable legal framework. County government and national government regulatory framework and levies affect the performance of businesses. Businesses operate within legal framework and goods produced have to conform to safety and other legal requirements together with legal action if customers are injured by dangerous or faulty goods. An independent, timely, effective and trusted legal system upholds the rule of law and enables a fair environment for business transactions, encouraging investment. The study recommended that, the government should support the establishment of stronger business associations at the county level; the government should assist in formulating specific county led SMEs policies aligned with overall SMEs policy; The County should establish an inclusive private-public dialogue which will improve the coordination of SMEs in the county. The study recommends that a similar study should be carried out in other counties in different localities to ascertain the applicability of the findings. Similarly, future researchers should also consider; the influence of devolution on the performance of MSEs in Kenya.