

EVALUATION OF BUSINESS FACTORS AFFECTING THE BREAK  
EVEN ABILITIES OF SMALL BUSINESSES IN KENYA:  
A SURVEY OF REGISTERED BUSINESSES IN  
KERICHO COUNTY

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## ABSTRACT

Small businesses in Kenya are operating in an increasingly competitive and challenging business environment than before since the government introduced market liberalization in the 1990s. This competitive and challenging business environment is making the managers/owners of the businesses to re-engineer their operations and have consequently resulted to a lot of changes in order to make profit and remain in business. However, internal factors causing poor break even ability of small businesses have not received much attention in research despite their relative importance and the notable research interest in the performance of small businesses. Therefore, the main aim of this study was to evaluate business factors affecting the break even abilities of small businesses in Kericho County, Kenya. This was achieved by specific objectives, which were to assess the effect of business planning practices on break even abilities of small businesses in Kericho County; to determine the effect of cost accounting practices on break even abilities of small businesses in Kericho County; to assess the effect of inventory management practices on break even abilities of small businesses in Kericho County, and; to analyze the effect of premature diversification on break even abilities of small businesses in Kericho County. Descriptive survey research design was adopted targeting registered 82 small businesses operating within Kericho County that were obtained using stratified random sampling. Data was collected using questionnaires and was analyzed using descriptive and inferential statistics. The findings revealed that business planning practices had the most significant effect ( $\beta = -.344$ ) on the break even abilities of small businesses in Kericho County. Premature diversification ( $\beta = .115$ ) and cost accounting practices ( $\beta = .076$ ) also had a significant associations with the break even abilities of small businesses in the area. However, it was established that there was no significant relationship between inventory management practices on break even abilities of small businesses in Kericho County. Nevertheless, the three variables combined could explain up to 12% of the variability of the break even abilities of small businesses in the area. It is recommended that; the SME operators in the area be trained on the techniques of writing internal concise business plans which they could easily implement; there is also need for improved book keeping through ICT use and the ABC costing approach among the SMEs in the area in order to enable them to track down all costs incurred in the business processes; the SMEs also need to adopt the vendor managed inventory (VMI) approach as a way of managing their stock from the external perspective; and finally it is recommended that the businesses need not to diversify prematurely in order to improve their efficiency in terms of management and resource availability. More research ought to be done on the marketing risk management practices used by SMEs and also on credit risk management practices used by SMEs.