

**SMALL SCALE ENTERPRISES AS A STRATEGY TO
POVERTY ERADICATION IN INFORMAL SETTLEMENT AREAS IN KENYA:
A CASE OF FOUNDATION OF HOPE, KIBERA SLUMS**

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ABSTRACT

Small and medium enterprises are becoming increasingly important in terms of employment, wealth creation, and the development of innovation in many developing countries. In Kenya for example, the SME sector contributed to over 50% of new jobs created in 2005. Despite their significance, SMEs are faced with threats of failure, with past statistics indicating that three out of five SMEs fail within the first few months. Given this high failure rate, it becomes important to research on what can be done to enable more SMEs survive and become sustainable in order to be of economic value to their owners who are mostly the young population. The study seeks to establish whether the creation of SMEs has played any significant role in alleviating poverty amongst the youths who engage in business in Kibera slum of Nairobi County, Kenya. The study is driven by four objectives: To determine the influence of business information services offered to small scale traders on poverty eradication in informal settlements in Kenya, To establish the role of financial access in influencing the growth of small enterprises in informal settlement areas, To establish how application of modern business strategies has enhanced growth and sustainability of small and medium enterprises in informal settlement areas in Kenya, To determine the impact of government policies in the formation of small scale enterprises in the informal settlement areas of Kenya. To achieve these objectives, the researcher used a target population of 150 respondents who were SME traders under Foundation of Hope Organization and 20 staff members from the same organization from year 2011 to 2015. The study used questionnaire forms to collect the required data from the respondents. The data collected was analyzed using Statistical Package for Social Sciences (SPSS) versions 21 to establish the degree of relationship between the variables in the study. Qualitative Data Analysis, using Quick Impressionist Summary, was undertaken for the non-numeric information gathered. The study made the following findings that; the traders had access to basic business information training which had a great impact on management and sustainability of their enterprises. The study also established that the traders had access to credit facilities from financial institutions. It was also established that traders' economic level had improved tremendously and therefore a success in poverty eradication in their lives. The study concluded that SMEs in the study area are faced with challenges in accessing credit facilities. Access to finance and availability of management training are the key socio-economic factors affecting the performance of business enterprises in Kibera slums. The other key factors that were found to affect businesses in Kibera are: access to business information, access to infrastructure and government policy and regulations. The study recommended that the government should start offering basic business and financial management skills as this will enable entrepreneurs to make informed investment decisions as well as enhance their entrepreneurial skills that enable them to recognize and exploit the available business opportunities.