DETERMINANTS OF THE GROWTH OF LOCAL MOTOR VEHICLE ASSEMBLY INDUSTRY IN KENYA

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ABSTRACT

Kenya's automobile industry has posted an economic growth that shows a constant growth for the past few years and it is expected to show growth curves with the latest expectancy projected to be at 6.9% according to the World Bank (2015) index of Economic Freedom. Key to the business world is transport sector, and this cannot go without the consideration of the Automobile industry. According to the Kenya Ports Authority information center, the port of Mombasa in the recent past experienced an upsurge of motor vehicle imports, the available statistics indicate that in the year 2014 a total 157,856 motor vehicles were discharged this is higher when compared to 136,915 units cleared the previous year 2013. The trend serves to make a very strong statement that the market of the Auto Mobiles in Kenya and the East African Community has been constantly and steadily growing. In the past, Kenya has tried a couple of local Motor Vehicle assembly plants with the Uhuru Vehicle projects and the Nyayo pioneer

already rolled and failed. The Mobius Motors project already implemented and the preliminary results show a slow start and response by the otherwise vast market. This research sought to understand the possible challenges that the local motor vehicle assembly face and how these challenges is to be mitigated, and as a growing economy to tap into the huge business potential in the automotive world. This study therefore sought to investigate the factors affecting the Local Automobile assembly industry. The study obtained primary data from Sixty- (60) respondents from the three local motor vehicle assembly companies. Overall innovativeness had a mean of 3.34. A correlation was done between innovativeness and growth, a correlation index of (r= 0.557) was obtained. F lexibility had a mean index of 3.55.

The study found that there is significant relationship between flexibility and growth which have correlation index of (r= 0.611). Overall mean for pricing was 3.65.

The study also found that there is significant relationship between pricing strategy and growth which have correlation index of (r= 0.561). The overall mean for government regulation was 4.10. The study found that there is significant relationship between government regulation and growth which have correlation index of (r= 0.323). The mean obtained on growth of motor vehicle assembly in Kenya was 2.73 on a likert scale. This study therefore recommends the following: first Motor vehicle assemblers to develop their ability to innovate quickly new production process in order to cope up with new trends in the market. Second, develop coping mechanism especially in areas that concern with changes in uncertain business environment. Third, the government to look into cost of machinery and minimize especially on import duty as this will go a long way towards motivating investors. Fourth, the government also needs to emphasize on the need and benefits of adherence to tax laws of the country. Finally, the government is encouraged to promote locally assembled cars as they have a variety of benefits. This can be achieved through incentives such tax reliefs.

***Key words**:* Growth, Flexibility, Pricing, Innovativeness, Government Regulation

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