THE EFFECTS OF FINANCIAL RESOURCES ON THE MARKETING EFFECTIVENESS AMONG MICRO AND SMALL ENTERPRISES IN KITUI COUNTY – KENYA

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INTRODUCTION

- VISION 2030 aims at transforming Kenya into a Newly-industrialized, medium income country
- This vision is based on the economic which identifies SMEs as the main contributor of economic growth
- The SME sector is a crucial component of the economic pillar in stimulating economic activity, reducing unemployment &poverty
- A competitive SME sector is critical & strategic in attaining the vision 2030

SME SECTOR IN KENYA

- The sector is perceived as the engine of growth
- Important in generating employment & income, provision of goods & services & as a driver of competition, industrialization and innovation
- Comprises of about 75 % of all businesses, employs 4.6 million people (30%) and accounts for 87% of all new jobs and contributes 18.4 % of the GDP.
- As such the government has hinged several development strategies on the sector
- According to World Bank Report an issue of concern for Kenya is low marketing utilization by SMES (WB, 2010).

RESEARCH PROBLEM

- Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007.
- Past studies indentified that a significant number of new SMEs fail within first five years of their business operation (Zimmerer, Scarborough and Wilson 2008; Hodgents & Kuratko 2004).

CONSTRAINTS TO SMEs IN KENYA

- SMEs face critical constraints that inhibit their growth, competitiveness and contribution to the anticipated economic growth.
- Limited Market Access remains a major constraint for over a decade worsened by shrinking domestic markets
- Financial constrains have been identified as one of the biggest constrain to SMEs
- Limited market access can be attributed to limited access to market information, limited marketing capacity, poor quality products,lack of capacity to explore niche markets and & overcrowded markets, Ineffective Markets due to insufficient information, high transaction costs Poor market research results in discrepancy between the supply and demand, Too many enterprises producing undifferentiated products
- SMEs have limited growth and stability due to inability to market their products and services.
- SMEs marketing ability is constrained by lack of adequate capital hence limited growth and high failure rates.

Research Objectives

- To determine if availability of financial capital affects marketing effectiveness among small and medium enterprises in Kitui County.
- To evaluate if capital base (liquidity) determines the marketing effectiveness among SMEs in Kitui County.
- To assess if access to loans determine the marketing effectiveness among SMEs in Kitui County

Conceptual framework

Independent variable

Dependent Variable

Financial resources

- Working capital sources
- Capital base (liquidity)
- Access to bank Loans

Marketing effectiveness

- Market share
- Customer base

LITERATURE REVIEW

- According to Resource Based Theory, sustainable competitive advantage results from resources that are not substitutable, tacit in nature, and synergistic (Barney 1991).
- Ownership of firm-specific assets enables a company to develop a competitive advantage.
- Kallon (1990) found that 65.6% of the firms studied depended entirely upon personal savings for marketing, 10.9% had access to family savings, 9.4% used commercial banks, and 7.8% drew resources from partners, shareholders, and other sources.
- Keyser et al. (2000) found that in Zambia, a lack of financial resources was a common problem for entrepreneurs, as only 24% received a loan to market their business.
- Another study by Koop, de Reu, and Frese (2000) found that the amount of financial resources was positively related to business success.
- Financial resources play a key role in SME growth and stability.

RESEARCH METHODOLOGY

- This study used descriptive survey design.
- According to Cooper and Schindler (2003) a descriptive study is concerned with finding out the what, where and how of a phenomenon.
- Descriptive studies provide factual, accurate and systematic data Mugenda (2012).

Target Population

- This study was done in Kitui County and targeted 3,200 small and medium enterprises in Farming, Trade, Manufacturing and Service sectors.

Sample Size

CATEGORY/STRATUM	Target population	Sample Size
Farming	550	59
Trade	1023	109
Manufacturing	713	76
Services Sectors	914	98
Total	3200	342

Response Rate

- From the data collected, out of the 342 questionnaires administered, 240 were filled and returned, which represents 70% response rate .
- Mugenda and Mugenda (2003) observed that a 50% response rate is adequate, 60% good and above, while 70% rated very good

FINDINGS

- On the extent of financial resources influence on marketing effectiveness, the study established that 72% of the respondents felt that financial resources greatly affects the marketing effectiveness, 22% indicated it was great and the remaining 6% indicated it was moderate.
- About the source of capital of the businesses of the respondents who took part in this study. From the findings, 87% obtained their capital from their savings, 7% from handshakes, 7% from pensions, 42% from loans and 14% from merry go-rounds
- Based on the results majority of the SMEs use their own saving especially because own savings are considered less risky and reduces financial burden on the SMEs.
- In terms of lack of information on where to source for financial resources, 83% indicated that the extent was very great while 16.5% indicated it was great. In terms of restrictive lending offered by commercial banks, 88% indicated that the extent was very great while 12% indicated it was great

RESEARCH FINDINGS

- The study concluded that financial resources is a significant determinant of marketing effectiveness among small and medium enterprises in Kitui County
- lack of information on where to source for financial resources and restrictive lending offered by commercial banks constrains SMEs in Kitui County
- lack of track record required by the banks and financial institutions adversely affecting SMEs in Kitui county.
- Financial resources have constrained growth and expansion of SMEs in Kitui County.

CONCLUSION

- From the findings 72% of the respondents indicated that financial resources affect marketing effectiveness in Kitui County.
- These findings are in concurrent with findings by Waweru, (2012) that cost of finance in Kenya is still high therefore hindering SMEs' access to financing.
- This finding is consistent with that of Hussein (1995) who disclosed that 93% of MSEs that access adequate capital increased their stock and sales.

RECOMMENDATIONS

- This study strongly recommends that in addition to creation of SME parks by the Government, more emphasis must be on the ability to secure, manage and raise adequate financial resources which will enable SMEs to market their products/ services.
- That Government must ensure that owners/managers of SMEs are trained on financial management skills.
- While this study appreciates the efforts done by banks in their SMEs tailor made products, the lending rates and education on these products to the SMEs is still limited. Banks and financial institutions in Kitui County need to reach out to more SMEs.
- The study recommends further studies on the effects of financial resources on Marketing effectiveness among SMEs in other counties and Kenya in general

THE END

SMEs are a key driver of Vision 2030

Financial resources affect marketing effectiveness hence constraining SMEs growth

THANK YOU