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THE EFFECTS OF POLITICAL ENVIRONMENT ON SUSTAINABLE GROWTH OF MICRO AND SMALL ENTERPRISES IN NAKURU TOWN, KENYA

ABSTRACT

Micro and small enterprises play a critical role in driving sustainable economic growth. Political environment is a significant influence of sustainable growth of Micro and Small Enterprises. This study sought to establish correlation between the political environment and the sustainable growth of Micro and Small Enterprises in Nakuru Town, Kenya. The elements of political environment included political stability, political system, and policies and regulations. The objectives of the study were to examine the effect of political stability, and each of its elements on sustainable growth of Micro and Small Enterprises. Political Business Cycle and the Real Business Cycle theories were used to underpin the study. The research employed a descriptive survey design, collecting data using a questionnaire, from the population of 1338 businesses in Nakuru Town. Nassiuma approach was used to arrive at the sample size of 102 businesses. A pilot research, used to verify the reliability of the research instrument, yielded individual variables' Cronbach's alpha scores of > 0.7 (0.7492, 0.7317, 0.9244 and 0.7112 averaging 0.7791). From descriptive statistics and Pearson correlation analysis, the research findings indicated that political environment has an effect on the sustainable growth of Micro and Small Enterprises in Nakuru Town. The study revealed that political stability, and government policies and regulations, had a low but negative statistical effect on sustainable growth of Micro and Small Enterprises indicated by a Pearson correlation coefficient of $p < 0.05$ (-0.019 and -0.0758 respectively). Political system with a correlation coefficient of 0.0143 indicated a low but positive correlation with the sustainable growth of Micro and Small Enterprises. Any manipulation of the political environment will have a significant statistical effect on sustainable growth of Micro and Small Enterprises. The study recommends that the county government of Nakuru therefore should consider carefully political environment aspects that positively and negatively affect sustainable growth of Micro and Small Enterprises in the county.

Key Words

Political Environment, Sustainable Growth, Micro and Small Enterprises

Primary author: Mr MAINA, ERNEST (KABARAK UNIVERSITY)

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