EFFECT OF POLITICAL ENVIRONMENT ON SUSTAINABLE GROWTH OF MICRO AND SMALL ENTERPRISES IN NAKURU TOWN, KENYA[i]

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Abstract:

Micro and Small Enterprises (MSEs) account for roughly 24% of Kenya's gross domestic product and 85% of non-farm employment, yet they face severe political challenges, including revenue declines during election periods, exposure to bribe demands that increase operational costs, and burdens from unpredictable taxes that erode their revenues. Few MSEs actively engage in policy-making, adopt green practices, or participate in community activities, which hinders their contribution to social and environmental sustainability. This study was conducted to assess the effect of the political environment on the sustainable growth of MSEs in Nakuru town. Anchored in Political Business Cycle Theory and Real Business Cycle Theory, the study examines how government policies and economic fluctuations affect MSE sustainability. A descriptive research design was utilized, with data gathered from 102 MSEs sampled from a population of 1,338 using probability stratified random sampling and a sample size formula. Structured questionnaires, validated through a pilot study in Eldoret CBD and expert review, achieved reliable results. Policy implementation amplified the positive effects of political stability (β = 0.143-0.166, $p < 0.05$, r = 0.704), political system (β = 0.289, p = 0.001, r = 0.718), and government policies and regulations (β = 0.265, p = 0.002, r = 0.689) on sustainable growth, according to data analysis using descriptive statistics, Pearson's correlation, and multiple linear regression. Descriptive results show strong consensus on political instability barriers (Mean = 3.89), moderate regulatory concerns (Mean = 3.32), and low confidence in political system inclusivity (Mean = 2.44) and policy implementation effectiveness (Mean = 2.41). The regression model accounts for 69.7% of variance in sustainable growth (R^2 = 0.697). The study concludes that governance reforms, inclusive political systems, streamlined regulations, and transparent policy implementation are vital for MSE sustainability. Recommendations include anti-corruption measures, stakeholder engagement platforms, regulatory simplification, and

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improved policy execution systems, with suggestions for further research to address governance and sustainability challenges.

Keywords: political stability, political system, government policies, policy implementation, sustainable growth, micro and small enterprises, Nakuru Town, Kenya, political business cycle theory, real business cycle theory

1. Introduction

1.1 Abbreviations and Acronyms

Abbreviation/Acronym	Full Form
CECM	County Executive Committee Member
CSR	Corporate Social Responsibility
DOLS	Dynamic Ordinary Least Squares
ESG	Environmental, Social, and Governance
GDP	Gross Domestic Product
ICT	Information and Communication Technology
MSEs	Micro and Small Enterprises
NARDL	Nonlinear Autoregressive Distributed Lag
NEMA	National Environment Management Authority
OLS	Ordinary Least Squares
PBC	Political Business Cycle
RBC	Real Business Cycle
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme

1.2 Operational Definition of Terms
1.2.1 Micro Enterprises
Micro enterprises refer to any firm, trade, service, industry or business activity, formal or informal, that has an annual turnover that does not exceed Kenya Shillings 500,000 and employing (or rather engaging) 1-9 people. (Micro and Small Enterprises Act 2012). In this study, Micro enterprises were not separated from the MSEs, which were used to refer to the small businesses in Nakuru town with less than 50 employees.

1.2.2 Small Enterprises
Small Enterprises refer to any firm, trade, service, industry or business activity that posts an annual turnover of between Ksh 500, 000 and Ksh 5 million and has an employee list of 10 to 49 (Micro and Small Enterprises Act 2012). In this study, small enterprises were not separated from the Micro and Small Enterprises, which were used to refer to the small businesses in Nakuru town with less than 49 employees.

1.2.3 Political Environment

Government actions which affect the operations of a company or business. These actions may be on a local, regional, national or international level (Muhlbacher, Leihs & Dahringer, 2006). The political environment for the research was presented as the combination of the three main aspects, including political system, political stability and government policies and regulations.

1.2.4 Political Stability

A skewed governance display amassed from diverse sources and with the capacity of determining the probability of destabilization (Cavusgil, 2014). In the research, these were perceived to include the regime-driven taxation, corruption and the approach to electioneering.

1.2.5 Government Policies and Regulations

Governments rely on a set of guiding principles and regulations for their operations, much as businesses rely on them to establish and maintain a company culture (Cavusgil, 2014). The government policies and regulations in this research referred to the licenses, fees, taxes and any other devolved and region-specific guidelines that affected business operations.

1.2.6 Political System

Collection of activities, structures and processes by which a country uses to govern itself (Cavusgil, 2014). The political system was used in the research to refer to the activities that reflect a government system, such as democracy and the involvement of the community in making decision, public participation.

1.2.7 Sustainable Growth

What it takes for a company to reach and maintain a certain level of continuous and steady performance. A company's sustainability may be evaluated using the triple bottom line model, which considers financial success, environmental preservation, and stakeholder relationships. The background of the research is presented in this chapter, which shifts from a global perspective to the particular location of Nakuru town. It outlines the problem statement, research objectives, hypotheses, justification, significance, and extent of the study.

1.3 Background to the Study

Micro and small Enterprises (MSEs) have significant challenges when trying to expand sustainably due to the political climate, which affects their capacity to be socially responsible, economically viable, and environmentally responsible in the long run. According to Elkington (2020), achieving sustainable development means striking a balance between monetary gain, social inclusion, and ecological preservation; this is also known as the "*triple bottom line*" idea. By impacting resource availability, market access,

and business predictability, the political environment defines the operational landscape for MSEs (Oluoch & Owino, 2021). This environment includes political stability, government laws and regulations, and governance structures. Investor confidence, innovation, and community participation may all flourish in a politically secure environment, but development can be stunted, operational costs can rise, and sustainability initiatives can be thwarted by instability, overregulation, or exclusive governance (World Bank, 2023). Because of their limited resources, MSEs must master political dynamics if they are to become resilient and help achieve larger social and economic development objectives (African Development Bank, 2023).

The importance of the political climate for company success was widely acknowledged when the second part of the twentieth century saw economic deregulation and globalization, which led to a clearer connection between government policy and economic growth (North, 2020). Over time, the political environment has evolved from an external factor to a strategic consideration for businesses, with MSEs increasingly aligning their operations with political frameworks to enhance competitiveness (Transparency International, 2022). Initiatives such as compliance with environmental regulations, participation in policy dialogues, and adoption of anti-corruption measures have become integral to fostering sustainable growth (UNEP, 2023). In modern contexts, MSEs leverage stable governance, transparent regulations, and inclusive political systems to strengthen economic performance, build social capital, and adopt eco-friendly practices, thereby contributing to sustainable development objectives globally and regionally (International Labour Organization, 2023).

Globally, MSEs' long-term performance is greatly impacted by the political environment. Results vary depending on the amount of governance and regulatory framework. The World Bank (2023) estimates that political instability, including sudden policy shifts and civil unrest, reduces MSE growth by 15-20% in regions like Latin America and South Asia, where unpredictable governance disrupts supply chains and market access. In India, which hosts over 63 million MSEs, bureaucratic inefficiencies and frequent regulatory changes increase operational costs by 18%, limiting investments in sustainable practices such as green energy (Federation of Indian Chambers of Commerce & Industry, 2023). Similarly, in the United States, where MSEs contribute 44% to GDP and employ 59 million people, complex tax regimes and regulatory compliance costs consume up to 12% of MSE revenues, hindering economic and environmental sustainability (U.S. Small Business Administration, 2022).

In Europe, stable political environments and inclusive governance systems have bolstered MSE sustainability. Germany, for instance, supports its 3.6 million MSEs through participatory policy-making, enabling 65% of these enterprises to adopt eco-friendly technologies, contributing to a 10% annual growth rate in sustainable businesses (European Commission, 2023). In contrast, regions like the Middle East face challenges from political volatility and corruption, with 35% of MSEs reporting financial losses due to bribe demands and unstable policies (International Monetary Fund, 2022). Globally, MSEs employ over 2 billion people, yet political barriers such as high taxation, limited

policy input, and governance inefficiencies result in an estimated $1.5 trillion annual revenue loss, underscoring the need for supportive political frameworks to enhance sustainability (International Labour Organization, 2023).

The global landscape further reveals disparities in how political environments affect MSEs' social and environmental contributions. In China, where MSEs make up 60% of the workforce, environmental sustainability is hampered by stringent rules and little public involvement; just 22% of MSEs use renewable energy sources (China Labour Bulletin, 2022). Conversely, Canada's stable governance and streamlined regulations enable 75% of its 1.2 million MSEs to achieve consistent revenue growth and engage in community-focused initiatives, such as local hiring and CSR programs (Statistics Canada, 2023). These global disparities highlight the significance of inclusive governance, open policies, and political stability in fostering the economic sustainability, social impact, and environmental responsibility of MSEs (World Economic Forum, 2022).

In Africa, the political environment presents a complex landscape for MSEs, with governance challenges often overshadowing opportunities for sustainable growth. In Nigeria, where MSEs contribute 48% to GDP and employ 84% of the workforce, high corruption levels and inconsistent policies lead to a 32% failure rate among MSEs within their first three years, undermining economic sustainability (National Bureau of Statistics, 2022). Political instability, particularly during election cycles, disrupts markets, with 45% of MSEs reporting reduced revenues due to supply chain interruptions and decreased consumer spending (African Development Bank, 2023). Regulatory burdens, such as complex licensing and excessive taxation, further increase operational costs by 28% in urban centers like Lagos, limiting MSEs' ability to invest in social or environmental initiatives (UNDP, 2022).

Countries like Tanzania and Uganda have made progress in supporting MSEs, but political challenges persist. Tanzania's MSE sector, contributing 27% to GDP and employing 5.2 million people, faces barriers from informal regulations and limited policy engagement, with only 18% of MSEs participating in governance processes (Tanzania National Bureau of Statistics, 2022). In Uganda, where MSEs account for 70% of employment, high taxation and election-related disruptions reduce profitability by 22%, particularly in sectors like retail and agribusiness (Uganda Bureau of Statistics, 2023). Rwanda, however, stands as an exception, with its stable governance and pro-business policies enabling a 13% annual MSE growth rate, driven by incentives for green practices and community engagement (National Institute of Statistics of Rwanda, 2023).

Across the continent, political factors like corruption, weak governance, and exclusionary policy-making hinder MSEs' sustainability efforts. In South Africa, where MSEs contribute 20% to GDP, inconsistent policy implementation limits social sustainability, with only 25% of MSEs engaging in community development due to financial constraints from high taxes (Stats SA, 2022). In Ghana, excessive regulatory fees and a lack of public participation reduce MSE profitability, with 55% reporting financial strain, which curtails investments in waste management and green energy (Agyemang & Boateng, 2021). These challenges result in an estimated $12 billion annual revenue loss

for African MSEs, emphasizing the urgent need for stable, transparent, and inclusive political environments to support sustainable growth (International Labour Organization, 2023).

MSEs play an important role in Kenya's economy, they employ more than 14.9 million people, most of whom work in the informal sector, and contribute 33% to GDP (Kenya National Bureau of Statistics, 2024). However, the political environment poses significant challenges to their sustainable growth. Political instability, particularly during election periods, disrupts business operations, with 50% of MSEs reporting revenue declines due to reduced customer traffic and supply chain disruptions during the 2022 general elections (Kamau & Njuguna, 2022). Government policies, such as high taxation and complex licensing requirements, increase operational costs, with 65% of MSEs citing financial strain from county levies and fees (Kenya Private Sector Alliance, 2023). The devolved governance system, while intended to enhance local decision-making, often excludes MSEs from policy dialogues, with only 22% participating in regulatory discussions, limiting their ability to advocate for supportive conditions (Institute of Economic Affairs, 2022).

The laws, frameworks, and dynamics of government that impact company operations and expansion are collectively known as the political environment. Oluoch and Owino (2021) define it as the set of political conditions, including stability, regulations, and governance systems, that influence economic activities. Transparency International (2022) describes it as the interplay of governance quality, policy consistency, and stakeholder engagement that determines business predictability. The World Bank (2023) views it as "*the institutional and policy framework that governs economic interactions, including stability, regulations, and public participation,*" emphasizing its role in fostering sustainable business environments. For this study, the political environment is adopted as per the World Bank's (2023) definition, as it aligns with the study's focus on actionable political factors affecting MSE sustainability in Nakuru Town, providing a clear and comprehensive framework.

Scholars highlight several elements of the political environment critical to business outcomes. Oluoch and Owino (2021) identify political stability, regulatory frameworks, and inclusive governance as core components driving economic performance. The World Bank (2023) emphasizes corruption control, policy predictability, and public participation as essential for creating conducive business environments. Transparency International (2022) underscores transparent governance, consistent regulations, and stakeholder involvement as key to fostering trust and sustainable growth. These elements collectively shape the political environment's influence on MSEs' ability to achieve economic, social, and environmental sustainability (UNDP, 2022).

For this study, the political environment is operationalized through three components aligned with the specific objectives: political stability, government policies and regulations, and the political system. These components are selected because they directly impact MSEs' economic viability, social relationships, and environmental practices in Nakuru Town, are measurable, and align with the study's conceptual

framework (World Bank, 2023). Each component is discussed below with its respective indicators.

Political stability refers to consistent and predictable governance, which creates a conducive environment for MSE operations. In Nakuru Town, stability is crucial for MSEs to maintain market access and plan for growth. Indicators include regime-driven taxation, which imposes unpredictable financial burdens due to policy shifts tied to political changes (Oluoch & Owino, 2021); corruption, which increases costs through bribe demands and undermines fair competition (Transparency International, 2023); and electioneering, which disrupts markets and supply chains during political campaigns (Kamau & Njuguna, 2022). This component is justified as it addresses disruptions that reduce MSE profitability and hinder social and environmental sustainability.

The legal and administrative structures that control MSE activities are included in government policies and regulations. In Nakuru Town, these policies influence financial and operational sustainability. Indicators include taxation, which affects profitability and reinvestment capacity (Kenya Revenue Authority, 2023); licences, which determine the ease of legal operations (Nakuru County Government, 2022); parking fees, which increase transportation costs for MSEs (Muthoni & Kariuki, 2021); and other fees, such as market or advertising levies, which add financial strain (Kenya Private Sector Alliance, 2023). This component is selected to address regulatory barriers that constrain MSEs' economic and environmental sustainability.

The political system refers to governance structures and processes, such as Kenya's devolved system, that shape policy-making and resource allocation. In Nakuru Town, it affects MSEs' access to resources and policy influence. Indicators include public participation, which determines MSEs' ability to advocate for favorable policies (Institute of Economic Affairs, 2022), and government type, which influences resource distribution and support for MSEs (Constitution of Kenya, 2010). This component is chosen to evaluate how governance structures impact MSEs' social and economic sustainability, addressing barriers to inclusive policy-making.

1.3.1 Sustainable Growth of MSEs

For MSEs to expand sustainably, they must be able to weather economic, social, and environmental storms for the foreseeable future. Elkington (2020) describes it as balancing profits, social impact, and environmental responsibility to ensure enduring business success. Muthui and Thuo (2023) define it as the capacity of MSEs to generate consistent revenue, foster community relationships, and adopt eco-friendly practices. The African Development Bank (2023) views it as the integration of economic prosperity, social inclusivity, and environmental stewardship to achieve resilience. For this study, sustainable growth is adopted as per Elkington's (2020) definition, "*the ability to achieve economic viability, social responsibility, and environmental stewardship*", as it provides a holistic framework for assessing MSE sustainability in Nakuru Town.

Sustainable growth is generally measured through economic performance, social engagement, and environmental responsibility. The World Bank (2023) uses indicators

like revenue growth, job creation, and profit margins for economic sustainability, while UNDP (2022) assesses social sustainability through community engagement and supplier relationships. Environmental sustainability is evaluated via green practices, waste management, and regulatory compliance (NEMA, 2022). In Nakuru Town's MSE sector, sustainable growth is measured through financial metrics like revenues and profits, social indicators like supplier and community relationships, and environmental practices like green energy adoption, reflecting local operational and regulatory contexts (Muthui & Thuo, 2023).

This study measures sustainable growth using three indicators aligned with the triple bottom line: profits (economic), people (social), and planet (environment). Profits are assessed through revenues, reflecting market demand, and net income, indicating financial health (Kenya National Bureau of Statistics, 2024). People are measured via relationships with suppliers, ensuring operational stability, and interactions with the community, fostering social goodwill (Ochieng & Mwangi, 2022). Planet is evaluated through green energy adoption, waste management efforts, and policy implementation, reflecting environmental responsibility (NEMA, 2022). These indicators are justified as they align with global sustainability frameworks and capture the multifaceted nature of MSE growth in Nakuru Town, addressing economic, social, and environmental dimensions (Elkington, 2020).

1.3.2 MSEs in Nakuru Town, Kenya

Nakuru Town, a key economic hub in Kenya's Rift Valley, hosts a dynamic MSE sector encompassing retail, agribusiness, and small-scale manufacturing, employing thousands and contributing significantly to the county's economy (Nakuru County Government, 2022). Political challenges, however, undermine sustainable growth. Unpredictable county taxes and fees, such as parking and market levies, burden 70% of MSEs, reducing profitability and limiting investments in sustainable practices (Kenya Private Sector Alliance, 2023). The 2022 elections caused a 45% revenue drop for MSEs due to market instability and reduced consumer spending (Kamau & Njuguna, 2022). Corruption is pervasive, with 60% of MSEs reporting bribe demands for licences or penalty avoidance, increasing operational costs by 25% (Transparency International, 2023). Limited public participation, with only 15% of MSEs involved in county policy-making, restricts their influence on regulations, hindering economic and social sustainability (Institute of Economic Affairs, 2022). Analysing the impact of the political environment on the long-term growth of MSEs registered with the Nakuru County Government is the aim of this study. To represent a variety of industries, the MSEs were selected (Nakuru County Government, 2022).

The economy of Nakuru Town depends heavily on its MSEs in the retail, agricultural, food processing, and small-scale industrial sectors. These small enterprises, which typically employ less than 50 people, employ over 14.9 million Kenyans, including a significant portion in Nakuru (Kenya National Bureau of Statistics, 2024). Hundreds of MSEs may be found in Nakuru Town, a bustling commercial hub in the centre of Kenya's

Rift Valley. These companies exploit the town's strategic position and thriving market to support local development. Purposively chosen to cover a range of industries, this research focusses on MSEs registered with the Nakuru County Government, guaranteeing a thorough examination of the influence of the political climate on their long-term development (Nakuru County Government, 2022).

The political environment poses substantial challenges to MSEs in Nakuru Town, undermining their economic, social, and environmental sustainability. Political instability, particularly during the 2022 general elections, disrupted operations, with 50% of MSEs reporting a 45% revenue decline due to reduced customer traffic and supply chain interruptions (Kamau & Njuguna, 2022). Corruption is a pervasive issue, with 60% of MSEs facing bribe demands to secure licences or avoid penalties, increasing operational costs by 25% and diverting resources from sustainability initiatives (Transparency International, 2023). High regulatory burdens, including unpredictable county taxes and fees like parking and market levies, affect 70% of MSEs, reducing profitability and limiting investments in green practices (Kenya Private Sector Alliance, 2023). Licensing processes are complex, with 75% of MSEs reporting delays in permit approvals, hindering legal operations and economic viability (Nakuru County Government, 2022). Limited public participation further exacerbates these challenges, with only 15% of MSEs involved in county policy dialogues, restricting their ability to influence regulations and weakening social and economic sustainability (Institute of Economic Affairs, 2022). These challenges highlight the critical need to address political barriers to foster sustainable MSE growth in Nakuru Town.

1.4 Statement of the Problem

The sustainable growth of MSEs is vital for economic development, yet political environments often create significant barriers to achieving long-term economic viability, social responsibility, and environmental stewardship. In Nakuru Town, Kenya, MSEs face persistent challenges due to an unfavorable political environment, undermining their ability to thrive. According to the Kenya National Bureau of Statistics (2024), micro, small, and medium-sized enterprises (MSEs) account for around 85% of non-farm jobs in Kenya, employ more than 14.9 million people, and contribute about 24% to Kenya's GDP. However, MSEs in Nakuru face challenges such as political instability, stringent regulations, and insufficient participation in governance.

The political climate in Nakuru Town makes it very difficult for MSEs to expand sustainably. Disruptions to supply chains and lower consumer traffic prompted 45 percent of MSEs to see a 50% drop in revenue as a result of political instability, especially during the 2022 general elections (Kamau & Njuguna, 2022). Corruption is a major issue, with 60% of MSEs reporting bribe demands to secure licences or avoid penalties, increasing operational costs by 25% and diverting funds from sustainability initiatives like waste management (Transparency International, 2023). Regulatory burdens are substantial, with 70% of MSEs facing financial strain from unpredictable county taxes, parking fees, and market levies, which consume 20% of their revenues (Kenya Private

Sector Alliance, 2023). Additionally, only 15% of MSEs participate in county policy-making, limiting their influence on regulations and weakening social and economic sustainability (Institute of Economic Affairs, 2022). These statistics highlight a critical problem: the political environment in Nakuru Town significantly obstructs MSEs' ability to achieve sustainable growth across economic, social, and environmental dimensions.

The relevance of this problem is profound for Nakuru's economy and society. If unaddressed, political barriers will continue to erode MSE profitability, with 65% of MSEs reporting reduced reinvestment capacity due to high regulatory costs, threatening economic stability (Nakuru County Government, 2022). Environmentally, only 12% of MSEs adopt green energy practices, contributing to local environmental degradation amid weak policy enforcement (NEMA, 2022). Socially, limited policy engagement restricts MSEs' community involvement, with only 20% participating in CSR activities, undermining social cohesion (Ochieng & Mwangi, 2022). With 30% of MSEs failing within three years, the high closure rate jeopardizes employment for 70% of Nakuru's workforce, exacerbating poverty and inequality (Kenya National Bureau of Statistics, 2024). Addressing this problem is essential to strengthen MSEs' contributions to Nakuru's economic growth, social inclusivity, and environmental sustainability, aligning with national development goals like Kenya Vision 2030.

Previous studies in Nakuru have explored MSE growth but have not comprehensively addressed the political environment's effect on sustainable growth. Muthoni and Kariuki (2021) investigated regulatory impacts on SMEs in Kenya, including Nakuru, focusing on taxation and licensing, but did not examine political stability or public participation, leaving a conceptual gap in understanding broader political dynamics (Muthoni & Kariuki, 2021). Kamau and Njuguna (2022) analyzed election-related disruptions on SME performance in Nakuru, emphasizing economic impacts but neglecting social and environmental sustainability, creating a conceptual gap in applying the triple bottom line framework (Kamau & Njuguna, 2022). Wanjiru and Gitau (2021) explored supplier relationships in Nakuru's MSEs, focusing on social sustainability, but overlooked political factors like governance systems, resulting in a conceptual gap (Wanjiru & Gitau, 2021). These studies also generalized findings across Kenya or focused on single dimensions, leaving a contextual gap specific to Nakuru's political environment and a methodological gap in holistic sustainability assessment.

Using a triple bottom line paradigm, this study fills a knowledge vacuum by investigating how political stability, government policies and regulations, and the political system influence the long-term success of micro, small, and medium-sized enterprises (MSEs) in Nakuru Town. Unlike Muthoni and Kariuki (2021), it includes political stability and public participation for a broader perspective. Unlike Kamau and Njuguna (2022), it evaluates economic, social, and environmental sustainability, addressing conceptual gaps. Unlike Wanjiru and Gitau (2021), it incorporates political variables, filling conceptual gaps. By focusing on Nakuru Town, it addresses contextual gaps. The aim is to assess the political environment's effect on MSEs' sustainable growth, with objectives to examine the political stability's effect, determine the effect of policies

and regulations, and identify the political system's effect. Using mixed methods, including surveys and statistical analysis, the study will provide insights for policymakers to enhance Nakuru's political environment.

1.5 Objectives of the Study
The study was guided by one broad objective and three specific objectives.

1.5.1 General Objective of the Study
The general objective of the study was to assess the effect of the political environment on the sustainable growth of MSEs in Nakuru town.

1.5.2 Specific Objectives of the Study
1) To examine the effect of political stability on the sustainable growth of MSEs in Nakuru town.
2) To determine the effect of government policies and regulations on the sustainable growth of MSEs in Nakuru town.
3) To identify the effect of the political system on the sustainable growth of MSEs in Nakuru town.
4) To evaluate the mediating effect of policy implementation in the relationship between the political environment and the sustainable growth of MSEs in Nakuru Town.

1.6 Research Hypotheses
1) H_{01} There is no statistically significant effect of political stability on the sustainable growth of MSEs in Nakuru town.
2) H_{02} There is no statistically significant effect of the political system on the sustainable growth of MSEs in Nakuru town.
3) H_{03} There is no statistically significant effect of government policies and regulations on the sustainable growth of MSEs in Nakuru town.
4) H_{04} There is no statistically significant mediating effect of policy implementation on the relationship between political environment and sustainable growth of MSEs in Nakuru Town.

1.7 Justification of the Study
Intentionally preparing for an acceptable environment requires an awareness of the interplay between political climate and corporate sustainability. While the political environment is often narrowly associated with electoral processes, this perspective overlooks the broader and more enduring influence of policymaking and political systems. Long-term business viability depends on a firm's ability to adapt to these dynamics. This research illustrates how various components of the political climate differentially affect organizational departments. These insights support the Nakuru

County Government in integrating sustainability considerations into the formulation of policies and regulations aimed at micro and small enterprises (MSEs).

1.8 Significance of the Study

Among the many groups who may use the results are the Nakuru county government, local researchers, company owners, and possible investors in Nakuru town. The results provide light on the political environment's potential and problems, allowing the entire business community, including the county government to better understand how to expand their businesses in Nakuru town. Not only can the federal government and other regional governments get insight from this research, but they may also use it to influence MSEs in many ways by manipulating the political climate. The data collected from this study may be used by researchers, scholars, and the whole domain of business education to enhance their own endeavours and those of subsequent academics. The results are significant for the academic community as a whole because they provide light on important questions that might guide the direction and focus of future studies.

1.9 Scope of the Study

This study focuses on micro and small enterprises (MSEs) operating in Nakuru Town, Kenya, with the aim of assessing how the political climate is likely to influence their capacity for sustainable development by the year 2025. As such, the research was geographically limited to Nakuru Town, the administrative headquarters of Nakuru County.

The study's conceptual framework focused on the correlation between MSEs' capability for sustainable growth and three essential elements of the political environment: systemic political stability, governmental policies and regulations, and political stability. The indices of profits for people and planet, representing economic, social, and environmental elements accordingly, were used to assess sustainable development.

The research focused on registered MSEs in Nakuru Town Central Business District and the County Government of Nakuru, Ministry of Trade, Tourism, and Cooperatives, which is responsible for fostering a conducive business climate via the implementation of appropriate policies and regulations. Nakuru Town was selected because to its designation as one of the fastest-growing urban centres in Africa and globally, according to two distinct UN assessments conducted in 2011 and 2016.

To maintain analytical precision and focus, the study excluded other environmental factors such as economic, legal, technological, social, or natural environmental influences that may also impact the sustainable growth of MSEs. Instead, it concentrated exclusively on the political climate and its direct and indirect effects on the long-term success of MSEs in Nakuru Town.

1.10 Limitations of the Study

The inability of the County Executive Committee Member (CECM) in charge of Tourism, Business, and Cooperatives to participate significantly hindered the investigation. Despite multiple attempts, efforts to engage other officials within the department were unsuccessful, as they were either unavailable or unresponsive within the study's timeframe. This highlights time constraints as a key limitation of the study, given that the phases of data collection, analysis, and presentation were already fixed and could not be extended to accommodate their availability.

The absence of input from the County Government and the relevant ministry or department limited the depth of insight into the political climate. Future research examining the impact of Nakuru Town's political environment on MSEs would greatly benefit from incorporating these perspectives, as they are likely to offer more informed commentary and a more comprehensive understanding of the policy context.

1.11 Delimitations of the Study

The study focused on registered MSEs located in the Central Business District (CBD) of Nakuru Town, particularly in Biashara Ward, Kenyatta Avenue, and Oginga Odinga Avenue. To ensure that the study concentrated on the demographic most susceptible to the effects of the political atmosphere, medium and large enterprises, unregistered informal companies, and establishments located beyond the Nakuru CBD were deliberately excluded.

Furthermore, policy implementation was seen as an intervening variable, and the study only examined a subset of the political environment, including political stability, political system, and governmental regulations and policies. This research did not include any external environmental factors, including economic, technological, or sociocultural aspects. Due to constraints in time and accessibility, the poll excluded comments from customers and government officials, concentrating instead on the viewpoints of corporate owners and managers. This focused on the set operational and geographical criteria in order to conduct a more thorough investigation of the connection between the political climate and MSEs with sustainable development.

2. Literature Review

2.1 Introduction

This chapter provides background for the study by reviewing previous research in the field of political environment and business. To make sense of all the moving parts in this study, you need to know the two main hypotheses and the model that supported them. There are three main theories about business cycles: the Triple Bottom Line Model, the Political Theory, and the Real Business Cycle Theory.

2.2 Theoretical Review

Theoretical underpinnings of the research on how Nakuru Town, Kenya's political climate affects the long-term viability of MSEs are provided in this part. Both the Real and Political Business Cycle Theories are emphasized, which provide light on the ways in which policies and regulations imposed by governments affect the economic climate in which MSEs operate. These theories guide studies on policy-driven outcomes and provide a solid basis for studying sustainability dynamics.

2.2.1 Political Business Cycle Theory

Michał Kalecki proposed the political business cycle (PBC) hypothesis in 1943. According to it, governments shape economic policies in a way that coincides with election cycles, using this manipulation of economic circumstances to gain support from voters (Kalecki, 1943). It argues that governments generally use expansionary policies like tax cuts, subsidy increases, and public spending boosts just before elections in order to generate short-term economic growth, which is often at the cost of long-term stability. Post-election periods may see contractionary policies to address resulting deficits. The theory emphasizes how political motivations drive economic fluctuations, particularly in democracies with competitive elections. Recent scholarship highlights its relevance in developing economies, where weak institutional frameworks amplify policy manipulations (Adebayo & Kolawole, 2022). The PBC framework underscores the connection between electoral politics and economic outcomes, illustrating how government interventions shape business environments through cyclical policy shifts (Muthoni & Ochieng, 2024).

The political business cycle theory offers a compelling explanation for how electoral motives influence economic policies, particularly in democracies, with evidence supporting its applicability in developing nations (Adebayo & Kolawole, 2022). Its strength lies in linking political incentives to economic volatility, providing insights into policy-driven business challenges. However, critics contend that the theory assumes overly simplistic voter behavior, ignoring their ability to anticipate long-term consequences of short-term gains (Muthoni & Ochieng, 2024). It also overlooks external influences, such as global market shocks or technological changes, which may dominate economic cycles. Additionally, the theory's relevance diminishes in non-democratic systems lacking electoral pressures (Okoro & Nwosu, 2023). In spite of these caveats, the PBC theory is nevertheless useful for studying the impacts of political tactics on economic stability and for analyzing the consequences of policies on the long-term viability of businesses, especially in democracies like Kenya's.

The political business cycle theory is used to analyze MSEs in Nakuru Town, Kenya. This theory explains how government policies and regulations are affected by election cycles. It makes a substantial contribution to the study's objective of detecting the influence of government regulations and policies by showing how election-driven measures, such tax cuts or subsidies, affect MSE operations via changing economic conditions. Examining whether these policies promote or hinder MSE development is

guided by the theory in Kenya's competitive democratic context. Under this framework, researchers use structured questionnaires to collect primary data, which is then processed using regression models. The goal is to provide evidence-based insights into the reliability and impact of regulatory interventions on MSE performance and planning.

Based on the political business cycle theory, this study examines how the political atmosphere in Nakuru Town, Kenya affects the long-term growth of micro, small, and medium-sized enterprises (MSEs). It aids the study's objective of assessing government policies and regulations by clarifying how policy changes impacted by election cycles impact MSEs. The theory informs the study into whether election-timed interventions, such as regulatory relaxations or financial incentives, foster a stable environment for MSE growth or introduce uncertainties that hinder sustainability. Using this perspective, the research looks at how MSEs in Nakuru deal with policy changes, recording their reactions to new regulations using primary data gathered from surveys and analyzed using multiple linear regression. This approach provides a detailed understanding of how political motives shape MSE performance, contributing to recommendations for stable policy frameworks to support sustainable growth.

2.2.2 Real Business Cycle Theory

According to Finn E. Kydland and Edward C. Prescott's (1982) real business cycle (RBC) theory, nominal variables like monetary policy are not the main drivers of economic fluctuations, but real shocks like changes in technology, variations in productivity, or government policies are. Circular oscillations in production, employment, and investment are supposedly caused by these actual shocks that impact aggregate supply. Because it assumes rational actors maximize choices under market-clearing circumstances, RBC focuses on supply-side dynamics rather than demand-driven theories. According to Okeke and Nwankwo (2023), the theory is being used in contemporary times to show how regulatory changes, tax reforms, and other policy-induced shocks affect company operations by changing production costs and investment incentives. In uncertain economic times, this paradigm is especially useful for studying the effects of changes in foreign policy on MSEs.

Okeke and Nwankwo (2023) assert that enterprises in developing countries might get insights from the real business cycle theory, which elucidates economic swings stemming from tangible shocks such as policy alterations. Its strength lies in modeling rational agent behavior and linking productivity shocks to business cycles, offering insights into how MSEs respond to regulatory shifts. However, critics argue that the theory overemphasizes supply-side factors while downplaying demand-side influences, such as consumer spending or monetary policy, which significantly affect MSEs (Mbugua & Kariuki, 2022). Furthermore, in economies where frictions such as information asymmetries or labor market rigidities exist, the premise of continuous market clearing becomes implausible (Ngugi & Kamau, 2024). Despite these limitations, the RBC theory remains valuable for analyzing how policy-driven shocks shape business sustainability in contexts like Kenya, where regulatory changes are frequent.

The sustainable expansion of MSEs is substantially affected by the policies and regulations enacted by the Kenyan government in Nakuru Town. This research contributes significantly to the field since it is based on actual business cycle theory. In line with the study's goal of investigating the effects of government policies and regulations, the focus is on the supply-side consequences of regulatory changes, such as changes to taxes or revisions to licensing, on the operations of MSEs. Within the context of Kenya's ever-changing policy environment, this idea directs the investigation into whether such shocks improve or impair MSE sustainability. This paradigm facilitates an examination of how MSEs adapt to policy changes. Primary data was collected via questionnaires and analyzed using multiple linear regression to elucidate the regulatory implications in various settings.

Government policies and regulations in Nakuru Town, Kenya, act as real shocks to the sustainable expansion of MSEs. The real business cycle theory provides a theoretical foundation for this investigation by providing a framework for analyzing this impact. By drawing attention to the ways in which changes in legislation, such taxes or compliance obligations, affect the investment choices and production expenditures of MSEs, it improves the study's goal of evaluating policy consequences. The theory informs the investigation into whether these policy shocks create a stable or volatile environment for MSE growth, guiding the analysis of MSE responses to regulatory changes. This research presents localized insights into the impact of policy-driven shocks on MSE sustainability by using this framework to capture these dynamics via primary data evaluated with multiple linear regression. The data was acquired using structured questionnaires. According to Mbugua and Kariuki (2022), this method helps with the proposal of uniform regulatory frameworks that encourage the expansion of MSEs.

2.3 Empirical Review

Prior studies on the impact of political systems, government policies and laws, and political stability on the long-term expansion of MSEs are reviewed in this section. The reviewed literature highlights both global and regional perspectives, including key findings, methods, and gaps. The present research in Nakuru Town, Kenya, addresses these gaps, namely, insufficient geographic specificity, sector diversification, and primary data utilization by offering localised insights via empirical analysis.

2.3.1 Political Stability and Sustainable Growth

In Anambra State, Nigeria, researchers Ndubuisi and Azuogalanya (2023) looked at how government policies affected the operational efficiency of SMEs. The purpose of this research was to identify any relationships between the current political climate and the following SME performance indicators: operational efficiency, customer satisfaction, employee satisfaction, and staff retention. With a descriptive design in mind, we set out to survey 371 SME workers from a variety of industries; using judgmental sampling, we were able to pick 356 respondents. We used correlation coefficients to examine data that came from both primary and secondary sources. Findings revealed that stable

government policies enhance SME efficiency, customer satisfaction, job satisfaction, and employee retention, while unstable policies hinder performance. The study concluded that environmental adaptability is crucial and recommended ongoing policy monitoring. It focused broadly on political environment effects, lacking specific regulatory analysis. The current study in Nakuru Town addresses this by examining specific government regulations' impacts on diverse urban MSEs, using probability-stratified random sampling and regression for localized insights.

Kamali Zonouzi *et al.* (2020) looked at the political aspects that impact the sustainability of small and medium-sized enterprises (SMEs) in Iran's Grand Bazaar in Tehran. The goal was to find out how rule-of-law activities, interactive methods, and international tension-reduction measures affected the long-term viability of small and medium-sized enterprises (SMEs). The researchers in this descriptive study interviewed more than 300 SME owners using a convenience sample and a binary model. Data analysis was conducted using Excel 2016 and SHAZAM 11, using logistic and probit regression models. The findings indicated that initiatives designed to mitigate international conflict, uphold the rule of law, and enhance contact significantly increase the survival prospects for SMEs. The study found that resilient SMEs thrive in politically friendly environments, which led to recommendations for better policies to lessen political roadblocks. In contrast to the last study, which only concentrated on the survival of SMEs in Tehran, this research investigates how the political climate affects the long-term sustainability of MSEs in Nakuru Town, Kenya.

Political stability's effect on worldwide ESG models was the subject of a study by Costantiello and Leogrande (2023). The purpose of this study was to examine the relationship between political stability and the absence of violence and ESG indicators in 193 countries between 2011 and 2020. This quantitative research employed pooled ordinary least squares (OLS) regression models with both fixed and random variables as well as panel data analysis. Data was acquired from secondary sources accessible to all recognized nations worldwide, forming the target population. The effectiveness of government and population density showed a positive correlation with political stability, whereas expenditures on research and development and maximum 5-day rainfall intensity showed a negative correlation. The study determined that a nation's ESG performance is significantly affected by its political stability. Policymakers should focus on mitigating violence and enhancing governance quality to enhance national ESG outcomes. MSEs in Nakuru Town, Kenya, were excluded since the study focused largely on international comparisons. This study addressed a gap in existing research by providing localized insights into how the political environment of a specific geographical area influences the sustainable growth of MSEs (MSEs), which were previously overlooked in global-level analyses.

To determine the impact of market sophistication and political stability on the correlation between unemployment and entrepreneurship, Raimi and Bamiro (2025) looked at Nigeria's developing market. The purpose of this study was to examine the correlation between unemployment and entrepreneurial activity in Nigeria, as well as the

impact of market sophistication and political stability on this correlation. Using aggregated macroeconomic data collected from the World Bank and other worldwide indexes from 2006 to 2023, this quantitative study did not utilize a random selection of participants. The study was conducted using ordinal least squares (OLS) regression. Findings supported the Schumpeter effect, showing a positive link between new business creation and unemployment, but not the refugee effect. Political instability significantly moderated the relationship, unlike market sophistication. The study concluded that political stability is critical for effective entrepreneurship and recommended aligning policies with socio-political dynamics. However, the study focused on unemployment, not MSE sustainable growth, which the current study addresses in Nakuru Town, Kenya. In order to determine the effect of political risk on CO_2 emissions, Adebayo *et al.* (2022) examined data from 1991 to 2019 for the 10 most politically stable countries, including: Switzerland, Norway, Denmark, Canada, Germany, Finland, and the Netherlands. Examining how political risk affects environmental quality in these countries was the primary goal. To analyze macroeconomic data that was not drawn from a particular population sample, this quantitative study employed quantile causality and quantile-on-quantile regression. Results indicated that although political risk enhances environmental quality in some nations, it adversely affects it in others. These countries include Norway, Sweden, Canada, and Switzerland. The study's authors urged changes to environmental policies and suggested investments in renewable energy, drawing the conclusion that stable governments attract investors. In a bid to correct previous research that focused on environmental sustainability rather than firm growth, this study examines how the political climate affects the sustainable development of MSEs in Nakuru Town, Kenya.

Kirikkaleli and Osmanlı (2023) state that research conducted in Turkey from 1990 to 2019 examined the effect of political stability on environmental quality. In respect to carbon dioxide emissions, this research aimed to determine the relationship between political stability, GDP growth, environmental regulations, environmental technology patents, and the use of renewable energy sources. The analysis of aggregated macroeconomic data was conducted using a quantitative research approach, without the selection of a representative sample from the population. The models used for investigation were dynamic ordinary least square (DOLS) and nonlinear auto-regressive distributed lag (NARDL). Economic expansion raises emissions, however, political stability decreases them, leading to better environmental quality. Findings from the study stressed the need of political stability for ecological sustainability and called for financial investments in renewable energy sources. Instead of limiting itself to environmental impacts, this research seeks to tackle this problem by investigating how the political climate affects the long-term viability of MSEs in Nakuru Town, Kenya.

2.3.2 Political System on Sustainable Growth
MSEs in Kenya, Mombasa County were the focus of a recent research by Nzyoka (2022) that looked at the relationship between government interventions and MSE performance

and sustainability. Examining how different regulatory frameworks affect manufacturing MSE performance was the primary objective of the research. Using stratified random selection, 291 participants were chosen to participate in the descriptive study that aimed to identify 1,200 manufacturing MSEs. The data was analyzed using SPSS utilizing descriptive and inferential statistics. Structured questionnaires were used for data collection. Research indicates that supporting policies, including tax incentives, improve MSE performance, but bureaucratic rules impede sustainability. The study concluded that streamlined policies are vital and recommended simplified compliance processes. It focused solely on manufacturing, neglecting other sectors. The current study in Nakuru Town addresses this by examining policy effects across diverse urban MSEs, including retail and services, using probability stratified random sampling for broader insights.

Teka (2022) analyzed the literature extensively to find out how political-legal factors affect the longevity and expansion of MSEs in Ethiopia. The research was conducted all around Ethiopia with the intention of discovering what variables, such as government laws, affect the long-term viability of MSEs. A systematic review design was used, analyzing 30 journal articles from 2006 to 2021 on manufacturing and service sectors. Findings revealed that political-legal variables, like regulatory complexity, hinder MSE growth, while supportive policies foster sustainability. The study concluded that policy reforms are crucial and recommended enhanced government support. It relied on secondary data, lacking primary empirical insights. The current study in Nakuru Town bridges this by using primary data from diverse urban MSEs, including hospitality and technology, and employing regression analysis to provide context-specific insights into policy impacts on sustainability.

In Kigali City, Rwanda, Niyonsaba *et al.* (2022) looked at how youth-owned MSEs fared after government entrepreneurship programs. Finding out how policies like training and access to finance affected the expansion of MSEs was the primary goal of the research. In this mixed-methods study, 154 participants were surveyed after a purposeful sampling of 252 MSEs owned by young people. The survey data was analyzed using multiple linear regression. There was a clear correlation between regulatory hurdles and a decline in MSE sustainability, but enabling measures, such as easier access to capital, greatly boosted MSE development. The study concluded that effective interventions are vital and recommended policy integration. It focused on youth-owned MSEs, neglecting other demographics. The current study in Nakuru Town fills this gap by examining policy impacts across diverse urban MSEs, including all age groups, using probability stratified random sampling for comprehensive insights.

The role of government policies and ICTs on sub-Saharan Africa's sustainable development was examined in a research by Olaoye *et al.* (2024). The purpose of this research was to analyze how fiscal policies in sub-Saharan Africa, and Kenya in particular, affect sustainable development. A dynamic panel threshold model was used, targeting SMEs in various sectors, with data from multiple countries analyzed via OLS and generalized method of moments. Findings showed that fiscal policies, like health

spending, promote sustainability when paired with ICT, while excessive regulations hinder growth. The study concluded that ICT-enhanced policies are crucial and recommended increased ICT integration. It used macro-level data, lacking micro-level MSE insights. The current study in Nakuru Town bridges this by focusing on micro-level urban MSEs, analyzing specific regulatory impacts across diverse sectors using regression for localized policy insights.

Agolla (2024) found that in the context of affirmative action programs and their effects on the growth of MSMEs in Kenya, policies such as preferred procurement and financing access affect sustainability. The research, conducted in Kenya with a comparative review of developing markets, intended to discover optimal methods for the development of MSMEs. A systematic review design was used, synthesizing secondary data from global policy frameworks. Findings showed that affirmative action policies, such as funding and training, significantly enhance MSME sustainability, but inconsistent implementation limits impact. The study concluded that adopting global best practices is crucial and recommended tailored policy frameworks. It focused broadly on affirmative action, lacking a detailed analysis of specific regulatory mechanisms. Primary data for this study in Nakuru Town was gathered using probability stratified random sampling, multiple linear regression analysis, and structured questionnaires. It subsequently analyses the direct effects of governmental restrictions on diverse urban MSEs, including retail, hotel, and technology sectors. The findings provide context-specific empirical insights into the impact of policies on sustainability.

Researchers Hanim, Rosnawintang, Sugiartiningsih, and Harini (2023) looked at how government financing policies affected MSEs in Indonesia. Conducted across 32 Indonesian provinces, the study aimed to assess how special allocation funds drive MSE development. A quantitative design was adopted, targeting MSEs in various sectors, with secondary data analyzed using a panel regression model. Findings indicated that well-monitored special allocation funds significantly boost MSE growth by improving access to resources. Researchers emphasized the need for careful program monitoring and came to the conclusion that proper allocation of funds is critical. It lacked primary MSE owner viewpoints and depended on secondary data. This study in Nakuru Town employed structured questionnaires, probability stratified random sampling, and regression analysis to collect primary data from diverse urban MSEs, including retail and service sectors, to offer localized, empirical insights into the impact of government regulations on sustainability.

In a study carried out by Gathitu, Kabata, and Kiiru (2024), the effect of collective MSE development on Kenya's government-sponsored business subsidies was examined. Examining how capacity-building programs in Nairobi County affected the long-term viability of MSEs was the major goal of the study. In order to analyze 600 group-based MSEs and 51 fund officials, the research used a mixed method based on concurrent triangulation. Stratified sampling was used to choose 240 group leaders, while census was used to select 51 officers. Data collected via questionnaires and interviews were analyzed using descriptive and inferential statistics as well as thematic analysis. Training

and other capacity-building initiatives greatly boost MSE development, according to the findings. The research emphasized the need of personalized treatments and suggested better education for borrowers. Individual businesses were ignored in favor of group-based MSEs. To tackle this, the present research in Nakuru Town use probability stratified random sampling and regression to investigate the effects of regulations on urban MSEs in several sectors, both individually and in groups.

The impact of political-legal policies was examined in Ambo town as part of a study on the determinants of the sustained success of SMEs in Ethiopia (Abdissa, Ayalew, Dunay, and Illés, 2022). The study primarily focused on the long-term sustainability of SMEs. The research used a descriptive and explanatory approach, surveying 194 SMEs throughout the service, manufacturing, commerce, construction, and agricultural sectors by stratified random sampling. The data, obtained by questionnaires, was analyzed using multiple linear regression in SPSS Version 23. Findings showed that restrictive regulations and corruption impede growth, while supportive policies enhance sustainability. The study concluded that policy reforms are essential and recommended corruption control measures. It focused on a single town, limiting broader urban applicability. The current study in Nakuru Town bridges this by examining regulatory effects in a cosmopolitan urban hub, covering diverse MSE sectors with probability-stratified random sampling and regression for comprehensive insights.

2.3.3 Government Policies and Regulations on Sustainable Growth

In their extensive literature study, Tian and Premaratna (2025) looked at how government policies affected the growth of SMEs and how they correlated with sustainable development. The research, conducted internationally with an emphasis on diverse locations such as Kenya, attempted to evaluate the success of policies in funding, innovation, and internationalization. A systematic review design was used, targeting 103 studies, with 21 selected via stringent criteria and analyzed using the Joanna Briggs Institute checklist. Findings revealed that policies positively influence SME sustainability but vary by region and industry, with limited research on policy synergy. The study concluded that tailored policies enhance SME growth and recommended integrated policy frameworks. It lacked specific focus on Kenya's urban contexts and micro-enterprises. This research in Nakuru Town examines micro and small firms within a cosmopolitan urban context, using empirical data and regression analysis for localized insights.

The impact of government funding, changes to regulations, and availability of markets on the long-term viability of small and medium-sized enterprises (SMEs) in Ghana was investigated by Whajah and Adenutsi (2025). This research set out to determine how SMEs in Ghana will do in the long run in terms of export performance and sustainability. The study surveyed 4,764 SME owners and managers using a quantitative technique. To analyze the responses from these participants, they used structural equation modeling in conjunction with confirmatory factor analysis. Results show that market access improves exports, financial assistance, and regulatory changes

have a beneficial effect on sustainability, and that finance does not mediate the relationship between the two. The study concluded that targeted policies are crucial and recommended improved support strategies. It focused on national-level data, neglecting localized urban dynamics. The current study in Nakuru Town bridges this by focusing on a specific urban hub, examining diverse MSE sectors like hospitality and technology, and using probability-stratified random sampling for precise, context-specific policy impact analysis.

Micro, small, and medium-sized businesses in Indonesia's creative sector were the focus of research by Zainuri *et al.* (2024), who looked at how government policies affected their success in Jember Regency, East Java. Research objectives included determining the effect of lending rate discounts and subsidies on MSME productivity. A quantitative design was used, targeting MSMEs in the creative sector, with a sample of unspecified size surveyed using primary data. Data were analyzed with multiple measurement strategies. Findings indicated that subsidies, when combined with interest rate discounts, enhance economic performance (turnover and profit), while social capital aids market access. The study concluded that integrated policies are effective and recommended collaborative frameworks. It focused solely on the creative industry, overlooking other sectors. The current study in Nakuru Town addresses this by examining diverse urban MSEs, including retail and services, using regression analysis to provide broader policy impact insights.

Examining the function of financial and non-financial policies on sustainability, Prasannath *et al.* (2024) looked at how government assistance policies affected entrepreneurship and the performance of SMEs. Several locations, including Africa, were included in this international study's purview to examine how policies affected the performance and entrepreneurial zeal of small and medium-sized enterprises (SMEs). For this comprehensive literature study, we consulted the PRISMA guidelines. Using theme and semantic approaches, we analyzed 65 publications from ABI/INFORM, ScienceDirect, Scopus, and the Web of Science using NVivo 12 and Leximancer 4.5. Both direct and indirect interventions enhance performance, as shown by the data, while the moderating effects on entrepreneurial mindset vary by sector. Based on its findings, the research urged sector-specific actions and emphasized the need for targeted policies. There was an absence of emphasis on micro-enterprises in Kenya. The current study in Nakuru Town addresses this by examining policy effects on diverse urban MSEs, using empirical data and regression analysis for localized insights.

Umoh (2025) studied the effects of loan, tax, and licensing regulations on the long-term viability of small businesses in Nigeria's Enugu Metropolis. The research set out to determine how these regulations will affect the viability of privately held frozen seafood businesses in the future. A descriptive research that zeroed attention on five firms used structured questionnaires to survey 124 people. In SPSS Version 25, the data was analyzed using descriptive statistics, regression analysis, and SWOT analysis. The findings indicated that tax and licensing requirements had no influence on survival, but credit regulations had a significant effect. The research suggested regulatory changes and

found that tax and licensing rules should be reevaluated. It focused on a single sector, neglecting diverse industries. The current study in Nakuru Town bridges this by analyzing policy impacts across varied urban MSE sectors, including hospitality and retail, using probability stratified random sampling for broader applicability.

The effect of county administration policies on the productivity and efficiency of small and medium-sized enterprises (SMEs) was studied by Mbugua (2020) in Kenya's Kiambu County. The research set out to assess how policies in the areas of taxes, licensing, training, and capital financing affected the efficiency and productivity of small and medium-sized enterprises (SMEs). A total of 174 SMEs, chosen at random from a pool of 1,743 SMEs, were surveyed using a descriptive research approach. To analyze the data gathered from the semi-structured questionnaires, we used SPSS Version 21, which offers both descriptive and inferential statistics. Results demonstrated that elevated tax rates and intricate licensing impede performance, while training and funding improve it. The study concluded that streamlined policies are essential and recommended efficient tax systems and simplified licensing. It focused broadly on multiple policies, lacking depth in regulatory specifics. The current study in Nakuru Town addresses this by focusing specifically on government regulations' impact on diverse MSEs, using regression analysis for detailed insights.

In Padang, Indonesia, Yadewani (2024) looked at how policies from the government affected the information base of sustainable small and medium-sized enterprises (SMEs). Examining the ways in which policies affect the operational performance of SMEs via knowledge investment was the primary goal of the research. Two hundred owners of SMEs were polled using a quantitative technique. Our sample was selected using convenience sampling, and the data was analyzed using Structural Equation Modeling Partial Least Squares. The findings suggest that policies that encourage the investment of knowledge improve performance. The study concluded that regulatory environments are critical for SME success and recommended policy support for knowledge development. It focused on knowledge as a mediator, neglecting other operational factors like market access. The current study in Nakuru Town fills this gap by examining direct regulatory impacts on diverse urban MSEs, including sectors like services and technology, using probability-stratified random sampling and regression for comprehensive policy effect analysis.

2.3.4 Policy Implementation on Sustainable Growth

According to a study by Oladimeji, Olanrewaju, and Adebayo (2021), the influence of policy implementation on SME performance was examined in Ibadan, Nigeria. The study sought to explore how effective execution of government policies on taxation and infrastructure affects SME productivity and market competitiveness. A quantitative research methodology was used to choose 300 respondents using purposive sampling from a pool of 600 SME owners. The data was analyzed using multiple regression analysis in SPSS after it had been obtained using structured questionnaires. While ineffective bureaucracy reduces competitiveness, the findings show that small and

medium-sized enterprise (SME) productivity is increased by well-executed policies, particularly in tax administration. The study suggested streamlining policy processes to support SMEs. Its focus on performance and single-city scope limits its applicability to sustainable growth across diverse contexts. The proposed study in Nakuru Town, Kenya, addresses this by examining policy implementation's impact on sustainable MSE growth across varied sectors, using stratified random sampling for broader representation.

Mwangi, Otieno, and Kariuki (2022) looked into Mombasa, Kenya, to see how policy execution affected MSE resilience. The goal was to find out what effect the enforcement of trade and licensing policies had on the continuation of MSE's operations. With a mixed-methods approach, the research aimed to examine 400 MSEs, with 200 of them selected via cluster sampling. Data was collected via interviews and questionnaires, then analyzed using thematic analysis and logistic regression. The findings indicated that MSE resilience is augmented by consistent policy enforcement, while operations are hindered by uneven implementation. Recommendations included enhancing policy communication. The study's coastal focus and emphasis on resilience rather than sustainable growth limit its scope. The current study in Nakuru Town bridges this by focusing on sustainable growth across diverse MSE sectors, employing a descriptive design and regression analysis to provide localized, comprehensive insights into policy implementation effects.

Policy implementation's impact on SME sustainability was explored by Uddin M. N (2024) in Dhaka, Bangladesh. The study aimed to evaluate how government policies on credit access and environmental compliance affect SME longevity. Out of 500 SMEs that were targeted by the descriptive design, 350 were randomly chosen. Structured equation modeling was used to examine data gathered via surveys. Results showed that effective policy implementation fosters sustainability by improving credit access, while weak enforcement hampers compliance. The study advocated for policy monitoring systems focusing on specific policies and urban setting and therefore limiting generalization to diverse MSEs. This research in Nakuru Town, Kenya, fills that need by using stratified sampling and regression analysis to contextualize its results, and by looking at a wider variety of policies and how they affect sustainable MSE development across several sectors.

The impact of policy changes on the expansion of MSEs in Eldoret, Kenya, was studied by Kiptoo, Cheruiyot, and Langat (2020). Finding out how training and market access rules affect MSEs' scalability was the primary goal of the research. The quantitative research aimed to include four hundred fifty MSEs, from which two hundred fifty were chosen by random selection. Data was collected using questionnaires and then analyzed using multiple regression. Consistent regulations regarding market access impede expansion, but training policy implementation that is both effective and well-implemented increases scalability. The study proposed capacity-building for policymakers. Its focus on growth metrics and single-city context overlooks sustainability and diverse sectors. The proposed study in Nakuru town fills this gap by investigating policy implementation's effect on sustainable MSE growth across varied business

categories, using a descriptive design and stratified sampling for enhanced representation.

A study by Ndlovu, Mkhize, and Sibanda (2024) explored policy implementation's effect on informal MSEs in Johannesburg, South Africa. The study aimed to assess how urban and trade policy enforcement impacts MSE viability. With the use of snowball sampling, 60 MSE owners were selected for a qualitative study. Interviews were conducted to gather material, which was then evaluated thematically. The findings demonstrated that inclusive policies improve stability, but uneven policy enforcement undermines viability. The study suggested participatory policy frameworks. Its qualitative approach and informal sector focus limit its applicability to registered MSEs and quantitative insights. The current study in Nakuru Town addresses this by using a quantitative descriptive design, stratified sampling, and regression analysis to examine policy implementation's impact on the sustainable growth of registered MSEs across diverse sectors, offering broader and statistically robust findings.

The influence of policy implementation on SME green growth was investigated by Park, Choi, and Kim (2023) in Seoul, South Korea. The study aimed to evaluate how environmental policy enforcement affects SME adoption of sustainable practices. A quantitative design targeted 400 SMEs, with 320 sampled randomly. Panel data regression was used to examine the data received from the surveys. The findings indicated that sustainable behaviours are propelled by robust policy enforcement, while non-compliance arises from insufficient implementation. The research advocated for incentive-driven policy. Its environmental emphasis and advanced economic framework restrict its applicability to wider sustainability in poorer areas. The proposed study in Nakuru Town, Kenya, bridges this by examining the effect of policy implementation on holistic MSE sustainability across diverse sectors, using stratified sampling and regression analysis for context-specific insights.

2.4 Research Gaps

Studies on the role of political stability in sustainable growth reveal limitations that the research in Nakuru Town, Kenya, overcomes. Ndubuisi and Azuogalanya (2023) broadly assessed political environment impacts in Anambra, Nigeria, without isolating specific stability factors like consistent governance. Kamali Zonouzi et al. (2020) focused on SME survival in Tehran, Iran, missing growth dynamics relevant to Kenyan MSEs. Costantiello and Leogrande (2023) analyzed global ESG factors, neglecting localized MSE contexts. Raimi and Bamiro (2025) and Adebayo et al. (2022) examined unemployment and environmental outcomes in Nigeria and stable economies, respectively, overlooking direct MSE growth effects. Kirikkaleli and Osmanlı (2023) prioritized environmental quality in Turkey, not business sustainability. The Nakuru Town study addresses these shortcomings by investigating political stability's precise influence on diverse urban MSEs, employing primary data through structured questionnaires and regression analysis to deliver context-specific, actionable insights into sustainable growth dynamics.

The literature on government policies and regulations exposes gaps that the Nakuru Town, Kenya, study fills. Tian and Premaratna (2025) and Prasannath *et al.* (2024) conducted global reviews, lacking emphasis on Kenya's urban micro-enterprises. Whajah and Adenutsi (2025) used national data in Ghana, missing localized urban nuances. Zainuri *et al.* (2024) targeted Indonesia's creative sector, excluding diverse industries. Umoh (2025) studied Nigeria's frozen fish sector, limiting applicability to varied sectors. Mbugua (2020) broadly covered policies in Kiambu, Kenya, without deep regulatory analysis. Yadewani (2024) focused on knowledge mediation in Indonesia, ignoring operational factors like market access. These studies lack geographic specificity, sector diversity, or regulatory depth. The research in Nakuru Town counters these deficiencies by directly assessing government regulations' impact on diverse urban MSEs, using primary data, probability-stratified random sampling, and multiple linear regression to provide detailed, localized insights into sustainable growth.

Existing research on political systems and sustainable growth highlights gaps that the investigation in Nakuru Town, Kenya, resolves. Nzyoka (2022) examined manufacturing MSEs in Mombasa, overlooking sectors like services. Teka (2022) relied on secondary data in Ethiopia, lacking primary MSE insights. Niyonsaba *et al.* (2022) focused on youth-owned MSEs in Kigali, Rwanda, excluding other demographics. Olaoye *et al.* (2024) used macro-level data across sub-Saharan Africa, missing micro-level MSE perspectives. Agolla (2024) broadly reviewed affirmative action in Kenya, lacking regulatory specificity. Hanim *et al.* (2023) analyzed secondary funding data in Indonesia, omitting primary MSE perspectives. Gathitu *et al.* (2024) targeted group-based MSEs in Nairobi, neglecting individual enterprises. Abdissa *et al.* (2022) focused on one Ethiopian town, limiting urban relevance. The Nakuru Town research overcomes these by exploring political system effects on diverse urban MSEs, using primary data, probability stratified random sampling, and regression for comprehensive, context-specific sustainability insights.

The collective empirical review on political stability, policies, and systems uncovers gaps that the study in Nakuru Town, Kenya, rectifies. Global studies like Costantiello and Leogrande (2023), Tian and Premaratna (2025), and Prasannath *et al.* (2024) lack focus on localized urban MSE contexts. Sector-specific studies, such as Umoh (2025) and Zainuri *et al.* (2024), limit applicability to diverse industries. Teka (2022) and Hanim *et al.* (2023) used secondary data, missing primary stakeholder voices. Niyonsaba *et al.* (2022) and Gathitu *et al.* (2024) targeted specific demographics or group-based MSEs, excluding broader populations. These studies often lack geographic specificity, sector inclusivity, or primary data depth. The Nakuru Town investigation resolves these issues by concentrating on a cosmopolitan urban hub, assessing political environment impacts across diverse MSE sectors like retail and services, and utilizing primary data through structured questionnaires, non-probability probability stratified random sampling, and multiple linear regression to deliver detailed, localized insights into sustainable growth.
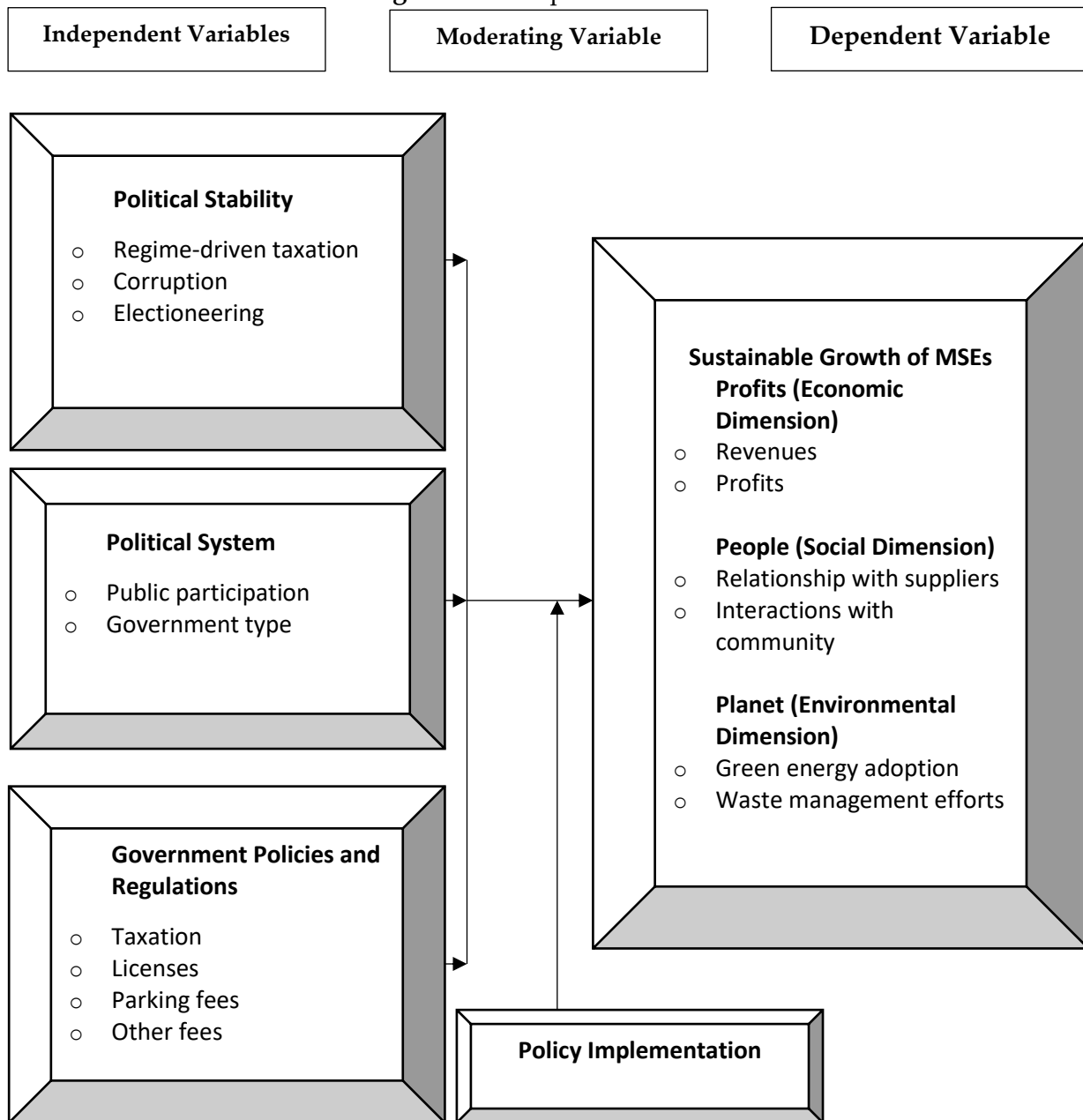
2.5 Conceptual Framework

Researchers may benefit from using a conceptual framework as it provides a visual representation of the relationships among the important study components (Adom *et al.*, 2020). In addition to guiding the gathering and processing of data, it offers a systematic way to understand how independent and dependent variables, as well as any moderating or intervening factors, interact with one another. The study proposed a framework including the dependent variable, an intervening variable, and an independent variable. The political environment, including systemic political stability, regulatory frameworks, and policy and regulatory changes, functions as the independent variable. The dependent variable, which was the sustainable growth of MSEs, was characterized by the three main indicators of sustainable development profits: people, planet, and sustainable development overall. The theory behind the research is shown in Figure 1, which shows the hypothesized connection between the independent variable, the intervening variable, and the dependent variable.

Figure 1 shows how the political climate affects the sustainability of MSEs, with a direct influence on the three primary sustainability indicators: profits, people, and planet. Government laws and regulations, political stability, and the political system all have the potential to help or hurt the long-term success of micro, MSEs. Sustainable growth was measured in its individual aspects, through the indicators such as profits and revenues to support the profits or economic tenet. The people's tenet was measured through the analysis of the relationship of the business with stakeholders such as suppliers and local community. Finally, the planet or environmental tenet was measured through the ease of initiating and maintaining environmentally friendly activities such as waste management and the use of green energy.

The connection between the political climate and the long-term success of MSEs was further complicated by the inclusion of policy execution as a moderating factor. The rationale for including policy implementation as an intervening factor is based on the understanding that the effectiveness of political systems, stability, and government policies is not merely in their existence but in how well they are implemented. Proper policy implementation ensures that the intended benefits of political stability, system efficiency, and regulations are realized by MSEs, thereby enhancing their sustainable growth. Conversely, poor policy implementation can dilute or negate the positive effects of even the best-formulated political and regulatory frameworks, leading to inefficiencies, confusion, and stagnation in business growth and sustainability efforts.

Figure 1: Conceptual Framework

Independent Variables	Moderating Variable	Dependent Variable

Political Stability

o Regime-driven taxation
o Corruption
o Electioneering

Political System

o Public participation
o Government type

Government Policies and Regulations

o Taxation
o Licenses
o Parking fees
o Other fees

Sustainable Growth of MSEs Profits (Economic Dimension)
o Revenues
o Profits

People (Social Dimension)
o Relationship with suppliers
o Interactions with community

Planet (Environmental Dimension)
o Green energy adoption
o Waste management efforts

Policy Implementation

Source: Author (2025).

3. Research Design and Methodology

3.1 Introduction

Location, research design, demographics, target population, sample size, sampling strategy, data gathering instruments, data collection technique, processing, analysis, and presentation of results are all outlined in this portion of the study methodology.

3.2 Research Design

Researchers in this study relied on a descriptive approach. According to Erickson (2017), descriptive research designs seek to ascertain the occurrence frequency or the correlations

between variables. The descriptive survey method sheds light on the study problem by defining, measuring, forecasting, and investigating associative links (correlation) among the relevant variables. The purpose of a correlation study, as stated by Norman (2010), was to establish a connection between past and present occurrences. Researchers were able to glean a wealth of information on the study population using this methodology. It also let the researcher zero in on Nakuru town specifically, which led to more meaningful, contextualized suggestions.

3.3 Location of the Study
The study took place in Nakuru Town, Nakuru County, in Kenya. Nakuru Town was selected due to its rapid urbanization and advantageous location along the Nairobi-Eldoret route. The town is cosmopolitan, drawing a vast array of people, cultures, and enterprises, so it creates an atmosphere conducive to the study of MSEs. Nakuru serves both as a tourist destination and an industrial and business hub, features that shape the business environment and facilitate a diverse array of firms involved in various economic activities.

Biashara Ward, the busy Kenyatta and Oginga Odinga Avenues, and the surrounding business districts of Nakuru Town have an exceptionally high concentration of MSEs. These areas are perfect for mom-and-pop stores, service providers, and factories. Because of its accessibility and variety, Nakuru is a great place to study how the political atmosphere affects the long-term growth of micro, small, and medium-sized enterprises (MSEs).

3.4 Population of the Study
The intended recipients were the MSEs placed on and around the major routes of Nakuru town, namely Kenyatta Avenue, Kanu Street, and Oginga Odinga Avenue, as well as the businesses located in the areas in between. Due to their accessibility, diversity of qualities, and stability, the research focused on MSE firms along these roadways. The lack of a database for Nakuru Town about the number of registered MSEs in the area led to this decision. The town of Nakuru is home to 1,260 registered MSEs, as reported by Muiruri, Richu, and Karanja (2015). Based on data from the Kenya National Bureau of Statistics (2024), the number of MSEs has risen to 1,338. This is based on an average GDP contribution growth rate of 6.1% over the previous four years for Nakuru County. Among them, one may find MSEs for both goods and services. In addition, the county officials from Nakuru County's Department of Trade, Tourism, and Cooperatives shed light on the department's engagement with the political context, which impacts MSEs potential for sustainable growth.

Table 1: Target Population

Business Category	Population (N)
Hotel and Hospitality	121
Wholesale	80
Retail	201
Hardware	60
Fruits and Foods Vending	149
Fast Foods and Eateries	100
Clothing	91
Computer and Technology Products	40
Books and Stationery Products	31
Banking and Money-Based Products	20
Phone Repair	25
Beauty and Associated Services	70
Security Services	25
Cyber Services	30
Transport Services	41
Agriculture	34
Education (Colleges, Universities)	25
Entertainment	30
Health Services	51
Other Assorted Shops and Stalls	94
Total	**1,338**

Source: Nakuru County Government (2024).

3.5 Sampling Procedure and Sample Size

3.5.1 Sampling Procedure

Research studies sometimes use sampling, which is picking a smaller group of items from a larger population to stand in for the whole group (Saunders, Lewis, & Thornhill, 2019). One thousand three hundred and thirty-eight MSEs in Nakuru Town were considered for this research. Instead of performing a complete census, the researcher could gather data that was representative of the community by using this method, which ensured that questionnaires could be distributed, supervised, and collected in a practical and manageable way. The research divided the population into strata according to the kind of businesses they were a part of using a probability stratified random sampling method. To guarantee that each category was adequately represented in the sample based on its population prevalence, proportional stratified sampling was used. This technique enhanced the sample representation and reduced the probability of sampling bias, therefore providing a comprehensive understanding of the MSEs operating in Nakuru Town.

3.5.2 Sample Size

The sample size for this research was calculated using the method established by Nassiuma (2000), suitable for limited populations. Nassiuma asserts that the calculation of an optimal sample size is contingent upon three primary parameters: the accessible

population (N), the coefficient of variation (C), and the standard error (e). The coefficient of variation often falls between 21% and 30%, whilst the standard error is advised to be between 2% and 5%. This research used lower values to improve accuracy, establishing the coefficient of variation at 21% (0.21) and the standard error at 2% (0.02).

The formula by Nassiuma (2000) is given as:

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where:

- n = Sample size,
- N = Accessible population (1,338),
- C = Coefficient of variation (0.21),
- e = Standard error (0.02).

Substituting the values into the formula:

$$n = \frac{1338 \times 0.21^2}{0.21^2 + (1338 - 1) \times 0.02^2} = \frac{1338 \times 0.0441}{0.0441 + 1337 \times 0.0004}$$

$$n = \frac{59.0058}{0.0441 + 0.5348} = \frac{59.0058}{0.5789} = 101.92$$

Rounding off, the final sample size was 102 respondents.

The distribution of the sample size across each company category in this research was determined using the Proportionate Stratified Sampling algorithm established by Cochran (1977). This formula is well-established in survey sampling for guaranteeing that each subgroup or stratum within a community is proportionately represented in the sample, in accordance with its size in the population. The equation is articulated as:

$$n_i = \frac{N_i}{N} \times n$$

where:

- n_i represents the **allocated sample size for stratum _i_** (in this case, each business category),
- N_i is the **population size of stratum _i_** (the number of businesses in that category),
- N denotes the **total population size** (1,338 businesses in Nakuru Town), and
- n represents the **total sample size** determined for the study (102 businesses).

This approach was used to guarantee that bigger company categories in Nakuru Town obtained a proportionately greater percentage of the sample, while smaller categories got fewer responses, thereby preserving the authentic structure and variety of the population within the sample. The use of Cochran's proportional allocation technique is warranted as it increases sample representation and boosts the reliability of research outcomes by minimizing sampling bias across various company kinds.

Table 2: Sample Distribution

Business Category	Population (N)	Allocated Sample Size (n)
Hotel and Hospitality	121	9
Wholesale	80	6
Retail	201	16
Hardware	60	5
Fruits and Foods Vending	149	12
Fast Foods and Eateries	100	8
Clothing	91	7
Computer and Technology Products	40	3
Books and Stationery Products	31	2
Banking and Money-Based Products	20	2
Phone Repair	25	2
Beauty and Associated Services	70	5
Security Services	25	2
Cyber Services	30	2
Transport Services	41	3
Agriculture	34	3
Education (Colleges, Universities)	25	2
Entertainment	30	2
Health Services	51	4
Other Assorted Shops and Stalls	94	7
Total	**1,338**	**102**

3.6 Instrumentation

Data was collected from the participating firms using a standardized questionnaire by the researcher. According to Mugenda and Mugenda (2003), structured questionnaires are a kind of data gathering instrument that consists of a series of closed-ended questions. In keeping with the purpose of the research, the instrument was selected since it allowed for easy statistical analysis of the data. Researchers were able to conduct statistical analyses and draw conclusions from structured questionnaires since participants were constrained to responding to specified answers (Cooper & Schindler, 2003). A 5-point Likert scale measuring degrees of agreement was used in the questionnaire. The range ran from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaires allowed for the rapid gathering of data.

3.6.1 Pilot Study

In order to have everything ready for the main inquiry, a pilot survey is like a streamlined version of it. Cooper *et al.* (2018) pointed out that it helps with the practical parts of survey administration and with evaluating the research tools' applicability and usefulness. Finding gaps, errors, ambiguities, or problems with any part of the study process was the goal of the pilot test. To reduce the likelihood of data contamination and increase the research's external validity, a pilot study was carried out in Eldoret Town before the main study in Nakuru Town CBD. Eldoret CBD was considered suitable owing to its analogous economic environment to Nakuru, with several MSEs located along Uganda Road, Oloo

Street, and other vibrant commercial areas. Following the recommendations of Isaac and Michael (1995), Connelly (2008), and Treece and Treece (1982), who state that a pilot study's sample size should be at least 10% of the main study's sample size, eleven questionnaires were used in the pilot research. The participants in the pilot study were purposely left out of the main study to ensure that the research data remained credible and independent.

3.6.2 Validity of the Instrument

According to Mugenda & Mugenda (2003), validity is defined as the degree to which study findings are accurate and applicable. For a data gathering tool to be legitimate, the information it gathers must be relevant to the identified gap or need. To make sure the research instruments were measuring the right things, we checked their validity. According to Borg and Gall (1999), an instrument's validity is improved by expert evaluation. The researcher consulted with research supervisors and coworkers for technical advice while developing the research tool.

3.6.3 Reliability of the Instrument

Repeated measurements conducted on the same subject under the same circumstances are what make a test reliable (Steffgen, Kohl, Reese, Happ, and Sischka, 2015). According to Kothari (2006), a questionnaire's reliability is an assessment of how well it measures the same construct when used again or how well it yields the same results when conducted under identical conditions using the same data collection tool. The Cronbach alpha coefficient, which may take values between 0 and 1, was used to assess the reliability of the research questionnaire for this study. According to Bonett and Wright (2015), when the Cronbach's alpha value is.60 or above, it indicates that the items being assessed are more internally consistent. This was considered an indicator of improved reliability of the research apparatus.

3.7 Data Collection Procedure

The researcher sought permission for data collection from the Kabarak University Academics Department, which issued an introductory letter to facilitate field access. The Kabarak University Research Ethics Committee (KUREC) granted ethical clearance, affirming the study's adherence to recognised ethical norms for research involving human subjects. The researcher secured research authorisation from the National Commission for Science, Technology and Innovation (NACOSTI) for the study in Nakuru County. Prior to the commencement of data collection, the researcher conducted a reconnaissance survey to familiarise himself with the study area and to submit the research to relevant County Government officials. During this visit, the researcher requested official authorization to interact with MSE proprietors in Nakuru Town and presented the suggested data collecting timetable to the county authorities. Following the acquisition of requisite clearances, the researcher started the data gathering procedure. The drop-and-pick later technique used structured questionnaires, enabling respondents

to complete them at their leisure, hence assuring a high response rate and excellent data for the research.

3.8 Data Analysis and Presentation

Once data collection was finished, the researcher double-checked each questionnaire to make sure it was accurate, comprehensive, and consistent. For statistical analysis, we sanitized each questionnaire and methodically categorized the responses. The research team employed SPSS 26 (Statistical Package for the Social Sciences). Descriptive and inferential statistics were both used in the research. The demographic data of respondents and their comments about the political environment and sustainable growth of MSEs in Nakuru Town were captured using descriptive statistics, which include frequencies, percentages, means, and standard deviations.

After that, we utilized inferential statistics to look at how the independent variables (X_1, X_2, and X_3, respectively) and the dependent variable (Y, Sustainable Growth of MSEs) were related to one another. X_4, the policy implementation variable, was also used as a moderator. This data was used to inform the development of two regression models:

- **Model 1:** Main Effects Model (No Moderation)

This model was used to determine the direct influence of each independent variable on the dependent variable.

Equation:

$$\text{(i)}$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:
Y = Sustainable Growth of MSEs,
β_0 = Intercept (constant),
β_1, β_2, β_3 = Coefficients of the independent variables,
X_1 = Political Stability,
X_2 = Political System,
X_3 = Government Policies and Regulations,
ε = Error term.

This model measured how changes in each independent variable directly affect the sustainable growth of MSEs.

- **Model 2:** Moderated Effects Model (Interaction Terms Only)

This model assessed the influence of interactions between each independent variable and the moderating variable (Policy Implementation) on the dependent variable. The interaction terms captured how the strength or direction of the relationship between each independent variable and the dependent variable changes depending on the level of policy implementation.

Equation:

$$Y = \beta_0 + \beta_5(X_1 \cdot X_4) + \beta_6(X_2 \cdot X_4) + \beta_7(X_3 \cdot X_4) + \varepsilon \qquad \text{(ii)}$$

Where:
Y = Sustainable Growth of MSEs,
β_0 = Intercept,
β_5, β_6, β_7 = Coefficients for the interaction terms,
$X_1 \cdot X_4$ = Interaction between Political Stability and Policy Implementation,
$X_2 \cdot X_4$ = Interaction between Political System and Policy Implementation,
$X_3 \cdot X_4$ = Interaction between Government Policies/Regulations and Policy Implementation,
ε = Error term.

This model enabled the researcher to determine whether the effect of political factors on MSE growth depends on the level and quality of policy implementation.

3.9 Ethical Considerations

The researcher adhered to the five principal ethical principles in the study, exercising care and due attention in their observations. These included, but were not limited to, informed permission, voluntary involvement, non-maleficence, secrecy and privacy, anonymity, and the restriction to pertinent information access. Informed consent, as a fundamental element of research ethics, was meticulously evaluated. Four essential elements of informed consent were considered: the respondent's decision-making capacity, consent documents, comprehensive disclosure, and the respondent's competence. In this context, the researcher examined and ensured informed permission from the respondents. A permission form was implemented to signify maximum good faith, and it was communicated to the respondents that the information acquired was only for academic purposes. An official introduction letter seeking clearance to conduct the study was also requested from the University.

4. Data Analysis, Presentation and Discussion

4.1 Introduction

Data gathered from MSEs in Nakuru Town, a growing metropolitan region with limited development progress in Kenya, is analyzed, interpreted, and discussed in this chapter. How political stability, political system, government laws, and policy execution affect the long-term success of MSEs is the subject of the study.

4.1.1 Response Rate

Table 3 presents the response rate of the study, detailing participation levels among MSE owners and managers in Nakuru Town.

Table 3: Response Rate

Category	Target Sample	Actual	Response Rate (%)
MSE Owners/Managers	102	92	90.2%

The research achieved a 90.2% response rate, with 92 out of 102 distributed questionnaires returned within the specified timeframe. This surpasses the 70% benchmark commonly considered acceptable in contemporary survey-based research (Fan & Yan, 2024), indicating robust involvement among MSE owners in Nakuru Town, possibly motivated by their desire to tackle political and regulatory issues. The elevated response rate guarantees the reliability and validity of results in this evolving situation.

4.2 Demographic Characteristics

The demographic characteristics of respondents provide background for understanding the impact of political and regulatory elements on the sustainable expansion of MSEs in Nakuru Town, highlighting the limitations of a growing metropolitan environment.

4.2.1 Gender Distribution of Respondents

Table 4 shows the gender distribution of respondents.

Table 4: Gender Distribution of Respondents

Response	Frequency	Percentage (%)
Male	49	53.3
Female	43	46.7
Total	**92**	**100.0**

The gender distribution is fairly balanced, with 49 males (53.3%) and 43 females (46.7%). This suggests both genders are active in Nakuru's MSE sector, though male dominance may reflect cultural or economic factors in a developing region. The near-equality minimizes gender bias, ensuring diverse perspectives on political and regulatory impacts.

4.2.2 Age Category Distribution of Respondents

Table 5 outlines the age distribution of respondents.

Table 5: Age Category Distribution of Respondents

Response	Frequency	Percentage (%)
18–24 years	12	13.0
25–34 years	53	57.6
35–45 years	19	20.7
46 years and above	8	8.7
Total	**92**	**100.0**

Most respondents (57.6%) are aged 25–34 years, followed by 20.7% in the 35–45 years bracket. The youth-heavy sample reflects limited job opportunities in Nakuru, pushing

younger individuals into entrepreneurship. The low representation of older respondents (8.7% above 46 years) suggests challenges in sustaining businesses long-term, capturing both short-term and limited long-term perspectives.

4.2.3 Highest Level of Education of Respondents
Table 6 presents the educational qualifications of respondents.

Table 6: Level of Education

Response	Frequency	Percentage (%)
Primary Education	27	29.3
Secondary Education	43	46.7
College Education	14	15.2
University Education	8	8.7
Total	**92**	**100.0**

Secondary education dominates (46.7%), followed by primary education (29.3%). Only 15.2% have a college education, and 8.7% have a university education, reflecting limited access to higher education in Nakuru. This may hinder MSE owners' ability to navigate complex regulations, contributing to negative perceptions of bureaucratic processes.

4.2.4 Years of Business Operation in Nakuru Town
Table 7 details the years of business operation.

Table 7: Years of Business Operation in Nakuru Town

Response	Frequency	Percentage (%)
Less than 1 year	22	23.9
1–3 years	48	52.2
4–6 years	14	15.2
7 years and above	8	8.7
Total	**92**	**100.0**

Most businesses (52.2%) have operated for 1–3 years, indicating high turnover in Nakuru's challenging environment. Only 8.7% have operated for over 7 years, highlighting difficulties in achieving sustainability. This distribution captures perspectives from newer and slightly established MSEs, reflecting the unstable business climate.

4.3 Descriptive Statistics
This section presents descriptive data for the main variables examined, concentrating on the determinants affecting the sustainable development of MSEs in Nakuru Town, Kenya. Each component analyzes respondents' assessments of key elements of political stability, political systems, government policies and regulations, policy execution, and sustainable development, as well as their impacts on MSE sustainability in Nakuru's expanding urban setting. The results are from structured surveys and are shown in tables

that summarize frequency distributions, means, and standard deviations, largely indicating unfavorable answers attributable to systemic governance and regulatory problems.

4.3.1 Political Stability

The researcher aimed to evaluate respondents' perspectives on political stability and its correlation with the sustainable development of MSEs in Nakuru Town. Political stability is essential for cultivating a favorable economic climate; yet, Nakuru's situation is characterized by disturbances from elections, corruption, and bureaucratic inefficiency. The results are encapsulated in Table 8.

Table 8: Political Stability

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
Changes in government regimes influence tax rates applicable to my business.	3.3	7.6	19.6	47.8	21.7	3.77	0.978
Corruption in local government affects the smooth running of my business.	1.1	5.4	15.2	48.9	29.3	4.00	0.896
Local elections cause disruptions that affect my business operations.	4.3	8.7	21.7	43.5	21.7	3.70	1.015
Political instability in the county reduces investor confidence in MSE growth.	2.2	6.5	17.4	46.7	27.2	3.90	0.941
Corruption reduces my business profits.	1.1	4.3	13.0	50.0	31.5	4.07	0.864
Bureaucracy reduces my business profits.	2.2	5.4	15.2	48.9	28.3	3.96	0.917
Elections reduce my business profits.	3.3	8.7	19.6	46.7	21.7	3.75	0.995
Bureaucratic processes slow down my business expansion plans.	1.1	6.5	13.0	51.1	28.3	3.99	0.898
Average						**3.89**	**0.938**

Key: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree.

The findings indicate a strong negative perception of political stability practices. From the results, 69.5% of respondents (Mean = 3.77, Std. Dev. = 0.978) agreed that changes in government regimes influence tax rates applicable to their business, with 47.8% agreeing and 21.7% strongly agreeing, while 10.9% disagreed (3.3% strongly disagree, 7.6% disagree) and 19.6% were neutral. Similarly, 81.5% (Mean = 4.07, Std. Dev. = 0.864) agreed that corruption reduces business profits, with 50.0% agreeing and 31.5% strongly agreeing, while 5.4% disagreed (1.1% strongly disagree, 4.3% disagree) and 13.0% were neutral. Corruption affecting the smooth running of businesses was supported by 78.2% (Mean = 4.00, Std. Dev. = 0.896), with 48.9% agreeing and 29.3% strongly agreeing, while 6.5% disagreed (1.1% strongly disagree, 5.4% disagree) and 15.2% were neutral. Bureaucratic processes slowing expansion plans were acknowledged by 79.4% (Mean = 3.99, Std. Dev. = 0.898), with 51.1% agreeing and 28.3% strongly agreeing, while 7.6% disagreed (1.1% strongly disagree, 6.5% disagree) and 13.0% were neutral. Bureaucracy reducing profits was supported by 77.2% (Mean = 3.96, Std. Dev. = 0.917), with 48.9% agreeing and 28.3% strongly agreeing, while 7.6% disagreed (2.2% strongly disagree,

5.4% disagree) and 15.2% were neutral. Political instability reducing investor confidence was agreed upon by 73.9% (Mean = 3.90, Std. Dev. = 0.941), with 46.7% agreeing and 27.2% strongly agreeing, while 8.7% disagreed (2.2% strongly disagree, 6.5% disagree) and 17.4% were neutral. Elections reducing profits were supported by 68.4% (Mean = 3.75, Std. Dev. = 0.995), with 46.7% agreeing and 21.7% strongly agreeing, while 12.0% disagreed (3.3% strongly disagree, 8.7% disagree) and 19.6% were neutral. Finally, 65.2% (Mean = 3.70, Std. Dev. = 1.015) agreed that local elections cause disruptions, with 43.5% agreeing and 21.7% strongly agreeing, while 13.0% disagreed (4.3% strongly disagree, 8.7% disagree) and 21.7% were neutral.

With an overall mean of 3.89 and a standard deviation of 0.938, the results suggest strong and consistently perceived barriers due to political instability. This aligns with Abdissa *et al.* (2022), who reported that corruption and political instability significantly hinder SME growth in developing economies. High agreement, particularly on corruption reducing profits (81.5%) and bureaucratic processes slowing expansion (79.4%), highlights critical challenges, necessitating enhanced governance and anti-corruption measures to support MSE sustainability.

4.3.2 Political System

This subsection examines the extent of the political system's effectiveness in Nakuru County and its perceived effect on MSE sustainable growth. The political system shapes policy-making and stakeholder engagement, but Nakuru's governance is often criticized for exclusionary practices. The results are detailed in Table 9.

Table 9: Political System

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
The Nakuru County government operates based on democratic principles.	17.4	34.8	26.1	15.2	6.5	2.59	1.137
Public participation forums are regularly conducted for the MSE community.	19.6	35.9	25.0	13.0	6.5	2.51	1.150
I have participated in public participation regarding MSE policies.	23.9	37.0	21.7	12.0	5.4	2.38	1.123
MSE owners are consulted before the introduction of new county policies or taxes.	21.7	38.0	23.9	12.0	4.3	2.39	1.091
Government policies support fair treatment of local and foreign firms.	22.8	35.9	23.9	12.0	5.4	2.41	1.123
The county government ensures policy consistency to foster business growth.	20.7	37.0	23.9	13.0	5.4	2.45	1.115
The political system in Nakuru promotes business-friendly policies.	23.9	34.8	23.9	12.0	5.4	2.40	1.134
The public is adequately informed about new government policies and regulations.	22.8	37.0	21.7	13.0	5.4	2.41	1.123
Average						**2.44**	**1.124**

Key: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree.

The study findings revealed that 21.7% (Mean = 2.59, Std. Dev. = 1.137) agreed that the Nakuru County government operates based on democratic principles, with 15.2% agreeing and 6.5% strongly agreeing, while 52.2% disagreed (17.4% strongly disagree, 34.8% disagree) and 26.1% were neutral. Public participation forums for the MSE community were supported by 19.5% (Mean = 2.51, Std. Dev. = 1.150), with 13.0% agreeing and 6.5% strongly agreeing, while 55.5% disagreed (19.6% strongly disagree, 35.9% disagree) and 25.0% were neutral. Only 17.4% (Mean = 2.38, Std. Dev. = 1.123) agreed that they participated in public participation regarding MSE policies, with 12.0% agreeing and 5.4% strongly agreeing, while 60.9% disagreed (23.9% strongly disagree, 37.0% disagree) and 21.7% were neutral. MSE owners being consulted before new policies or taxes was acknowledged by 16.3% (Mean = 2.39, Std. Dev. = 1.091), with 12.0% agreeing and 4.3% strongly agreeing, while 59.7% disagreed (21.7% strongly disagree, 38.0% disagree) and 23.9% were neutral. Fair treatment of local and foreign firms was supported by 17.4% (Mean = 2.41, Std. Dev. = 1.123), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (22.8% strongly disagree, 35.9% disagree) and 23.9% were neutral. Policy consistency fostering business growth was agreed upon by 18.4% (Mean = 2.45, Std. Dev. = 1.115), with 13.0% agreeing and 5.4% strongly agreeing, while 57.7% disagreed (20.7% strongly disagree, 37.0% disagree) and 23.9% were neutral. The political system promoting business-friendly policies was recognized by 17.4% (Mean = 2.40, Std. Dev. = 1.134), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (23.9% strongly disagree, 34.8% disagree) and 23.9% were neutral. Finally, 18.4% (Mean = 2.41, Std. Dev. = 1.123) agreed that the public is adequately informed about new policies, with 13.0% agreeing and 5.4% strongly agreeing, while 59.8% disagreed (22.8% strongly disagree, 37.0% disagree) and 21.7% were neutral.

The average mean of 2.44 with a standard deviation of 1.124 indicates a generally negative perception of the political system. These results align with Nzyoka (2022), who identified exclusionary political systems as barriers to MSE performance in Kenya. High disagreement, particularly on participation in policy-making (60.9%) and consultation on new policies (59.7%), highlights critical deficiencies, necessitating improved stakeholder engagement and transparency to support MSE sustainability.

4.3.3 Government Policies and Regulations

The study explored the role of government policies and regulations in influencing MSE sustainable growth in Nakuru Town. Regulatory frameworks significantly affect operational costs and expansion decisions, often posing challenges in developing contexts. Table 10 presents the summarized responses.

Table 10: Government Policies and Regulations

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
Taxation policies affect my business's profitability.	2.2	7.6	15.2	48.9	26.1	3.89	0.964
Licensing fees influence my decision to operate in this county.	3.3	8.7	17.4	46.7	23.9	3.79	1.015
Parking fees imposed by the county government affect customer traffic to my business.	2.2	9.8	19.6	44.6	23.9	3.78	0.995
Cess and other levies discourage business expansion in Nakuru town.	1.1	7.6	15.2	50.0	26.1	3.93	0.917
Fire safety and public health fees reduce the operational profits of my business.	2.2	6.5	15.2	48.9	27.2	3.92	0.941
Local government policies are transparent and predictable.	21.7	35.9	23.9	13.0	5.4	2.45	1.134
Local government policies promote business growth.	23.9	34.8	23.9	12.0	5.4	2.40	1.134
Policy implementation is fair and non-discriminatory between MSEs and large firms.	22.8	37.0	21.7	12.0	6.5	2.42	1.150
Average						**3.32**	**1.031**

Key: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree.

The study findings indicated that 75.0% (Mean = 3.89, Std. Dev. = 0.964) agreed that taxation policies affect their business's profitability, with 48.9% agreeing and 26.1% strongly agreeing, while 9.8% disagreed (2.2% strongly disagree, 7.6% disagree) and 15.2% were neutral. Cess and other levies discouraging business expansion were supported by 76.1% (Mean = 3.93, Std. Dev. = 0.917), with 50.0% agreeing and 26.1% strongly agreeing, while 8.7% disagreed (1.1% strongly disagree, 7.6% disagree) and 15.2% were neutral. Fire safety and public health fees reducing operational profits were agreed upon by 76.1% (Mean = 3.92, Std. Dev. = 0.941), with 48.9% agreeing and 27.2% strongly agreeing, while 8.7% disagreed (2.2% strongly disagree, 6.5% disagree) and 15.2% were neutral. Licensing fees influencing the decision to operate in the county were recognized by 70.6% (Mean = 3.79, Std. Dev. = 1.015), with 46.7% agreeing and 23.9% strongly agreeing, while 12.0% disagreed (3.3% strongly disagree, 8.7% disagree) and 17.4% were neutral. Parking fees imposed by the county government affecting customer traffic were supported by 68.5% (Mean = 3.78, Std. Dev. = 0.995), with 44.6% agreeing and 23.9% strongly agreeing, while 12.0% disagreed (2.2% strongly disagree, 9.8% disagree) and 19.6% were neutral. However, only 18.4% (Mean = 2.45, Std. Dev. = 1.134) agreed that local government policies are transparent and predictable, with 13.0% agreeing and 5.4% strongly agreeing, while 57.6% disagreed (21.7% strongly disagree, 35.9% disagree) and 23.9% were neutral. Local government policies promoting business growth were agreed upon by 17.4% (Mean = 2.40, Std. Dev. = 1.134), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (23.9% strongly disagree, 34.8% disagree) and 23.9% were neutral. Policy implementation being fair and non-discriminatory between MSEs and large firms was supported by 18.5% (Mean = 2.42, Std. Dev. = 1.150), with 12.0%

agreeing and 6.5% strongly agreeing, while 59.8% disagreed (22.8% strongly disagree, 37.0% disagree) and 21.7% were neutral.

The average mean of 3.32 and standard deviation of 1.031 suggest mixed perceptions, with strong agreement on the negative financial impacts of regulations but disagreement on their transparency and fairness. These findings align with Mbugua (2020), who noted that restrictive regulations hinder MSE growth in Kenya. High agreement on cess and levies (76.1%) and fire safety fees (76.1%) highlights significant barriers, indicating a need for business-friendly regulatory reforms to support MSE sustainability.

4.3.4 Policy Implementation

This section evaluates the county government's practices related to policy implementation and their impact on MSE sustainable growth in Nakuru Town. Effective policy execution is crucial for supporting businesses, but Nakuru's developing context faces challenges in communication and transparency. The findings are outlined in Table 11.

Table 11: Policy Implementation

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
The government clearly communicates new policies affecting MSEs.	22.8	35.9	23.9	12.0	5.4	2.41	1.134
The government ensures the timely implementation of policies supporting MSE growth.	21.7	37.0	23.9	12.0	5.4	2.42	1.123
Policy implementation processes are transparent and predictable.	20.7	38.0	23.9	12.0	5.4	2.43	1.115
Government policies are regularly reviewed to suit the changing business environment.	23.9	34.8	23.9	12.0	5.4	2.40	1.134
My business receives adequate information and guidance on policy compliance requirements.	22.8	35.9	23.9	12.0	5.4	2.41	1.134
Enforcement of government policies is fair and consistent across all MSEs.	21.7	37.0	23.9	12.0	5.4	2.42	1.123
The government provides sufficient support (e.g., training, seminars) to help businesses understand policies.	25.0	34.8	21.7	12.0	6.5	2.40	1.161
Policy implementation by the county government has improved the overall business environment for MSEs.	23.9	35.9	21.7	12.0	6.5	2.41	1.161
Average						2.41	1.136

Key: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree.

The study findings revealed that 17.4% (Mean = 2.41, Std. Dev. = 1.134) agreed that the government clearly communicates new policies affecting MSEs, with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (22.8% strongly disagree, 35.9% disagree) and 23.9% were neutral. Timely implementation of policies supporting MSE growth was

supported by 17.4% (Mean = 2.42, Std. Dev. = 1.123), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (21.7% strongly disagree, 37.0% disagree) and 23.9% were neutral. Policy implementation processes being transparent and predictable were acknowledged by 17.4% (Mean = 2.43, Std. Dev. = 1.115), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (20.7% strongly disagree, 38.0% disagree) and 23.9% were neutral. Government policies being regularly reviewed to suit the changing business environment were agreed upon by 17.4% (Mean = 2.40, Std. Dev. = 1.134), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (23.9% strongly disagree, 34.8% disagree) and 23.9% were neutral. Businesses receiving adequate information and guidance on policy compliance requirements were supported by 17.4% (Mean = 2.41, Std. Dev. = 1.134), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (22.8% strongly disagree, 35.9% disagree) and 23.9% were neutral. Enforcement of government policies being fair and consistent across all MSEs was recognized by 17.4% (Mean = 2.42, Std. Dev. = 1.123), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (21.7% strongly disagree, 37.0% disagree) and 23.9% were neutral. The government providing sufficient support (e.g., training, seminars) to help businesses understand policies was agreed upon by 18.5% (Mean = 2.40, Std. Dev. = 1.161), with 12.0% agreeing and 6.5% strongly agreeing, while 59.8% disagreed (25.0% strongly disagree, 34.8% disagree) and 21.7% were neutral. Finally, 18.5% (Mean = 2.41, Std. Dev. = 1.161) agreed that policy implementation by the county government has improved the overall business environment for MSEs, with 12.0% agreeing and 6.5% strongly agreeing, while 59.8% disagreed (23.9% strongly disagree, 35.9% disagree) and 21.7% were neutral.

The average mean of 2.41 and standard deviation of 1.136 reflect an unfavorable view of policy implementation practices. These findings align with Agolla (2024), who identified inconsistent policy implementation as a barrier to MSME sustainability in Kenya. High disagreement, particularly on transparency and predictability (58.7%) and provision of support (59.8%), suggests a need for improved communication and capacity-building initiatives to enhance policy execution for MSEs.

4.3.5 Sustainable Growth of MSEs

This section evaluates the sustainable growth practices of MSEs in Nakuru Town and their perceived impact on business longevity. Sustainable growth encompasses financial, social, and environmental dimensions, but Nakuru's challenging environment poses significant obstacles. The findings are outlined in Table 12.

Table 12: Sustainable Growth of MSEs

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
My business revenues have been increasing over the past 3 years.	26.1	34.8	21.7	12.0	5.4	2.36	1.150
My business makes sufficient profits to sustain its operations.	27.2	34.8	21.7	12.0	4.3	2.32	1.134
My business has established good relationships with suppliers.	12.0	23.9	29.3	25.0	9.8	2.97	1.203
My business actively participates in community development activities.	23.9	34.8	23.9	12.0	5.4	2.40	1.134
My business uses green energy sources (solar, energy-saving equipment, etc.).	29.3	34.8	21.7	10.9	3.3	2.24	1.108
My business has an effective waste management policy in place.	27.2	35.9	21.7	10.9	4.3	2.29	1.123
Nakuru County government effectively implements policies that support MSE growth.	25.0	34.8	23.9	12.0	4.3	2.36	1.123
My business has benefited from government incentives for sustainability.	28.3	35.9	21.7	10.9	3.3	2.25	1.108
Average						2.40	1.148

Key: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree.

The study findings revealed that 17.4% (Mean = 2.36, Std. Dev. = 1.150) agreed that their business revenues have been increasing over the past 3 years, with 12.0% agreeing and 5.4% strongly agreeing, while 60.9% disagreed (26.1% strongly disagree, 34.8% disagree) and 21.7% were neutral. Sufficient profits to sustain operations were acknowledged by 16.3% (Mean = 2.32, Std. Dev. = 1.134), with 12.0% agreeing and 4.3% strongly agreeing, while 62.0% disagreed (27.2% strongly disagree, 34.8% disagree) and 21.7% were neutral. Establishing good relationships with suppliers was supported by 34.8% (Mean = 2.97, Std. Dev. = 1.203), with 25.0% agreeing and 9.8% strongly agreeing, while 35.9% disagreed (12.0% strongly disagree, 23.9% disagree) and 29.3% were neutral. Active participation in community development activities was agreed upon by 17.4% (Mean = 2.40, Std. Dev. = 1.134), with 12.0% agreeing and 5.4% strongly agreeing, while 58.7% disagreed (23.9% strongly disagree, 34.8% disagree) and 23.9% were neutral. Use of green energy sources (e.g., solar, energy-saving equipment) was recognized by 14.2% (Mean = 2.24, Std. Dev. = 1.108), with 10.9% agreeing and 3.3% strongly agreeing, while 64.1% disagreed (29.3% strongly disagree, 34.8% disagree) and 21.7% were neutral. An effective waste management policy in place was supported by 15.2% (Mean = 2.29, Std. Dev. = 1.123), with 10.9% agreeing and 4.3% strongly agreeing, while 63.1% disagreed (27.2% strongly disagree, 35.9% disagree) and 21.7% were neutral. The Nakuru County government effectively implementing policies that support MSE growth was agreed upon by 16.3% (Mean = 2.36, Std. Dev. = 1.123), with 12.0% agreeing and 4.3% strongly agreeing, while 59.8% disagreed (25.0% strongly disagree, 34.8% disagree) and 23.9% were neutral.

Finally, 14.2% (Mean = 2.25, Std. Dev. = 1.108) agreed that their business has benefited from government incentives for sustainability, with 10.9% agreeing and 3.3% strongly agreeing, while 64.2% disagreed (28.3% strongly disagree, 35.9% disagree) and 21.7% were neutral.

The average mean of 2.40 and standard deviation of 1.148 reflect an unfavorable view of sustainable growth practices. These findings align with Teka (2022), who identified regulatory barriers as hindrances to MSE sustainability in developing contexts. High disagreement, particularly on the use of green energy sources (64.1%) and benefiting from sustainability incentives (64.2%), highlights critical deficiencies, suggesting a need for enhanced support and incentives to promote MSE sustainability in Nakuru Town.

4.4 Diagnostic Tests

Several diagnostic tests were conducted to guarantee that the regression model used in this investigation was reliable, valid, and robust. Essential to linear regression analysis, these tests checked for auto-correlation, multicollinearity, and normality. The next sections provide a full account of the findings and their interpretations.

4.4.1 Residual Statistics

To assess how the regression model's mistakes are distributed and behave, residual statistics are essential. A well-fitting regression model requires that the residuals be centered around zero and generally normally distributed; this test helps with that.

Table 13: Residuals Statistics

Statistic	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.7234	4.4897	2.4000	0.67523	92
Residual	-0.87654	0.96543	0.00000	0.39217	92
Std. Predicted Value	-2.299	3.096	0.000	1.000	92
Std. Residual	-2.235	2.462	0.000	1.000	92
a. Dependent Variable: Sustainable Growth					

The predicted values display a reasonable spread from 1.7234 to 4.4897 with a mean of 2.4000, demonstrating the model's ability to estimate sustainable growth across varying observations. The residuals are symmetrically distributed around zero (mean = 0.00000), satisfying the linearity assumption. Standardized predicted and residual values are within ±3, which aligns with the expectation for normal residual distribution, thus supporting the model's assumption of homoscedasticity (Field, 2018).

4.4.2 Normality Test (Histogram of Residuals)

Before proceeding with hypothesis testing, it is crucial to confirm the assumption of normality for residuals. A histogram was plotted, and frequency data collected to observe the distribution pattern of residuals.

Table 14: Regression Histogram Data

Bin Range	Frequency	Percentage (%)
-2.5 to -2.0	2	2.2
-2.0 to -1.5	5	5.4
-1.5 to -1.0	10	10.9
-1.0 to -0.5	18	19.6
-0.5 to 0.0	22	23.9
0.0 to 0.5	20	21.7
0.5 to 1.0	10	10.9
1.0 to 1.5	3	3.3
1.5 to 2.0	1	1.1
2.0 to 2.5	1	1.1
Total	**92**	**100.0**

As illustrated in Table 14, the histogram shows that most residuals (45.6%) fall between -0.5 and 0.5, indicating that the majority are centered around zero. The distribution is approximately symmetric, with minimal skewness and kurtosis. This fulfills the assumption of normality, necessary for valid p-values and confidence intervals in regression analysis (Gujarati & Porter, 2009).

4.4.3 Collinearity Statistics

The research used Tolerance and Variance Inflation Factor (VIF) diagnostics to evaluate the possible issue of multicollinearity among the independent variables. Severe multicollinearity might skew the calculated coefficients and diminish the interpretability of the regression model.

Table 15: Collinearity Statistics

Model	Tolerance	VIF
(Constant)		
Political Stability	0.185	5.405
Political System	0.172	5.814
Government Policies and Regulations	0.188	5.319
Policy Implementation	0.165	6.061
a. Dependent Variable: Sustainable Growth		

All tolerance values are well above the critical threshold of 0.1, and VIF values are below 10, suggesting the absence of severe multicollinearity (Hair *et al.*, 2019). However, the variable *Policy Implementation* records the highest VIF of 6.061, indicating a moderate correlation with other predictors. Despite this, the values are within acceptable limits, suggesting that the predictors contribute uniquely to explaining sustainable growth without redundancy.

4.4.4 Autocorrelation Test (Durbin-Watson Statistic)

The Durbin-Watson test was conducted to detect the presence of auto-correlation in the residuals, which violates the assumption of independent errors if present.

Table 16: Autocorrelation Test (Durbin-Watson)

Model	Durbin-Watson
Regression Model 1	1.811

The Durbin-Watson statistic of 1.811 is well within the permissible range of 1.5 to 2.5, indicating the absence of severe auto-correlation in the residuals. This outcome fulfills the premise of error independence, so validating that the regression model's estimations are not influenced by serial correlation.

4.5 Correlation Analysis

Sustainable growth, an intermediary variable, was found to be linearly related to political stability, political system, government policies and regulations, and policy implementation. To determine the strength and direction of this relationship, a correlation analysis was conducted. The significance level was assessed at the 0.01 level (2-tailed), and Pearson's correlation coefficient (r) was used to analyze these associations. The following tables display the results.

4.5.1 Correlation between Political Stability and Sustainable Growth

Pearson's correlation coefficient was used to evaluate the link between political stability and sustainable development. The findings are shown in Table 17.

Table 17: Correlation between Political Stability and Sustainable Growth

	Political Stability	Sustainable Growth
Political Stability	1.000	0.675
Sig. (2-tailed)		0.000
N	92	92
Sustainable Growth	0.675	1.000
Sig. (2-tailed)	0.000	
N	92	92
Correlation is significant at the 0.01 level (2-tailed).		

The Pearson correlation value (r = 0.675, p = 0.000) indicates a robust positive link between political stability and sustained development. This indicates that enhanced political stability correlates with an increase in sustainable development. The significance value (p < 0.01) verifies that this association is statistically significant. The results align with the perspective of Costantiello and Leogrande (2023), who highlighted that stable political situations foster economic and infrastructure development, hence facilitating sustained progress.

4.5.2 Correlation between Political System and Sustainable Growth

The study further examined the association between the political system and sustainable growth. Table 18 presents the results.

Table 18: Correlation between Political System and Sustainable Growth

	Political System	Sustainable Growth
Political System	1.000	0.718
Sig. (2-tailed)		0.000
N	92	92
Sustainable Growth	0.718	1.000
Sig. (2-tailed)	0.000	
N	92	92
Correlation is significant at the 0.01 level (2-tailed).		

The findings indicate a robust a beneficial relationship (r = 0.718, p = 0.000) between the political system and sustainable development. This suggests that an effective political system substantially aids in promoting sustainable development. The association is statistically significant at the 0.01 threshold. This outcome corroborates Nzyoka's (2022) assertion that a transparent and accountable political system facilitates development-oriented policies that encourage sustainable growth.

4.5.3 Correlation between Government Policies and Regulations and Sustainable Growth

The relationship between government policies and regulations and sustainable growth was also assessed, as shown in Table 19.

Table 19: Correlation between Government Policies and Regulations and Sustainable Growth

	Government Policies and Regulations	Sustainable Growth
Government Policies and Regulations	1.000	0.689
Sig. (2-tailed)		0.000
N	92	92
Sustainable Growth	0.689	1.000
Sig. (2-tailed)	0.000	
N	92	92
Correlation is significant at the 0.01 level (2-tailed).		

Government policies and regulations have a significant positive link with sustainable development (r = 0.689, p = 0.000). This points to the fact that enhanced sustainable development is a result of government policies that are both beneficial and well-structured. This association is not coincidental, as the significance level proves. Research by Mbugua (2020) supports the idea that government restrictions have a crucial role in fostering long-term economic growth.

4.5.4 Correlation between Policy Implementation and Sustainable Growth

Finally, the correlation between policy implementation and sustainable growth was analyzed. The findings are shown in Table 20.

Table 20: Correlation between Policy Implementation and Sustainable Growth

	Policy Implementation	Sustainable Growth
Policy Implementation	1.000	0.704
Sig. (2-tailed)		0.000
N	92	92
Sustainable Growth	0.704	1.000
Sig. (2-tailed)	0.000	
N	92	92
Correlation is significant at the 0.01 level (2-tailed).		

Implementation of policies is positively correlated with sustainable development, according to the data (r = 0.704, p = 0.000). This provides strong evidence that policies may greatly improve sustainable development outcomes when implemented effectively and promptly. Agolla (2024) said that a major aspect in attaining sustainable development objectives is good policy implementation, and this link is statistically significant, supporting her claim.

4.6 Regression Analysis

We used regression analysis to look at how Government Policies and Regulations, Political System, Policy Implementation, and Political Stability affect Sustainable Growth. In Model 2, Policy Implementation was introduced as a moderating variable through interaction terms with each of the three independent variables to assess moderation effects.

4.6.1 Model Summary

Table 21 displays the SPSS-derived model summary findings. The first model alone accounts for the independent variables' direct effects, but the second model modifies the results by including the interaction terms.

Table 21: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.789	0.622	0.605	0.43321
2	0.835	0.697	0.672	0.39512
a. Dependent Variable: Sustainable Growth				
b. Model 1 Predictors: (Constant), Political Stability, Political System, Government Policies and Regulations, Policy Implementation				
c. Model 2 Predictors: (Constant), Political Stability × Policy Implementation, Political System × Policy Implementation, Government Policies and Regulations				

In Model 1 (without interactions), the predictors explain 62.2% ($R^2 = 0.622$) of the variation in Sustainable Growth. The Adjusted R^2 of 0.605 indicates that after adjusting for the number of predictors, the model remains strong. The standard error of the estimate (0.43321) shows moderate prediction accuracy. In Model 2 (with interactions), R^2 improves to 0.697, showing that the inclusion of interaction terms accounts for an additional 7.5% of the variance in Sustainable Growth. The Adjusted R^2 rises to 0.672,

while the standard error reduces to 0.39512, indicating an improvement in model fit. These results confirm that interaction effects of Policy Implementation with governance factors significantly enhance the model's explanatory power.

4.6.2 Analysis of Variance

The ANOVA table assesses the statistical significance of both regression models.

Table 22: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
	27.084	4	6.771	36.083	.000
1	16.323	87	0.188		
	43.407	91			
	30.233	7	4.319	27.633	.000
2	13.174	84	0.157		
	43.407	91			
a. Dependent Variable: Sustainable Growth					
b. Model 1 Predictors: (Constant), Political Stability, Political System, Government Policies and Regulations					
c. Model 2 Predictors: (Constant), Political Stability × Policy Implementation, Political System × Policy Implementation, Government Policies and Regulations × Policy Implementation					

For Model 1, the F-statistic is 36.083 (p = 0.000), indicating that the model significantly predicts Sustainable Growth. The regression sum of squares (27.084) is considerably higher than the residual sum of squares (16.323), confirming that the predictors collectively have a strong impact on Sustainable Growth. In Model 2, the F-statistic remains highly significant at 27.633 (p = 0.000). The regression sum of squares increased to 30.233, while the residual sum of squares decreased to 13.174, signifying that adding the interaction terms enhances the model's ability to explain the dependent variable. The improvement in the explained variance confirms the moderating role of Policy Implementation.

4.6.3 Regression Coefficients

This paragraph delineates the findings of the regression analysis, including the standardized beta coefficients, t-values, and significance levels for two models investigating the influence of the political climate on the sustainable development of MSEs in Nakuru Town, Kenya. The results, encapsulated in Table 22, evaluate the direct impacts of political stability, political system, and governmental policies and regulations (Model 1), as well as their mitigated effects via policy implementation (Model 2) on sustainable development. Each variable, starting with the constant, is examined in an individual paragraph, with findings contextualized against previous research concerning the impact of political situations on MSE sustainability in developing contexts such as Kenya. A conclusive model summary is presented for each model in a non-paragraph fashion to consolidate the results.

Table 23: Coefficients

Model	Variables	Unstandardized Coefficients β	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.152	0.082	—	1.847	.068
	Political Stability	0.354	0.084	0.354	4.219	.000
	Political System	0.289	0.081	0.289	3.576	.001
	Government Policies and Regulations	0.265	0.082	0.265	3.224	.002
2	(Constant)	0.137	0.081	—	1.699	.093
	Political Stability × Policy Implementation	0.152	0.061	0.152	2.473	.015
	Political System × Policy Implementation	0.166	0.062	0.166	2.698	.008
	Government Policies and Regulations × Policy Implementation	0.143	0.064	0.143	2.219	.029
a. Dependent Variable: Sustainable Growth						

a. Constant (Model 1)

The constant in Model 1, representing β_0 in the initial model $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$, has an unstandardized coefficient of 0.152 (t = 1.847, p = .068). This indicates the baseline level of sustainable growth when political stability (X_1), political system (X_2), and government policies and regulations (X_3) are zero. The marginally non-significant p-value (.068) suggests that the constant alone does not reliably predict sustainable growth without these predictors. Mbugua (2020) noted that MSE growth in Kenya depends heavily on political and regulatory factors, implying that without a supportive political environment, sustainable growth is limited. The marginal p-value reflects Nakuru's challenging context, where systemic barriers, as shown in descriptive findings (Table 8–12), hinder baseline growth.

b. Political Stability (Model 1)

The regression results for political stability (X_1), corresponding to $\beta 1$ in the initial model, indicate a significant positive effect on sustainable growth, with a standardized beta coefficient of 0.354 (t = 4.219, p = .000). This suggests that a one-unit increase in political stability is associated with a 0.354-unit increase in sustainable growth, holding other variables constant. The high t-value and significance level (p < .001) confirm the robustness of this relationship, highlighting political stability as a key driver of MSE sustainability. Abdissa *et al.* (2022) found that stable political environments with reduced corruption enhance SME performance in developing economies by fostering investor confidence. Raimi and Bamiro (2025) noted that political instability, including regime changes, negatively impacts MSE profitability, reinforcing stability's importance in

Nakuru's volatile context. The strong positive coefficient indicates that addressing corruption, as perceived in descriptive findings (Table 8), could boost MSE growth.
Political System (Model 1)

The political system variable (X_2), corresponding to β_2 in the initial model, shows a significant positive effect on sustainable growth, with a standardized beta coefficient of 0.289 (t = 3.576, p = .001). This implies that a one-unit improvement in the political system's effectiveness, such as enhanced democratic principles, leads to a 0.289-unit increase in sustainable growth. The significant p-value (.001) confirms a strong relationship, though weaker than political stability. Nzyoka (2022) argued that inclusive political systems engaging MSE owners improve business performance in Kenya by reducing exclusionary practices. Descriptive findings (Table 9) showed high disagreement on policy-making participation (60.9%), suggesting Nakuru's political system limits its impact. Niyonsaba *et al.* (2022) found that non-business-friendly political systems hinder MSE growth due to lack of consultation. The positive coefficient emphasizes the need for inclusivity reforms.

c. Government Policies and Regulations (Model 1)

Government policies and regulations (X_3), corresponding to β_3 in the initial model, demonstrate a significant positive effect on sustainable growth, with a standardized beta coefficient of 0.265 (t = 3.224, p = .002). This suggests that a one-unit improvement in the regulatory environment, such as reduced taxation, results in a 0.265-unit increase in sustainable growth. The significant p-value (.002) confirms the importance of regulations, though its effect is the weakest among Model 1 variables. Mbugua (2020) highlighted that high taxation constrains MSE profitability in Kenya, as supported by descriptive findings (Table 10) showing 76.1% agreement on cess discouraging expansion. Whajah and Adenutsi (2025) noted that opaque regulations deter MSE expansion, consistent with low transparency agreement (18.4%, Table 10). The positive coefficient suggests simplifying regulations could enhance sustainability.

d. Final Model 1 Summary:
- Constant (β_0): β = 0.152, t = 1.847, p = .068,
- Political Stability (β_1): β = 0.354, t = 4.219, p = .000,
- Political System (β_2): β = 0.289, t = 3.576, p = .001.
- Government Policies and Regulations (β_3): β = 0.265, t = 3.224, p = .002

Political stability has the strongest effect, followed by political system and regulations, aligning with the model $Y = 0.152 + 0.354X_1 + 0.289X_2 + 0.265X_3 + \varepsilon$. The results support Abdissa *et al.* (2022) and Mbugua (2020), emphasizing a stable political environment's role in MSE growth.

e. Constant (Model 2)

The constant in Model 2 has an unstandardized coefficient of 0.137 (t = 1.699, p = .093), representing the baseline sustainable growth when the interaction terms are zero. The

non-significant p-value (.093) indicates that the constant alone does not reliably predict sustainable growth without the influence of political stability, political system, and government policies and regulations moderated by policy implementation. Agolla (2024) noted that MSE growth in Kenya relies on effective policy execution within a supportive political environment, suggesting that Nakuru's weak implementation, as shown in descriptive findings (Table 11), limits baseline growth. The non-significant constant reflects systemic implementation challenges.

f. Political Stability × Policy Implementation (Model 2)

The interaction between political stability and policy implementation in Model 2 shows a significant positive effect on sustainable growth, with a standardized beta coefficient of 0.152 (t = 2.473, p = .015). This indicates that the effect of political stability on sustainable growth is amplified when policy implementation is effective, with a one-unit increase in the interaction term leading to a 0.152-unit increase in growth. The significant p-value (.015) underscores the importance of effective execution. Agolla (2024) found that efficient policy implementation in stable contexts strengthens MSME performance in Kenya by ensuring transparent execution. Descriptive results (Table 11) showed high disagreement on transparent implementation (58.7%), limiting political stability's potential. Olaoye *et al.* (2024) noted poor implementation undermines SME growth. The positive interaction effect highlights the need for streamlined processes.

g. Political System × Policy Implementation (Model 2)

The interaction between the political system and policy implementation in Model 2 exhibits a significant positive effect on sustainable growth, with a standardized beta coefficient of 0.166 (t = 2.698, p = .008). This suggests that a one-unit increase in the interaction term results in a 0.166-unit increase in sustainable growth, with effective policy implementation enhancing the political system's impact. The significant p-value (.008) indicates a robust relationship, stronger than the political stability interaction. Nzyoka (2022) emphasized that inclusive political systems with effective implementation foster MSE growth by reflecting stakeholder voices. Descriptive findings (Table 9) showed low policy consultation agreement (17.4%), and Table 11 indicated weak implementation (59.8%), limiting this effect. Niyonsaba *et al.* (2022) noted similar challenges. The positive coefficient underscores improving execution.

h. Government Policies and Regulations × Policy Implementation (Model 2)

The interaction between government policies and regulations and policy implementation in Model 2 shows a significant positive effect on sustainable growth, with a standardized beta coefficient of 0.143 (t = 2.219, p = .029). This implies that a one-unit increase in the interaction term leads to a 0.143-unit increase in sustainable growth, with effective implementation strengthening regulations' impact. The significant p-value (.029) confirms the relationship, though weakest among Model 2 interactions. Mbugua (2020) argued that well-implemented regulations reduce taxation's adverse effects on MSEs, as

supported by descriptive findings (Table 10) showing 75.0% agreement on taxation impacting profitability. Low fair implementation agreement (18.5%, Table 11) indicates weaknesses. Whajah and Adenutsi (2025) noted that poor implementation exacerbates challenges. The positive interaction suggests improving transparency mitigates barriers.

i. Final Model 2 Summary:

- Constant: β = 0.137, t = 1.699, p = .093
- Political Stability × Policy Implementation: β = 0.152, t = 2.473, p = .015
- Political System × Policy Implementation: β = 0.166, t = 2.698, p = .008
- Government Policies and Regulations × Policy Implementation: β = 0.143, t = 2.219, p = .029

Political system interaction has the strongest effect, followed by political stability and regulations. The model aligns with Agolla (2024) and Mbugua (2020), highlighting effective policy implementation's role in enhancing MSE sustainability.

The regression analysis confirms that political stability (β = 0.354), political system (β = 0.289), and government policies and regulations (β = 0.265) directly influence MSE sustainable growth in Model 1, per the initial model $Y = 0.152 + 0.354X_1 + 0.289X_2 + 0.265X_3 + \varepsilon$, with political stability being most impactful. In Model 2, their interactions with policy implementation (β ranging from 0.143 to 0.166) further enhance growth, with the political system interaction being most influential. These results align with Abdissa *et al.* (2022) and Mbugua (2020), underscoring political and regulatory challenges' impact on MSEs. Governance reforms and transparent implementation are critical for MSE sustainability in Nakuru Town, Kenya.

4.7 Hypotheses

The study tested six hypotheses to determine the effects of political stability, political system, and government policies and regulations on the sustainable growth of MSEs in Nakuru Town. The null hypotheses H_{01}, H_{02}, and H_{03} were all rejected, showing significant direct effects of these factors.

Table 24: Hypotheses Table

Hypothesis	Description	Model	Variable/Interaction	p-value	Result
H_{01}	There is no statistically significant effect of political stability on the sustainable growth of MSEs in Nakuru Town.	Model 1	Political Stability	.000	Rejected
H_{02}	There is no statistically significant effect of the political system on the sustainable growth of MSEs in Nakuru Town.	Model 1	Political System	.001	Rejected
H_{03}	There is no statistically significant effect of government policies and regulations on the sustainable growth of MSEs in Nakuru Town.	Model 1	Government Policies and Regulations	.002	Rejected
H_{04}	There is no statistically significant mediating effect of policy implementation on the relationship between the political	Model 2	Political Stability × Policy Implementation,	.015,	Rejected

environment and the sustainable growth of MSEs in Nakuru Town.		Political System × Policy Implementation,	.008,	
		Government Policies and Regulations × Policy Implementation	.029	

H_{01}: There is no statistically significant effect of political stability on the sustainable growth of MSEs in Nakuru Town.

The hypothesis tested whether political stability significantly influences the sustainable growth of MSEs in Nakuru Town. The p-value obtained was 0.000, which is less than 0.05, leading to the rejection of the null hypothesis. This indicates that political stability has a significant and positive effect on the sustainable growth of MSEs.

H_{02}: There is no statistically significant effect of the political system on the sustainable growth of MSEs in Nakuru Town.

This hypothesis assessed the relationship between the political system and sustainable growth of MSEs. With a p-value of 0.001, the null hypothesis was rejected. This shows that the nature of the political system substantially impacts the sustainable growth of MSEs in Nakuru Town.

H_{03}: There is no statistically significant effect of government policies and regulations on the sustainable growth of MSEs in Nakuru Town. The third hypothesis evaluated the influence of government policies and regulations on MSEs' sustainable growth. The resulting p-value was 0.002, leading to the rejection of the null hypothesis. This reveals that policies and regulatory frameworks are critical determinants of MSE growth and sustainability.

$H0_4$: There is no statistically significant mediating effect of policy implementation on the relationship between the political environment and the sustainable growth of MSEs in Nakuru Town.

The fourth hypothesis tested whether policy implementation mediates the relationship between the political environment (political stability, political system, government policies and regulations) and sustainable growth of MSEs. Model 2 results (Table 23) showed significant p-values for the interaction terms: Political Stability × Policy Implementation (p = .015, β = 0.152, t = 2.473), Political System × Policy Implementation (p = .008, β = 0.166, t = 2.698), and Government Policies and Regulations × Policy Implementation (p = .029, β = 0.143, t = 2.219). As all p-values are less than 0.05, the null hypothesis was rejected, confirming that policy implementation has a statistically significant mediating effect on the relationship between the political environment and

MSE sustainable growth. This aligns with Agolla (2024), who noted that effective policy execution enhances political factors' impact on MSME performance.

5. Summary, Conclusions, and Recommendations

5.1 Introduction

This chapter summarizes the study results, inferences derived from the data, and suggestions for future actions based on the research goals, emphasizing the impact of the political climate on the sustainable development of MSEs in Nakuru Town, Kenya.

5.2 Summary of the Findings

5.2.1 Political Stability and Sustainable Growth of MSEs

With a mean score of 3.89 and a standard deviation of 0.938, the practices of political stability were highly agreed upon by the respondents. With a mean of 3.77 and a standard deviation of 0.978, 69.5% of respondents agreed that tax rates relevant to their firm are affected by changes in government regimes. Corruption has a negative impact on corporate profitability, according to 81.5% of respondents (Mean = 4.07, Std. Dev. = 0.864). A little over three-quarters of respondents (78.2%; Mean=4.00, Std. Dev.=0.896) agreed that corruption at the municipal level hinders efficient company operations. Mean = 3.99, Std. Dev. = 0.898; 79.4% agreed that bureaucratic procedures slow down company growth goals; 77.2% accepted the idea that bureaucracy reduces profitability; and 0.917 were the results for the support group. Also, 73.9% of people think that political instability makes investors lose faith (Mean = 3.90, Std. Dev. = 0.941), 68.4% think that elections cut into earnings (Mean = 3.75, Std. Dev. = 0.995), and 65.2% think that municipal elections create chaos (Mean = 3.70, Std. Dev. = 1.015). These results indicate that people in Nakuru Town see political stability procedures as major obstacles to the long-term viability of MSEs, which calls attention to the need for anti-corruption and better governance policies to boost company results.

A modest variation of viewpoints (Std. Dev. = 0.938) and an average mean of 3.89 indicate that political stability is a crucial element in MSE sustained development. This high rating shows that there is a lot of agreement on how bad instability is for company, which is a sign that it's not easy to keep things running smoothly. The regression coefficient ($\beta1$ = 0.354, p = 0.000, < 0.05) demonstrated a considerable beneficial impact on sustainable development, and the analysis showed a strong positive correlation (r = 0.675, p = 0.000). According to these results, the likelihood of long-term economic development improves by 0.354% for every 1% improvement in political stability. Political stability is crucial for MSE expansion, according to the research, but there are now obstacles that make this impossible. Improving the sustainable expansion of MSEs and guaranteeing more effective results in Nakuru Town, Kenya may be achieved by resolving gaps in political stability.

5.2.2 Political System on Sustainable Growth of MSEs

Political system practices received an average mean of 2.44 and a standard deviation of 1.124, indicating a low level of agreement among respondents. Only 21.7% agreed that the Nakuru County government operates based on democratic principles (Mean = 2.59, Std. Dev. = 1.137), and 19.5% supported regular public participation forums for the MSE community (Mean = 2.51, Std. Dev. = 1.150). A total of 17.4% confirmed participation in public participation regarding MSE policies (Mean = 2.38, Std. Dev. = 1.123), while 16.3% acknowledged consultation before new policies or taxes (Mean = 2.39, Std. Dev. = 1.091). Fair treatment of local and foreign firms was supported by 17.4% (Mean = 2.41, Std. Dev. = 1.123), and 18.4% agreed on policy consistency fostering business growth (Mean = 2.45, Std. Dev. = 1.115). Only 17.4% believed the political system promotes business-friendly policies (Mean = 2.40, Std. Dev. = 1.134), and 18.4% noted adequate public information on new policies (Mean = 2.41, Std. Dev. = 1.123). These findings indicate significant shortcomings in inclusive governance, suggesting that political system practices are inadequately implemented, limiting their effectiveness in supporting MSE growth in Nakuru Town.

Political system emerged as a factor in MSE sustainable growth, with an average mean of 2.44 and a noticeable spread of opinions (Std. Dev. = 1.124). This low rating reflects skepticism about the inclusivity and effectiveness of governance processes, suggesting challenges in fostering a business-friendly environment. The analysis revealed a strong positive correlation ($r = 0.718$, $p = 0.000$) and a significant positive effect on sustainable growth, as evidenced by the regression coefficient ($\beta2 = 0.289$, $p = 0.001$, < 0.05). This suggests that for every unit increase in political system effectiveness, there is a corresponding 0.289-unit increase in sustainable growth outcomes. The results highlight the need for stronger governance mechanisms to support MSEs. Therefore, it can be concluded that enhancing political system strategies will contribute to improving the sustainable growth of MSEs, ensuring more inclusive and reliable outcomes in Nakuru Town, Kenya.

5.2.3 Government Policies and Regulations on Sustainable Growth of MSEs

Government policies and regulations received an average mean of 3.32 and a standard deviation of 1.031, indicating a moderate level of agreement among respondents. A total of 75.0% agreed that taxation policies affect business profitability (Mean = 3.89, Std. Dev. = 0.964), and 76.1% supported cess and other levies discouraging business expansion (Mean = 3.93, Std. Dev. = 0.917). Fire safety and public health fees reducing profits were acknowledged by 76.1% (Mean = 3.92, Std. Dev. = 0.941), while 70.6% agreed that licensing fees influence operational decisions (Mean = 3.79, Std. Dev. = 1.015). Parking fees affecting customer traffic were supported by 68.5% (Mean = 3.78, Std. Dev. = 0.995). However, only 18.4% agreed that policies are transparent and predictable (Mean = 2.45, Std. Dev. = 1.134), 17.4% believed policies promote business growth (Mean = 2.40, Std. Dev. = 1.134), and 18.5% noted fair and non-discriminatory implementation (Mean = 2.42, Std. Dev. = 1.150). These findings suggest significant regulatory barriers, indicating that

current policies and regulations lack transparency and fairness needed to support MSE growth in Nakuru Town.

Government policies and regulations emerged as a factor in MSE sustainable growth, with an average mean of 3.32 and a noticeable spread of opinions (Std. Dev. = 1.031). This moderate rating reflects mixed perceptions, with strong agreement on negative financial impacts but skepticism about transparency and fairness. The analysis revealed a strong positive correlation (r = 0.689, p = 0.000) and a significant positive effect on sustainable growth, as evidenced by the regression coefficient ($\beta3 = 0.265$, p = 0.002, < 0.05). This suggests that for every unit improvement in policies and regulations, there is a corresponding 0.265-unit increase in sustainable growth outcomes. The results highlight the importance of regulatory frameworks in supporting MSEs. Therefore, it can be concluded that enhancing government policies and regulations will contribute to improving the sustainable growth of MSEs, ensuring more effective and equitable outcomes in Nakuru Town, Kenya.

5.2.4 Policy Implementation on Sustainable Growth of MSEs

Policy implementation practices were viewed with reserve, earning an average mean of 2.41 and a standard deviation of 1.136, indicating a low level of agreement among respondents. Only 17.4% agreed that the government clearly communicates new policies (Mean = 2.41, Std. Dev. = 1.134), and 17.4% supported timely implementation of growth-supporting policies (Mean = 2.42, Std. Dev. = 1.123). Transparent and predictable processes were acknowledged by 17.4% (Mean = 2.43, Std. Dev. = 1.115), while 17.4% agreed on regular policy reviews (Mean = 2.40, Std. Dev. = 1.134). Adequate information on compliance was supported by 17.4% (Mean = 2.41, Std. Dev. = 1.134), and fair enforcement was noted by 17.4% (Mean = 2.42, Std. Dev. = 1.123). A total of 18.5% believed the government provides sufficient support through training (Mean = 2.40, Std. Dev. = 1.161), and 18.5% agreed that implementation improves the business environment (Mean = 2.41, Std. Dev. = 1.161). These findings point to significant shortcomings in effective policy execution, signaling a need for stronger implementation systems to enhance MSE sustainability in Nakuru Town.

Policy implementation emerged as a central factor in driving MSE sustainable growth, with an average mean of 2.41 and a noticeable spread of opinions (Std. Dev. = 1.136). This low rating reflects skepticism about the consistency and transparency of implementation processes, suggesting challenges in supporting MSEs. The analysis revealed a strong positive correlation (r = 0.704, p = 0.000) and significant positive effects when moderated with political stability ($\beta = 0.152$, p = 0.015, < 0.05), political system ($\beta = 0.166$, p = 0.008, < 0.05), and government policies and regulations ($\beta = 0.143$, p = 0.029, < 0.05). This suggests that effective policy implementation amplifies the positive impact of these factors on sustainable growth. The results highlight the crucial role of policy implementation in fostering a supportive business environment. Therefore, it can be concluded that enhancing policy implementation strategies will contribute positively to

the sustainable growth of MSEs, ensuring more effective and transparent outcomes in Nakuru Town, Kenya.

5.3 Conclusions

From the findings, it was concluded that political stability has a significant positive effect on the sustainable growth of MSEs. The strong positive correlation (r = 0.675) and regression coefficient ($\beta 1$ = 0.354) indicate that deficiencies such as corruption and bureaucratic inefficiencies hinder business performance. Addressing these gaps is critical to ensure successful MSE growth in Nakuru Town. Based on the findings, it was concluded that the political system has a significant positive influence on MSE sustainable growth. The strong correlation (r = 0.718) and regression coefficient ($\beta 2$ = 0.289) highlight that the lack of inclusive governance processes restricts a business-friendly environment. Improving political system inclusivity is vital for sustainable business outcomes in Nakuru Town.

From the analysis, it was concluded that government policies and regulations significantly affect MSE sustainable growth. The strong correlation (r = 0.689) and regression coefficient ($\beta 3$ = 0.265) suggest that restrictive regulations limit profitability and expansion. Effective regulatory frameworks are crucial for facilitating successful MSE growth in Nakuru Town. The findings led to the conclusion that policy implementation significantly impacts MSE sustainable growth when moderating other factors. The strong correlation (r = 0.704) and significant interaction effects (β ranging from 0.143 to 0.166) demonstrate that transparent and timely execution enhances governance and regulatory support, contributing to improved growth outcomes. Policy implementation is an essential element in achieving sustainable MSE outcomes in Nakuru Town.

5.4 Recommendations
5.4.1 Policy Recommendations

The findings revealed that political stability has a significant positive impact on MSE sustainable growth. It is recommended that policymakers in Kenya prioritize anti-corruption and governance reform initiatives to enhance political stability in Nakuru Town. This includes developing guidelines for transparent governance to reduce bureaucratic delays and corruption. The Ministry of Interior and Coordination of the National Government and the Ethics and Anti-Corruption Commission (EACC) should lead these efforts to integrate reforms into county-level governance frameworks, supporting sustainable MSE growth.

The findings indicated that the political system significantly influences MSE sustainable growth. It is recommended that policies enforce inclusive governance by ensuring county governments engage MSE owners through regular public participation forums and policy consultations. The Ministry of Devolution and Arid and Semi-Arid Lands, in collaboration with the Nakuru County Government, should formulate policies promoting robust stakeholder engagement to support MSE growth.

The findings demonstrated that government policies and regulations significantly enhance MSE sustainable growth. It is recommended that regulatory reforms reduce financial burdens on MSEs through simplified taxation and licensing processes. The Ministry of Trade, Industry, and Cooperatives, in collaboration with the Kenya Revenue Authority (KRA), should develop equitable regulatory frameworks to promote sustainable MSE growth in Nakuru Town.

The findings highlighted the importance of policy implementation in achieving successful MSE growth outcomes. It is recommended that policy frameworks encourage transparent and efficient implementation systems, including centralized communication platforms for policy dissemination. The Ministry of Public Service and Performance Management, with the Kenya Institute of Public Policy Research and Analysis (KIPPRA), should promote seamless policy execution to ensure transparency and support for MSEs in Nakuru Town.

5.4.2 Recommendations for Further Research

Further research is suggested to explore how Nakuru Town can enhance political stability practices for MSE sustainable growth, focusing on deficient governance areas, refining anti-corruption approaches, and addressing gaps in supporting business objectives. This would inform policies for effective MSE development. Secondly, research is suggested to investigate strengthening political system practices in Nakuru Town's MSE sector, focusing on limited inclusivity, refining participation methods, and bridging gaps in fostering business-friendly governance. This would support policies enhancing MSE growth. Thirdly, further research is suggested to examine improving government policies and regulations in Nakuru Town's MSE sector, focusing on restrictive regulations, refining taxation frameworks, and addressing gaps in aligning with growth success. This would inform equitable business environment policies. Finally, further research is suggested to optimize policy implementation practices in Nakuru Town's MSE sector, focusing on deficient execution, refining communication methods, and bridging gaps in supporting growth outcomes. This would aid in developing transparent MSE support strategies.

Conflict of Interest Statement

The author declares that there is no conflict of interest regarding the publication of this paper.

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Appendices

Appendix I: Letter of Introduction

Dear Sir/Madam,

I am a postgraduate student at Kabarak University. I am carrying out a research on the *Effect of Political Environment on Sustainable Growth of Micro and Small Enterprises (MSEs) in Nakuru town, Kenya.* You have been selected to be part of this study as a respondent. I kindly request you to spare some time and answer the questions to the best of your knowledge. This will only take about 15-20 minutes of your time. Your identity will be treated with utmost confidentiality and any information provided on this questionnaire will be used solely for academic purposes only.

I take this opportunity to thank you in advance for your cooperation and support. Thank you very much.

Ernest Maina

Appendix II: Questionnaire

Section A: Demographic Information Please tick (✔) the appropriate response.
Please indicate the following by ticking (✔) the most appropriate option.

1. **Gender:**
   [ ] Male
   [ ] Female
2. **Age Bracket:**
   [ ] 18 – 24 years
   [ ] 25 – 34 years
   [ ] 35 – 45 years
   [ ] 46 years and above
3. **Highest Education Level:**
   [ ] Primary Education
   [ ] Secondary Education
   [ ] College Education
   [ ] University Education
   [ ] Other (Specify): _____
4. **Work Experience:**
   [ ] Less than 1 year
   [ ] 1–3 years
   [ ] 4–6 years
   [ ] 7 years and above

Section B: Political Stability

Please indicate the extent to which you agree with the following statements regarding political stability.

Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
Changes in government regimes influence tax rates applicable to my business.					
Corruption in local government affects the smooth running of my business.					
Local elections cause disruptions that affect my business operations.					
Political instability in the county reduces investor confidence in MSE growth.					
Corruption reduces my business profits.					
Bureaucracy reduces my business profits.					
Elections reduce my business profits.					
Bureaucratic processes slow down my business expansion plans.					

Section C: Political System

Please indicate the extent to which you agree with the following statements regarding the political system.

Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
The Nakuru County government operates based on democratic principles.					
Public participation forums are regularly conducted for the MSE community.					
I have participated in public participation regarding MSE policies.					
MSE owners are consulted before the introduction of new county policies or taxes.					
Government policies support fair treatment of local and foreign firms.					
The county government ensures policy consistency to foster business growth.					
The political system in Nakuru promotes business-friendly policies.					
The public is adequately informed about new government policies and regulations.					

Section D: Government Policies and Regulations

Please indicate the extent to which you agree with the following statements regarding government policies and regulations.

Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
Taxation policies affect my business's profitability.					
Licensing fees influence my decision to operate in this county.					
Parking fees imposed by the county government affect customer traffic to my business.					
Cess and other levies discourage business expansion in Nakuru town.					
Fire safety and public health fees reduce the operational profits of my business.					
Local government policies are transparent and predictable.					
Local government policies promote business growth.					
Policy implementation is fair and non-discriminatory between MSEs and large firms.					

Section E: Policy Implementation

Please indicate the extent to which you agree with the following statements regarding the implementation of government policies affecting your business.

Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
The government clearly communicates new policies affecting MSEs.					
The government ensures the timely implementation of policies supporting MSE growth.					
Policy implementation processes are transparent and predictable.					
Government policies are regularly reviewed to suit the changing business environment.					
My business receives adequate information and guidance on policy compliance requirements.					
Enforcement of government policies is fair and consistent across all MSEs.					
The government provides sufficient support (e.g., training, seminars) to help businesses understand policies.					
Policy implementation by the county government has improved the overall business environment for MSEs.					

Section F: Sustainable Growth of MSEs

Please indicate the extent to which you agree with the following statements regarding the sustainability of your business.

Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
My business revenues have been increasing over the past 3 years.					
My business makes sufficient profits to sustain its operations.					
My business has established good relationships with suppliers.					
My business actively participates in community development activities.					
My business uses green energy sources (solar, energy-saving equipment, etc.).					
My business has an effective waste management policy in place.					
Nakuru County government effectively implements policies that support MSE growth.					
My business has benefited from government incentives for sustainability.					

Thank you for your valuable time and participation.

Appendix III: Research Area
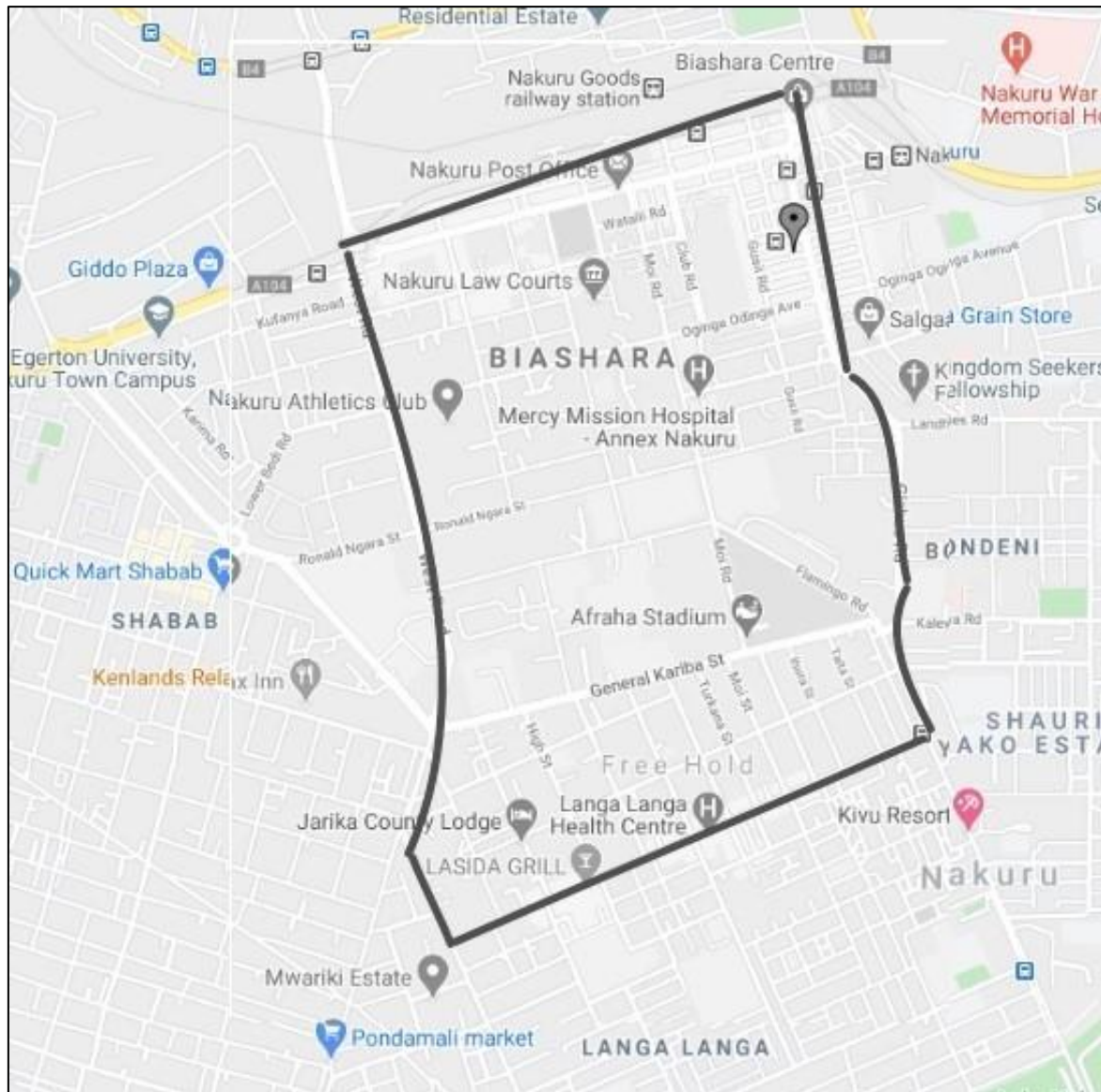
Appendix IV: NACOSTI Research License

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **530929**

Date of Issue: **02/June/2021**

RESEARCH LICENSE

This is to Certify that Mr.. ERNEST MAINA of Kabarak University, has been licensed to conduct research in Nakuru on the topic: EFFECTS OF POLITICAL ENVIRONMENT ON SUSTAINABLE GROWTH OF MICRO AND SMALL ENTERPRISES IN NAKURU TOWN, KENYA for the period ending : 02/June/2022.

License No: NACOSTI/P/21/11032

530929

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY &
INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document,
Scan the QR Code using QR scanner application.

Appendix V: KUREC Approval

KABARAK UNIVERSITY RESEARCH ETHICS COMMITTEE

Private Bag - 20157
KABARAK, KENYA
Email: kurec@kabarak.ac.ke

Tel: 254-51-343234/5
Fax: 254-051-343529
www.kabarak.ac.ke

OUR REF: KABU01/KUREC/001/04/05/21

26th May, 2021

Ernest maina,
Kabarak University.

Dear Ernest,

SUBJECT: ETHICS REVIEW DECISION

Kabarak University Research Ethics Committee (KUREC) received application for a protocol titled "EFFECTS OF POLITICAL ENVIRONMENT ON SUSTAINABLE GROWTH OF MICRO AND SMALL ENTERPRISES IN NAKURU TOWN, KENYA" on 29th April, 2021. The protocol was reviewed and discussed during a virtual meeting held on 20th May, 2021 at 1000 Hours. The committee considered the application in accordance with the Kabarak University procedures on review of research protocols for ethical clearance and decided as follows:

1. **PROPOSED STUDY SITE**

   Nakuru Town

2. **KUREC DECISION**

   Approved for data collection for a minimum period of ONE year from 26th May, 2021

This approval is subject to the following conditions:

i. The researcher shall obtain a RESEARCH PERMIT from NACOSTI before commencement of data collection & submit a copy to the Kabarak University Institute of Postgraduate Studies (IPGS);
ii. The researcher shall immediately notify KUREC in case of any adjustments to the protocol;
iii. The researcher shall within 7 days of occurrence notify KUREC of any adverse events associated with the conduct of this study;
iv. The researcher shall apply for extension of the study period should the initial 1 year expire before completion of data collection;
v. The researcher shall submit study progress reports to KUREC after every 6 months and a full report at completion of the study/project

Thank you.

Sincerely,

Prof. Jackson Kitetu PhD.

KUREC-Chairman
Cc   Vice Chancellor
      DVC-Academic & Research
      Registrar-Academic & Research
      Director-Research Innovation & Outreach
      Institute of Post Graduate Studies

As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord.
(1 Peter 3:15)
Kabarak University is ISO 9001:2015 Certified