Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 07 Issue 08 August 2024

Article DOI: 10.47191/jefms/v7-i8-59, Impact Factor: 8.044

Page No: 5376-5408

Socio-Economic Factors Influencing Growth of Small and Medium Enterprises in Mombasa County, Kenya

Alfred Maghanga Mwakio

The School Of Business And Economics, Moi University.

ABSTRACT: Small and Medium Enterprises (SMEs) contribute over 70% of jobs, contribute to GDP, aid industrial development, satisfy local demand for services, innovate and support large firms with inputs and services. However, the SMEs in Mombasa County are constantly faced with the threat of failure where three out five fails at infancy. The study investigated the influence of economic factors (taxation, finance access and wages and unemployment) on growth of SMEs in Kenya, in Mombasa County. The specific objectives of the study were; to explore the effect of taxation on growth of SMEs, to find out the effect of Financial Access on growth of SMEs, to determine the effect of wages on growth of SMEs operating, and to evaluate the effect of general unemployment on growth of SMEs operating in Mombasa County. This study employed the institutional theory of growth, the Schumpeter theory of growth and the Endogenous growth theory anchored the study. An explanatory research design was used so as to meet the research objectives. The target population was 54,245 registered SMEs and a sample size of 246 was derived using the Cochran, statistical formula. The list of registered SMEs in Mombasa formed the study population. A Systematic Random Sampling was used from a sample of 246 SMEs was drawn. Data was collected using a structured questionnaire. Multiple regression Analysis technique was the main technique to find the effect of social economic factors on SME growth. to analyze the data using the Statistical Package for Social Sciences with a significance level set at 0.05. Findings showed that SE conditions are just modest level. Correlation results showed that Taxation conditions (r=.344, p=.000), Financial Access (r=.430, p=.000), Wages affordability (r=.241, p=.000) are positively and significantly correlated with SME growth. Regression results showed that SE factors; Taxation conditions (β, =.268, p=.000), Financial Access (β, =.383, p=.000), Wages (β, =.182, p=.015) and Unemployment (β,= -.170, p=.045) has significance effect on SMEs growth. Conclusions; Socioeconomic can reverse the current trend of high SMEs failure rate. Socioeconomic factors can buck the present trend of a high failure rate among SMEs. The study recommended that the county and national governments should implement measures enhancing tax benefits for SMEs such as utilizing the taxes prudently. Additionally, the SMEs should adopt strategies that enhance internal financial capabilities so as to incase their revenue streams. Moreover, it is recommended the SMEs to have a working and sustainable wage policy that is able to attracts and keeps talented workforce and therefore ensure continued business growth. By using a multi-sectoral approach, both local and national governments should prioritize and focus on short- and long-term policies that lower the rising rates of unemployment.

INTRODUCTION

1.0 Overview

This is an introductory chapter that aims to lay the foundation of the study. It covers the background of the study, the Problem Statement, the objectives, hypothesis and the significance of the study. The scope of the study is covered at the end of the chapter.

1.1 Background of the Study

Small and medium enterprise, or SMEs, are recognized globally as the catalysts for both equitable development and economic growth. They can help generate the majority of the one billion new jobs that the world will require by the end of this century because they are capital-efficient, labor-intensive, and labor-intensive (Korunka & Kubicek, 2017). They are also seen as essential to generating jobs, reducing poverty, and fostering economic growth. Their importance especially in developing economies cannot be emphasized. Even the legitimacy of governments today is increasing assessed by the perceived success governments to provide an enabling business environment for the formal and informal sector (Page & Shimeles, 2015). Because of the diversities in

development and business environment across the world economies, the growth of SMEs is diverse as well (Belyaeva, Z. (2018). Data shows that developed countries on average have consistently recorded a vibrant SMEs sector compared with the less developed economies. This difference in SMEs vibrancy creates uneven distribution of job opportunities across the globe with less developed economies being more disadvantaged. And this is paradoxical because it is the less developed economies that are relatively in greater need for the job opportunities that SMEs sector provides (Marmot, 2015). Moreover, a good number of the countries with poor record of SMEs growth are in Africa (Quartey, Turkson, Abor & Iddrisu, (2017). The growth of SMEs is a means to economic growth by contributing towards gross domestic product, creating jobs, reduction in poverty, generate income and facilitate nation's wealth thus resulting in national development of a country (Zafar, & Mustafa, S. (2017). The ongoing battle for market dominance in businesses creates a situation where suppliers and customers benefit, boosting overall productivity and the efficiency of the entire economy. Though many SMEs fail before they reach the five-year mark, which causes higher rate of unemployment, new entrepreneurs often bring innovations, ideas, and skills to the table. Depending on the number of employees, yearly turnover, asset value, small businesses are defined and classified differently in each country. European Union comprises of 28 member states that offers the most frequently cited definition. Various definitions are applied in Africa to classify businesses. In Ghana, a small business is defined as one that employs five to fifty people, has less than $30,000 in annual revenue, and has assets of less than $30,000.

In order to mitigate the high perceived risk of SMEs, more instruments are frequently needed to generate a larger pool of capital. Here's where the promises come in handy. Guarantees are agreements whereby development actors assume responsibility for possible future liabilities that would have otherwise been incurred by commercial lenders, as opposed to directly providing capital to SMEs. These assurances aid in the stimulation of private capital flows by modifying the risk-return calculation. Between 2012 and 2018, guarantees were the blended finance instrument that mobilized the greatest amount of private capital in developing nations. One of the most popular types of guarantees, first-loss coverage binds development finance organizations to reimburse private lenders in the event that an SME fails to make loan payments. Many SMEs can get by with very little assistance before they are prepared to accept outside investment. Their dilemma stems from the fact that they are too big to be eligible for microloans and too little to be attractive to banks. Development actors bridge this gap by offering front-end grant funding, which provides SMEs with the initial working capital they require to grow successfully until traditional debt becomes a feasible source of financing. Some SMEs need more than just financial support; they also need deeper knowledge. This is where having technical support can be helpful. In the context of development, "technical assistance" (also known as "technical cooperation") generally refers to support for a particular project or national program, including research and data sharing, technical advice, and skills training.

1.1.1 SMEs in Africa

In Africa, Small, Medium and enterprise are estimated to be 17.4M accounting for 50% of industrial jobs and about 90% of manufacturing sector. But they face a number of growth challenges including unfriendly business environment (Ojong-Ejoh, et al 2021). Sub-Saharan Africa, SSA, is ranked as the region in the world where it is most difficult to do business. Though Africa is endowed with many resources, analysis reports show Sub-Saharan African countries as being most over-represented in the low end of the growth scale. Actually, countries such as The Democratic Republic of Congo, Chad and Burundi are at the bottom of the scale. The consequences of this unfavorable business environment are that growth of the SMEs in terms of numbers and size is significantly hampered (Quartey, et al.2017). A number of external factors like low access to finance, poor supply of production resources and vibrant business environment keep dominating the list of reasons for vibrant business environment and business growth (Quartey, et al. 2017). In South Africa SMEs are major sources of employment with around 68% of the population working in them. They are also a major source of income generation and poverty alleviation (Kallier, 2017). Asah et al., 2015). However, many SMEs do not achieve their full potential; with some failing to grow while others fail completely. The failure rate is estimated to be between 70% and 80% with a 70% failure rate within the first year of operation (Neneh, & Van, 2017). SMEs make up 70% of the workforce in Ghana, Rwanda, Nigeria, Cameroon, Uganda, and Tanzania. However, these enterprises face numerous challenges, including low survival rates and limited access to finance. SMEs continue to struggle in Rwanda due to a wide range of challenges, and survival rate is disconcertingly low with SMEs account for 98% of all enterprises and employ nearly half of private sector workers. In Nigeria, SMEs contribute 46% of GDP and 25% of employment. In Cameroon, SMEs account for 22% of GDP but have a low survival rate. Within East Africa region, In Uganda experiences an alarming failure rate where 75% of SMEs fail before the third year (Nkwabi, & Mboya, L. (2019).In Africa, discrimination and barriers based on a woman's gender still affect her earnings, her ability to engage with the community, and her capacity to run a successful business. Legal discrimination, social norms, the possibility of gender-based violence, gaps in education and skill sets, risk aversion and confidence, information and network access, the distribution of productive resources within the household, time restraints, and childcare are a few of these. Due to these challenges, the average monthly income of women-owned businesses in Africa is 34% lower than that of men-owned businesses. Only 10% of SMEs owned by women have access to the necessary funding. Private lenders view women as even more

risky due to their lack of credit histories and limited access to land for collateral. The majority of African economies are built on SMEs. SMEs make up the majority of businesses in Sub-Saharan Africa, making up 60% of all enterprises (Nuwagaba, 2012) and contributing 41% of the region's economic growth (Tumwine et al., 2015). The informal and formal sectors make up the two parts of African economies. Businesses in the unofficial sector typically function without a business registration or license. SMEs make up over 90% of formal businesses, are present in almost all industrial sectors of the economy, and account for over 50% of GDP and employment (Akinboade, 2015). Approximately 68% of the workforce in South Africa works for SMEs, making them a significant source of employment (Rabie et al) SMEs employ a sizable fraction of the labor force in Cameroon and are estimated to contribute 22% of the nation's GDP (Akinboade, 2015). In Uganda, small and medium-sized enterprises (SMEs) not only contribute to GDP but also generate jobs for skilled, semi-skilled, and unskilled workers. They also provide a more equitable distribution of national income, which promotes economic growth and development (Kakwa, 2008). In Ghana, micro, small, and medium-sized businesses employ about 70% of the labor force (Chu et al., 2007). These companies operate in a variety of industries, such as manufacturing, services, and agriculture, and they are essential to the nation's economic development and job creation.

1.1.2 SMEs in Kenya

Since Kenya's independence, the country has made significant strides in combating poverty, ignorance, and diseases by focusing on job creation and fostering a vibrant informal sector. However, recent years have seen a low survival rate and unimpressive growth performance in employment generation, leading to research interests on the socioeconomic ecosystem of small and medium-sized enterprises (SMEs). As of 2021, there are 7.41 million SMEs in Kenya, with only 1.56 million licensed and 5.85 million unlicensed. These SMEs account for 98% of the business population and employ 14.9 million people. The value of SMEs output is estimated at Ksh 3,369.1 billion, contributing 4.0% to GDP in 2021. In terms of gross value added, SMEs contribute 1,613.0 billion compared to Ksh 5,668.2 billion for the entire economy. The SMEs sector is crucial for achieving national goals such as employment creation, poverty alleviation, and balanced development across sectors and sub-sectors. It is central to national strategies for stimulating economic activity, reducing unemployment, and poverty reduction. However, despite their transformative power, the national government launched an economic model the (BETA) bottom-up economic transformative agenda designed to economical empower and turn around and inclusive enable growth through value chain approach on the small and medium enterprise to assist pump life to the sector, still the SMEs face growth challenges, particularly in size and number. Out of the 5.6 million SMEs businesses, only 9% employ more than 10 employees, and 47% employ less than 3 employees (KNBS 2020). This suggests significant growth bottlenecks exist in Kenya's business environment, necessitating further assessment of SMEs sector to unlock their full potential that will enable growth.

Kenya faces a number of challenges. The number of entrepreneurs who launch businesses in the formal sector, creating jobs and increasing government revenue, is influenced by the ease of registration, according to the 2017 Doing Business in Kenya report. In Kenya, the average cost of starting a business is 21.1% of a person's income, takes 22 days, and requires seven steps for both men and women. There are concerns about how simple it is for SMEs to start a business, despite Kenya's overall improvements in this area. According to the Deloitte Kenya Economic Outlook 2016, poor infrastructure, low capital, restricted market access, a lack of knowledge and skills, and the quick advancement of technology are all obstacles facing Kenyan SMEs. Other difficulties include corruption and an unfavorable regulatory environment. The government has established "Buy Kenya, Build Kenya" policies in public procurement, enforced laws requiring local content for public projects, supported research and development, and increased contributions to funds like the Uwezo in an effort to address these issues. The Uwezo fund seeks to support women, youth, and people with disabilities while also increasing financial access. In addition, the Kenyan government intends to create SME parks and is supporting small and medium-sized manufacturing companies was discovered in 2016 that banks were not adequately supporting SMEs by another FSD project aimed at increasing capacity within Kenya's financial services sector. A few ways to improve financing would be to use more effective procedures for registering collateral, which would lower the high cost of SME credit, and to adopt new finance products like factoring and leasing. Since agriculture is the foundation of the economy, more funding access is needed. Despite the fact that the agriculture sector employs and sustains the majority of Kenyans—making up 80% of the country's employment and 30% of the GPD—its share of financing for SMEs is relatively low. In general, legislation, fiscal policies, financial institution strategy, and SME financing management all need to be changed. In its Vision 2030 plan, the Kenyan government has made SMEs a top priority. This is so because one of the nation's main four agendas—creating jobs—is something that these businesses accomplish. SMEs require sufficient funding sources in order to function (Kira, 2013). For small and medium-sized businesses (SMEs) to be able to launch and finance investments for expansion, bank lending is crucial. Since the 2008 financial crisis, there has been much discussion about the ongoing challenges SMEs see in securing bank financing (Armstrong, 2013). About 5.1 million people in Kenya are employed by SMEs, which accounts for 74% of all national employment. SMEs also create about 88% of all jobs at any given time, and they also boost the country's GDP. According to Chu et al. (2007),

micro and small enterprises (MSEs) in Kenya boost the country's economy by lowering unemployment and generating jobs. 75% of all formal enterprises are MSEs, with over 41,000 of them being officially recognized (Kenya National Bureau of Statistics (KNBS), 2013). Of Kenyan workers, 42% are employed by these formal MSEs. However, the majority of MSEs are part of the jua-kali, or informal sector, and employ 11.1 million people, according to KNBS (2013). 17 million SMEs are registered in Kenya, according to KNBS, and 98% of them employ 50% of the labor force and contribute 25% of the nation's GDP. The growth and success of MSEs and SMEs is critical to the Kenyan economy, as it is to other African economies.

1.1.3 SMEs in Mombasa County

Kenya's capital city of Nairobi and its second-largest city of Mombasa are home to 16% of the country's SMEs, according to a survey. Buying and selling of goods and commodities makes up the majority of these SMEs (70%) in the trade sector. A further 15% of SMEs are in the service sector, and 13% are in the manufacturing sub-sector. Within Kenya, SMEs in the construction sector accounted for less than 2% of all SMEs, while the collective group representing other service providers, such as restaurants and hotels, made up only 6% of SMEs overall (KNBS, 2019). Local Authority Integrated Financial Operation Management Systems (LAIFOM) indicates that Mombasa County has over 54,245 registered SMEs providing a range of goods and services to the general public. One characteristic of SMEs is their ability to be started with little in the way of startup capital, registration fees, or managerial expertise. This puts them in a favorable position to create jobs and foster local entrepreneurship. The interesting part of the estimated failure rate of between 70% and 80% is that the SMEs can only create the necessary jobs if they manage to survive. Research has repeatedly demonstrated how crucial a supportive business environment is to the growth and overall success of SMEs (Matsongoni, & Mutambara, 2018). Financial and economic factors (limited liability and increased capital mobility, low taxes and tax incentives, free trade, good banking with credit availability, lower labor costs) are among them. Another key capacity gaps for SMEs knowledge and skills on how to exploit different sectors within the small and medium enterprises lead by low literacy levels among business owners and managers, inadequate information from the county department of Trade on branding, trade development consolidated fund to facilitate loans to the SMEs. Sociocultural elements (families' and society's support, social standing, social integration, and social security).

SMEs face a number of challenges that do not only affect SMES in Mombasa. Local governments encourage corruption, which poses a serious threat to businesses in African nations by compelling small and medium-sized enterprises (SMEs) to redirect their resources toward non-financial endeavors. Government representatives anticipate this practice, which may result in higher costs and lower revenue. Legal authorities often harass and intimidate business owners, confiscating merchandise for unpaid licenses and penalties. This practice undermines African governments' efforts to promote SMEs and contributes to poverty reduction and economic growth. Some of the most corrupt countries in the world are in Africa. Government support is essential, globally, the government's role in assisting and promoting SMEs is still vital. The environment that is favorable or unfavorable for the expansion of businesses is created by the government. When SMEs receive little attention from the government sector, therefore, the sector is vulnerable to harm, making it impossible for many businesses to thrive. In addition to harming the industry, a government that fails to assist SMEs causes the sector's economic development to worsen. The infrastructure, taxation, licensing, opportunities, wage structure, and technological support and infrastructure that the government establishes determine whether SMEs succeed or fail. The government's regulatory frameworks have the power to either support or undermine the small business economy (Kamunge et al., 2014).

Africa's SMEs also struggle with a lack of sufficient business information from service providers and governments. The primary cause of the problem is inadequate business support systems and poor information environments brought on by underdeveloped communication and technology infrastructures (Oshikoya & Hussain, 2007). If African governments and other organizations want to help SMEs, they need to be aware of this. It is easier for businesses to be efficient and effective when appropriate technology and related support systems, like hardware and software, are available. This lowers the costs of production and operations. SMEs must fulfill their vital role in development (Benzing & Chu, 2012).

Unfavorable opinions held by prospective clients present SMEs with additional difficulties. Compared to large businesses, the perception is that smaller businesses cannot deliver the necessary quality products and services (Amyx, 2005). It's noteworthy that SMEs have a lot of market recognition and frequently lose out to competitors with well-known brands (Bowen et al., 2009). SMEs must put forth great effort to excel in the quality of their services and products in order to alter the unfavorable perception. Additionally, they need to have well-thought-out strategies in place to withstand the pressure of current rivals and win over devoted clients. One of the biggest issues that many SMEs have is a deficiency in managerial competency. This indicates the expertise, experience, and knowledge of company owners and managers. According to Murithi (2015), competency is derived from a manager's capacity to integrate both material and immaterial resources to create capabilities, which when successful, lead to competencies. Beyond managerial proficiency. SMEs with workforces that are educated and have the necessary skills operate effectively. Lee (2001), who noted that the most successful companies have highly developed human resource capacities, lends

additional support to the argument. Having knowledgeable and motivated employees also contributes to the positive growth of these businesses, as high productivity ultimately ensures the long-term viability and sustainability of sustainable business. SMEs' power supply is essential to their ability to operate profitably. If the power supply is insufficient, businesses cannot function to their maximum potential (Fjose et al., 2010; Hatega, 2007). The inadequate of electricity is the largest challenge facing African SMEs, followed by the difficulty in obtaining capital, according to a 2010 World Bank Enterprise Survey study. Only on the African continent does the absence of electricity continue to be a major obstacle to business growth (Fjose et al., 2010).

1.2 Statement of the Problem

The importance of SMEs in the growth of Kenya's economy cannot be overemphasized. SMEs are in no doubt known for contributing to the growth and development in terms of increase in employment rates, payment of taxes, to generate revenue, contribution to the per capita and GDP, among other positive contributions. However, it is evident that the growth of SMEs in Kenya faces a serious growth challenge-only 20% of SMEs survive the first three years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity (Anguiza, 2021). The failure of these SMEs is a big setback to provide the ever-needed employment opportunities, and improve the economy. Previous Studies in different economies have also investigated the influence of Economic Factors and a on growth in different parts of the world, using diverse methods, and with mixed results. These studies include ones in developed countries like UK (e.g Harrison & Baldock, (2015), (Fogel, & Zapalska, 2001) and developing countries like Pakistan (e.g Zafar, & Mustafa, 2017), But, their general ability to Kenyan situation, and Mombasa in particular may not be reliable because of differences in economic set up. A study is yet to be undertaken explicitly focusing on the interplay between economic factors and SMEs growth in Mombasa County when controlling for some confounding variables like education and social support. Mombasa is a county with a high growth potential due to its strategical position as the gateway to East and Central of Africa from the sea with one of the busiest Ports along the East African coastline and home to many tourist destinations and with a population of 1.208 million (KDHS, 2019) and a significant number of floating population due to an influx from other coastal counties neighboring which means it has a distinct daytime and nighttime population but with high overall Mombasa has unemployment rate of about 8.0 percent and 44 % for youths (KNBS, 2020). This raises concern how the Kenyan Coast community will be able to harness its potential and play as major transformation agents in an economy. It is on this background that a study to investigated the influence of possible Economic drivers of SMEs growth in Mombasa is undertaken.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to investigate the effect of socioeconomic factor on growth of SMEs in Mombasa County.

1.3.2 Specific Objectives

1. To explore the effect of Tax conditions on growth of SMEs operating in Mombasa County
2. To find out the effect of Financial Access on growth of SMEs operating in Mombasa County
3. To determine the effect of Wage affordability on growth of SMEs operating in Mombasa County
4. To evaluate the effect of General Unemployment on growth of SMEs operating in Mombasa County

1.4 Hypothesis

1. H01: Tax conditions have no significant effect on growth of SMEs operating in Mombasa County
2. H02: Financial Access has no significant effect on growth of SMEs operating in Mombasa County
3. H03: Wages affordability have no significant effect on growth of SMEs operating in Mombasa County
4. H04: General unemployment level has no significant effect on growth of SMEs operating in Mombasa County

1.5 Significance of the Study

Findings of this study provided important information on how each Socioeconomic factor influence growth of SMEs owners. The findings will help the growing SMEs owner/management to even solidify their growth course. For the owners of struggling SMEs, and the potential entrepreneurs, the knowledge derived from this study will help them be cognizant of each of the economic factors in their quest to revive their struggling business and return the business towards growth. At a time when a significant number of the struggling SMEs realize this turn around, donor funds, then Mombasa County will benefit in terms of fully utilization of the revolving fund they offer, job creation and therefore increased standards of living for its residents. In the future studies information on SMEs growth found from the current study will contribute invaluable baseline for scholars. The knowledge derived from this study will provide the county government department of Trade, Finance department and lending institutions in the county the required information necessary to engage and support the SMEs. For the county and national government, the information will help them identify the enablers of growth and therefore enablers of county revenue in terms of sustainable

revenue stream for economic development. To explore the effect of Tax conditions, find out effects of Financial Access, determine effects of Wage conditions and evaluate effects of General Unemployment of SMEs growth operating within Mombasa County. In order to achieve both the Sustainable Development Goals (SDGs) and the Millennium Development Goals (MDGs), growth of SMEs is essential and empirical contribution from studies of this kind, are essential if Kenya is to achieve these goals. The goal include; Employment and Economic Growth: SMEs play a major role in both job creation and economic growth. They make up a sizable portion of the private sector workforce in many developing nations, which lowers poverty and raises living standards. Poverty Reduction: SMEs directly contribute to the reduction of poverty by creating jobs, particularly for the impoverished and vulnerable groups (MDG 1). This has an especially big effect in underserved and rural areas1. Gender Equality: SMEs frequently give women job opportunities, advancing gender equality and giving women more power (MDG 3). Better household incomes and investments in the health and education of children may result from this (Clark, undated).

1.6 Scope of the Study

In terms of study area, the current study concentrated on registered SMEs operating in Mombasa County only. In terms of study variables, the study examined only economic factors influencing SMEs growth. In particular, the study focused on the tax conditions, the wage conditions, the financial access and the unemployment as potential predictors of SMEs growth. On methodology, this study used only the quantitative approach to evaluate the influence of SE factors on SME Growth. Multiple regression analysis was used to evaluate the influence of IVs on the DV. The paper is organized in chapters. This chapter is an introductory chapter laying the background, objectives and statement of the problem. Chapter two presents the literature review including, theoretical and empirical review. Chapter three presents the research methodology involving data collection and analysis approaches. Chapter four focused on the analysis of the data findings. In the last chapter, the conclusions and recommendations are presented.

LITERATURE REVIEW

2.1 Overview

This chapter focus on the review of relevant literature related to the SMEs and socioeconomic factors. The chapter first discusses on the concepts of SE factors and theoretical aspects of SMEs growth. The second part focus on the empirical review so as to establish what together studies have established. The final part presents the conceptual framework of the study and hypothesis development.

2.2 Review of Study Concepts

This chapter discusses on the concepts of SE factors and theoretical aspects of SMEs growth.

2.2.1 The Concept of SMEs Growth

A business organization can use both non-financial and financial metrics to evaluate its performance. Non-financial metrics include things like employee turnover, delivery speed, waiting times, customer satisfaction, and customer referral rates. Financial metrics, on the other hand, include profit before taxes and revenue. Acknowledging the drawbacks of depending solely on either financial or non-financial metrics, modern SME owners-managers have adopted a combined approach using both types of metrics. These metrics act as indicators guiding future actions. A significant portion of contemporary research investigates how large corporations evaluate their performance, highlighting a considerable gap in understanding the same processes in SMEs. This discrepancy is largely attributed to the complicated nature of business structures and the willingness of owner-managers to engage in investigative activities. This study presents results from in-depth semi-structured interviews with owner-managers of five SMEs regarding their performance assessment methods. Five individuals were chosen, three from the service industry and two from manufacturing, to provide perspectives from two different business sectors. The interviews followed the core principles of grounded theory, providing insights into the functioning of specific processes while maintaining their natural context. The findings indicate that, in addition to a hybrid method, participants use a time-axis approach for performance evaluation. This method measures performance and returns over a specified timeframe, aligned with the organization's short-term and long-term objectives. These findings enhance the understanding of variations in measurement practices and the practical application of the time-axis method. The time-axis approach demonstrates to be an effective metric for all business entities, regardless of size, structure, or activity type.

The goal-oriented approach of measurement instructs the owners-managers to concentrate on financial metrics. These metrics consist of profits, revenues, return on investment (ROI), return on sales, and ROE, instead of non-financial metrics. Financial metrics are objective, straightforward, and easy to calculate, but they are typically historical and not easily accessible in the public domain. Issues such as inaccessibility, confidentiality (Covin and Slevin 1989), completeness and timeliness make sector comparisons difficult and often unproductive. Additionally, profits are prone to manipulation and interpretation. A viable

alternative is to use non-financial metrics, which are subjective in nature, to supplement financial metrics. Combining these two sets of metrics provides owners-managers with a broader view on evaluating and comparing their performance, particularly in terms of effectiveness and efficiency in resource utilization, competitiveness, and preparedness to meet increasing external pressures, including globalization. The most common non-financial metrics applied by SMEs include the number of employees, revenue growth over time, market share, and revenue per employee. These metrics need to be regularly reviewed and updated to ensure they remain appropriate for changing environments, competition, resource availability, stakeholders' needs and expectations and internal planning and target setting. SMEs grow through distinct stages, each with unique characteristics and challenges. These stages include Existence, Survival, Success, Take-off, and Maturity. In the Existence stage, entrepreneurs focus on market validation and refining their products or services. They may not have many customers, but proof of concept and prototyping are essential for testing the market. Entrepreneurs that are in the survival stage have a business plan and are expanding their revenue streams by acquiring new clients and customers. Their business model is feasible, but they are not yet fully booked or operating at capacity. SMEs in the success stage are operating at maximum efficiency, but there is a significant market for their products and services.

Owners may not want to let go of their business activities, leading to delegating responsibilities and separating from day-to-day management. From this point on, SMEs offer a substantial number of job opportunities, highlighting the significance of entrepreneurship in the growth of businesses. Launch: At Stage 4, SMEs and entrepreneurs have determined the underlying cause of inefficiencies, made the required adjustments, and are currently turning a profit and growing rapidly. They either have a clear plan in place to obtain those things in the event that they are not available, or they have the staff, resources, and funding required to focus on their core competencies. Stage of maturity: When SMEs reach this point, their operations frequently plateau or even slow down. For the majority of businesses, this is typical and expected. Once a company has reached maturity in one market, other companies may decide to scale their operations into other markets, either domestically or abroad, in an effort to duplicate their success. Understanding the stages of business growth is crucial for business owners to solve challenges and ensure their organization's survival. Organizational growth is an important performance indicator, measured in various ways, including financial growth like profitability and Return on Investment (ROI). Non-financial measures like employee numbers, market share, turnover, value-added, and sales can also be used. Small and Medium Enterprises (SMEs) grow as they survive, expand, contribute to employment creation, and alleviate poverty. Measures of SMEs' growth include sales growth, asset growth, and employment growth. Understanding these stages and their corresponding growth stages can help business owners navigate challenges and achieve their goals. In this study both financial and non-financial growth indicators were used; change in profits, change in revenue, volume of production and number of employees.

2.2.2. The Concept of Tax Conditions in Business

Tax conditions are essential for managing businesses, as they reduce profits, which are the primary source of financing for small businesses. Profit levels are not always consistent or predictable, and owners rely on strong profits to support times of profit declines. The pandemic has further impacted small businesses, as profits should be used for expansion, negatively impacting growth. Most SMEs lack the capacity to deal with government tax requirements, leading to high compliance costs and negatively impacting sector growth. Income, received from work or investment, influences spending, and an increase in consumer incomes can help businesses expand, lower unemployment, and improve the economy. Falling consumer incomes may lead to decreased spending, negatively impacting businesses. High-income individuals tend to have higher growth, and SMEs managed by higher-income managers tend to experience higher growth compared to those managed by low-income individuals sales tax, corporation tax, excise tax, custom duty, fees, prices, fines, special assessments, and VAT are just a few of the taxes that are covered by Salemi (2010). The government imposes taxes for a number of reasons, including revenue generation, economic stability, unemployment issues, protection policies, social welfare, and equitable resource distribution through efficient resource allocation, which raises the rate of economic growth.

However, for a tax to meet its objectives, it must satisfy certain conditions and challenges such as equality, certainty, convenience, economic productivity, elasticity, flexibility, simplicity, and durability. Additionally, a significant challenge in taxation is the evasion or avoidance of taxes. In promoting the growth of SME sectors, the taxation level must be set in a way that is business-friendly and does not hinder business operations. Holtz-Eakin (1995) examines the economic justification for preferential tax treatment of SMEs. First, smaller businesses frequently do not fully realize the benefits that they provide to the economy—especially if they are highly innovative—but larger businesses, with their market power, end up with the majority of the benefits when they acquire small businesses for less than their true value. This is one of the arguments in favor of tax concessions for SMEs. Second, tax benefits based on equity considerations are required for small businesses. Thirdly, it is crucial that the tax system does not hinder the expansion of SMEs. Offering tax incentives to small businesses is necessary for ensuring equity. Additionally, it is important that the tax framework does not impede the development of SMEs adversely. In particular, efforts should be concentrated on

enhancing three traits of a robust and high-functioning SME ecosystem: increasing SMEs' business confidence, fostering SME growth—including for top performers—and boosting SME competitiveness. Building these traits necessitates a segmented approach to execution. Consequently, it is crucial for government agencies to formulate their service offerings only after recognizing the specific subsegments present in their country and their varied needs. We have pinpointed ten strategies employed globally to address these needs.

2.2.3 The Concept of Financial Access for Business

Funds are the driving force of an enterprise. However, 51% of these crucial companies need more funding than they can get right now. For SMEs, credit restrictions pose a significant problem. Lack of consistent sources of working capital causes SMEs stagnation results from their inability to make the necessary investments for expansion. Due to the significance of SMEs as a source of employment, obstacles to financing become impediments to economic growth and the fight against poverty. Mixed finance can assist businesses in bridging this crucial gap. SME expansion is made possible by concessional debt and equity, which prevents individual company bankruptcy. Because working capital is not readily available, businesses that would otherwise be forced to remain in the pilot stage are instead able to grow. Grants for technical assistance enable businesses to grow and perform better. Therefore, it is anticipated that having access to financing will accelerate the growth of SMEs, with the result that SMEs with easy access to financing will typically grow faster than those with limited access. The phrase "access to finance" refers to institutional or government-subsidized loans that companies need to run. The purpose of financial services, which include credit, deposit, payment, insurance, and other risk management services, is to support and stimulate economic growth by financing businesses where the market is unable to do so (Forkuoh, Affum-Osei, & Quaye, 2015). This ability is available to both individuals and businesses. Acquiring the funds required to establish and grow small and medium-sized businesses has always been difficult for the industry. Aspiring entrepreneurs face major obstacles in securing sufficient financing, and Quadrey, Turkson, Abor, and Iddrisu (2017) report that there is still a massive global financing gap for small and medium-sized enterprises. All kinds and sizes of businesses require access to a range of financial services, such as those that enables deposits and withdrawals as well as credit, equity, and importantly guarantee access. It is demonstrated in this discussion that in order for businesses to sustain and expand, they must have access to financial services.

Organization prefers to fund entities that have a potential to grow characterized by entrepreneurial workforce. Individuals with varying levels of motivation, education, and managerial expertise are the driving forces behind the expansion of businesses. It's critical to comprehend the traits of prosperous businesspeople as well as the impacts of social media and education. The gender issue has also drawn more attention, with studies going beyond straightforward gender comparisons to examine the various socioeconomic and psychological traits—such as risk aversion—that distinguish male and female entrepreneurs and how these traits affect their ability to obtain and utilize financial services as well as their performance as business owners. Behavioral economics is a significant field related to entrepreneurship as well. The study of experimental economics can provide significant understanding of topics like network development and entrepreneur collaboration. Financial institutions would prefer to fund entities that gives them financial hope of not losing their cash. The growth of SMEs in Africa requires adequate financial capital, but lack of finance is a major hindrance to their survival and growth. The most significant obstacle impeding the operations and expansion of SMEs worldwide, according to a survey conducted by The Enterprise Surveys of the World Bank, is access to finance. This is a problem that is widely acknowledged to affect SMEs. Africa has expensive, narrow, and small financial systems that only serve a small portion of the continent's population. Due to this, a large number of SMEs are forced to either finance themselves or rely on friends and unofficial networks. Because financial institutions require collateral, loan guarantees, and high comparative interest rates, it is challenging for SMEs to obtain financing. In addition, banks point out that it is difficult to give small loans to SMEs because doing so only lowers their profits. There are insufficient laws in many nations to enforce financial defaulters' repayment of loans. Insufficient financial resources are linked to unsound financial markets or unsuitable loan terms, which can impede numerous African enterprises from capitalizing and propelling their expansion. There is a direct relationship between GDP per capita and financial access, as evidenced by a World Bank report from 2006. Higher GDP levels are associated with better access to financial capital.

2.2.4 The Concept of Unemployment

The word "unemployment" describes those who are actively looking for work and are employable but are having difficulty finding it. People in the workforce who are employed but do not have a suitable employment are included in this group. Unemployment is one of the key indicators of a nation's economic health. It is typically calculated by dividing the number of jobless persons by the total number of workers. Kenya's labor market is characterized by a high rate of unemployment, particularly among young people. It is made up of a sizable informal sector in addition to a minor formal industry. The ADEA Kenya Report states that more than 30% of workers are casual workers. Teenagers with only a primary education are employed in the formal sector (4%), in the informal sector (54%), as students (14%), and unemployed (14%). The following groups comprise those with a secondary

education: students (26%), workers informally (40%), the unemployed (15%), and formal employment (12%). In contrast, 31% of those with postsecondary education are employed in formal settings, 9% work in informal settings, and 8% are unemployed. According to Vivier et al. (2001), unemployment affects the growth process of SMEs. In areas with high unemployment, many people are forced to become entrepreneurs in order to survive (Wickham, 2017; Dollinger, 2017); at the same time, markets are inherently constrained due to high unemployment and low earnings (Ligthelm & Cant, 2019). When assessing an economy's population's standard of living, purchasing power is a crucial concept. One can purchase more goods and services with their income if they have a higher purchasing power. The cost of living, inflation, and exchange rates all influence it. For instance, a nation's currency has a higher purchasing power if its exchange rate is high. This implies that the income of the people living there can be used to purchase more goods and services. Conversely, a nation's citizens may have little purchasing power if their cost of living is high. The purchasing power and unemployment rate have a complicated relationship. High unemployment rates reduce people's disposable income, which could lead to a drop in consumer spending. Businesses and the economy as a whole may suffer as a result. Conversely, low unemployment rates increase people's disposable income, which boosts consumer spending and boosts the economy. However, low unemployment rates can also lead to inflation, which reduces the purchasing power of people's incomes and impedes the expansion of SMEs. Thus, maintaining a healthy economy necessitates finding a middle ground between these two viewpoints.

2.3 Theoretical Review

This chapters share the Institutional theory of growth, Endogenous theory and Schumpeter theory of growth on SMEs.

2.3.1 Institutional Theory of Growth

John Meyer and Brian Rowan developed institutional theory in the late 1970s to investigate how organizations interact with, are influenced by, and were formed by their local, regional, national, and international contexts. Desha, Caldera, and Dawes, (2019). The way that organizations or businesses try to maintain some level of uniformity in adhering to the general guidelines and standards of the business/institution environment is explained by institutional theory. Understanding the forces that push institutions to become more alike, thereby reducing institutional diversity, is made easier with the help of institutional theory. Organizations strive to adhere to readily identifiable and widely accepted norms within their respective fields, which contributes to the development of their legitimacy.

In light of these institutional limitations, entrepreneurs are adjusting through the use of creative business plans, fortitude and bravery, membership in associations, community service, and cooperation with government agencies through regulatory compliance and tax payment (Eijdenberg, Thompson, Verduijn & Essers, 2019). In order to maintain their legitimacy and long-term survival, organizations make an effort to adhere to readily identifiable and accepted standards within their field. The norms, values, and ideologies of the organizational field are mirrored in institutions through intentional and inadvertent choices, as explained by institutional theory. Consequently, organizations that exhibit the expected characteristics of the environment are granted legitimacy and are deemed worthy of resources by both society and the wider environment. When an institution deviates from these standards, the community perceives the traits as abnormal, making it less likely for them to get resources and assistance. They struggle to survive as well. The institutional environment guides institutions toward conformity and limits the freedom with which business managers can act in certain strategic ways. Within the context of small and medium-sized enterprises (SMEs), these businesses function within a specific environment where expectations for organizational behavior and practices are set in part by external stakeholders. Consequently, institutional theory contends that the environment restricts managers' discretionary choices and dictates options for SMEs. External forces force managers to follow suit and narrow the scope of choices open to SMEs, greatly influencing their behavior. Consequently, it either makes business expansion processes easier or harder. One of the theoretical pillars supporting this study's investigation of the facilitators and inhibitors of SE is the institutional theory. When analyzing how societal or business boundaries have impacted SMEs' routes to sustainable growth, the institutional theory is a helpful tool. Elucidating the fact that sustainable endeavors are not essentially voluntary acts because business performance is hampered by a number of obstacles, such as laws and market forces. Business owners are overcoming institutional limitations in a variety of inventive ways, including by putting new business strategies into practice, growing bravery and strength, joining associations, attempting to give back to the community.

2.3.2 Endogenous Growth Theory

Endogenous growth theory, originating in the 1980s, posits that economic growth is generated internally within the economy through endogenous forces, rather than exogenous factors. According to this theory, higher investments in human capital and quicker innovation are related to gains in productivity. It promotes the development of innovation projects and the provision of creative incentives by government and private sector organizations, such as funding for research and development and intellectual property rights. According to the theory, entrepreneurship should be encouraged by the government in order to promote capital

investment, innovation, and the creation of jobs. The theory has been criticized, nevertheless, for neglecting to take into consideration the political aspect of innovation, relying too heavily on potentially false premises, and downplaying the role that organizations play in economic growth. Furthermore, it solely views human capital as a critical component of growth, which may not be as important in actual circumstances. The endogenous growth model is criticized for its lack of empirical evidence and assumptions, which may not be accurate in real-world scenarios.

2.3.3 Schumpeter Theory of Growth

According to the economic growth theory known as Schumpeterian growth theory, every innovation results in new technology that takes the place of earlier solutions, boosting economic growth and productivity. The theory posits that innovation gives rise to novel technologies that supplant outdated ones, a notion known as creative destruction. It places a strong emphasis on organizations, laws, and incentives that support R&D projects and inventions.. The Schumpeterian growth model is influenced by laws pertaining to intellectual property rights, competition, economic openness, business barriers, research education, and democracy. For economic growth to occur, small and medium-sized enterprises (SMEs) are essential because they lower poverty, increase GDP, and create jobs. Since increased employment and production in SMEs result in increased employment, their growth has an indirect impact on reducing poverty and advancing the economy.

2.4 Empirical Review Literature

An Empirical Literature Review is a synopsis of prior research on a particular topic of interest that aims to identify gaps in the literature and contributes to the development of the research's conceptual framework. The growth factors of SMEs are the focus of this study. A number of previous studies have been undertaken on this area. In this section and in line with good literature practices, these empirical studies are reviewed in chronological order to determine the progress in SMEs growth research in recent times (West, 2018). The overriding aim of this empirical review is to aid the study identify the most appropriate conceptual framework of this study.

2.4.1 Effect of Tax conditions on SMEs Growth

According to a 2011 study by Chittithaworn, Islam, Keawchana, and Yusuf, the characteristics, market and customer base, business practices, taxation, financial availability, and business methods of SMEs in Thailand have the greatest effects on their ability to succeed as a company. Govori (2013) discovered that expanding SMEs' access to capital is crucial to their growth, but he also pointed out that these businesses frequently encounter financial obstacles in developing nations. Hove and Tarisai (2013) discovered that, in addition to a strong business plan, marketing strategy, mission/vision, and SWOT analysis, one of the internal elements boosting SMEs' growth is access to financing. Tax conditions have a substantial impact on the performance of SMEs, according to Onyango (2015). Similarly, Feyitimi, Temitope, Akeem, and Samuel, (2016) studied the effect of tax incentives and the growth of small and medium scale enterprises in developing economy –the Nigerian experience. They used a sample of 100 respondents selected through Stratified and Simple Random Sampling techniques. Their study found a significant correlation between Tax conditions and SMEs' growth. But, Tee, Boadi and Opoku, (2016) indicate that majority of the respondents perceive the adverse impact of existing tax policies. The study recommended reforming the tax policies effect of tax incentives on the growth of small and medium-sized enterprises (SMEs) in Rwanda. Douglas, Douglas Muturi and Ochieng (2017) in their study found that the main barriers to success were identified as high taxes, too much government regulation and corruption in municipal government. Olayemi and Folajimi. (2021) studies in Nigeria indicate that growth of SMEs was hindered by challenges ranging from the lack of financial resources to expand, inadequate infrastructural facilities, lack of support from the government, harsh business environment, and above all, unpleasant Tax conditions policy of the government. Benedict Gitonga, Agyeman, and Kyei (2021) simultaneously examined the impact of financial factors on the performance of SMEs using data from the Kenyan leather sector. A random selection of 300 respondents from SMEs in the Kenyan leather industry served as the sample size. According to the study, three statistically significant financial factors that impact the performance of SMEs are tax, loan availability, and financial literacy. Consequently, the report suggests that the government should step up its efforts to support SMEs by providing tax breaks and favorable rates to SMEs, particularly those operating in Kenya's leather industry. Additionally, in order to improve their access to finance, SMEs should increase their level of financial literacy.

Considering these past studies linking prevailing Tax conditions and SME growth in the recent past, it is clear that a significant association between Tax conditions and SMEs Growth exists over the years. An indication that Tax conditions or tax incentives is a critical component of the SMEs growth. The studies have shown the positive relation the positive relation of low tax pressure on growth. Thus, indicating that countries should move towards being low tax rate countries that would favor business growth. However, even though some nations have lower overall tax rates than others, their tax systems can nevertheless be complicated and onerous for particular taxpayer groups. On the other hand, nations with higher tax rates might offer superior public services and more extensive social welfare programs, which could make up for the higher tax burden. Therefore, when evaluating tax

pressure in various nations, it's critical to take into account both tax rates and the caliber of public services. The implication of these findings is that the balance between low tax rates and complexity to comply is critical factor.

2.4.2 Effect of Financial Access conditions on SMEs Growth

A number of studies have been undertaken in the recent past on financial access conditions and its effect on SMEs performance. Ngek (2014) sought to determine high quality SMEs that significantly contribute to SME growth: regional evidence from South Africa, the results showed that human capital, growth ambition, innovativeness, motivation, and market orientation and financial power define a high-quality SMEs in South Africa that contributes significantly to SMEs growth (employment growth, sales growth and asset growth) but, Makina, et al. (2015) studied financial access and SMEs size in South Africa. Their aim was to develop an econometric model to estimate the effect of access to credit on firm size access to formal credit. The study found that access to finance in sole proprietorship has a positive relationship with firm size as measured by the number of employees. Inoue and Hamori (2016) use panel data on SMEs from 37 countries between 2004 and 2012 to study the relationship between economic development and financial access in Sub-Saharan Africa. The empirical findings unequivocally show that improving financial access has a substantial and statistically significant impact on boosting economic growth in Sub-Saharan Africa. In their article "Financing the expansion of SMEs in Africa: What are the limits to SMEs financing within ECOWAS?" Quartey, Turkson, Abor, and Iddrisu (2017) They discovered that, at the sub-regional level, variables including business size, ownership, the strength of legal rights, and the depth of credit information and access all significantly influence access to financing. They did this using data from the World Bank's Enterprise Survey data collection and structural equation modeling (SEM) analysis.

Etemesi (2017) conducted research on the expansion of SMEs in Nairobi's central business area and credit access from commercial banks. There was an 838-sample size and an explanatory design. The findings indicated that SMEs' growth is positively impacted by financial availability. Mwangemi, Wilson, and Mung'atu (2017) investigated the impact of government policies and financing availability on the expansion of small and medium-sized businesses in Kenya within the same time frame. According to the report, one of the most important aspects of the establishment is having access to financing. In the context of Ghana, Thompson Agyapong, Mmieh, and Mordi (2018) investigated the variables influencing the expansion of small and medium-sized companies (SMEs). A sample size of 75 drawn from agriculture, manufacturing, and services was used. Findings show that several factors, including level of education, poor energy supply, access to external finance, competition, inflation and government policies influence the growth of SMEs in Ghana. Adegboye and Iweriebor (2018) conducted research in Nigeria over the same time period and asked if access to financing increased SME productivity and innovation in the country. Evidence from the World Bank Enterprise Survey: Using the logit model estimation approach on the World Bank Enterprise Survey (ES) data set, the study determines that the most powerful factor encouraging all forms of innovation among SMEs in Nigeria is the ease with which bank financing can be accessed. and that development and innovation have a good relationship. Bakhtiari, Breunig Magnani, and Zhang (2020) looked at the relationship between small and medium-sized businesses and financial restraints. They found that restrictive budgets have a negative effect on both employment growth and business sales growth using a large sample size of 10,000 SMEs in 28 Eastern European and Central Asian nations. Brixiová, Kangoye, and Yogo (2020). funding accessibility for small and medium-sized enterprises and creation of jobs in Africa. SMEs with formal funding sources generate more employment than businesses without, with employment in businesses with access to bigger and more affordable loans expanding at the quickest rate. These conclusions were drawn from firm-level data from 42 African nations using an impact evaluation-based methodology. In conclusion, research on financial access and SME growth, both historical and contemporary, consistently points to a favorable relationship between financial access and SME growth. On this basis it is expected that good Financial Access has a significant effect on a number of SMEs performance. Financial access has been studied extensively and is critical for the growth of small and medium-size enterprises (SMEs). It allows entrepreneurs to innovate, improve efficiency, expand to new markets, and provide millions of jobs. Yet, in developing countries, the majority of SMEs are unable to acquire the financing they need to reach their potential (Makina, et al.2015).

2.4.3 Effect of Wages on SMEs Growth

The documented studies on effect of wages and firm performance in the recent past are few but informative. Example, Kersten, Harms Liket and Maas (2017) in his study 'Small Firms, large Impact? A systematic review of the SMEs Finance Literature' found that wages and costs business have no significant effect on SMEs growth on their investigation of salaries and the failure of SMEs, Dewaelheyns, Van Hulle, Van Landuyt, and Verreydt (2021), they used a sample of 29,596 Belgian SMEs to investigate the impact of salaries on the chance of failure between 2012 and 2019. They discovered that paying lower salaries is a strong predictor of SMEs failure using discrete temporal hazard regression models. Higher salaries hence encourage rapid growth. Additionally, Pratomo, Ade, and Setyadharma, Andryan (2020) looked into how the number of industries, wages, and economic growth affected unemployment. For this investigation, a panel regression with data from 2013 to 2015 was employed. The findings demonstrated that the minimum wage had a favorable and noteworthy impact on the expansion of SMEs. One of the strengths of this study is

the embedded in its methodological approach of utilizing the panel framework. Yaffee (2003) conducted considerable research and found that panel data can assess and identify statistical impacts that cross-sectional or pure time series data cannot. Panel data, once again, provides more variable information, reduced collinearity across the variables, and the ability to prevent bias from missing variables. Azizah and Rachmawati (2022) looked at how Tulungagung, Indonesia's economic growth was affected by SMEs and minimum salaries between 2011 and 2021. Multiple linear regression analysis was performed using secondary data to examine the association between these components. The minimum wage has no discernible impact on Tulungagung's economic growth, according to the results, but the number of SMEs does. Although the study provided the detailed model diagnosis using Jacque Bella test for normality, the Klein approach for multicollinearity test and the Breusch-Godfrey test for auto correlation. The source of the data is not clear indicating a data gap.

2.4.4 Unemployment and SMEs Growth

The percentage of the labor force that is jobless but looking for work is referred to as unemployment. Kenya's unemployment rate was 2.64% in 2018, down 0.05% from 2017, and 2.98% in 2020, up 0.38% from 2019. Because it indicates a worker's ability—or lack thereof—to find profitable employment and contribute to the economy's productive output, unemployment is a crucial economic indicator. More unemployed workers mean less total economic production. Using secondary data, Kuso and Gachunga's (2019) study looked at how unemployment affected Kenya's economic development. They examined the long-run, short-run, and direction of causation using Granger causality, Johansen Co-integration, and error correction mechanism (ECM). The findings demonstrated a long-term correlation between economic growth and unemployment, with unemployment having a favorable effect on growth in the short and long terms. The report also emphasized how unemployment and the expansion of small and medium-sized businesses are related. The youthful population's explosive expansion has resulted in a labor excess, which is driving up unemployment, especially for young people living in cities. According to the skill mismatch theory, businesses undervalue the skills that are provided by the educational system, which makes them hesitant to accept applicants who are already unemployed and encourages jobless people to fill positions. Using Johansson's Co-integration test, Mosikari (2013) investigated the effect of unemployment on South Africa's GDP, a stand-in for the growth of SMEs. Granger causality, on the other hand, rules out a causal relationship between unemployment and economic growth. Oguze and Odim (2015) and Ditimi and Ifeakachukwu (2013) studied how unemployment affected the economic growth of small and medium-sized enterprises in Nigeria. The money supply, investment imports, real GDP unemployment interest rates, and time series data from 1970 to 2010 were utilized in Oguze and Odim's analysis. According to Least Squares Analysis, Nigeria's SME growth was adversely affected by unemployment. In their analysis, Ditimi and Ifeakachukwu focused on unemployment and productivity development using time series data from 1986 to 2010. Both studies discovered that unemployment had a favorable effect on economic growth.

2.5 Critique of Reviewed Literature

Examining the research conducted over the past ten years on the economic factors influencing the growth of SMEs was the aim of this empirical review. This is crucial for demonstrating the advancements made in the expansion of SMEs. The reviewed papers make it evident that several economic factors were found to be important drivers of the expansion of SMEs. The review also makes it evident that there is a great deal of variation in these factors influencing the growth of SMEs. In SMEs growth studies, this lack of agreement on the factors influencing SMEs growth is still very important. Important findings about IVs like unemployment and economic growth as measured by growth proxies like GDP were found in the review. The studies used diverse methodological approaches including the co-integration in time series framework (Ditimi and Ifeakachukwu (2013) and panel data analysis. These panel data approach has a capability to control for individual-specific effects, provides precise estimates and increased statistical power and can accommodate heterogeneity, which is often a challenge in other research designs. However, some of these studies don't specifically state which SMEs growth indicators were employed, despite the fact that growth may be measured using a variety of non-financial and financial metrics. The term analytical levels, problems with nomenclature, and conceptual evaluation grounds have prevented the consensus on a single definition. All concur, that success expectations are often correlated “performance" has several facets, and researchers have tried to define it accurately. However, different with performance. Moreover, few studies show that unemployment affects the expansion of Small and Medium Enterprises. There are even fewer of these studies in the Kenyan context, and since they are not recorded, it is challenging to pinpoint the beginnings of the current investigation. All things considered; this review provides useful information to support the conceptual framework of the research.

2.6 Chapter Summary

In this chapter, the SMEs growth, the social factors and economic factors are conceptualized. Institutional growth theory of planned behaviors, endogenous growth theory anchored the study. The empirical review of related studies showed mixed results of the economic factors on SMEs growth across the globe. Based on the reviewed theoretical and empirical literature, a conceptual

framework depicting the hypothesized relations between the Independent Variables and Growth of SMEs was presented. The research methodology is presented in the next chapter.

2.7 Conceptual Frame Work

This study conceptualizes social and the economic characteristics as the predictors of SMEs growth. The change in sales and profits are used as measures of SMEs growth, because this form of growth measurement is mostly used by SMEs owner/managers themselves (Nunes, Gonçalves, & Serrasqueiro, 2013). Figure 2.1 depicts the diagram explaining the conceptual framework.

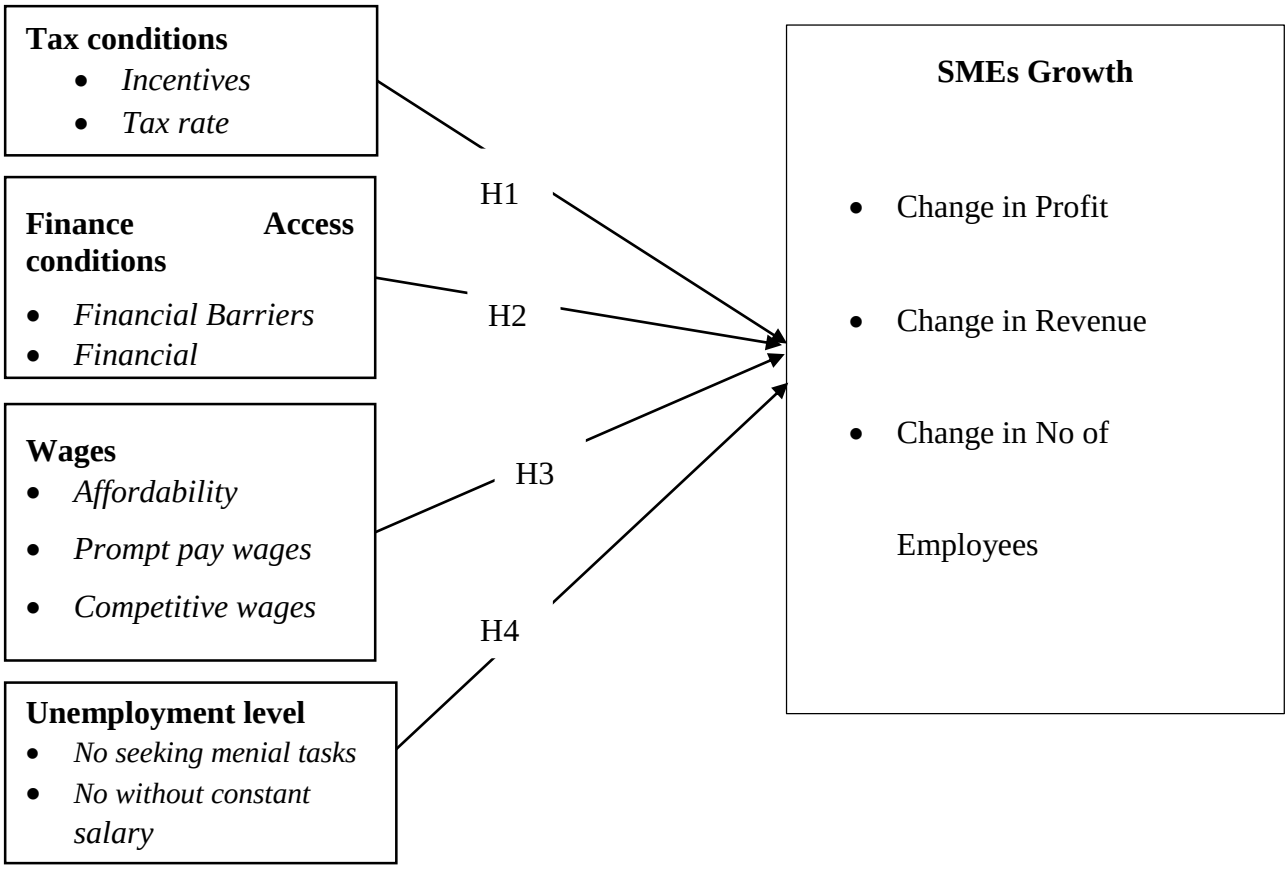

Figure 2. 1 Conceptual Framework depicting the relation between Economic Factors and growth of SMEs

The conceptual frame shows a direct relation from tax conditions to growth of SMEs denoted by hypothesis H1. It is hypothesized that the relation is positive because when a country becomes a low tax haven, it provides favorable tax conditions that include no or minimal corporate, capital gains, or income taxes, a country becomes among of the lowest tax burdens in the world. The story of United Arab Emirates, which has a VAT rate of 5%, the total tax rate is only 4.60%. This incredibly low tax burden is a big lure for people and companies looking for a tax-friendly environment which boost businesses such as SMEs. Therefore, the relation is positive. Similarly, it is hypothesized that the direct relation between Financial Access and growth is positive. Therefore, H2 is Positive. The relation between wage conditions and growth is hypothesized to be positive such that the better wage conditions that are affordable for the SMEs, that the SMEs pays prompt and competitive has positive effect growth.

RESEACH METHODOLOGY

3.1 Introduction

This chapter describes the methodology the study used in order to meet the research objective. First, the research design of the study was described. Then the study population, the sample size and sample size determination are also described. Data collection instrument and procedure to build the research model and data analysis procedure was also described.

3.2 Research Design

The research employed an explanatory research design, which is a perfect method for examining the reasons behind events in situations where data is scarce. This method aids in topic understanding, phenomena comprehension, and future event prediction.

As a "cause and effect" model, explanatory research focuses on patterns and trends in data that have not been found before. Because it seeks to correctly represent a population, circumstance, or phenomena as it is, it is sometimes seen as a causal research method. This study's design was especially well-suited since it made it possible to use a variety of research techniques to look at one or more variables, leading to a thorough understanding of how economic factors affect the expansion of SMEs.

3.3 Study Area

The study focused on SMEs in Kenya's Mombasa County. Kenya's second-largest city and the country's main seaport, Mombasa Town, is part of Mombasa County, which is situated on the country's coast. According to KNBS (2018), Mombasa County is divided into six zones: Mvita, Likoni, Changamwe, Jomvu, Nyali, and Kisauni. As per the Business activity code summary 2018 of the Local Authority Integrated Financial Operation Management Systems (LAIFOM), Mombasa County has 54,245 Small and Medium Enterprises registered with in the system. Mombasa County is home to SMEs in every industry, including retail, transportation, hospitality, catering, entertainment, technology, real estate, pharmaceuticals and health services, and clearing and forwarding. Compared to other counties, Mombasa County is a special place.

Mombasa is a vibrant are for doing business because it is an urban town whose business environment is quite dynamic, with several key factors influencing its business landscape. It includes good infrastructure: Mombasa has a mix of well-developed and underdeveloped infrastructure. While access to worksites is relatively high, challenges include insufficient public facilities, high utility costs, and frequent power outages. Market Environment: The market environment is characterized by limited access to physical markets and government procurement opportunities. Fair competition is also a concern due to issues like counterfeiting and unfair trade practices, multiple taxes, corruption, insecurity and exploitative tendencies within the workforce (KIPPRA report No. 28/2019-2020, 2020). The country has great market with a total population, 1,208,333; Female, 49.5% • Contribution to total GDP: Average 4.7% for the period 2013-2017 • Contribution to Gross Value Added stood at 4.4% in 2017. Again, the SME sector driving growth in economic activity is in manufacturing (14%); Agriculture (0.4%); and Services (70%) The reforms in the county put in place by the current administration in the 2022 were meant to mitigate the challenges to make Mombasa a truly competitive business hub. The reforms have focused on working together with pertinent training organizations, such as the National Industrial Training Authority and the Kenya Institute of Business Training, to map knowledge and skills in order to offer MSEs technical training, certification, and apprenticeship programs in addition to pertinent entrepreneurial training. Also, work together with players in the financial sector, including banks, SACCOs, and microfinance organizations, to target MSEs with financial innovations that present a chance to expand and penetrate the financial services market.

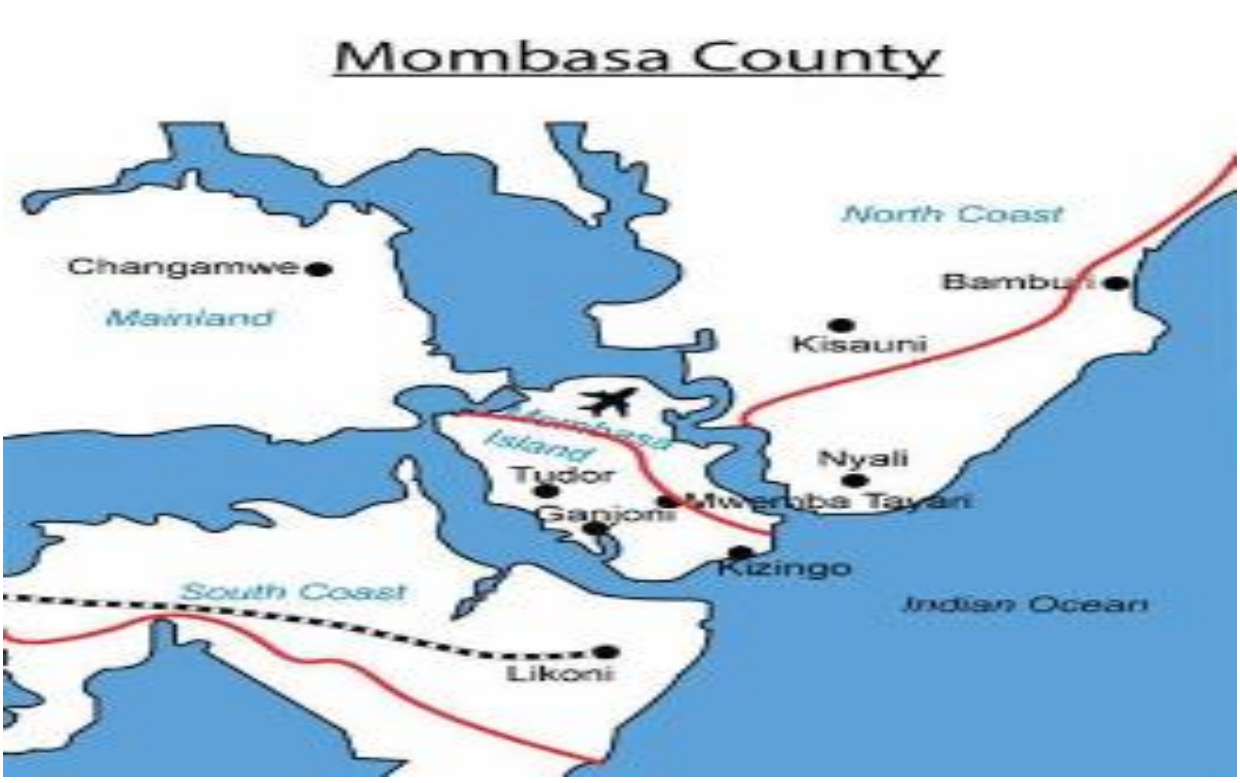

Figure 1. Map of Mombasa County

3.4 Target Population

The study targeted SMEs operating within Mombasa County. This is one of the urban counties in Kenya and most populous in the coast region being the gateway and major port entry that connects inland Africa with global sea borne trade making it a trade hub center for a millennium. Mombasa as a region is disproportional suffered by the level of unemployed people compared to other part of the nation average that has a rate of 44% and if the informal unemployment people is to be added without decent livelihood or work conditions the rate adds up to 66% and many SMEs businesses. Mombasa county highly depends on Small and Medium-sized Enterprises (SMEs) as a key player in it's economy. Due to its strategic position for export business by both, air, road, rail and sea, and growing population that presents an expanding market for SMEs, Moreover, the county government of Mombasa has been promoting Special Economic Zones (SEZs), reprieves and licensing waivers for small and medium enterprises, policy advocacy, providing ease of doing business by digitalization of all its services to attract SMEs, offering incentives for businesses to set up operations in these zones. These efforts indicate a supportive ecosystem for SMEs in Mombasa, aiming to foster growth and innovation within the sector. The inclusion criteria are that an SMEs fulfil the definition as outlined. That is, an SMEs is included if and only if it has at least 10 and at most 50 employees. An enterprise/SMEs with less than 10 employees, or more than 50 employees are excluded. Also, the enterprise should be registered. Therefore, the target population is 54,245 registered SMEs business in the County of Mombasa. LAIFOM (Local Authority Integrated Financial Operation Management Systems Business activity code summary 2018) the SME owner/ manager provided the data for the research.

3.5 Sampling Frame

Identifying a sampling frame is part of the wider sampling design process. A sampling frame is a list of the elements or entities from which a study element is selected. It is the source material from within a population who can be sampled, and may include individuals, households or institutions. The SMEs in Mombasa County formed the sampling frame of this study.

3.6 Sample Size and Sampling Design

Sample size and sampling design are important considerations in research and data collection. The below will highlight the sample used and sampled design that enabled the research.

3.6.1 Sample Size

In research, it is frequently more practicable and important to employ a sample rather than a population. Cooper and Schindler (2014) define a sample size as a smaller subset of the broader population. Since it is unknown how many SMEs there are in Mombasa County, the sample size for this study was determined using the Cochran, (1977) statistical technique. This method was used to calculate the representative sample size from the owners and managers of SMEs operating in Mombasa County. It is advised for continuous dependent variables, such as growth.

The formula is based on the Z value, which is related to the confidence level, the population proportion, which is the estimated proportion (p)of the population with the desired attribute, and the margin of error, which is the maximum difference between the sample proportion and the population proportion. The formula also includes a population correction for small populations with known sizes (e).

$$n = \frac{z^2 p(1-p)}{e^2}$$

Where; n = required sample size, z=1.96, p is the estimated proportion of the population that register growth estimated at 0.2 and e = 0.05 at 95% confidence interval

$$n = \frac{1.96^2(0.2)(0.8)}{0.05^2}$$

$$= 245.9 \cong 246$$

A sample of 246 was the minimum sample size required to estimate the effect of economic factors on growth of SMEs at 95% confidence interval with a margin of error of 0.05.

Sample Size Distribution.

Table 3. 1 Target Population

SMEs Classification	Population	Sample Size
General Trade	24 649	112
Transport and Communications	3 137	14
Agriculture	2 115	10
Hospitality	13 057	59
Professional and Technical	4172	19
Education and Entertainment	4074	18
Manufacturing	3041	14
Total	**54245**	**246**

Source: Mombasa County Council, 2018

3.6.2 Sampling Method

A key component of research methodology is sampling, which is the process of choosing a subset of people to represent the entire population from a larger one. As a result, without having to survey the entire population, researchers can draw conclusions about it. Probability sampling and non-probability sampling are the two primary categories of sampling techniques. Simple Random Sampling method is one of the probabilistic sampling approaches and was used to identify the actual respondents for the survey from whom data was collected using a questionnaire. Martinez, Fuensanta, and Rodríguez, 2013; Akinboade, 2015) also used simple SRS method in their study of the effect of SE on SME performance.

3.7 Data Collection Instrument and Procedure

3.7.1 Data Collection Instrument

This quantitative research used a questionnaire to collect data from of SMEs operating within Mombasa County. The main questionnaire items on economic and SMEs growth of the SMEs are derived from previous studies on the same topic. The questionnaire is organized in sections. The first section constitutes the background characteristics of the SMEs important in better understanding the background of the studied firms. They include questions on the structure of the business owner, location and the business structure such as longevity of business and the current number of employees. In the second section of the questionnaire on economic factors, the items for each sub variables are designed to measure the economic environment or setup SMEs operate that shapes their activities. They include items on Tax environment to assess level tax compliance and utilization. Examples of tax items include; Tax level in this business is favorable/reasonable, and Taxes we pay are well utilized to further develop business infrastructure like market, roads good for business. finally, on Financial Access sub variable, the items used are designed in such way to measure the level Financial Access of SMEs example of the indicators used to measure Financial Access include; This business has good income base from owner, we have a good credit rating and Credit prices are affordable. The wages were measured using items such as business gives best employee wages compared to similar businesses. And The wages reflect the economic realities, individual qualities like age, experience and education and personal needs.

3.7.2 Data Collection Procedures

The process of obtaining and assessing data on specific variables in a pre-existing system allows one to assess results and respond to pertinent inquiries. In all study fields, including the humanities, business, social and physical sciences, and data collection, research is a necessary component. Although techniques differ depending on the discipline, making sure that the collection is honest and accurate always comes first. All data collection aims to gather evidence that will enable data analysis to produce believable responses to the questions that have been put forth. Data was collected from respondents using a structured questionnaire. The researcher recruited and trained two research assistants to assist in administering the questionnaires to the respondents of the selected SMEs. The research assistants first dropped the questionnaire and picked the completed questionnaires at a later agreed day within a period of one week.

3.8 Pilot Study

For the purposes of the pilot study, a random sample of 10% of the SMEs in Mombasa was used. The aim of a pilot study was mainly to identify the problems in the questionnaire and the procedures in data collection. Some of the problems in a questionnaire includes ambiguities and difficulties of questions. If these ambiguities were not removed the results would be inaccurate responses in the final survey. Some of the procedural issues the pilot study assesses was the duration and flow of questions. These two issues were assessed in the pilot study using a 35-item questionnaire. The results of the pilot test showed that respondents took, on average, five to ten minutes to complete the survey. The pilot responses brought up several important

points about the process of carrying out a large-scale final data collection. The problems included how to send out the questionnaire, how to get assistance contact with respondents, and how to include research to get information from the respondents. The lessons learned from the pilot study proved critical in coming up with optimal data collection procedures under the combined pressure of time and ethical considerations. The final questionnaire had 28 items of which four are items on background information (Appendix II).

3.8.1 Validity

Validity, which shows how well the data obtained covers the real topic of examination, is a crucial component of data quality in research (Ghauri and Gronhaug, 2005). "Measure what is supposed to be measured" is the basic definition of validity (Field, 2005). The instrument's validity was evaluated by making sure academic economists reviewed it. This guaranteed that the instrument would be improved to include measurements of the relevant variables. Scholars underscore the significance of conducting a legitimate investigation. It ensures that the methods used to gather the data measure exactly what is intended to be measured. Validity serves to lessen prejudice and ensures that the phenomena being examined is accurately represented. Errors are found and result accuracy is increased through data validation. Although validity is more difficult to evaluate than reliability, valid conclusions must be made. For example, test validity aids in the manager's comprehension of the market he is observing, which aids in the creation of the employer brand. He can also objectively quantify the results with the aid of test validity.

3.8.2 Reliability

In research, Reliability is the overall consistency of a measure (Vaske, Beaman and Sponarski, 2017). A measure is said to have a high reliability if it produces similar results under consistent conditions. Reliability is a measure of internal consistency and this reliability of the questionnaire was assessed using the Cronbach's alpha test. This test assesses the internal consistency or reliability of a collection of multiple survey items to find out if a set of items measures the same characteristic consistently. On a uniform 0–1 scale, Cronbach's alpha measures the degree of agreement. Greater values signify increased agreement among the items. It is also strongly advised to measure internal consistency using the Composite Reliability score, also known as Construct Reliability, and to do so by utilizing the factor analysis's refined loading (FA). According to Brunner and Süß (2005), it may be conceptualized as the sum of the real score variance and the scale score variation. As an alternative, according to Fornell and Larcker (1981), it is a "indicator of the shared variance among the observed variables employed as an indication of a latent construct." Values for each of these test statistics vary from 1 to 0, with values nearer 1 being preferable.

There is disagreement over appropriate composite reliability thresholds; one author suggests a threshold of.60, while others suggest higher or lower values. How many items you have in your scale will determine a lot. Reliability levels are generally higher for larger numbers of scale items and lower for smaller numbers of scale items. However, according to Richard Netemeyer and associates in Scaling Procedures: Issues and Applications, a minimum threshold of.80 is "reasonable" for a narrowly defined construct with five to eight items ((Brown, 2002). (Brown, 2002). Bottom line, the assessment of reliability is at the core for quality research because it results in the quality of measurement of constructs especially in multiple item measure of unobserved construct. To create a scale for the construct, analysts combine a number of related items. But they have to make sure that every item in the scale accurately measures the same construct before adding different questions to it. Test of internal consistency facilitated that procedure during the scale development stage in FA.

3.9 Data Processing Analysis and Presentation

3.9.1 Data Processing

The process of data processing is a crucial step in data mining, involving cleaning, transforming, and integrating data to prepare it for analysis. The objective is to enhance data quality and suitability for the specific data mining task. The response rate was first assessed because it is a crucial step. Representativeness: There is a greater chance that the sample fairly represents the intended population if there is a high response rate. This guarantees that the results can be applied to a larger group of people. Validity: A higher response rate makes the study more valid. More responses increase the likelihood that the information gathered represents actual beliefs and actions, lowering the possibility of bias. Reliability: The research method's dependability can be determined by looking at response rates that are consistent between various studies or surveys. It demonstrates that the approach is successful in drawing participants in and gathering data. Credibility: Studies with high response rates are frequently seen as more reliable. It exhibits meticulousness and diligence in gathering data, which can increase confidence in the study's conclusions. In this study the involved checking for completeness, involved manual inspection of the questionnaire to find out the preliminary issues such as completeness of information. The data was then coded and entered into SPSS version 25 for the further.

3.9.2 Data Analysis

Data analysis is the process of looking through, cleaning, converting, and modeling data in order to find relevant information, guide judgments, and assist in decision-making. It has many facets and approaches, encompassing various techniques under a

variety of names.in this study various techniques were used. Factor Analysis was undertaken important in finding out the suitability of each item to measure the study constructs. It is important step so as to refine variables and demonstrate instrument reliability and validity. The Bartlett test and KMO statistic were used to assess the suitability of the data. A significant Bartlett test statistic and a KMO of at least 0.6 were necessary for credibility of the FA results. The next step was selecting the appropriate component extraction method, either Eigenvalue criteria or Fixed Factor Criteria. It should be noted that, in principal components analysis, estimates of the correlations between each variable and the estimated components are provided by the Rotated Component Matrix12. Factor loadings—correlations between variables—help determine which traits the components might represent. A clear factor structure is achieved when no indicator showed cross loading. If indicators crossed, they were dropped and rerun the FA until no cross loading was observed. Scale construction was then undertaken to represent constructs for explanatory and inferential analysis. Results were presented in figures and tables. Data analysis involved descriptive and inferential analysis. In the descriptive statistics, the mean, standard deviation skewness and kurtosis of the preprocessed study variables were computed. Two crucial descriptive statistics of data distribution are kurtosis and skewness. Kurtosis establishes how heavy the distribution tails are, while skewness quantifies the distribution's symmetry. Its important in many fields, example in finance, when evaluating investment risks, skewness and kurtosis are essential. A leptokurtic distribution of stock returns, for example, might suggest a greater likelihood of abrupt price fluctuations. In Healthcare: Recognizing unusual cases that call for additional research can be aided by knowing how medical data, such as patient age or blood pressure levels, is distributed. And in Supply Chain: Understanding the skewness of delivery times in logistics can aid in cost-cutting inventory level optimization. In SME business: By comprehending the kurtosis, one can identify niche customer segments in customer behavior analytics that display extreme behavior, such as being extremely loyal or extremely dissatisfied. These two concepts, Skewness and kurtosis are reported. The mean of a variable provided the score in the range of 1 to five of most responses on a study variable and interpreted as follows; mean value less than 2.5 are interpreted as small extent indicating the condition (Tax conditions, Wages, Unemployment, or Financial Access) is unfavorable to SMEs. This suggests a gap between the desired level and the actual condition. Mean values between 2.5 to 3.5 are intercepted that the condition is moderately available and therefore the moderate gap between desired and desired level. And, mean value greater than 3.5 is interpreted as moderate extent suggest the condition are fairly favorable. On the other hand, the Skewness and Kurtosis results of the study variables are also presented under explanatory results so as to give the information on the distribution of the responses. Skewness and Kurtosis together help charge the degree the variable conform to a normal distribution. Skewness and Kurtosis absolute values less than one, indicate that the distribution conform to a normal distribution. But values greater than 1 indicate the distribution deviate from normal distribution. Correlation analysis was used to establish significant association between variables. Of greater interest is the correlation between the IV and DV. The Pearson correlation was used because the data in at least ordinal level and not nominal. This has a range of -1 to 1. A perfect negative correlation is represented by a coefficient of -1, whereas a perfect positive correlation is represented by a coefficient of 1 (both variables increase together). There is no linear relationship when the coefficient is 0. Regression was used to test the research hypothesis at an alpha level of 0.05.

3.9.4 Regression Analysis

Multiple Linear Regression Analysis was used in hypothesis testing. Multiple regression is a technique of studying the effect of more than one predictor on the response variable. It fits a model by estimating the regression coefficients of each predictor variable in a model of the form

$$GROWTH = \beta + \beta_1 TAXCOND + \beta_2 FINANCIALaccess + \beta_3 WAGES + \beta_4 UNEMPLOYMENT$$

Where the regression parameters; $\beta, \beta_1, \beta_2, \beta_3, and\ \beta_4$ are regression coefficients estimated by Ordinary Least Squares (OLS) estimation. In a linear regression model, OLS selects the unknown parameters by minimizing the sum of squares of the variations between the dependent variable's observed and predicted values. In estimation theory, OLS has an advantage in producing the least biased estimates. In regression, the magnitude of the regression coefficient of an IV shows the impact of the change of the independent variable on the DV; the higher the magnitude, the higher the impact. Just to illustrate this point. In order to reject or fail to reject H0, the associated probability value corresponding to each of the four of the regression coefficients is compared to a threshold value, in this study, the common threshold value of 0.05 was used. If the p value obtained is less than 0.05, the corresponding null hypothesis is rejected. Otherwise, the study fails to reject the null hypothesis. Standard and unstandardized regression are generated in SPSS for interpretation to reject or fail to reject the null hypotheses. Standardized coefficients hold the other variables constant and show the change in the predicted variable for a one-unit change in the predictor variable. For

instance, given a coefficient of -333 for coefficient of car cost, then assuming all other variables stay the same, a house's price will drop by 333 units for every year that a owner ages. However, for standardized coefficients, when the predictor variable changes by one standard deviation, they show the change in the response variable in terms of standard deviations.

3.9.5 Regression Model Assumption Diagnostics

In fitting the regression, Ordinary Least Squares estimator was utilized to minimize the square of the distance between the predicted values of SMEs growth and the actual values. It is crucial to assess the classical assumptions to ensure the validity of the model. The linearity, normality, no multicollinearity and no heteroscedasticity form a set of baseline assumptions that are tested and verified prior to adopting the regression results (Thu, 2019). These assumptions were checked using both statistical and graphical visualization to support evidence of no violation. The linearity assumption is the belief that the expected value of a dependent variable change at a constant rate across values of independent variables. The linearity is checked by evaluating a plot of Residuals (y-axis) vs. Fitted (x-axis). The linearity assumption is met when the scatter points are evenly scatter around the y=0 horizontal line without any pattern emerging. If the linearity assumption is met, it is recommended to carry out a linear transform of the nonlinear relation. The no multicollinearity assumption states that no independent variables are strongly correlated (>0.7). The presence of this issue reduces the model's estimated coefficient precision, resulting in higher standard errors and lower test statistic values, reducing the test's statistical power (Gwelo 2019). In practice, the assumption is determined using a variety of methods, including the correlation matrix, which is supplemented by the Variance Inflation Factor (VIF) test proposed by regression researchers (Gwelo, 2019). Multicollinearity is not an issue if the VIF is less than five. The commonly used VIF approach was utilized in this study. The normality assumption makes one of the classical OLS assumptions. This study investigated whether residuals are normally distributed. A histogram of residuals with a fitted normal curve is used to visually evaluate this assumption. Outliers were checked as one of the preliminary phases to clean data for further analysis. After the assumptions are assessed and appropriate remedies sought met the assumption, the model regression parameters are generated using the OLS estimation which minimizes the regression residuals. The goodness of the model is evaluated using R squared and ANOVA statistics. The R square estimates the proportion of variance explained by the model predictor variables. A significant F (P<.05) indicates the model is adequate for prediction. Hypothesis testing is based on the regression coefficient results, with all statistical tests set to a significance level of 0.05.

Table 3. 2 Measurement of variables

Variable	Measurement and indicator
Tax conditions	Perceived tax inducements and level of tax conditions level they favor carrying out business measured at ordinal level from 1= less favorable 5= highly favorable
Financial Access conditions	Ease of access of business income measured at ordinal level. ordinal level from 1= low Access to 5= high access
Wages affordability	The ease of meeting the wage obligations by the SMEs business to its employees/workers. It is measured at ordinal level from 1= unfavorable wages to 5= favorable wages
Unemployment	Number of SMEs customers not in formal employment. ordinal level from 1= high unemployment to 5= low Unemployment
Growth	Growth indicators (Growth in Gross Profit, and Revenue, Employees). Measured at ordinal level from 1= low growth to 5= high growth

3.11 Ethical Considerations

Ethical considerations in research are crucial for maintaining scientific integrity, respecting human rights and dignity, and fostering collaboration between science and society. This study adhered to ethical codes of research because ethical issues can influence research outcomes significantly in different ways (Locke, Alcorn, & O'Neill; 2013). Additionally, it strengthens the reliability and integrity of study findings and fosters the researcher's ability to disseminate the results. The study adhered to the principles of impartiality, confidentiality, and honesty that are essential to a trustworthy and legitimate research project. by keeping an eye on the following qualities. Participation of choice, informed consent, anonymity, secrecy, and open dissemination of results. Furthermore, following a series of proposal defenses, authorization to carry out the primary research was requested from Moi University's School of Economic Studies. The National Commission for Science, Technology, and Innovation (NACOSTI), Kenya's research authorizing agency, requires a permission to be given.

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This is chapter presents the results of the analysis and interpretation of the findings. It is partitioned into three broad sections. The first section presents the preliminary background information so as to provide an understanding of the characteristics of the SMEs that took part in the study. The next second section is dedicated to processing phase to access data quality collected in and constructing measurement scale of the latent variables. The involves Factor Analysis (FA). The third section comprise of carrying out of explanatory statics so as to describe the socioeconomic characteristics and performance of SMEs in the county. The fourth section is the core section of this study involving relationship through correctional and regression analysis.

4.2 Response Rate

Out of the 246 targeted respondents for data collection, data was collected from 185 for analysis representing 75.2% response rate. In social sciences, a response rate of more than 60% is considered adequate (Stedman, et al.2019). Therefore, current response rate is considered adequate to provide the intended information on SMEs growth in Mombasa County.

4.3 Background Information

The male gender dominated the sampled SME ownership in Mombasa County. The majority of the SMEs sampled are owned by 25 to 35-year-old owners (42.2%). However, those SME owners aged over 45 years were few at only 13% of SME owners. Moreover, most of the sampled businesses were aged less than five years (51.9%). see Table 4.1

Table 4. 1 Demographic Information

		n	%
Gender	Male	134	72.4
	Female	51	27.6
Age of proprietor	Below 25 years	35	18.9
	25 to 35 years	78	42.2
	35 to 45 years	48	25.9
	More than 45 years	24	13.0
Age business	Less than 5 years	73	39.5
	5 to 10 years	62	33.5
	More than 10 years	50	30.8
Number of employees	Less than 10 employees	96	51.9
	10 to 20 employees	63	34.1
	Over 20 employees	26	14.0

4.4 Factor Analysis

Factor Analysis marks the start of the long but important data step before subjecting the data for test of significance. A detailed procedure discussed in the previous chapter is adopted in this section to carry out a Factor analysis which aims at refining the data collected. The first step is assessing the suitability of FA on the data using the KMO and Bartlett's test statistic presented in Table 4.2. The observed KMO statistic is 0.761 is within recommended value of greater than 0.7 and the Bartlett test results is significant (Chi-square;1479.372, degree of freedom; 326 and p; .000). it is therefore indicative that the data is suitable for FA.

Table 4. 2 KMO and Bartlett's Test results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.761
Bartlett's Test of Sphericity	Approx. Chi-Square	1479.372
	df	326
	Sig.	.000

The second step after testing for the suitability of data for FA, is to select the extraction method to use from the two available methods; namely, the Eigenvalue criteria and fixed factor criteria. In FA, a scree plot result is one the approaches to identify the ideal number of factors to extract.

Figure 4. 1 Scree plot to estimate the ideal number of factors to extract

The scree plot in figure 4.1 has an 'elbow' at component five suggested a five Factor structure has the ideal number of factors to extract. This number is consistent with the number of components, factors of the study. In executing the Eigenvalue criteria, only components with at least an eigenvalue of 1 are extracted leaving the number of factors free. But in executing the fixed factor extraction method, the number of factors to extract are fixed at 5 factors as predicted by the scree plot. Following these two procedures, both methods resulted to identical final structure/results (Table 4.3 and Table 4.4) this indication that the final structure is stable across the two extraction methods.

The first component in Table 4.3 recorded the highest variance of 37.568% of the original data. However, component five, recorded the least variance of 6.165 % of the original data. Collectively the five components explain 77.933% variance of the original data which is considered sufficient information of the original data.

Table 4. 3 Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.514	37.568	37.568	7.514	37.568	37.568
2	2.913	14.565	52.133	2.913	14.565	52.133
3	2.341	11.706	63.839	2.341	11.706	63.839
4	1.478	7.390	71.228	1.478	7.390	71.228
5	1.233	6.165	77.393	1.233	6.165	77.393
6	.641	3.204	80.597			
7	.598	2.991	83.587			
8	.429	2.143	85.731			
9	.388	1.941	87.672			
10	.375	1.876	89.547			
11	.341	1.706	91.253			
12	.306	1.531	92.785			
13	.294	1.470	94.255			
14	.257	1.287	95.542			
15	.226	1.130	96.672			
16	.170	.852	97.524			
17	.158	.791	98.315			
18	.127	.637	98.952			
19	.123	.613	99.564			
20	.087	.436	100.000			

Extraction Method: Principal Component Analysis.

Table 4.4 results is the rotated component results; it shows the items that load to each component. The results show that the all four items of growth strongly loaded to component one. Their loading ranged from 0.876 to 0.812. Similarly, the indicators of Tax conditions all loaded to component two, wage Affordability indicator items loaded to component three, employment indicators

loaded to component four and, Financial Access indicators loaded to component five. Overall, these results are an indication that the 24 indicators represent/support a distinct five-factor structure. It is also an indication that indicators meant to measure a given construct actually measured that construct important in scale construction. The clear structure is an indication of construct reliability.

Table 4. 4; Rotated Component Matrix

	Component				
	1	2	3	4	5
Growth_4	.876				
Growth_3	.871				
Growth_1	.828				
Growth_2	.812				
Tax conditions_3		.898			
Tax conditions_4		.886			
Tax conditions_2		.870			
Tax conditions_1		.849			
Wages_2			.911		
Wages_4			.860		
Wages_3			.846		
Wages_1			.763		
Unemployment_1				.776	
Unemployment_4				.752	
Unemployment_3				.721	
Unemployment_2				.708	
Financial Access_2					.865
Financial Access_3					.817
Financial Access_4					.716
Financial Access_1					.650

The next important step in Factor Analysis procedures is scale construction using the refined construct structure. In this task, indicators in each component are combined by averaging them to make the construct they represent. For instance, the four growth indicators in component one was averaged to form SMEs growth Variable; the dependent Variable. The other four Independent Variables of Tax conditions, Wage Affordability, Unemployment and Financial Access are similarly constructed from their remaining indicators. It is important at this stage to test the reliability of the constructs which is a measure of level of internal consistency of an instrument. The common Cronbach's alpha method was used for this purpose and the results is presented in Table 4.5. It is observed that the alpha score is all within recommended range of greater than 0.7. thus, the instrument demonstrates adequate reliability indicating the instrument had adequate internal consistency.

Table 4. 5 Cronbach's alpha test of reliability of study variables

Variable/Construct	Number of items	Cronbach's alpha
Tax conditions	4	.852
Wage Affordability	4	.789
Unemployment	4	.849
Financial Access	4	.880
SME Growth	4	.779

In summary, the aim of this section was to refine the measurement instrument. The initial analysis has shown that the research data fitted a FA and that the refined indicators supported a five Factor structure. A major proportion of the data (77.393%) is explained by the refined structure as shown in which is sufficient representation of the variance in the original data. Only items meant to measure a particular variable coalesced in one construct thus demonstrating Construct Validity. The Cronbach's alpha

results of the extracted constructs demonstrated adequate Reliability. The next section presents the descriptive analysis of these study refined variables in the context of the SMEs in Mombasa County.

4.5 Descriptive Statistic Results of Study Variables

According to Table 4.5's results, tax conditions are generally rated as moderate (mean = 3.47, SD = 1.041). This indicates that small and medium-sized business owners believe that the current tax incentives and conditions are only moderate, indicating that much work needs to be done. SMEs owners still lack the necessary level of proficiency.

Table 4. 6 Descriptive Statistics Results

	Mean	Stdv	skewness	S.E	Kurtosis	S.E
Tax conditions	3.47	1.041	.068	.146	-1.201	.291
Wage Affordability	3.44	.908	.254	.146	-.777	.291
Financial Access	3.41	.914	-.046	.146	-.848	.291
Unemployment	2.34	.908	.154	.146	-.767	.291
Growth	3.35	.878	.237	.148	-.607	.295

Stdv: standard Deviation, S.E; standard error

It is also shown that SMEs Wage conditions are moderate favorable (mean=3.44, SD.908) thus the SMEs owners are only able to get modest benefits of descent affordable wages in the SMEs sector. This means for instance that most SMEs owners feel that they are yet to give the best employee wages commensurate with education, experience and economic realities. Thus, they struggle to meet their wage obligations promptly to give wages that attract best skills available. The results also indicate that much is yet to be achieved to get to acceptable level of wages in the sector. Financial Access recorded a mean of 3.41 (SD=.914) which is moderate level. The results that financial access is moderate level means income base from owner, lending conditions, credit rating and credit prices are moderate. From the descriptive results, the unemployment level is moderate as indicated by a mean of 2.34 with a standard deviation of 0.908. The descriptive results in this section have shown that the SMEs in Mombasa operate in an environment characterized by modest SE indicators revealing the existence of limited benefits to full favorable SE in a good number of SMEs. The current SMEs problem in the county is that only 20 percent of them celebrate their third birthday meaning that they experience negative growth. The next section examines the relation between the SE factors and growth of SMEs.

4.6 Correlation Results

Table 4. 7 ; Correlation Results between study variables

		Tax conditions	Wages	Financial Access	Unemployment	Growth
Tax conditions	Pearson Correlation	1				
	Sig. (2-tailed)					
Wages	Pearson Correlation	.261**	1			
	Sig. (2-tailed)	.000				
Financial Access	Pearson Correlation	.214**	.171**	1		
	Sig. (2-tailed)	.000	.004			
Unemployment	Pearson Correlation	.249**	.240**	.243**	1	
	Sig. (2-tailed)	.000	.000	.000		
Growth	Pearson Correlation	.344	.241	.430	-.333	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000

The study investigated the association between the study variables using Pearson correlation statistics. As seen in the results presented in Table 4.8, each of the four Independent Variable is significantly correlated with the SMEs Growth. Further, the correlation is positive meaning that favorable SE conditions is associated to high SME Growth. In particular, the correlation between Tax conditions and SMEs growth is positive and significant (r=.344, p<.001). indicating that favorable Tax conditions enhance SME Growth and on the contrary, unfavorable Tax conditions stifle SMEs growth. Favorable conditions include reasonable taxes that are not largest cost items of business. It also entails proper utilization of taxes develop business infrastructure like market and roads good for business, and SMEs are able to readily meet their tax obligation promptly as required by law. Also, it is seen that Wage conditions and SMEs growth are significantly and positively correlated (r=.241, p<.001) this

means that favorable wage conditions favor SMEs Growth. An SME achieves favorable wages when it is able to meet its wage obligations promptly, wage package they over attract best skills from other businesses and it is able to give best wages compared to similar businesses in the given operation area. Financial Access also has a positive significant association with SMEs Growth (r=430, p<.001) indicating that SMEs with relative ease Financial Access record higher growth than SMEs with relative limited favorable Financial Access. SMEs have favorable financial access when they have good income base from owner, the business success factors is largely a function of income to survival (income intensive) and are able to acquire cheaper business loans. Finally, unemployment level of the community members SMEs operate as significant negative association with SMEs growth (r = -.333, p<.001). This is an indication that SMEs that operate in communities with high unemployment rate record lower growth than SMEs situated in communities characterized by low employment rate. In this correlation Analysis section, it has shown that the SE Factors are significantly associated with SME growth. The correlation results have further shown the direction (positive or negative) of association of the relationship. The next section presents the Regression Analysis critical in predicting the effect of the IV on the DV for hypothesis testing.

4.7 Regression Analysis Results

Egression was carried out so as to comprehending how, value of the dependent variable changes when any one of the independent variables is varied. First the model assumptions were checked before fitting the model.

4.7.1 Model Assumptions

The model assumptions are tested using the procedure outlined in the previous chapter section 3.9. One of the assumptions of the OLS is that no multicollinearity is present among the IVs. The VIF values should be less than 10 to demonstrate the assumption is met. From the VIF results in Table 4.8 the assumption is met; all the VIF values are less than 10 as required.

Table 4. 8 ; Variance Inflation Factor for multicollinearity test

	Tolerance	Variance Inflation Factor
Tax conditions	.353	2.831
Financial Access	.249	4.018
Wage Affordability	.306	3.273
Unemployment	.328	3.044

The other assumption is that the residual is normally distributed. The histogram of standardized residuals shows that the residuals is typical normal distribution shape. The assumption is also met.

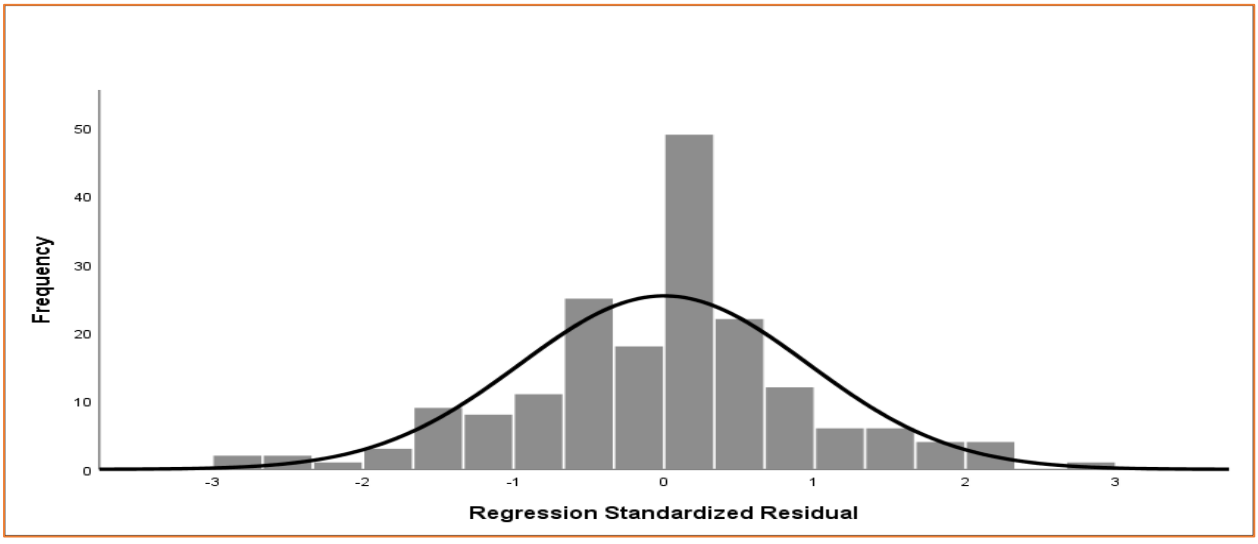

Figure 4. 2 Histogram of residual to assess Normality Assumption

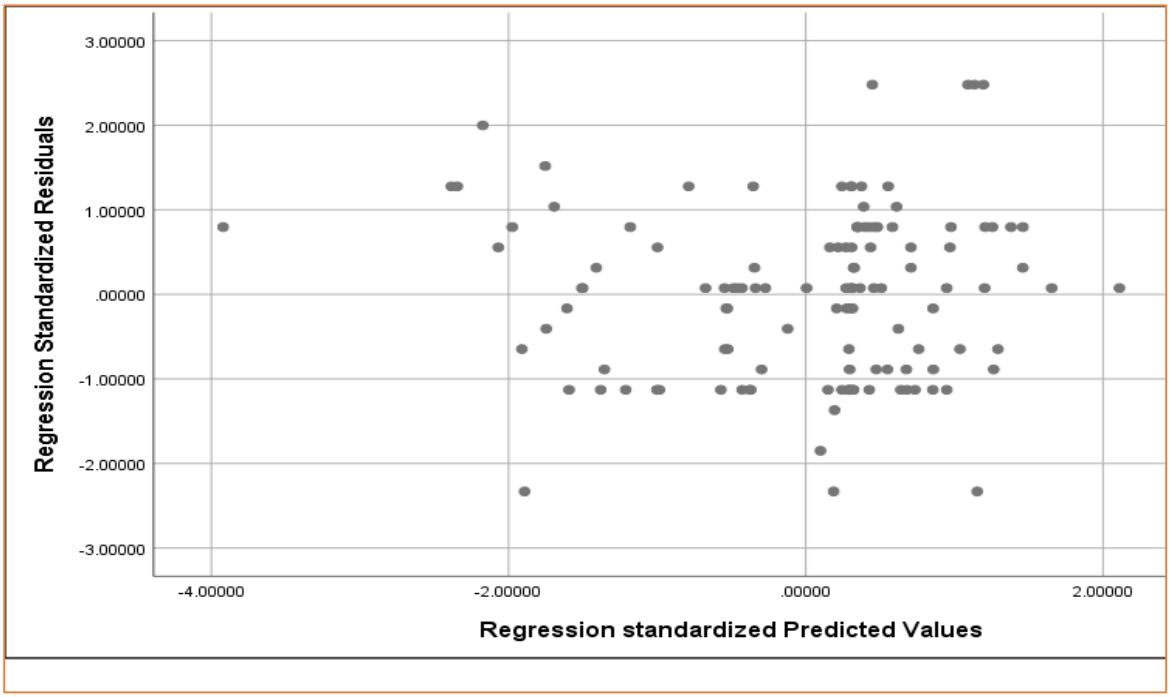

Figure 4. 3 scatter plot of residuals versus predicted values for assessing heteroskedasticity

The assumption of no heteroskedasticity states that the variance or the errors are constant across all the values of the Dependent Variable (Rosopa, et al 2013). A plot of regression residuals against the predicted values is one of the visual inspections for the assumption. The errors should not show any pattern of fanning out for the assumption to be met. The results in figure 4.3 shows no apparent pattern emerge, an indication that the assumption is also met. Finally, the linearity assumptions states that the independent variables have a linear relation with the dependent variable. Data that satisfy the Normality Assumption and constant variance assumptions also satisfy the Linearity Assumption as well (Schmidt & Finan, 2018). Thus, the linearity assumption is met since the model met the two assumptions therefore fitted linear model is appropriate for the data. In conclusion, the Regression Assumptions are all met thus vindicating the SMEs growth model. In regression analysis entails finding the effect of an IV on DV and three outputs are important for the interpretation of results (Schmidt & Finan, 2018). The first one is the model summary that asses the goodness of model. The ANOVA assesses the overall model and the regression coefficient to assess the fitness of each IV in the model.

4.7. 2 Model Summary

These model summary results are presented in Table 4.9, the ANOVA results in Table 4.12 and Regression Coefficient results in table 4.13. the results are discussed in detail from hereon.

Table 4. 9. Effect of economic factors on growth of SMEs Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778a	.606	.597	.595

The critical statistics in model summary output is the R square and adjusted R square that shows the predictive power of the DV by the set of IVs in the model. The results in Table 4.9 shows that the adjusted R square value is .597 suggesting that the four IVs in the model account for 59.7% of growth variance among SMEs in Mombasa. Given that growth of an SME is influenced by multifaceted factors, the socioeconomic factors are critical as they explain more half of the variance in growth. The remaining 40.3% is explained by other factors not in the model. It's worthy to note that the standard error of the regression is the average distance that the observed values fall from the regression line. Smaller the value, the better the fit. In this regression example, the observed values fall an average of 0.595 units from the regression line. It further shows the fitness of the data.

4.7.3 Analysis of Variance, Results

On the other hand, the Analysis of Variance, ANOVA output, shows the fitness of the overall regression model in predicting the outcome variable. The ANOVA results in Table 4.10 shows that the model is significant ($F(4,180) = 69.071$, $p < .001$) implying that

the model is appropriate in predicting SMEs growth from known values of SE factors of the SMEs. This results further underscore the importance of SE factors in the growth of SME sector and spur the needed employment generation for the Mombasa County.

Table 4. 10. ANOVA; Effect of economic factors on growth of SMEs

	Sum of Squares	df	Mean Square	F	Sig.
Regression	97.942	4	24.485	69.071	.000b
Residual	63.810	180	.354		
Total	161.751	184			

4.7.4 Regression Coefficient Results

The Regression Coefficients results are key in evaluating the significance of each IV on the DV of the model. These are key results critical for hypothesis testing. The results show that favorable Tax conditions have a significant positive effect on Growth of SMEs (B=.268, p<.001) and therefore the hypothesis H01 is rejected at 0.05 level of significance. When the SMEs owner meet their tax obligation adequately and the feel that the taxes are well utilized, the SMEs have positive growth. The results also show that favorable Financial Access has positive effect on SME growth (B=.383, p<.001); the hypothesis H02 is thus rejected at 0.05 significance level. Furthermore, the results show that wage Affordability have a significance effect positive effect on SME growth (B=,182, p=.015), thus the hypothesis H03 is also rejected at 0.05 level of significance. Finally, the level of unemployment in the community has a significance negative effect on Growth of SMEs (B=.170, P<.001) meaning that the hypothesis H04 is rejected as well. Overall, the null hypotheses are refuted by these regression results, demonstrating the strong impact that SE has on the growth of SMEs. Then, by SE interventions targeting improving the SE conditions, the present issue facing SMEs—of which more than 70% shut down during their first three years of operation—can be solved.

Table 4. 11. Multiple Linear Regression Coefficients Results

	Unstandardized Coef.		Standardized Coef.		
	B	Std. Error	Beta	t	Sig.
(Constant)	.367	.130		2.822	.005
Taxation conditions	.268	.075	.280	3.559	.000
Financial Access conditions	.383	.089	.363	4.286	.000
Wage Affordability	.182	.074	.173	2.448	.015
Unemployment status	-.170	.084	-.165	2.021	.045

One of the indirect objectives of a regression modelling is in model development that link the IVs and the DV. The derived mathematical model based on the regression coefficient results

$$GROWTH = .367 + .268TAX + .383FINANCIAL\_ACCESS + .182WAGES - .170\mathrm{U}NEMPLOYMENT$$

from the fitted model, Financial Access has greatest influence on SME growth because it has the greatest coefficient of 0.383 an indication that, when an SME improves its Financial Access by one unit, the growth of an SME improves by 0.383 units, ceteris paribus. On the other hand, the results show that level of Unemployment in the community recorded the least effect on SME Growth of -0.170. A unit decrease in Unemployment level in community, the SMEs Growth increase by only 0.170 units; Ceteris Paribus. One of the fundamental implications of these results is that directing resources to improve one SE factor impacts differently on growth of SMEs. As long as resources remain scarce, prioritization of competing resources using this model is important for the SMEs in Mombasa County.

4.9 Discussions

The first objective investigated the effect of Tax Conditions on growth of SMEs. The aim was to find out the effect of perceived tax compliance by the SMEs and utilization by the government on growth of SMEs. Findings have shown that Tax incentives/conditions have a positive effect on growth of the SMEs. The SMEs that are able to comply and the tax is well utilized they realize growth than SMEs that do not comply and are in place tax is not well utilized. When SMEs in the region meet their tax obligation, they enable the county government of Mombasa provide services like security lights, garbage collection and infrastructure necessary for doing business. Tax compliance means availing financial resources by an individual entity for further development for business

infrastructure for the benefit of the larger community (Slattery & Zidar (2020), Domazet, & Marjanović, 2017). Better utilization on the other hand is essential in the setting up business infrastructure necessary for business to thrive. When both tax compliance and utilization is optimal the likelihood of business environment is conducive and favor growth direction (Bushe et al. 2019). The observed positive effect of Tax conditions on growth is therefore theoretically supported. In this regard, the positive perception on Tax Conditions is eventually achieved in SMEs sector when the taxes do not constitute largest cost of business. Moreover, when the SMEs comfortably comply and the collected taxes are well utilized in ways the SMEs owners appreciate enhances the positive view of Tax conditions. The second objective investigated the effect of Financial Access on Growth. It aimed to find out the effect of ease of acquisition of finances both internal or external sources. External sources include the loans from financial institutions and individuals. The amount of financing a business from external source awarded is a function of its credit worthiness and evidence to service the loan if awarded. It is expected that, an SME with a strong credit worthy and evidence to service its loans has greater Financial Access and therefore strong financial ability necessary for growth. The positive effect of Financial Access on Growth of SMEs is thus expected. SMEs have favorable financial access when they have good income base from owner, and are able to acquire cheaper business loans. According to the Schumpeter Theory of Growth, it requires SMEs and governments to be innovative to create a sustainable revenue stream.

In the third objective, the effect of wage conditions on growth of SMEs was investigated. The key concern on wages was whether perceived level of employee wages and if the wage package an SMEs pays out attracts best skills from other competitor businesses and is affordable. Good or favorable wage conditions is achieved when the employees are able to pay above average employee wages compared to similar businesses, the business are also able to promptly meet their wage obligations, and the wage package attracts best skills from other businesses. Such SMEs are therefore able to retain best skills necessary for innovation, growth and economic development. The study findings showed that favorable wage conditions have a significant positive effect on growth of SMEs. These results are expected because wages enable high skill retention which in turn minimizes hiring and training costs for the management. Giving acceptable wages is consistent with the Institutional Theory which is of the view that legitimate institutions give expected pay to its workers important for skill retention. According to Endogenous Growth Theory, skill retention improves internal strengths critical for innovation and competitive advantage necessary for growth. Endogenous growth economists believe that improvements in productivity and growth is about faster innovation and more investments in human capital. Kersten, Harms Liket and Maas (2017) and Pratomo, Ade & Setyadharma, Andryan. (2020) also found that favorable wage has positive and significant effects on SMEs growth.

The effect of unemployment on growth of SMEs was also a subject of investigation. The aim was to find out whether the unemployment level around an SMEs locality have a significant effect on its growth. It is based on the believe that level of an unemployment represents the level of cash flow between the community and the business. Low unemployment level represents fast cash flow and large volumes in business revenue and goods purchased. On the other hand, high proportion of unemployed population is characterized by among other things low purchasing power, small quantities purchases, generally high indebtedness and mostly low quantity purchases of only essential (non luxuries) goods or services. All these characteristics are not supportive of positive growth direction. Findings of this subject indicates that unemployment level in the neighborhood of SMEs showed significant negative contribution to growth of SMEs. This means that it inhibits growth as results of low rate of cash flow and low volumes of goods purchases. The negative growth is thus expected because SMEs that have low volumes of goods sold within a given period have low revenues and low profit margins and higher likelihood of loses. Again, as most of the SMEs such neighborhood is compelled to deal with only essential goods at highly bargained prices, the profit margin is further narrow. These findings of the negative effect of unemployment on growth is consistent to theory. However, a study by Kuso, Yasin & Gachunga, Muhia John. (2019) found positive long run positive association between unemployment and economic growth. The SMEs therefore can survive if they are innovative in ways that use their internal strengths to align their business model to take advantage of low purchasing power and debt purchase characteristics of their customer. This option of inattentiveness among the SMEs is important to mitigate the negative effect of unemployment. It is the option they need to take because unemployment and its negative effect is present will not disappear overnight but its negative effect can be progressively being reduced over time. SMEs play a crucial role in employment and economic growth, contributing to poverty reduction and improving living standards. They make up a significant portion of the private sector workforce in developing nations, lowering poverty and enhancing living standards. SMEs also contribute to gender equality by providing women with job opportunities, advancing gender equality and giving them more power. This can lead to better household incomes and investments in children's health and education. Empirical contributions from studies of this kind are essential for Kenya to achieve its goals.

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary of the study, the conclusion drawn and the recommendations. Areas for further studies are suggested at the end of the chapter.

5.2 Summary

SMEs are sources of much needed employment opportunities, and improve the economy. However, SMEs face a serious growth challenge as evidenced that eighty percent of them close down within their first three years of existence. This study investigated the effect of SE on growth of SME in Mombasa County. Specifically, the study sought to find out the effect of Tax conditions on growth of SMEs operating in Mombasa County, explore the effect Financial Access on growth of SMEs operating in Mombasa County, determine effect of cost of labor on growth of SMEs operating in Mombasa County and evaluate the effect of unemployment on growth of SMEs operating in Mombasa County. In the first chapter, the background of the problem was discussed on global perspective and local perspective as well. Theoretical Literature was reviewed on SE factors and SMEs growth. the Institutional Theory of Growth, Endogenous Growth Theory and The Schumpeter Theory of Growth guided the study. These theories put forth different explanations why some institutions grow and why other fail to grow. The empirical review examined a number of previous studies in the last decade on the effect of each SE factor on SMEs growth. The methodologies they used and their finding are reported for comparison with our findings. The research methodology section of this study explained the salient milestones of the study that included the design, population sampling and analysis. In the analysis section the explanatory results are presented to find out the status of SE factors among the sampled SMEs. Correlation results are presented to show the association between variables. The regression analysis is the key technique of this study for hypothesis testing. From this analysis section, key findings were reported and are summarized under each objective hereafter;

5.2.1 Effect of Tax Conditions on Growth of SMEs

The key findings are that Tax conditions are positively associated with growth and had positive effect on growth of SMEs. The Endogenous Theory of Growth postulate that conducive Tax conditions policies provide the government with necessary resources to provide incentives and subsidies for businesses in the private sector. It motivates businesses to invest in research. Also, these findings are consistent with the Institutional Theory of Growth, the theory postulate that institutions including SMEs respond to institutional constraints and norms such as paying taxes to conforming to business requirements and societal expectations. This reduces legal costs and gives a business legitimacy to operate important for growth.

5.2.2 Effect of Financial Access on Growth of SMEs

Another key finding is that Financial Access recorded a positive association with SMEs Growth and that Financial access has positive effect on Growth of SMEs. These findings are consistent with the Endogenous Theory of growth of a firm which is of the view that economic growth is generated internally through endogenous forces. Access to Finance provides capital investment which is an internal force for R&D, and innovation necessary to avail the factors of production.

5.2.3 Effect of Wage Affordability on Growth of SMEs

Wages are costs to a business but they are measures of quality of the human skills. The findings showed that favorable SMEs Wages was also positively associated with growth and had a significant positive effect on growth of SMEs. Wages provides the employees with the means to meet their daily financial obligation and impetus to continues being productive. Favorable wages means that the proprietors of the SME are able to remunerate and compensate their workforce with minimal strain on their finances. Giving employee best wages compared to similar businesses, meeting wage obligations promptly and ensuring that the wages reflect the economic realities, and individual qualities like age, and experience and education is critical for growth

5.2.4 Effect of Unemployment on Growth of SMEs

Finally, the study found that Unemployment in the community was moderate but with a significant negative effect on SMEs growth. One of the implications of these results is on the need of policy shift to address the high unemployment rate in Kenya which stands at 5.6% in 2023. Governments to provide a supportive climate and flexible labor laws that draw in a significant number of small enterprises and the private sector, fusing old and new entrepreneurial spirit to increase job opportunities for entrepreneurs and absorb a big portion of the unemployed population.

5.3 CONCLUSIONS

Tax conditions that are favorable is one of the ways the SMEs in Mombasa can survive beyond their infancy and create the much-sort job creation for economic development. Complying with the management on its tax obligation is important in the long run of a business. On the other hand, the government policies that support availability of friendly tax conditions is important. Apart from Tax conditions, improving Financial Access is one other way the SMEs in Mombasa can mitigate their survival challenges. The SMEs

management with good credit rating and stable internal business financial sources have guaranteed sustainable Financial Access necessary for growth. The affordable wages are an important aspect to motivate employees so as to sustainably meet their employees' wage demands. Local and national government economic policies that enables the SMEs provide sustainable reasonable wages is important for growth of SMEs, finally on regarding the effect of unemployment level in the SMEs neighborhood, it is concluded that unemployment level significantly impedes SMEs growth. The government and the SMEs sector that are able to create an environment that spur growth are therefore critical to create more jobs and thus reduce unemployment in the neighborhood. The study explored the socio-economic factors influencing the growth of small and medium enterprises in Mombasa County. It revealed that favorable tax laws, financial accessibility, wage affordability, and unemployment rates significantly impact SMEs' expansion. Addressing challenges through prudent tax compliance, a thriving business environment, and wage policies can help support the economy and create employment, meeting the economic pillars in Vision 2030.

5.4 RECOMMENDATIONS

1. There is need for policies that enhance favorable tax conditions that are reasonable and that ensures the taxes are prudently utilized for economic development.
2. Owners of SMEs should work with them to develop a thriving financial system that offers favorable credit terms and takes loan rates for funding small and medium-sized enterprises. The Schumpeterian Theory of destructive innovation emphasizes the importance of financial power.
3. The SME owners should strive to provide affordable wages. This will help retain the best skills necessary for innovation, growth and economic development as suggested in the endogenous theory of growth. According to the theory, endogenous forces as opposed to exogenous ones are what drive economic growth from within the economy.
4. On the other hand, the government should create an enabling environment that stir the SMEs sector to create more sustainable job opportunities for the communities the SMEs operate. An employed community member has consistent income that increases purchasing power thus raising the SME revenues necessary for growth and development.

5.4.5 Suggestions for Future Studies

The current study used primary data alone in studying effect of SE factors on SMEs growth. Future studies should use both primary and secondary data to triangulate the data sources.

Moreover, future research should use qualitative and quantitative methods to investigate in-depth the effect of SE on growth and also find out why these factors have effect or have no effect on growth.

Future research should be carried out to investigate on the SE specific industries such as manufacturing or agriculture to investigate the differential effect of the SE across industries. This will be an important information in SMEs growth studies.

The relationship between economic variables can actually be complex, mediated and/or modified by a number of factors. Despite this, the current study employed a straightforward model to link SE characteristics to SMEs growth. Thus, the mediating and/or moderating variables in the SE-growth model must be taken into account in future research.

The prospects and difficulties that SMEs confront must be carefully considered in order to achieve economic growth and development. The case study of Mombasa that is being examined here demonstrates how SMEs have the power to revolutionize the economy and increase national productivity. But if the problems SMEs face—access to favorable financing being one of the most important—are not resolved, growth will be impacted, and Africa's ambition of using entrepreneurs to spur future growth will be hampered.

ACKNOWLEDGEMENT

My heartfelt appreciation goes to my family for their continued support, prayers and encouraging kind words during my studies. Family Love, career progression, change, ambitious future was key to my researching level of my studies. Above all, am grateful to the Almighty God for the gift of life and His wisdom to inspire and strengthening me to successful complete this study. I will remain indebted to my supervisor's Dr Patrick Onsando and Dr Stanley Kavale from Moi University whose assistance, stimulating suggestions and guidance helped me during the entire period of this research. Lastly, the academic establishment of Moi University, Coast Campus personnel for their guidance and key relevant stakeholders that enabled finalize this enriched research thesis.

REFERENCES

1) Abdelwahed, N. A. A., & Soomro, B. A. (2021). Determining the influence of socioeconomic factors on entrepreneurship activities in Pakistan. International Journal of Innovation, Creativity and Change, 15(3), 1091-1106.

2) Adegboye, A. C., & Iweriebor, S. (2018). Does access to finance enhance SME innovation and productivity in Nigeria? Evidence from the World Bank Enterprise Survey. African Development Review, 30(4), 449-461.
3) Agboh, D. K. (2015). Drivers and challenges of ICT adoption by SMES in Accra metropolis, Ghana. Journal of Technology Research, 6, 1.
4) Aketch, E., Basheka, B. C., & Bagire, V. (2017). Organizational culture and performance of SMEs in Uganda: a case study of hotel sector.
5) Albuquerque, A. F., Nagano, M. S., Junior, L. A. P., & de Oliveira, J. (2017). Identifying SME mortality factors in the life cycle stages: an empirical approach of relevant factors for small business owner-managers in Brazil. Journal of Global Entrepreneurship Research, 7(1), 1-15.
6) Aworemi, J. R., Abdul-Azeez, I. A., & Opoola, N. A. (2017). Impact of socioeconomic factors on the performance of small-scale enterprises in Osun State, Nigeria. International Business Research, 3(2), 92.
7) Ayyagari, M., Demirguc-Kunt, A., & Maksimovic, V. (2019). Who creates jobs in developing countries?. Small Business Economics, 43(1), 75-99.
8) Azizah, A., & Rachmawati, L. (2022). The Effect Of Minimum Wages And SMEs On Economics Growth In Tulungagung. Independent: Journal of Economics, 2(2), 109-118.
9) Belyaeva, Z. (2018). Business environment challenges and trends for contemporary SMEs in Europe. In The sustainable marketing concept in European SMEs. Emerald Publishing Limited.
10) Benedict, A., Gitonga, J. K., Agyeman, A. S., & Kyei, B. T. (2021). Financial determinants of SMEs performance. Evidence from Kenya leather industry. Small Business International Review, 5(2), e389.
11) Bouazza, A. B., Ardjouman, D., & Abada, O. (2018). Establishing the factors affecting the growth of small and medium-sized enterprises in Algeria. American International journal of Social science, 4(2), 101-115.
12) Brixiová, Z., Kangoye, T., & Yogo, T. U. (2020). Access to finance among small and medium-sized enterprises and job creation in Africa. Structural Change and Economic Dynamics, 55, 177-189.
13) Brown, J. D. (2002). The Cronbach's alpha reliability estimate. JALT Testing & Evaluation SIG Newsletter, 6(1).
14) Bujang, M. A., Omar, E. D., & Baharum, N. A. (2018). A review on sample size determination for Cronbach's alpha test: a simple guide for researchers. The Malaysian journal of medical sciences: MJMS, 25(6), 85.
15) Chander, N. G. (2017). Sample size estimation. The Journal of the Indian Prosthodontic Society, 17(3), 217.
16) Clark ke Liu (undated); Policy Brief: the Role of Micro-Small and Medium Enterprises in Achieving SDGs Policy_Brief_MSMEs_and_SDGs.pdf (un.org)
17) Chittithaworn, C., Islam, M. A., Keawchana, T., & Yusuf, D. H. M. (2011). Factors affecting business success of small & medium enterprises (SMEs) in Thailand. Asian social science, 7(5), 180-190.
18) Cicea, C., Popa, I., Marinescu, C., & Cătălina Ștefan, S. (2019). Determinants of SMEs' performance: evidence from European countries. Economic research - Ekonomska istraživanja, 32(1), 1602-1620.
19) Cogan, A., Pret, T., & Cardon, M. S. (2022). Everyday social support processes: Household members' instrumental and emotional support of entrepreneurs. International Small Business Journal, 02662426211054098.
20) Domazet, I., & Marjanović, D. (2017). Tax incentives as a factor of economic growth. Review of applied socio-economic research, 93-107.
21) Douglas, J., Douglas, A., Muturi, D., & Ochieng, J. (2017) An exploratory study of critical success factors for SMEs in Kenya. In Toulon-Verona Conference" Excellence in Services (pp. 223-234).
22) Ercan, I., Yazici, B., Sigirli, D., Ediz, B., & Kan, I. (2007). Examining Cronbach's alpha, theta, omega reliability coefficients according to sample size. Journal of modern applied statistical methods, 6(1), 27.
23) Etemesi, E. M. (2017). Credit access from commercial banks and growth of small and enterprises in Nairobi central business district (Doctoral dissertation, United States International University-Africa).
24) Fatoki, O. (2018). The impact of entrepreneurial resilience on the success of small and medium enterprises in South Africa. Sustainability, 10(7), 2527.
25) Feyitimi, O., Temitope, O. A., Akeem, L. B., & Samuel, O. (2016). Tax incentives and the growth of small and medium scale enterprises in developing economy–the Nigerian experience. European Journal of Research and Reflection in Management Sciences Vol, 4(2).
26) Fogel, G., & Zapalska, A. (2001). A comparison of small and medium-size enterprise development in Central and Eastern Europe. Comparative Economic Studies, 43(3), 35-68.
27) Fox, L., & Thomas, A. (2016). Africa's got work to do: A diagnostic of youth employment challenges in Sub-Saharan Africa. Journal of African Economies, 25(suppl_1), i16-i36.

28) Gherghina, Ș. C., Botezatu, M. A., Hosszu, A., & Simionescu, L. N. (2020). Small and medium-sized enterprises (SMEs): The engine of economic growth through investments and innovation. Sustainability, 12(1), 347.
29) Harrison, R. T., & Baldock, R. (2015). Financing SME growth in the UK: meeting the challenges after the global financial crisis. Venture Capital, 17(1-2), 1-6.
30) Igwe, P. A., Onjewu, A. E., & Nwibo, S. U. (2018). Entrepreneurship and SMEs' productivity challenges in sub-Saharan Africa. In African Entrepreneurship (pp. 189-221). Palgrave Macmillan, Cham.
31) Inoue, T., & Hamori, S. (2016). Financial access and economic growth: Evidence from Sub-Saharan Africa. Emerging Markets Finance and Trade, 52(3), 743-753.
32) Kallier, S. M. (2017). The focus of marketing communication efforts of SMEs within south Africa. Management & Marketing, 12(1).
33) Kassa, E. T. (2021). Socio-economic determinants of and small enterprise growth in North Wollo and Waghimira Zone selected towns. Journal of Innovation and Entrepreneurship, 10(1), 1-14.
34) Kato, A. I., & Tsoka, G. E. (2020). Impact of venture capital financing on small-and medium-sized enterprises' performance in Uganda. The Southern African Journal of Entrepreneurship and Small Business Management, 12(1), 11.
35) Kiema, H., Ahmed, A., & Ndirangu, J. (2015). influence of internal audit independence on the financial performance of small and medium enterprises: a case of the construction industry in Mombasa County, Kenya. international journal of management and commerce innovations, 3(1), 442-448.
36) KIPPRA (2020) MSEs' Business Environment in Mombasa County, Thinking Policy Together Mombasa.pdf (kippra.or.ke)
37) Korunka, C., & Kubicek, B. (2017). Job demands in a changing world of work. In Job demands in a changing world of work (pp. 1-5). Springer, Cham.
38) Kumar, S., & Rao, P. (2015). A conceptual framework for identifying financing preferences of SMEs. Small Enterprise Research, 22(1), 99-112.
39) Kuso, Yasin & Gachunga, Muhia John. (2019). An Analytical Study Of The Impact Of Unemployment On Economic Growth In Kenya. 2456-4559.
40) Locke, T., Alcorn, N., & O'Neill, J. (2013). Ethical issues in collaborative action research. Educational Action Research, 21(1), 107-123.
41) Makina, D., Fanta, A. B., Mutsonziwa, K., Khumalo, J., & Maposa, O. (2015). Financial access and SME size in South Africa. Occasional Paper, 001-2015.
42) Malipula, M. M. (2023). SMEs sustainability through entrepreneurship training in Tanzania. Journal of Enterprise and Development (JED), 5(3), 384-397.
43) Matsongoni, H., & Mutambara, E. (2018). An assessment of informal SMEs' potential in an African economy–theoretical and conceptual framework. Public and Municipal Finance, 7(2), 1-13.
44) Mohammed, R. A., & Rugami, J. (2019). Competitive Strategic Management Practices and Performance of Small and Medium Enterprises in Kenya: A Case of Mombasa County. International Journal of Current Aspects, 3(VI), 193-215.
45) Mohammed, R. A., & Rugami, J. (2019). Competitive Strategic Management Practices and Performance of Small and Medium Enterprises in Kenya: A Case of Mombasa County. International Journal of Current Aspects, 3(VI), 193-215.
46) Mosikari, T.J (2013), the Effect of Unemployment Rate on Gross Domestic; Case Study of South Africa. Mediterranean Journal of Social Science. Vol.4, No. 6
47) Mwangi, M., George, G. E., Mindila, R., Nyakwara, S., Ongeri, J., & Okeyo, H. N. (2013). An evaluation of Financing and Development of Small and Medium Enterprises in Mombasa County Kenya. International Institute for Science Technolog and Education.
48) Mwania, A. (2015). Factors influencing the performance of women entrepreneurial ventures in Kongowea Market, Mombasa County, Kenya (Doctoral dissertation, University of Nairobi).
49) Ndiaye, N., Razak, L. A., Nagayev, R., & Ng, A. (2018). Demystifying small and medium enterprises'(SMEs) performance in emerging and developing economies. Borsa Istanbul Review, 18(4), 269-281.
50) Neneh, B. N., & Van, Z. J. (2017). Entrepreneurial orientation and its impact on firm growth amongst SMEs in South Africa. Problems and Perspectives in Management, (15, Iss. 3), 166-178.
51) Ngek, N. B. (2014). Determining high quality SMEs that significantly contribute to SME growth: regional evidence from South Africa. Problems and Perspectives in Management, 12(4), 253-264.
52) Nkwabi, J., & Mboya, L. (2019). A review of factors affecting the growth of small and medium enterprises (SMEs) in Tanzania. European Journal of Business and Management, 11(33), 1-8.

53) Ochola, C. A. (2018). Socio-economic Factors Influencing Women's Empowerment in Mvita Constituency, Mombasa County, Kenya (Doctoral dissertation, University of Nairobi).
54) Onyango, M. (2015). The effect of tax incentives on financial performance of five-star hotels in Nairobi County (Doctoral dissertation, University of Nairobi).
55) Osano, H. M. (2019). Global expansion of SMEs: role of global market strategy for Kenyan SMEs. Journal of Innovation and Entrepreneurship, 8(1), 1-31.
56) Osotimehin, K. O., Jegede, C. A., Akinlabi, B. H., & Olajide, O. T. (2012). An evaluation of the challenges and prospects of and small-scale enterprises development in Nigeria. American international journal of contemporary research, 2(4), 174-185.
57) Osotimehin, K. O., Jegede, C. A., Akinlabi, B. H., & Olajide, O. T. (2012). An evaluation of the challenges and prospects of and small-scale enterprises development in Nigeria. American international journal of contemporary research, 2(4), 174-185.
58) Pennay, A., & Lubman, D. I. (2012). Alcohol and energy drinks: a pilot study exploring patterns of consumption, social contexts, benefits and harms. BMC research notes, 5, 1-10.
59) Qamruzzaman, M., & Jianguo, W. (2019). SME financing innovation and SME development in Bangladesh: An application of ARDL. Journal of Small Business & Entrepreneurship, 31(6), 521-545.
60) Quartey, P., Turkson, E., Abor, J. Y., & Iddrisu, A. M. (2017). Financing the growth of SMEs in Africa: What are the contraints to SME financing within ECOWAS?. Review of development finance, 7(1), 18-28.
61) Quartey, P., Turkson, E., Abor, J. Y., & Iddrisu, A. M. (2017). Financing the growth of SMEs in Africa: What are the contraints to SME financing within ECOWAS?. Review of development finance, 7(1), 18-28.
62) Quartey, P., Turkson, E., Abor, J. Y., & Iddrisu, A. M. (2017). Financing the growth of SMEs in Africa: What are the contraints to SME financing within ECOWAS? Review of development finance, 7(1), 18-28.
63) Schneider, D., Hastings, O. P., & LaBriola, J. (2018). Income inequality and class divides in parental investments. American Sociological Review, 83(3), 475-507.
64) Siedlecki, S. L. (2020). Understanding explanatory research designs and methods. Clinical Nurse Specialist, 34(1), 8-12.
65) Slattery, C., & Zidar, O. (2020). Evaluating state and local business incentives. Journal of Economic Perspectives, 34(2), 90-118.
66) Sok, J., Borges, J. R., Schmidt, P., & Ajzen, I. (2021). Farmer behaviour as reasoned action: a critical review of research with the theory of planned behaviour. Journal of Agricultural Economics, 72(2), 388-412.
67) Stedman, R. C., Connelly, N. A., Heberlein, T. A., Decker, D. J., & Allred, S. B. (2019). The end of the (research) world as we know it? Understanding and coping with declining response rates to mail surveys. Society & Natural Resources, 32(10), 1139-1154.
68) Tee, E., Boadi, L., & Opoku, R. (2016). The effect of tax payment on the performance of SMEs: The case of selected SMEs in Ga West Municipal Assembly. European Journal of Business and Management, 8(20).
69) Tee, E., Boadi, L., & Opoku, R. (2016). The effect of tax payment on the performance of SMEs: The case of selected SMEs in Ga West Municipal Assembly. European Journal of Business and Management, 8(20).
70) Thompson Agyapong, G., Mmieh, F., & Mordi, C. (2018). Factors influencing the growth of SMEs: The case of Ghana. Thunderbird International Business Review, 60(4), 549-563.
71) Thu, M. (2019). The Violation for assumptions of multiple regression model (Doctoral dissertation, Yangon Univarsity of Economics).
72) Tornikoski, E., & Maalaoui, A. (2019). Critical reflections–The Theory of Planned Behaviour: An interview with Icek Ajzen with implications for entrepreneurship research. International Small Business Journal, 37(5), 536-550.
73) Vaske, J. J., Beaman, J., & Sponarski, C. C. (2017). Rethinking internal consistency in Cronbach's alpha. Leisure sciences, 39(2), 163-173.
74) Wadkar, S. K., Singh, K., Chakravarty, R., & Argade, S. D. (2016). Assessing the reliability of attitude scale by cronbach's alpha. Journal of Global Communication, 9(2), 113-117.
75) Wang, L., & Wong, P. P. W. (2020). Marketing of environmentally friendly hotels in China through religious segmentation: a theory of planned behaviour approach. Tourism Review, 76(5), 1164-1180.
76) Wang, Y. (2016). What are the biggest obstacles to growth of SMEs in developing countries? –Empirical evidence from an enterprise survey. Borsa Istanbul Review, 16(3), 167-176.
77) Zafar, A., & Mustafa, S. (2017). SMEs and its role in economic and socio-economic development of Pakistan. International Journal of Academic Research in Accounting, Finance and Management Sciences, 6(4).

78) Zafar, A., & Mustafa, S. (2017). SMEs and its role in economic and socio-economic development of Pakistan. International Journal of Academic Research in Accounting, Finance and Management Sciences, 6(4).
79) Zhao, H., O'Connor, G., Wu, J., & Lumpkin, G. T. (2021). Age and entrepreneurial career success: A review and a meta-analysis. Journal of Business Venturing, 36(1), 106007.