

**FACTORS AFFECTING THE GROWTH OF YOUTH MICRO ENTERPRISES  
IN KIKUYU, KIAMBU COUNTY, KENYA**

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**DECLARATION**

This research project report is my original work and has not been submitted to any university for any academic award.

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This research project report has been submitted for examination with my approval as the university supervisor.

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## **DEDICATION**

I dedicate this research proposal to the Almighty God who has given me good health, physical and mental strength, to my husband Samuel Miringu and family for the moral support they have accorded me throughout and to my esteemed supervisor, Dr. Florence Muindi, for giving me guidance and support needed for the completion of this research project.

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## **ABBREVIATIONS AND ACRONYMS**

AMFI	Association of Microfinance Institutions
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GEP	Global Entrepreneurship Programme
GII	Global Innovation Index
GYM	Global Youth Microenterprise
KNBS	Kenya National Bureau of Statistics
KIPPRA	Kenya Institute for Public Policy Research and Analysis
ILO	International Labor Organization
MFI	Micro-Finance Institutions
MSE	Micro and Small Enterprises
OECD	Organization for Economic Co-operation and Development
SMEP	Small & Micro Enterprise Programme
SMEs	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
YEDF	Youth Enterprise Development Fund

## **ABSTRACT**

The purpose of this study was to determine factors affecting the growth of youth microenterprises in Kikuyu constituency. The study adopted descriptive survey design. The data was collected through a self-administered structured questionnaire. The research instrument was piloted for validity through content related method and reliability through half-split criterion. The target population was all the youth microenterprises operating in Kikuyu constituency. Given that there was no sampling frame, the sample size was determined using purposeful sampling. Thus, a sample size of 162 registered microenterprises was used. Out of the 162 questionnaires that were administered, 140 questionnaires were duly filled and returned and therefore regarded as the responsive instrument and formed the basis for data analysis. This formed a questionnaire return rate of 86.42%. Data was analyzed through the use of a computer software SPSS. The data collected was analyzed by descriptive statistics. Factor analysis was conducted to determine the factor affecting the growth of microenterprises. Descriptive statistics such as frequencies and percentages were used to describe the data. The analyzed data was presented in form of tables. The study found out managerial skills, innovation, training and mentorship, financing, networking and enterprise culture affect the growth of microenterprise with a correlation coefficient of 0.964, 0.913, 0.847, 0.981, 0.756, and 0.793 respectively. The study recommends that the government needs to establish training centers for training managerial and technical courses for the small enterprises entrepreneurs as well as business information centers. The study further suggests that more research be carried out to determine the role of technology in the growth of microenterprises.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Background of the Study**

In the past decades the growth of MSEs has become a major issue to governments, policy makers, learning institutions and researchers alike due to their immense contribution to the nations' Gross Domestic Product (GDP) as well as tools of poverty eradication. Thus, they are no longer considered as ladders to medium and large businesses. They have actually become crucial players for the realization of industrial and economic growth (ILO, 1986). OECD (2004) noted that MSEs contribute to over 55% of GDP in the developed nations. In addition, they also account for over 65% of total employment. They have also contributed over 60% of GDP in the developing nations. Their economic contribution is also noted in providing over 70% of total employment in low-income countries. Moreover, they have become a breeding ground for entrepreneurship, innovation and have remained a reservoir for employment. For instance, in Canada, 49% of the population works for small or micro-enterprises. These figures are even higher in developing economies where microenterprises are generally more important in the creation of employment. Raheim (1997) conclude that micro-enterprise is an effective strategy for income generation and asset building.

The study was guided by Schumpeter's theory (1934) of MSE growth. The study considered this theory for its innovative profits approach. According to Schumpeter (1934), entrepreneurship is all about exploiting opportunities through innovation and risk taking with sole aim of making profit. Thus, Schumpeter sees strategic leadership and innovation as crucial factors in running effective businesses. This implies that firms are driven by the pursuit of profit through innovative ways always lead to

technological progress. Therefore, innovation usually generates a new product or process which gives the innovator a niche over the competitors. Thus, for Schumpeter (1934) entrepreneurs engage in innovative activities so as to succeed, gain influence, and have financial independence as well as the satisfaction of getting things done.

The study focused on youth micro enterprises in Kikuyu constituency, Kiambu county Kenya. Kikuyu constituency is known for small enterprises. However, the growth of microenterprises into (SMEs) and finally to big companies is quite low (KPMG, 2008). The micro enterprises have continued to experience many binding constraints ranging from poor access to market, energy, transport, security, legal services, financial services and unfavorable policy (Jagongo, 2009). KNBS (2007) indicates that 3 out of 5 micro-enterprises do not make it to the end of their first year of operation. Thus, the study determined the factors affecting the growth of the youth enterprises so as to provide the much-needed knowledge to spur economic development in this area.

### **1.1.1. The concept of growth**

Gupta et al, (2013) noted that growth has various dimensions. Growth is usually quantified using the business's sales volume. It can also be described using qualitative features like product quality, customers' goodwill as well as market share. Thus, numerous ways exist that can be employed to achieve growth. Many successful companies have used such ways to achieve the meaningful growth. They employ a holistic approach that encompasses all possible channels for growth in their strategic planning (Thornton, 2012). Thus, any meaningful and sustainable growth requires a firm to be able to effectively scan the environment for opportunities and allocate

resources for successful exploitation of those identified opportunities as well as match its product to customer needs (Mazzarol &Rebound, 2009).

Companies pursue growth as a strategy to exploit opportunities and to adjust to market dynamics. Thus, organizations do not only consider growth as a way of achieving economies of scale but also a way to produce a better return for shareholders. In addition, growth can serve as a proactive or reactive response to competition so as to stay ahead of rival organization (Grant Thornton, 2012). Mason et al, (2009) noted that firms with high growth usually have a direct contribution to nation development through the poverty alleviation and provision of employment. They opine that high growth usually results in innovativeness, pro-activeness and risk-taking orientation by the companies.

Gupta et al. (2013) emphasize that growth is a key performance indicator of a business venture. Levie & Autio (2013) adds that if entrepreneurs do not have a vision for growth, their businesses are less likely to grow. Unfortunately, many micro enterprises experience stagnated growth and never make any sizeable growth (Kibas, 1995; King, 1996). Kibas (1995) found out that 50% to 60% modern MSE grew from microenterprises. This was particularly observed in Asia and Latin America which experience high growth of microenterprises. Gudda (2003) also noted that in Nigeria 43.7% of the microenterprises had grown into SMEs. Rwanda is no exception with only 10.75% while Botswana had 20.7%. The narrative remains the same in Kenya (Mwaniki, 2006).

K'Obonyo (1999) noted an inverse variation between enterprises,' size and failure. He opined that smaller enterprises have high probability of failure than the larger businesses. Stokes (1995) echoes the same idea that the small businesses are likely to

fail while growing firms have high survival rates. Thus, growth and largeness reduce failure of businesses. Stagnation causes failure and must be eliminated if businesses are to realize survive in any competitive business environment. Eradication of stagnation causes curbs high mortality rate and enhances survival rates and growth. Unfortunately, Cormick & Pederson (1996) and Orser (2000) note that most microenterprises begin small and remains so through the lifespan of the businesses.

### **1.1.2. Factors affecting growth of MSEs**

Micro enterprises are widely recognized as facing unique problems which have hindered their growth and profitability. The problems have obliterated their potentials in contributing to economic development. Ahwireng-Obeng (2003) noted limited financial accessibility for the business, limited access to relevant market information, and inadequate managerial and technical skills such as how to develop a business plan, low levels of education as the major hurdles facing microenterprises.

Nitcher et al., (2005) and Kiraka (2009) did separate studies on factors affecting the performance of businesses. The findings showed that MSEs Face many problems such as low educational levels, limited innovation capacities, rapid technological changes, limited financing, limited managerial skills, prohibitive and unfavorable regulatory environments, scanty market information and poor infrastructure.

Mbugua et al., (2013) also carried out study in Eldoret on factors affecting the growth of MSE. The researchers took a case of Tailoring and Dressmaking Enterprises and the key finding of the study was that the businesses were facing stagnant growth. The reasons identified for stagnated growth included limited financing, inadequate managerial skills, scanty market information, and entrepreneurial characteristics owner-managers.

### **1.1.3 Micro and small enterprises in Kenya**

Microenterprise industry has become a crucial agent of economic development throughout third world nations for several decades. This is supported by the fact that these nations face increasing unemployment rates ranging from 25 to 45 percent (Abebe & Belay, 2005). Thus, in Africa according to Pelham (2000), micro enterprises have become key drivers of economic and social development given its high unemployment rates. Microenterprises have become the major source of income, employment, empowerment, skills, goods and services which serve to reduce poverty (UN Economic Commission for Africa, 2008; Moyi, 2013). They also promote equitable distribution economic growth benefits and expand local capacities given that they are spread all over. Alabi et al., (2007) asserts that the growth of microenterprises is an integral part of the industrial and economic growth.

Entrepreneurial behavior is a crucial element in determining business growth and how such growth might be (Mazzarol & Rebound, 2009). Mazzarol et al. (2009) also stated that growth requires strong leadership, innovation, and the capacity to take calculated risks which are options open to all firms regardless of age, region, size or sector of the company. The entrepreneurial traits, the motive of going into self-employment, market exploitation and managerial expertise strongly determine the growth of the firm. People having entrepreneurial behavior according to Papadiki & Chami (2002) have high probability of growth compared to those who do not have such traits or have fewer entrepreneurial traits. Moreover, with globalization, liberalization and rapid advances in technologies, microenterprise growth requires pursuing multiple channels if they are to have a competitive advantage in the market (Thornton, 2012).

In Kenya, micro enterprises are fast growing as witnessed in the burgeoning numbers of such ventures. The GoK (1999) showed that the number of micro enterprises had

rapidly grown from 910,000 to approximately 1.3 million from 1993 to 1999 in the MSE baseline survey. According to the economic survey (2003), the number of persons involve in MSEs had grown from 4.2 million to 5.1 million from 2000 to 2002. Thus, the number of persons in MSE was 74.2% of the working population engaged in employment. Moreover, the MSEs contribute approximately 18.4% of country GDP (GOK, 2008).

However, the growth of microenterprises in Kenya into SMEs is quite low. Furthermore, the growth of SMEs into big companies is even quite lower. KPMG (2008) in the annual SMEs survey showed that only 4 companies out of 100 graduated from SMEs class to large companies beginning 2009 accounting for only 4%. Thus, the binding constraints are really pulling down microenterprises limiting the realization of the full potential of this noble sector. The challenges are myriad ranging from poor access to market, energy, transport, security, legal services, limited financing and prohibitive regulations (Jagongo, 2009). The MSE sector makes approximately 98% of all business in the country accommodating over 50% of new employees excluding farming activities. Moreover, the sector accounts for up to 30% total employment in the country (KIPPRA, 2002).

There are concerted efforts both by the Kenyan government and other stakeholders to strengthen MSMEs by improving their productivity and innovation (GOK, 2007). Most notably, in 2015, Nairobi was home to the sixth annual GES which provided a platform for venture capitalists, entrepreneurs, and foundations to network and celebrate entrepreneurs from around the world, exchange innovative business ideas as well as provide investment opportunities and identify ways to improve the entrepreneurial ecosystem. Thus, help spur economic opportunity and catalyze

entrepreneurship globally especially among the marginalized groups such as women, youth, and the disabled as well as the marginalized communities by developing innovative business environment; championing for favorable business climates and bringing the private sector on board to expand their impact (GES Kenya, 2015). With a billion dollars pledged by GEP and more private sector involvement, the SMEs stand a better chance to witness successful growth.

#### **1.1.4. Youth Micro Enterprises in Kikuyu Constituency**

The youth population globally has reached a staggering 1.5 billion. Nations are struggling with increasing rate of unemployment among the youths. The global youth population growth rate stood at 10.5% against youth employment growth rate of only 0.2% in the past decade. This necessitated nations to come up with new avenues of creating employment for the youths. This gave rise to the first-ever GYM Conference in Washington, D.C. to tackle the increasing youth unemployment rates (Fiona, 2007). The major resolution of the conference was to include youths in entrepreneurial activities mainly through microenterprises. Chigunta (2002) noted that youth microenterprises create employment opportunities for both the young entrepreneurs and for other youths employed in the micro enterprises. This ensures that the once isolated and sidelined youth are grafted back national economic development. Thus, giving a lifeline to the joblessness youths to earn a decent living as well as develop new skills and experiences.

However, young entrepreneurs are much disadvantaged compared to their adult counterparts given the unique challenges they face to start a business. The young entrepreneurs usually suffer limited financing, poor market information, weak social and employment networks, lack of role models, lack of life and work experience,

limited employment options associated with skills and experience, as well as lack of awareness on business options (USAID, 2014). For this reason, many youth microenterprises fail to grow to SMEs and barely make it to the third year. Bowen et al. (2009) noted that more than 50% of MSEs perform dismally and barely 3 out of 5 make it into the second year of operation. This is partly due to very little documentation about best practices about how to operate these programs (Else & Raheim, 1992).

The ministry of Youth and Sports (2008) indicated that the country has 13 million youths aged between 18-35 years. This accounts for about 37% of the population. Unfortunately, less than 50% are in gainful employment in the country while majority remain largely unemployed. This sounded a warning alarm to the government of Kenya. To solve this problem the Kenya government initiated the YEDF in 2007 with the sole goal of providing seed capital to the young entrepreneurs below 30 years of age (GOK, 2007). The government acknowledged the cruel role microenterprises play in alleviating poverty through employment creation and unlocking economic development which reduces the dependency on government in the provision of sufficient employment opportunities. Moreover, the capital requirement for young micro enterprises is much lesser.

With an ever increasing rate of unemployment, many youths in Kikuyu constituency have initiated micro enterprises through the YEDF as a source of livelihood. According to Karanja (2010), as cited by Maina (2015), a majority of MSEs in Kikuyu are mainly sale of market farm produce and second-hand clothes, green groceries, tailoring shops, Kiosks, beauty salons, hotels and laundry services. Thus, trade is predominantly small-scale retail in nature which is distributed across the

division (GoK, 2009). In this area, several micro enterprises have come up and 50% of them fail to thrive during the first year after starting. Thus, there is a general consensus for the need to develop micro-level approaches tailored to address the unique problems facing small-scale businesses. More so, there is need to align the micro-level approaches to the general direction of industrial and economic development.

Despite scanty empirical studies in East Africa especially in Kikuyu constituency, the poor growth of microenterprise narrative remains the same. The low rate of growth micro enterprises has been associated with poor financing, poor management and limited market (Mwaniki, 2006). The available literature paints a gloomy picture of microenterprises where only two out of five micro-enterprises make it to the second year of operation (KNBS, 2007). According to statistics obtained from the Kikuyu District statistics office (2014), most of the micro enterprises in Kikuyu constituency are characterized by a lack of growth. Thus, the study attempts to determine factors affecting the growth of youth micro enterprises in Kikuyu constituency.

### **1.1.5 Kiambu County**

Kiambu County is cosmopolitan and next to the capital city of the republic of Kenya. Its proximity to the city and its population makes the development of micro enterprises very necessary. The youthful population in Kiambu County constitutes 40% of the total population. This helps explain the high working age population in the county. This high working age has also been contributed by its proximity to Nairobi which has triggered high rural migration as well as providing residence to people working in the city of Nairobi and its environs including Kikuyu, Kiambu town, Ruiru and Thika. 40% of the Kiambu county population has secondary level of education or

above while people with primary education stood as 48% (KNBS, 2011). To curb the increasing rate of unemployment, the Kiambu county has established Biashara Fund which has trained 20 000 residents on how to access the fund and 32 747 applications received. Retail trade retail sales of clothing and furniture and beauty salons and barber shops and sales of food and drinks are the most frequent business enterprises. There is also agriculture-related industries are present in Kiambu county (Kiambu county, 2016).

## **1.2. Research Problem**

The MSEs continue to play a crucial economic role across many nations. Their contribution to economic and industrial growth in generating income and alleviating poverty is generally acknowledged (ILO, 2007). The sector approximately account for 18.4% of the country's GDP (GoK, 2005) and has a footprint in all sectors. The Economic Survey (2006) noted that MSEs created more than 50% of new employments in the year 2005 and provides a living to hundreds of millions of people. However, the MSEs have continued to witness many challenges that have frustrated the sector's contribution to industrial and economic development of the nation. Statistics display a grimy picture that 3 out of 5 micro-enterprises fail to make it to the second year of operation and those that continue only 20% reach the fifth year. Yet, over 60% of these ventures fail each year (KNBS, 2007). Steve (2001) in studying success factors of microenterprises in the United Kingdom found out that management skills, training, mentorship, financing, networking, and innovation are key factors that any microenterprises lacking these factor witness stagnated growth. Ngugi (2013) affirms that most do not survive to their third anniversary. According to Kiraka (2009), as cited in Aikaeli, the SME's usually find themselves offering what is

already in the market. Thus, they lack innovation in coming up with new products or services which limit growth and expansion; they lack a competitive advantage over other SME's and thus remain stagnant. Carrying out research on the factors affecting the growth of MSE in Eldoret, Mbugua et al., (2013) showed that most of the business enterprises experienced limited growth or not growing at all. The lack of growth was attributed to limited financing, poor managerial skills, poor marketing strategies and lack of entrepreneurial traits. Kirika (2010) also carried out a case study of the challenges facing growth of micro enterprises in Tigania west division. The study found out that most of the enterprises were experiencing poor performance characterized by a lack of growth. This poor performance resulted from a lack of entrepreneurial training, lack of management skills and inadequate business support services. These findings are also confirmed by Makena (2011) who carried out a research in Kiambu town on challenges facing SMEs in accessing financing. The study found out that lack of collateral and poor business proposals associated with poor management skills and lack of entrepreneurial training were major hurdles to the performance of enterprises.

According to statistics obtained from the Kikuyu District statistics office (2014), most of the enterprises in the constituency are characterized by a lack of growth. Despite the increase in numbers of the micro enterprises in the constituency, there is little to say about vertical growth as most of the businesses remain almost the same size. This appalling reality affirms Cormick (1993) observation that microenterprises grow laterally by exponentially increasing in numbers instead of vertically by graduating into SMEs and always in danger of remaining small. The question remains as to what factors really affect the growth of these business ventures. The study attempted to

answer this nerve-wracking question by determining the factors that influence the growth of youth micro enterprises in Kikuyu constituency.

### **1.3. Research objectives**

The objective of the study was to determine factors affecting the growth of youth micro enterprises in Kikuyu constituency, in Kiambu County.

### **1.4. Value of the study**

First, the study will add knowledge to the growth of microenterprises and serve as a reference material for other researchers, students and research institutions on related topics that touch on micro enterprises growth. Secondly, this study may be significant to the government in formulating policies that create conducive business atmosphere for the micro enterprises to grow given their significance on the national development by raising awareness on the challenges facing micro enterprises.

The research may help financial institutions come up with financial products which are ideal for the microenterprises. The study may also provide information to other policy makers such as investors, shareholders, employees and pressure groups for suggesting improvement in service delivery. Lastly, the study may provide information to the micro entrepreneurs on the need for management skills, innovations, networking, financing, enterprise culture as well as training and mentoring so as to give them a niche over their competitors in the marketplace as well as help grow the enterprises from MSEs to large corporations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This chapter presents relevant literature on the factors affecting the growth of youth microenterprises. The chapter examines management skills, innovation and, training and mentorship and their influence on the growth of microenterprises. This chapter provides both theoretical framework and empirical review on the factors affecting microenterprises so as to identify the knowledge gaps from previous studies. Finally, the chapter concludes with a conceptual framework which will act as the guiding framework in guiding the scientific study.

#### **2.2. Theoretical Framework on the growth of enterprises**

In studying enterprise growth several theoretical frameworks have been suggested by various scholars. Thus, this study relied on two of such theories to give it theoretical foundation.

##### **2.2.1. Schumpeter's Innovation Theory**

The theory posits that innovation usually results into technological progress as firms pursue profit maximization. Thus, each innovation is geared towards creating some new product or process giving the innovator a niche over the competitors. However, news innovations mean rendering old innovations outmoded. Bearing in mind the fact that even the new innovation is destined to be archaic in the future by future innovations (Schumpeter, 1934). He saw innovation as a tool for effective exploitation of the available opportunities by the entrepreneurs. He further stressed the role of entrepreneurs as primary agents affecting creative destruction, and emphasized the need by entrepreneurs to look out for innovation opportunities, the

trends for successful innovation opportunities; as well as the need to effectively apply the principles of successful innovation.

Proponents of this theory such as Drucker (1985) pointed that entrepreneur are always searching for change, responding to it, and exploiting it as an opportunity, and engaging by this means in purposeful innovation. Lumpkin & Dess (1996) agree with Schumpeter (1934) that technological progress through innovation makes innovation a key success factor I entrepreneurship. Shane, Kolvereid, and Westhead (1991) reinforced this relationship between innovation and entrepreneurship emphasizing that a key driving factor in starting businesses is innovation. Thus, wealth creation emerges through all kinds of innovations which make new goods and/or services, new technologies, new processes and markets available. Thus, through innovation resources are shifted from existing firms to new ones enabling the growth of the new firms. Hence, Currie, et al. (2008) observes that in a competitive business environment innovation guarantees organization's sustainability and success.

### **2.2.2. Resource-Based Theory**

The resource-based view focuses on the enterprise's resources such as strength and weakness of the firm, capabilities, competitive advantage, strategy and being able to identify the gaps within the organization (Grant, 2011). The resource-based view sees numerous sources of opportunities that can be exploited in the market place to the profit of the firm. The prudent utilization of all useful resources that the firm has helps determine its competitive advantage. Therefore, efficient and effective use of resources is the foundation for achieving firm's competitive advantage (Mwailu & Mercer, 1983). It is essential to manage changes through the deployment of the firm's

resources in identifying as well as exploiting the next possible growth opportunity (Gupta et al, 2013).

### **2.3. Factors affecting microenterprise growth**

Several studies have been conducted to determine factors affecting the growth of enterprises. Gray (2006) and Shiu & Walker (2007) noted that microenterprises preparedness and ability to create innovative services and products is usually impeded by financial limitations and inept managerial skills. Kiraka et al., (2012) also carried out a study in Kenya on MSMEs growth and innovation influence on the funded women enterprises' performance. The study revealed that performance of the enterprises depends on innovation, management skills, entrepreneurial training, and networking.

These assertions are echoed by Obonyo (2014) who carried out a case study of challenges facing the growth of SMEs in Kariobangi south market Embakasi, Nairobi County. The lack of growth was attributed to limited financing, poor managerial skills, scanty market information, and lack of entrepreneurial traits which are all significant in determining the growth of these enterprises. Due to numerous factors affecting microenterprise growth this study narrows only on management skills, innovation, training and mentorship, financing, networking, and enterprise culture and their impacts on the growth of microenterprise.

#### **2.3.1. Management skills**

Management has been increasingly gained prominence as a key factor in determining firm's productivity in the recent economics works (e.g., Syverson, 2011). Haimann (1977) looked at management the act of getting things done through and with people. He argued that this involves guiding and motivating peoples' efforts. Therefore,

management is an enabler of achieving organizational strategic goals. Larson and Clute (1979) showed that lack of management skills among the microenterprise entrepreneurs cum managers led to low performance that resulted to collapse of the businesses. Bamback and Lawyer (1979) also identified poor management skills as the major reason behind the poor performance of a small business. Nzioka (1995) looking at the role of education in business performance noted that poor management skills is the major hindrance to business growth. Bridge, O'Neill, and Cromie (2003) noted that these skills include marketing, production, financial, legal and human resource aspects of business.

Ligthelm (2010) conducted a study on the survival rate of small businesses within the rapidly changing trade environment based on the role of entrepreneurship on the survival of MSEs in South Africa. The study examined the ability of small informal businesses to survive amidst a heightened level of competition from large formal businesses and the determinants of sustainability of survivors. Findings from longitudinal surveys consisting of 300 small businesses in Soweto suggested that entrepreneurial shrewdness and sound business management skills are the key indicators of small business survival as they enhance the performance of the businesses.

Harper (1984) noted that regardless of the business size, poor management skills always resulted in poor growth of the enterprises. The study stressed that poor book keeping, lack of business identity, and poor financial management is detrimental to business performance. These findings are also affirmed by Cant and Ligthelm (2003) study on small business failure which found out that despite the fact that most entrepreneurs' having good ideas and necessary competencies they are clueless on

how to run a business for lack of sound knowledge of business fundamentals. They cited management skills as an important factor for business growth and success. Thapa (2007) also noted a positive correlation between management skills and small business success. The same sentiments are echoed by Duenas (2006) who found that skilled manpower has a great impact on the operational performance of the enterprises.

Veciana (2007) showed that the managerial skills such as the capacity to obtain business related information, properly scan the environment, manage risks, social skills in establishing relationships and networks, decision making skills under pressure and ability to learn from past experience are crucial to the success of enterprises. Terry (2005) also argues on the same line that entrepreneurs need prerequisite skills to start, develop, finance and manage their own businesses. These entrepreneurial skills according to Akande (2011) enable an entrepreneur to have fully control and sound management of businesses in competitive environment.

### **2.3.2. Innovation**

Innovation is credited for giving businesses the much needed competitive advantage that enables a company to succeed in the ever-changing and competitive business environment. It is a catalyst that forms the basis for strategy formulation for companies, regardless of their sizes or legal forms (Bhaskaran, 2006). Thus, innovation is the highway that precipitates business growth and by extension country's economic prosperity. Innovation results in technological progress that helps explain the great diversity in productivity across and within countries. Thus, innovation gives the small businesses the competitiveness needed to survive in the ever-changing business environment (OCED, 2005).

Gee (1981) defines innovation as the process in which an idea or an invention of a useful product, service or technology is developed for commercial purpose. Therefore, innovation guarantees customer satisfaction and enables the introduction of technologies. These are key factors that pose major concerns for every business in the marketplace. Schumpeter, (1934) emphasized that innovation involves utilization of resources with a sole aim of introducing new goods and services or processes. Thus, he demonstrated that firms engage in innovative activities for the purpose of fostering growth. Innovation gives the firm's ability to maintain and even exceed its current business performance as well as exceed competition's expectations which ensure business survival. Tidd et al., (2005) realized that businesses with less innovative activities are less likely to survive in any competitive business environment.

Gebreeyesus (2009) measured innovation based on four categories namely: product or service innovation, process innovation, organizational innovation and marketing innovation. Such measurement criteria are based on incremental innovation as argued by Van Dijk and Sandee (2002) and Sandee (2002). Gebreeyesus measured influence of innovation on business growth using regression analysis and obtained a significant positive correlation between employment growth and innovation among microenterprises in Ethiopia. Thus, innovation is a key success indicator for businesses growth.

Relying on Global Innovation Index 2015 ranking of countries by region, the Sub-Saharan Africa was generally low. Kenya in particular was ranked 85th with efficiency levels ranked 26th in 2014 (Ndemo, 2015). The innovative applications of ICTs in various sectors registered economic growth. Thus, the impact of innovation on business performance and by extension national development is unquestionable.

Several studies have also indicated a significant positive correlation between innovation and the SMEs performance. North and Smallbone (2000) found that the most innovative SMEs have achieved the growth performance in terms of sales turnover and employment generation.

Ernst (2004) in his study showed that innovation ensures business competitiveness, high profitability, and graduation of the microenterprises into SMEs. He stressed that in any highly competitive business environment innovation functions as a strategic tool to guarantee survival and growth. He also indicated that innovative firms thrive in competitive environment whereas non-innovative firms face stagnation and even collapse due to stiff competition coming from other similar small firms or larger firms. For such role O'Regan, Ghobadian & Sims (2006) noted that innovation cannot be considered only as a very important component for the successful development of SMEs but as a necessity.

Thus, the role of innovation as a key business success indicator is widely acknowledged. It is often considered to be a vital in strategic planning so as to give firms a niche over rivals in a competitive business environment. Davila et al. (2006) add that innovation improves quality, improves efficiency, opens up new markets, expands product variety, reduces environmental degradation and saves energy, and improves production processes. For these and other reasons, innovation has remained important to business success.

### **2.3.3. Training and mentorship**

According to Armstrong (2001) training is the formal and systematic modification of behavior through learning or education. He further asserts that the core motive of entrepreneurial training is to empower the personnel to guarantee business success. A

study by Eikebrokk & Olsen (2009) using a sample of 339 SMEs drawn from Norway, Finland, and Spain reported a positive correlation between training and performance among SMEs involved in e-business activities. They suggested that training promotes business competencies, efficiency and effectiveness.

Karlan and Valdivia (2006) conducted a study to find out the impact of training on the business performance. Using the sale volume as the measure of performance, they found out that business training intervention improved business growth and success. They observed that sales in the preceding month before training were 16% higher. After the training, they found out that sales in a bad month were 28% higher among trained groups as compared to control groups. This study is also supported by Aderemi, (2007) who found out that the microenterprise entrepreneurs and managers who had participated in entrepreneurial training demonstrated superior managerial practice and better performance. This was revealed through higher gross margin and growth in comparison to the microenterprise entrepreneurs or managers who had not taken part the entrepreneurial training.

Bowen et al. (2009), in a study done in Nairobi, Kenya consisting of 198 respondents comprising of business owners and managers found that 49.5% of the trained entrepreneurs on business management registered business growth. The study results also showed that 60.8% of the entrepreneurs who had not participated in the training their businesses were doing poorly. Another study by Berge et al. (2011) found that through training the profit margin had increased by 24% while sales had increased 29% for male entrepreneurs who had participated in the training and continued to have increasing impact on the business growth. These findings are also affirmed by

Valdivia (2011) who found a 20 percent increase in the trained entrepreneurs as oppose to the untrained entrepreneurs.

The World Bank (2010) in a study to determine the influence of training on business performance using value added and gross profit as the key indicators noted that the trained participants achieved higher growth rates and good business performance after the training than non-participants. In terms of gross profit, the training contribution was comparable to about 160% over one year in both groups. In terms of business routines, those who participated in the training programs showed a stronger tendency to adopt new business routines in financial management (bookkeeping), production management (organization of workshops), and marketing which also led to improved business performance.

Lalkaka (2003) posits that business incubators provide solid foundation for young entrepreneurs to exploit their innovations as well as facilitate venture creation and development processes. Hisrich and Brush (1987) noted that mentorship, business advisors and associates, support systems, business friends and participating in trade associations greatly influence business performance. Fraser (1995) and Wheeler (1995) asserted that informal mentorship as well as supportive relationships supports business growth by enabling the new entrepreneur to avoid impediments which would otherwise hamper business growth and personal satisfaction.

Studies have shown a link between mentorship through parental occupation and business performance. Parker (2004) showed that new entrepreneurs who followed parental occupation recorded higher business performance. Fairlie (2009) also established that new entrepreneurs who worked in family businesses before starting their own businesses registered higher business performance of the businesses.

Garvey and Garrett-Harris (2008) through review of numerous literature showed that mentorship promote understanding and knowledge acquisition, enhance sales and business networking, improve confidence and job fulfillment, enhance leadership development, and promote positive attitude which promote business performance.

#### **2.3.4. Financing**

It is general knowledge that all businesses require finances to start and manage entire business life cycles. The capital invested in the businesses greatly influences the business size and the survival chances of the businesses if other factors are held constant. Orser (2000) noted that SMEs face poor market information on alternative sources of funding and poor evaluation of the available financing options. Mambula (2002) pointed out that limited financing is the key hindrance to MSEs' growth. This is also stressed by Florida et al, (1996) and Pang (2006) who found that seed capital remains a barrier to potential entrepreneurs accounting for 80% of the start-up problem.

Mbugua et al., (2013), in their research of factors affecting the growth of MSEs in Eldoret revealed that there was a strong correlation between financing and the growth of enterprises. They stated that all businesses regardless of size require finances in their entire life cycle to guarantee success. Munyori & Ngugi (2014) also carried a study on factors affecting the growth of SMEs dairy farmers in Kenya and found out that 70% of their respondents experienced financial difficulties during their farming activities. Those that had taken microfinance loans, experienced business growth with household also witnessing increased income.

Ojo (2009) focusing on the role of microfinance in entrepreneurship development found out that entrepreneurs who had borrowed loans from microfinance institutions

reported higher business performance compared to entrepreneurs who had not acquired loans. He concluded that microfinance institutions had great influence not only on the business success but also on the Nigerian economy through expanded GDP. Rahmat and Maulana (2006) also studied the impact of microfinance on Mses Performance in Indonesia and noted that microfinance played a role in the improved MSE's performance indicated by growth of sales.

K'Aol (2008) in his study in Kenya on the role of microfinance in promoting women entrepreneurship found out that most of the women businesses had expanded as well as experienced increased household income. This increase had resulted from taking microfinance loans from K-REP. Aczel (2000), also conducted a study in Thailand on the role of microfinance in supporting entrepreneurial activities especially microenterprises. The findings of the study indicated that the microfinance institutions had promoted microenterprise performance.

### **2.3.5. Networking**

Networking has become one of the key determinants of business performance in the recent past. Hite (2005) asserts that networking positively influences the process of business start-up and growth. Byham (2009) defines a business network as a collection of people of varied skills and knowledge entrepreneurs is connected with and constantly in touch with. According to Hoskison (2004), as stated in Thrikawala, noted that firms engage in strategic networking through participation in cooperative arrangements such as alliances and joint ventures so as to create value for their businesses. In a research done by Thrikawala, on the role of networking in the success of SMEs in Sri Lanka, reported that the network formation facilitates business development. This makes networking a key element in the growth of MSEs.

Sarder et al. (1997) carried out a study which showed that businesses which had received networking support from various agencies reported considerable business growth in terms of increased sales, employment, and productivity. Kader et al. (2009) also carried out a study on small rural entrepreneurs under ODOI program in Malaysia and reported that external factors such as networking are an important determinant of business success. Mahbub (2000) confirmed that poor and scanty networking among women strips them of business information, awareness and business exposure to good role models which in the long run results in poor performance.

Watson (2007) also carried out a study on a sample of SMEs and found out that network supports increase the probability of business growth. This has been confirmed by Greene et al., (2006) who found out that diversity of a network is important to an individual that is looking for new business opportunities as well as for business success. Mbugua et al., (2013) stated that social networking gives businesses a chance to utilize resources that might otherwise been unavailable to them. In their research, they found out that social media networking was used to source for new markets, collect data as well as sell product and services.

### **2.3.6. Enterprise culture**

Deal and Kennedy (1982) view organizational culture as being central to organizational success. According to Schein (1985) organizational culture are the basic assumptions, beliefs and values invented, discovered, or developed by a firm to deal with external adaptation problems and internal integration. Brown (1998) saw enterprise culture as what holds the different elements of the organization coherently together. He noted that the binding strength of enterprise culture helps firms remain

highly successful in competitive and ever-changing environments, where product lifespan is short and continuous innovation is a requisite. Culture enhances teamwork in carrying out functions and activities in a structured manner as well as evaluation.

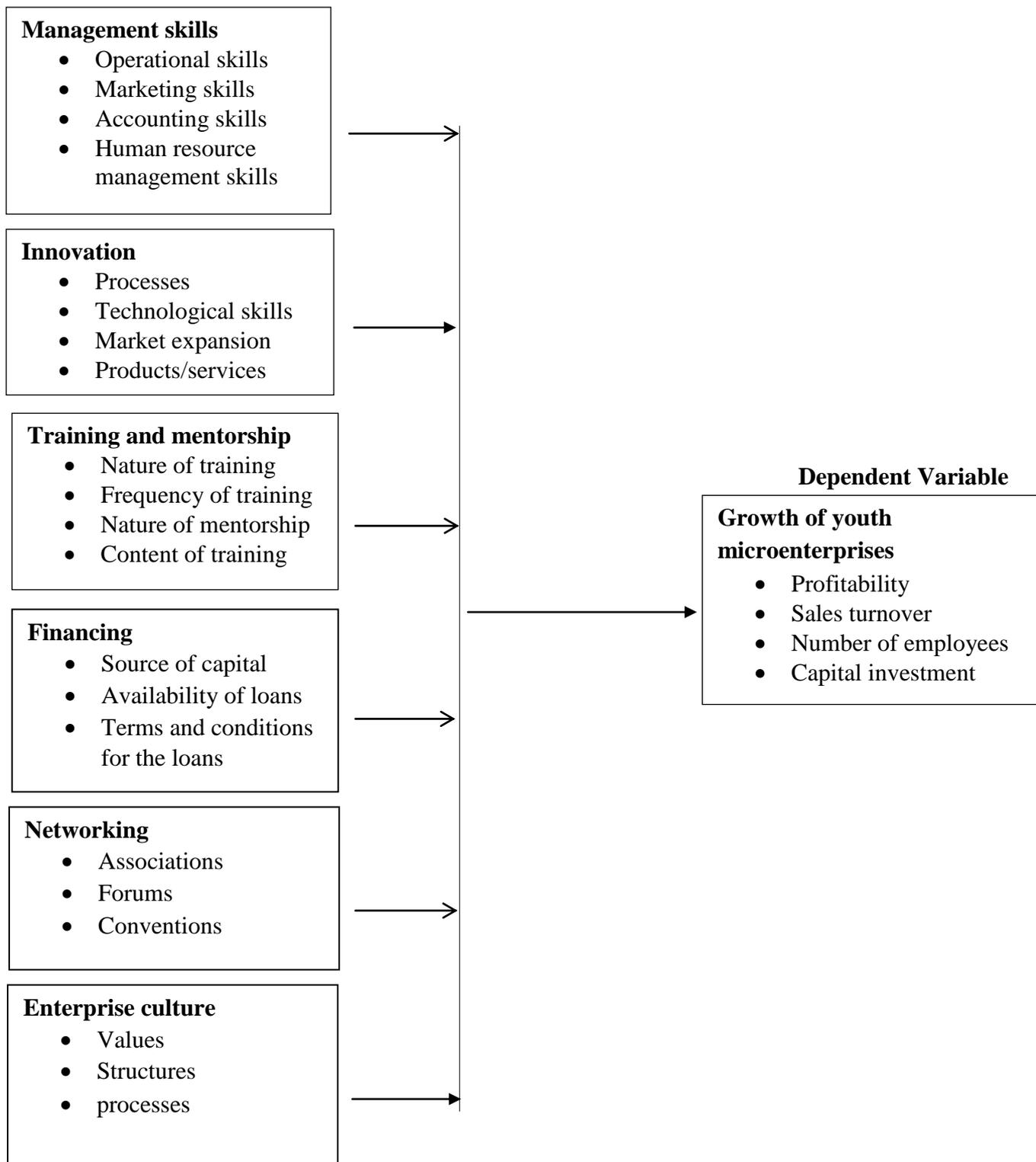
He argues that culture promotes clear perception and problem definition, ease evaluation of issues and opinions, and ease decision making for preferred action; promotes good reputation. It also facilitates organizational co-ordination and control activities; reduce anxiety making choices easier and rational action possible; gives employees identification and promote loyalty, inculcate organizational beliefs and values that motivate employees to perform; and improves the organization's performance in the marketplace.

Stander (2003) found out that organizational culture creates successful, highly-flexible, and highly-committed organization. It is worthwhile to note that culture promotes teamwork and positive synergy through coordinated efforts. Thus, organizational culture is crucial to the organizational performance and act as the glue holding the organization's operations together. Hampden-Turner (1990) concurs that organizational culture coordinates and directs the employees' actions towards achieving organizational growth and success.

According to Synet (2014), entrepreneurial culture involves innovativeness, risk taking, ability to compete in an ever-increasing competitive global market, ability to learn, delegate and empower workers. Her study on entrepreneurial culture among SMEs in Zimbabwe revealed that most businesses are failing to grow due to lack of entrepreneurial culture which was evidenced by poor financial management, unqualified personnel including the owner-managers, weak networking by owner-managers, lack of strategic plan among others.

#### **2.4. Conceptual Framework**

In this study, a conceptual framework was used as the framework to guide the relationship between the variables under study to keep the research work focused on the objectives of the study. A conceptual framework elaborates the research problem and summarizes the major variables in relation to relevant literature. The framework is summarized in a schematic diagram presenting clearly the major variables and their postulated relationships (Monina, 2009). In this study, the independent variables are management skills, innovation and, training and mentorship, financing, networking and enterprise culture while microenterprise growth is dependent variables.



**Figure 1: Conceptual Framework**

## **2.5. Knowledge Gap**

Despite an increased interest in microenterprise growth, only a relative handful of studies have specifically examined the factors influencing the growth of youth microenterprises and more specifically in Kikuyu constituency (Kitheka, 2015; Makena, 2011). Studies provide evidence on entrepreneurial performance. However, more studies need to be carried out to specifically show the effects of management skills, innovation, training and mentorship on such entrepreneurial performance. Moreover, most of these studies cannot be generalized for application in other locations as they are delimited to the target populations only. This study focused on addressing the knowledge gaps in the literature which do not account for continuity in order to improve the growth of youth microenterprises.

## **2.6. Summary of the reviewed literature**

Literature supports that many young entrepreneurs have to experience the issues from support agencies. The incompetence of the entrepreneurs to keep proper records, to operate the businesses as separate entities, manage cash flows and growth greatly hinder the SMEs growth. Whether management skills, innovation, training, and mentorship affect growth of youth enterprises in Kikuyu constituency remains an open question. The scarcity of information on the benefits of these factors on the growth of youth enterprises in Kikuyu constituency is regrettable because it is the sort of evidence that the young entrepreneurs, policy makers and other stakeholders require if they are to support youth entrepreneurial programs. This survey study aimed at contributing to the knowledge base by examining the factors affecting the growth of youth enterprises in Kikuyu constituency.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the research design, target population, the sample size and sampling technique, research instrument, data collection method, validity and reliability of the instrument, and data analysis technique.

#### **3.2 Research Design**

This study used descriptive survey design for its usefulness when the research entails collecting and comparing data on a phenomenon concurrently. Mugenda (2003) maintained that descriptive survey designs are suitable when the researcher aims at establishing whether significant associations among variables exist at some point in time. Thus, the design was ideal since the study sought to determine the factors affecting the growth of micro-enterprises, estimate the extent of influence and make predictions. Thus, the design was chosen for its effectiveness in ensuring bias minimization and maximization of data reliability. This study involved the collection of quantitative data for factor analysis while qualitative data was useful in explaining nature of influence observed about enterprise performance.

#### **3.3 Target Population**

For this study, the target population was all the youth micro enterprises operating in Kikuyu constituency. There is no clear record of the number of youth micro enterprises in the constituency.

#### **3.4. Sample size and sampling procedure**

In this survey study, the sample size was determined using purposive sampling. The researcher purposefully chose the subjects for the study on the basis that they were

typical or representative of the whole (Kothari, 2004). It is useful especially when there is no sampling frame. Given that there is no sampling frame for the targeted population in this study the researcher deliberately selected only respondents operating microenterprises in Kikuyu constituency. Thus, the researcher used a sample size of 162 registered youth micro enterprises operating in Kikuyu constituency, Kiambu County (Constituency youth affairs office, 2016).

### **3.5. Data collection Method**

Primary data was collected using questionnaires which were administered to the youth operating registered micro enterprises in Kikuyu constituency, Kiambu County as the respondents. The Questionnaire is appropriate for its cost effectiveness as well as time-saving since it does not involve the researcher making personal visits to respondents. The questionnaire consisted of items applying the Likert scale with the responses ranging from strongly agree, agree, neutral, disagree and strongly disagree. The questionnaire consisted of three parts; I, II and III with a total of 22 items. Part I contained items which elicit responses on the background information such as gender, the age of respondents, educational level, the age of business, the number of employees and nature of business. Part II items dealt with factors influencing the growth of youth microenterprise namely managerial skills, innovation, and training and mentorship. Part III dealt with items on the microenterprise growth.

The researcher then visited the sampled organizations to establish rapport and made appointments with the constituency administration. The researcher then issued the questionnaire and picked it after it had been clearly filled. Instructions were carefully explained to the respondents before filling the questionnaires having assured them of confidentiality and that the information provided would be used only for the purpose

of the study. The respondents were each accorded adequate time so as to give accurate and appropriate answers to the questions after which the completed questionnaires were carefully checked for completeness and accuracy. The data collection exercise took approximately 10 days. The collected data was then entered into a Microsoft Excel database for corrections.

### **3.6. Validity of the Instrument**

Mugenda & Mugenda (2003) define validity as a measure of how accurate the results or data obtained from a research instrument represents a phenomenon under study. For this study, content validity was used for its reliance on expert judgment. Thus, expert opinion from three experts was sought including the researcher's supervisor. The corrections on the identified questions were incorporated in the instrument.

### **3.7. Reliability of the Instrument**

Reliability is a measure of how consistent a research instrument is in giving results or data after repeated trials (Stangor, 2010). The study used half-split method technique to evaluate reliability. The items were split into two equal halves and scored separately for each person and then correlation coefficient calculated for the two sets of scores. The study also used Cronbach's Alpha ( $\alpha$ ) to determine the reliability of the items in the instrument. Creswell (2012) posits that a reliability coefficient,  $\alpha$ , of 0.7 is acceptable. Thus, the instrument was revised before going to the field and had a correlation coefficient of 0.823.

### **3.8 Data Analysis Technique**

Data analysis involves scrutinizing the collected data and making informed decision and inferences (Donald & Delno, 2006). This normally encompasses collecting, modeling, searching for patterns and transforming data so as to bring out the useful

information, needed for decision making as well as making deductions. Gay (1976) emphasizes that the most commonly used method of reporting descriptive survey is developing frequency distribution with well-calculated percentages appropriately presented in a table. Hence, this study made use of SPSS software to analyze the quantitative data and the findings were presented in percentage, frequency tables and description of the outcome made accordingly. Factor analysis was used to determine factors affecting the growth of youth micro enterprises in the constituency. The analyzed data was then interpreted to determine factors affecting the growth of youth micro enterprises in Kikuyu constituency. Correlation analysis was also carried out to determine the strength of the relationship between the independent variables and the growth of youth microenterprise growth.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULT AND DISCUSSION**

#### **4.1 Introduction**

This chapter is on data analysis, presentation and interpretation. The first section in this chapter is on the response rate of the respondents. The second section of this chapter presents the profiles of respondents. The third section in this chapter is on the analysis, presentation and interpretation of the relationships under investigation. The presentation and interpretation was in line with the study's objective. The findings are presented in the form of tables showing frequencies and percentages. Since descriptive research design was used in this study, descriptive analysis was carried out in this chapter. For each research objective, descriptive analysis was first done by use of the percentiles and frequencies.

#### **4.2 Questionnaire Response Rate**

A sample size of 162 micro-entrepreneurs was selected. Questionnaires were administered to a sample of micro-entrepreneurs as respondents. Out of the 162 questionnaires that were administered, 140 questionnaires were duly filled and returned and therefore regarded as the responsive instrument and formed the basis for data analysis. This formed a questionnaire return rate of 86.42%. Saunders et al. (2003) indicate that 30 to 50 percent response rate is reasonable enough for statistical generalizations.

#### **4.3 Profiles of the Respondents**

This section profiles the respondents in respect to gender, age, level of education, business duration of operation, number of employees, and type of business. Profiling of the respondents was informed by the items in the research instruments used in the study.

### 4.3.1 Distribution of Respondents by Gender

Data was sought on whether respondents were males or females. The study found it important to analyze gender distribution of the respondent so as to compare the level of participation in business enterprises. The study gave no preferential consideration to none of the gender in the selection of respondents. Respondents were therefore asked to indicate their gender. The responses were as shown in Table 4.1

**Table 4.1: Distribution of Respondents by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	82	59
Female	58	41
<b>Total</b>	<b>140</b>	<b>100</b>

Table 4.1 indicates that 41% of the respondents were females while 59% were males.

Thus, respondents in this study were skewed in respect to gender spread. There are more male (59%) involved in microenterprise than females in Kikuyu constituency.

### 4.3.2 Distribution of Respondents by Age Group

Respondents were asked to indicate their age group in years. This was done to understand the age distribution of the respondents since an individual's age was not a consideration in the selection of respondents in this study. Age groups were classified into three categories: 18 – 23 years; 24 – 29 years; and 30 – 35 years. The responses were as shown in Table 4.2.

**Table 4.2: Distribution of Respondents by Age Group**

<b>Age group</b>	<b>Frequency</b>	<b>Percentage</b>
18 – 23 years	35	25
24 – 29 years	44	31
30 – 35 years	61	44
<b>Total</b>	<b>140</b>	<b>100</b>

Table 4.2 indicates that 25% of the respondents were between the ages of 18 and 23 years; 31% between 24 and 29 years; and 44% of the respondents between 30 and 35 years. This confirms that all respondents were youths. Moreover, the study confirms that there are more senior youths in the enterprise industry compared to junior youths.

#### **4.3.3 Distribution of Respondents by Level of Education**

The respondents were asked to indicate their highest level of education. Respondent's level of education was considered important in this study in respect to responding to the research instruments as well understanding the microenterprise growth. The options that were provided in this item were: high school; certificate; diploma; bachelor's degree; post graduate degree; and others. The responses were as shown in Table 4.3.

**Table 4.3: Distribution of Respondents by Level of Education**

<b>Highest education level</b>	<b>Frequency</b>	<b>Percentage</b>
High School	8	6
Certificate	23	16
Diploma	44	31
Bachelor Degree	50	36
Post Graduate Degree	15	11
Other (specify)	0	0
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.3 indicate that 6% had high school certificate, 8% of the respondents had tertiary certificate, 31% had diploma certificate, 36% had bachelor degree certificate and 11% had post graduate degree. Therefore the data collection procedures used in the study were based on the assumption that the respondents were literate and had basic understanding of the importance of research and therefore they would willingly act as the respondents in the study.

#### 4.3.4 Distribution by Duration of business in operation

Respondents were asked to indicate how long the business had been operation. The study found it important to analyze the duration for which the business had been in operation because the duration enhances the understanding of the factors affecting microenterprise growth. The data was clustered and categorized as shown in Table 4.4.

**Table 4.4: Distribution by Duration of business in operation**

<b>Duration of operation</b>	<b>Frequency</b>	<b>Percentage</b>
0 – 1 years	50	36
2 – 3 years	36	26
4 – 5 years	28	20
Over 5 years	26	18
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.4 indicate that 36% of the businesses had been in business for one year or even less, 26% had been in business for 2-3 years, 20% had been in business for 4-5 years while 18% had been in business for over five years. This shows that many businesses are started however many collapse with time as the percentages reduces with time.

#### 4.3.5 Distribution by number of employees

Respondents were asked to indicate how many employees were working in the business enterprises. The data was clustered and categorized as shown in Table 4.5.

**Table 4.5: Distribution of Respondents by Duration of business in operation**

<b>Number of employees</b>	<b>Frequency</b>	<b>Percentage</b>
1 – 3	80	57
4 – 6	42	30
7 – 9	18	13
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.5 indicate that 57% of the businesses had 1-3 employees, 30% had 4-6 employees while 13% had 7-9 employees. The results show that most of the businesses are operated with less than 4 employees and confirm the limited growth of such businesses.

#### **4.3.4 Distribution by type of business**

Respondents were asked to indicate the type of business they operate. The data was clustered and categorized as shown in Table 4.6.

**Table 4.6: Distribution by type of business**

<b>Type of business</b>	<b>Frequency</b>	<b>Percentage</b>
Manufacturing	0	0
Agribusiness	76	54
Service industry	62	46
Others	0	0
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.6 indicate that 54% of the businesses engage in agribusiness while 46% engage in service industry. None of these businesses engage in manufacturing or other ventures. Thus, microenterprises avoid engaging in capital intensive ventures and concentrate mainly on ventures that requires less capital to start.

### **4.4 Management Skills**

The study sought to determine the influence of management skills on the growth of youth microenterprises. The responses are presented in Table 4.7 to Table 4.10.

#### **4.4.1 Operational skills**

Data was sought on whether operational skills enable efficiency and profitability of the businesses. The responses were as shown in Table 4.7.

**Table 4.7: Operational skills**

<b>Operational skills</b>	<b>Frequency</b>	<b>percentage</b>
1	55	40
2	60	43
3	9	6
4	10	7
5	6	4
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.7 indicate that 40% strongly agreed, 43% agreed, 6% were neutral, 7% disagreed, and 4% strongly disagreed. The findings showed that majority of the respondents (83%) acknowledged that operational skills promote efficiency and profitability of the businesses. This clearly shows that operational skills promote microenterprise growth.

#### **4.4.2 Marketing skills**

Data was sought on whether the marketing skills promote sales turn over. The study found it important to analyze marketing skills so as to determine its influence on the microenterprise growth. The responses were as shown in Table 4.8.

**Table 4.8: Marketing skills**

<b>Marketing skills</b>	<b>Frequency</b>	<b>percentage</b>
1	58	42
2	70	50
3	2	1
4	7	5
5	3	2
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.8 indicate that 42% strongly agreed, 50% agreed, 1% were neutral, 5% disagreed, and 2% strongly disagreed. Thus, a majority of respondents

(92%) agreed that marketing skills promote sales turn over which in turn promote microenterprise growth.

#### 4.4.3 Accounting skills

Data was sought on whether accounting skills enhance tracking of cash flows. The study found it important to analyze accounting skills so as to examine its influence on the microenterprise growth. The responses were as shown in Table 4.9.

**Table 4.9: Accounting skills**

<b>Accounting skills</b>	<b>Frequency</b>	<b>percentage</b>
1	45	32
2	58	42
3	17	12
4	13	9
5	7	5
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.9 indicate that 32% strongly agreed, 42% agreed, 12% were neutral, 9% disagreed, and 5% strongly disagreed. Thus, a majority of respondents (74%) agreed that accounting skills promote sales turn over which in turn promote microenterprise growth.

#### 4.4.4 Human resource skills

Data was sought on whether the human resource skills enhance performance of employees. The study found it important to analyze human resource skills so as to examine its influence on the microenterprise growth. The responses were as shown in Table 4.10.

**Table 4.10: Human resource skills**

<b>Human resource skills</b>	<b>Frequency</b>	<b>percentage</b>
1	52	37
2	61	44
3	4	3
4	13	9
5	10	7
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.10 indicate that 37% strongly agreed, 44% agreed, 3% were neutral, 9% disagreed, and 7% strongly disagreed. A majority of the respondents (81%) consider qualified personnel crucial if the business is to experience excellent performance which in turn promote microenterprise growth.

#### **4.5 Innovation**

The study sought to determine the influence of innovation on the growth of youth microenterprises. The responses are presented in Table 4.11 to Table 4.15.

##### **4.5.1 Trend analysis**

Data was sought on whether the respondents conduct analysis of the trends in the market environment on customers' wants and needs as well as on competitors. The responses were as shown in Table 4.11.

**Table 4.11: Trend analysis**

<b>Trend analysis</b>	<b>Frequency</b>	<b>percentage</b>
1	35	25
2	45	32
3	20	14
4	26	19
5	14	10
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.11 indicate that 25% strongly agreed, 32% agreed, 14% were neutral, 19% disagreed, and 10% strongly disagreed. A majority of the respondents (57%) concurred that they conduct analysis of the trends in the market environment on customers' wants and needs as well as on competitors. Majority of respondents were abreast with news trends in the industry.

#### **4.5.2 Customer and employee consultation**

Data was sought on whether the respondents consult with customers and employees for ideas on improving their businesses. The responses were as shown in Table 4.12.

**Table 4.12: Customer and employee consultation**

<b>Consultation</b>	<b>Frequency</b>	<b>percentage</b>
1	48	34
2	50	36
3	15	11
4	17	12
5	10	7
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.12 indicate that 34% strongly agreed, 36% agreed, 11% were neutral, 12% disagreed, and 7% strongly disagreed. Thus, a majority of respondents (70%) agreed that they consulted with customers and employees for ideas on

improving their businesses. Majority of the respondents valued ownership of ideas which is important for business growth.

#### 4.5.3 Business advice

Data was sought on whether the respondents seek advice from available resources such as business advisors and assistance to drive innovation in their businesses. The responses were as shown in Table 4.13.

**Table 4.13: Business advice**

<b>Business advice</b>	<b>Frequency</b>	<b>percentage</b>
1	42	30
2	51	37
3	20	14
4	18	13
5	9	6
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.13 indicate that 30% strongly agreed, 37% agreed, 14% were neutral, 13% disagreed, and 6% strongly disagreed. Thus, a majority of respondents (67%) agreed that they seek advice from business advisors and assistance to drive innovation in their businesses. Many entrepreneurs use business services available in the industry aimed at promoting growth.

#### 4.5.4 Flexibility

Data was sought on whether the respondents are open to new ideas and adaptive to change. The responses were as shown in Table 4.14.

**Table 4.14: Flexibility**

<b>Flexibility</b>	<b>Frequency</b>	<b>percentage</b>
1	43	31
2	49	35
3	21	15
4	17	12
5	10	7
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.14 indicate that 31% strongly agreed, 35% agreed, 15% were neutral, 12% disagreed, and 7% strongly disagreed. Thus, a majority of respondents (66%) agreed that they are open to new ideas and adaptive to change. Hence, many of the respondents were much receptive of the environmental changes taking place and adjusting appropriately to promote business growth.

#### **4.5.5 Strategic plan**

Data was sought on whether the respondents have strategic and responsive plan for their businesses which promotes progress in the entire business. The responses were as shown in Table 4.15.

**Table 4.15: Strategic plan**

<b>Strategic plan</b>	<b>Frequency</b>	<b>percentage</b>
1	38	27
2	47	34
3	25	18
4	20	14
5	10	7
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.15 indicate that 27% strongly agreed, 34% agreed, 18% were neutral, 14% disagreed, and 7% strongly disagreed. Thus, a majority of respondents

(61%) agreed that they have strategic and responsive plan for their businesses which promotes progress in the entire business. Many respondents were much aware of how to achieve their visions and had contingency measures in place to counter emergencies and discrepancies.

#### **4.6 Training and Mentorship**

The study sought to determine the influence of training and mentorship on the growth of youth microenterprises. The responses are presented in Table 4.16 to Table 4.19.

##### **4.6.1 Business training**

Data was sought on whether the respondents have skills in business that they have learnt from school or internship. The responses were as shown in Table 4.16.

**Table 4.16: Business training**

<b>Business training</b>	<b>Frequency</b>	<b>percentage</b>
1	37	26
2	33	24
3	25	18
4	30	21
5	15	11
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.16 indicated that 26% strongly agreed, 24% agreed, 18% were neutral, 21% disagreed, and 11% strongly disagreed. Thus, only a half of the respondents (50%) agreed that they have business skills they have learnt through training.

##### **4.6.2 Business mentors**

Data was sought on whether the respondents have someone who advises them in their businesses. The responses were as shown in Table 4.17.

**Table 4.17: Business mentors**

<b>Business mentors</b>	<b>Frequency</b>	<b>percentage</b>
1	56	40
2	34	24
3	10	7
4	28	20
5	12	9
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.17 indicate that 40% strongly agreed, 24% agreed, 7% were neutral, 20% disagreed, and 9% strongly disagreed. The findings reveal that 64% of the respondents do have business mentors to seek advice from. Hence, many of the entrepreneurs follow in the footsteps of others who have been in the same businesses.

#### **4.6.3 Nature of mentorship**

Data was sought on whether nature of mentorship helps the respondents manage their businesses. The responses were as shown in Table 4.18.

**Table 4.18: Nature of mentorship**

<b>Nature of mentorship</b>	<b>Frequency</b>	<b>percentage</b>
1	42	30
2	30	22
3	16	11
4	38	27
5	14	10
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.18 indicate that 30% strongly agreed, 22% agreed, 11% were neutral, 27% disagreed, and 10% strongly disagreed. The findings reveal that only 52% of the respondents felt that the mentorship they got helped them manage their businesses. Despite many respondents engaging business mentors, some of their advices do not lead to business growth.

#### 4.6.4 Type of training

Data was sought on whether the type of training helps the respondents to solve problems in their businesses. The responses were as shown in Table 4.19.

**Table 4.19: Type of training**

Type of training	Frequency	percentage
1	56	40
2	49	35
3	8	6
4	18	13
5	9	6
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.19 indicate that 40% strongly agreed, 35% agreed, 6% were neutral, 13% disagreed, and 6% strongly disagreed. The findings show that 75% of the respondents believe that the type of business training is helpful in solving business problems. The trainings impart respondents with the much needed knowledge and skills for growing businesses.

#### 4.7 Financing

The study sought to determine the influence of financing on the growth of youth microenterprises. The responses are presented in Table 4.20 to Table 4.23.

##### 4.7.1 Sources of capital

Data was sought on whether the respondents have sources of capital they can access.

The responses were as shown in Table 4.20.

**Table 4.20: Sources of capital**

Sources of capital	Frequency	percentage
1	36	26
2	22	15
3	16	11
4	40	29
5	26	19
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.20 indicate that 26% strongly agreed, 15% agreed, 11% were neutral, 29% disagreed, and 19% strongly disagreed. The findings show that 51% of the respondents believe that they have sources of capital they can access which is a clear indication of lack of information on alternative sources of funding.

#### 4.7.2 Access to loan

Data was sought on whether the respondents have sources of capital they can access.

The responses were as shown in Table 4.21.

**Table 4.21: Access to loan**

Access to loan	Frequency	percentage
1	30	21
2	34	25
3	16	11
4	38	27
5	22	16
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.21 indicate that 21% strongly agreed, 25% agreed, 11% were neutral, 27% disagreed, and 16% strongly. This indicates that only 46% of the respondents have access to loans. The accessibility of the loans is much less despite the availability of funds.

### 4.7.3 Terms and conditions of the loans

Data was sought on whether the terms and conditions of the loans are favorable for the respondents' businesses. The responses were as shown in Table 4.22.

**Table 4.22: Access to loan**

<b>Terms and conditions</b>	<b>Frequency</b>	<b>percentage</b>
1	22	16
2	28	20
3	10	7
4	58	41
5	22	16
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.22 indicate that 16% strongly agreed, 20% agreed, 7% were neutral, 41% disagreed, and 16% strongly. This indicates that only 36% of the respondents agree that the terms and conditions of the loans are favorable for their businesses. The stringent and unfavorable terms and conditions hamper the accessibility of the loans as many entrepreneurs shy away from taking such loans.

### 4.7.4 Business growth due to financing

Data was sought on whether the financing has promoted growth of respondents' businesses. The responses were as shown in Table 4.23.

**Table 4.23: Business growth**

<b>Business growth</b>	<b>Frequency</b>	<b>percentage</b>
1	62	44
2	78	56
3	0	0
4	0	0
5	0	0
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.23 indicate that 44% strongly agreed, 56% agreed, 0% were neutral, 0% disagreed, and 0% strongly disagreed. This indicates that all the respondents (100%) concurred that financing promoted their business growth.

#### 4.8 Networking

The study sought to determine the influence of networking on the growth of youth microenterprises. The responses are presented in Table 4.24 to Table 4.26.

##### 4.8.1 Associations

Data was sought on whether the respondents belong to associations. The responses were as shown in Table 4.24.

**Table 4.24: Associations**

Associations	Frequency	percentage
1	36	26
2	24	17
3	0	0
4	45	32
5	35	25
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.24 indicate that 26% strongly agreed, 17% agreed, 0% were neutral, 32% disagreed, and 25% strongly disagreed. This shows that only 43% of the respondents do belong to associations. Many of the respondents do not cooperate together through associations thus making the level playing field much skewed with regard to new entrants.

##### 4.8.2 Regular forums

Data was sought on whether there are regular forums that the respondents are part of and regularly attend. The responses were as shown in Table 4.25.

**Table 4.25: Regular forums**

<b>Regular forums</b>	<b>Frequency</b>	<b>percentage</b>
1	30	22
2	46	33
3	9	6
4	38	27
5	17	12
<b>Total</b>	<b>160</b>	<b>100</b>

The results in Table 4.25 indicate that 22% strongly agreed, 33% agreed, 6% were neutral, 27% disagreed, and 12% strongly disagreed. Thus, only 55% of the respondents take part in regular forums. Many of the respondents are actively involved in forums thus keeping with the industry changes and development.

#### **4.8.3 Trade fairs**

Data was sought on whether the respondents regularly attend trade fairs and business forums organized by government and private institutions. The responses were as shown in Table 4.26.

**Table 4.26: Trade fairs**

<b>Trade fairs</b>	<b>Frequency</b>	<b>percentage</b>
1	64	46
2	32	23
3	4	3
4	36	25
5	4	3
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.26 indicate that 46% strongly agreed, 23% agreed, 3% were neutral, 25% disagreed, and 3% strongly disagreed. A majority of the respondents (69%) said they attended trade fairs. Thus, majority of the respondents show case what they offer as well as learn from others.

## 4.9 Enterprise culture

The study sought to determine the influence of enterprise culture on the growth of youth microenterprises. The responses are presented in Table 4.27 to Table 4.30.

### 4.9.1 Brainstorming

Data was sought on whether the respondents together with their employees engage in brainstorming sessions for new ideas and ways to solve problems in the business. The responses were as shown in Table 4.27.

**Table 4.27: Brainstorming**

<b>Brainstorming</b>	<b>Frequency</b>	<b>percentage</b>
1	26	19
2	24	17
3	30	21
4	46	33
5	14	10
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.27 indicate that 19% strongly agreed, 17% agreed, 21% were neutral, 33% disagreed, and 10% strongly disagreed. This shows that only 36% of the respondents do engage their employees in brainstorming sessions. Despite seeking advice from the employees, very few respondents engage the employees from the onset in developing a business idea.

### 4.9.2 Employee empowerment

Data was sought on whether the respondents empower their employees with more responsibilities, and encourage them to make decisions on their own. The responses were as shown in Table 4.28.

**Table 4.28: Employee empowerment**

Employee empowerment	Frequency	percentage
1	20	14
2	56	40
3	9	6
4	37	27
5	18	13
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.28 indicate that 14% strongly agreed, 40% agreed, 6% were neutral, 27% disagreed, and 13% strongly disagreed. Thus, only 54% of the respondents empower their employees with more responsibilities, and encourage them to make decisions on their own. A larger portion of the respondents delegate duties to the employees in implementing business activities.

#### 4.9.3 Ownership of projects

Data was sought on whether the respondents give employees ownership of projects and follow their recommendation. The responses were as shown in Table 4.29.

**Table 4.29: Ownership of projects**

Ownership of projects	Frequency	percentage
1	34	24
2	42	30
3	14	10
4	33	24
5	17	12
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.29 indicate that 46% strongly agreed, 23% agreed, 3% were neutral, 25% disagreed, and 3% strongly disagreed. A majority of the respondents (69%) said they attended trade fairs. Through engaging employees in brainstorming, delegation and seeking advice from the employees, majority of the respondents felt that they give ownership of the projects to the employees.

#### 4.9.4 Risk taking

Data was sought on whether the respondents take risks in business. The responses were as shown in Table 4.30.

**Table 4.30: Risk taking**

<b>Risk taking</b>	<b>Frequency</b>	<b>percentage</b>
1	58	41
2	54	39
3	9	6
4	12	9
5	7	5
<b>Total</b>	<b>140</b>	<b>100</b>

The results in Table 4.30 indicate that 41% strongly agreed, 39% agreed, 6% were neutral, 9% disagreed, and 5% strongly disagreed. Thus, 80% of the respondents do take risk in business. One unique character of an entrepreneur is to take risk. With 80% of the respondents taking risks in carrying out their businesses indicate that the respondents are fully aware that risk taking is part and parcel of engaging in business activities.

#### 4.10 Microenterprise Growth

Data was sought on the microenterprise growth. This was done so as to determine the whether the microenterprises have experienced growth over the period under study.

The responses are presented in table 4.31.

**Table 4.31: Microenterprise Growth**

<b>Microenterprise Growth</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
The profit made by the year indicated (, 000)	188	156	186	219	180
The sales turnover by the year indicated (, 000)	376	244	342	426	380
The number of employees by the year indicated	4	3	4	5	6
The profit plowed back into the microenterprise	92	75	109	120	111

The results in Table 4.31 show that in 2012 the respondent had profit averaging 188,000, in 2013 was 156,000, in 2014 was 186,000 while in 2016 is 180,000 even though the year has not ended. This showed that there was marked increase in profit with exception of 2013. The sales turnover also increased in the same period with exception of 2013 where the sales were 244,000 compared to the previous year (2012) where the sales stood at 376,000. The sales turnover registered increase from 342,000 in 2014, 426,000 in 2015 and 380,000 so far in 2016.

The number of employees has been on the rise between the periods 2012 to 2016 with the exception of 2013 where the average number of employees dropped from 4 in 2012 to 3 in 2013. From 2014 the number has increased steadily from 4 in 2014, 5 in 2015 to 6 in 2016. In addition, the profit plowed back in the business for expansion has been steadily increasing with exception of 2013 where it slumbered from 92,000 in 2012 to 75,000 in 2013. In 2014 an average of 109,000 was plowed back, 120,000 was plowed back in 2015 while in 2016 the amount so far plowed back stands at 111,000. Generally, the microenterprises have registered growth between 2012 and 2016.

#### **4.11 Factor Analysis**

Factor analysis was carried out so as to determine how the factors under study influence the growth of youth microenterprises. The summary of the analysis is presented in table 4.32.

**Table 4.32: Factor analysis**

<b>Variable Factors</b>	<b>Components</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Factor 1 – managerial skills	0.542	0.432	0.566	0.534	0.654	0.653
Factor 2 – innovation	0.753	0.435	0.653	0.654	0.765	0.654
Factor 3 – training and mentorship	0.643	0.582	0.632	0.634	0.793	0.765
Factor 4 – financing	0.832	0.432	0.654	0.675	0.563	0.676
Factor 5 – networking	0.634	0.546	0.432	0.321	0.453	0.435
Factor 6 – enterprise culture	0.691	0.476	0.762	0.478	0.592	0.409

In the interpretation of the estimated coefficients, the analysis shows that all the 6 factors have positive coefficients. Therefore, they all have positive influence on the growth of microenterprises. The higher the value of the coefficient, the greater the probability of the microenterprise growth, thus financing has the greatest influence on the influence of the microenterprise growth.

#### **4.12 Correlation Analysis**

Correlation analysis was carried out so as to determine the strength of the relationship between the independent variables and the growth of youth microenterprises. The summary of the analysis is presented in table 4.33.

**Table 4.33: Correlation analysis**

Enterprise Growth	Managerial Skills	Innovation	Training and Mentorship	Financing	Networking	Culture
Managerial Skills	1	.734**	.816**	.713**	.683**	.836**
Innovation	.734**	1	.883**	.753**	.541**	.823**
Training and Mentorship	.816**	.883**	1	.674**	.726**	.683**
Financing	.713**	.753**	.674**	1	.834**	.793**
Networking	.683**	.541**	.726**	.834**	1	.743**
Enterprise Culture	.836**	.823**	.683**	.793**	.743**	1
Growth	.964**	.913**	.847**	.981**	.756**	.793**
	1					

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis shows that managerial skills has a correlation coefficient of 0.964. The analysis indicates that innovation has correlation coefficient of 0.913. The analysis indicates that training and mentorship has a correlation coefficient of 0.847. The analysis indicates that financing has correlation a coefficient of 0.981. The analysis indicates that networking has a correlation coefficient of 0.756. The analysis also indicates that enterprise culture has correlation a coefficient of 0.793. The correlational analysis indicates that all the variables discussed in this empirical study strongly affect the growth of youth microenterprise in Kikuyu constituency.

#### **4.12 Discussion**

The study found out that managerial skills greatly influence the growth of microenterprises. These findings confirm Haimann (1977) assertions that management skills facilitate enterprise growth. The study also reflects the conclusion by Bridge et.al., (2003) that marketing, production, financial, legal and human resource skills are important for excellent business performance. The study has shown that, marketing skills and skilled manpower promote sales turn over and by extension promote microenterprise growth which echoes the sentiments by Thapa (2007) and Duenas (2006) that there is a strong correlation between management skills and small business success as well as that skilled manpower greatly impact organizational performance.

The study has showed that innovation is critical to microenterprise growth. Moreover, the study has indicated that entrepreneurs engage in continuous environmental scanning looking for new trends and technologies as well as consulting with customers and employees for ideas on improving their businesses; seek advice from business advisors; open to new ideas and adaptive to change; and have strategic and responsive plan for their businesses which promotes progress in the entire business. Such findings reinforce Davila et al. (2006) that innovation improves quality and market growth, promotes product variety and efficiency, and reduces environmental damage. The findings also share in the Ernst (2004) opinion that innovation gives microenterprises competitive advantage, promotes profitability and success indicated by graduation to higher employment category such as SMEs.

The study also demonstrated that training and mentorship is core in microenterprise growth. The skills and advice acquired either through training or mentorship enable the entrepreneurs improve business performance. These findings are in agreement with Karlan & Valdivia (2006) and Aderemi (2007) that trained entrepreneurs cum managers of the small businesses exhibit superior managerial practice and experience high growth rate.

The study showed that financing is very important for microenterprise growth. However, many entrepreneurs face challenges in accessing the much need funds mainly due to unfavorable terms and conditions associated with such loans as well as lack of financial information about alternative sources of finances. The findings espouse Orser (2000) that poor financial information about alternative sources of finances was one of the major problems facing the microenterprises. The study also mirrors Mambula (2002) conclusion that limited financing remains a major hindrance to MSE growth. This is also reflected by Florida *et al*, (1996) and Pang (2006) that seed capital remains a challenge to new entrepreneurs.

The study revealed that networking has positive influence on the microenterprise growth. This confirms Hite (2005) assertion that networking positively influences the process of business start-up and growth. The study has shown that many entrepreneurs join associations to champion their interest as well as take advantage of regular forums and trade fairs to improve their business performance. This echoes Hoskison (2004) work that strategic networking helps microenterprises create alliances and joint ventures which add value to their businesses.

The study indicated that enterprise culture had positive influence on the microenterprise growth. The study further showed that entrepreneurs take advantage of their employees' expertise by engaging them in brainstorming sessions and giving them more responsibilities through delegation. These findings proofs Brown (1998) sentiments that culture promotes clear perception and problem; definition ease evaluation of issues; and opinions as well as facilitates organizational co-ordination and control activities. Thus, culture gives employees organization identity and encourages loyalty, strengthens beliefs and values that motivates employees to

perform; and improves the organizational performance in the marketplace. They also affirm Stander (2003) opinion that organizational culture creates high-performance, high-flexibility, and high-commitment organization and concurs with Hampden-Turner (1990) that organizational culture coordinates and directs the employees' actions towards achieving organizational goals and encourages growth.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents and discusses briefly the summary of findings, then offers a conclusion and recommendations from the findings, and finally gives suggestions for further research.

#### **5.2 Summary of findings**

The purpose of this study was to determine factors affecting the growth of youth microenterprises in Kikuyu constituency, in Kiambu County, Kenya. The study found out that managerial skills greatly influence the growth of microenterprises with a correlation coefficient of 0.954. This was proved by 83% of the respondents who acknowledged that operational skills promote business growth. 92% of the respondents also indicated that marketing skills promote sales turn over and by extension promote microenterprise growth. 74% agreed that accounting skills promote microenterprise growth. 81% of the respondents also affirmed that human resource skills promote microenterprise growth.

The study proved that innovation is critical to microenterprise growth with a correlation coefficient of 0.913. 57% of the respondents showed that they conduct environmental trends analysis on customers' wants and needs as well as on competitors. 70% also showed that they involved the customers and employees through consultation concerning ideas and advice that can improve their businesses and 65% further pointed that they seek expert opinion and advice from business advisors and assistance to promote innovation in their businesses. In addition, 66% indicated that they are receptive to new ideas as well as adaptive to change while 61%

pointed that they have strategic and responsive plan for their businesses which promotes progress in the entire business.

The study showed that training and mentorship is core in microenterprise growth with a correlation coefficient of 0.847. The study also revealed that 50% of the respondent had acquired entrepreneurial skills either through training or mentorship. 64% also said they had sought advice from other people on improving business performance. Additionally, 52% of the respondents felt that the mentorship they got helped them manage their businesses while 75% of the respondents believed that the type of business training is helpful in solving business problems.

The study showed that financing is very important for microenterprise growth with a correlation coefficient of 0.981. Furthermore 51% of the respondents believed that they have sources of capital they can access. Despite the availability of the sources of capital only 46% of the respondents have access to loans. This low accessibility is associated with unfavorable terms and conditions as supported by only 36% of the respondents who agreed that the terms and conditions of the loans are favorable for their businesses. In spite of the difficulty of accessing the loans, all the respondents (100%) affirmed that financing promoted their business growth.

The study revealed that networking has positive influence on the microenterprise growth with a correlation coefficient of 0.753. For this reason, 43% of the respondents had joined associations to champion their interests. The study also indicated that 55% of the respondents took part in regular forums while 69% said they attended trade fairs.

The study indicated that enterprise culture had positive influence on the microenterprise growth with a correlation coefficient of 0.793. The study further showed that 36% of the respondents had inculcated the culture of engaging their employees in brainstorming sessions. 54% of the respondents also indicated that they had empowered their employees with more responsibilities, and encourage them to make decisions on their own. The study revealed that 69% of the respondents said they had attended trade fairs while 80% of the respondents had taken risk in business.

### **5.3 Conclusion**

Microenterprises plays a vital role in an economy through employment creation, equitable distribution of resources and boosting the GDPs of several nations thus spurring economic growth. Thus, their role especially in developing economies like Kenya cannot be ignored given its weak and narrow based economy and limited domestic market against unpredictable global environment. The dynamism, flexibility and adaptability to changing market demand and supply situations make microenterprises quite relevant in such economies. However, limited financing remains a major hindrance to MSE growth mainly because of financial sector policy distortions. This is mainly associated with unfavorable terms and conditions of the loans making it hard for entrepreneurs to access such loans. This is coupled with lack of collaterals and information asymmetries making it hard for microenterprises to experience any significant growth. Therefore government action is necessary to assist potential start-ups and disadvantaged groups in society especially the youths. For this reason, the microenterprises avoid engaging in capital intensive ventures and concentrate mainly on ventures that requires less capital to start.

However, in running microenterprises managerial skills, innovation, entrepreneurial training and mentorship, financing, networking and enterprise culture are core to

realize growth. In order for the microenterprises to keep up with the stiff competition and the ever-changing business environments, they need to be innovative so as to have competitive advantage through scanning the environment for new trends and technologies, empowering the employees and being receptive to new changes in the industry. Regrettably, due to limited personnel many microenterprises lack strategic plan to drive growth. Instead many rely on business mentors, business forums and trade fairs to gain insights into running effective microenterprises. Moreover, many of the microenterprise entrepreneurs do not cooperate together through associations thus making it hard to champion their interests as a group.

#### **5.4 Recommendations**

Based on the findings of this study and the conclusion made, the study makes the following recommendations for policy implementation:

The government needs to come up with a supportive policy for the establishment of documentation centers and information networks to provide information to microenterprises entrepreneurs.

The government needs to enact and implement proper regulatory policies that focus on the small businesses to cater for their unique needs.

The government needs to establish training centers offering entrepreneurial training to small enterprises entrepreneurs and managers.

There is need to promote business incubator initiatives so as to promote and support viable innovations which would otherwise be unable to access start-ups.

The government should create policy framework that reinforce marketing of goods and services produced by the youth run business.

The youths need to form cooperatives so that they can market their products more effectively and avoid exploitation by middlemen.

The government should create public awareness on the youth initiatives and increase platforms for funds e.g. the Uwezo fund and others.

### **5.5 Suggestions for further research**

The empirical study overlooked a number of pertinent issues on the growth of microenterprises that require further research. Thus, the researcher suggests the following issues for further research:

The influence of leadership skills on the growth of microenterprises

The role of technology in the growth of microenterprises

The challenges faced by SMEs and the necessary steps that can be undertaken by stakeholders to manage the challenges identified.

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## APPENDIX I: QUESTIONNAIRE ON THE GROWTH OF MSES

### Introduction

This questionnaire is a research instrument designed to collect information on the factors influencing the growth of youth microenterprises in Kikuyu constituency. The information collected will be used for academic purposes only and it is expected that the findings from this study will make a significant contribution towards enhancing growth success of microenterprises in Kikuyu constituency. The information collected will be handled with confidentiality and with academic professionalism.

*Kindly fill in the information as directed in the various sections provided.*

### PART I: BACKGROUND INFORMATION

1) What is your Gender? {Please tick one (√)}

Male  Female

2) What is your Age Group? {Please tick one (√)}

18 – 23 years  24 – 29 years  30 – 35 years

3) What is your highest level of education? {Please tick one (√)}

High School  Certificate  Diploma

Bachelor Degree  Post Graduate Degree  Other (specify)

.....  
.....

4) How long has the business been in operation?

0 – 1 year  2 – 3 years  4 – 5 years  over 5 years

5) How many employees does the business have?

1– 3 employees  4 – 6 employees  7– 9 employees

6) What is the type of your business?

Manufacturing  agribusiness  service industry  other

## PART II: FACTORS AFFECTING YOUTH MICROENTERPRISE GROWTH

Please answer the following questions

### SECTION A: MANAGEMENT SKILLS

7) Kindly rate the following factors / statements using a scale of Strongly Agree; Agree; Neutral; Disagree; and Strongly Disagree regarding your management skills.

Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) I have adequate operational skills to enable efficiency and profitability					
b) I have adequate marketing skills to promote sales turn over					
c) I have adequate accounting skills to enhance tracking of cash flows					
d) I have adequate human resource skills to enhance performance of employees					

### SECTION B: INNOVATION

8) Kindly rate the following factors / statements using a scale of Strongly Agree; Agree; Neutral; Disagree; and Strongly Disagree regarding innovation.

Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) I regularly conduct an analysis of the trends in the market environment, my customers' wants and needs and my competitors.					
b) I consult with customers and employees for ideas on improving my business					
c) I Seek advice from available resources such as business advisors and assistance to drive innovation in my business.					
d) I am open to new ideas and adaptive to change.					
e) My business has a strategic, responsive plan, which promotes progress as a key business process across the entire business					

**SECTION C: TRAINING AND MENTORSHIP**

9) Kindly rate the following factors / statements using a scale of Strongly Agree; Agree; Neutral; Disagree; and Strongly Disagree regarding managerial skills.

Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) I have skills in business that I have learnt from school/ internship					
b) I have someone who advises me in my business					
c) The nature of mentorship I get helps me manage my business					
d) The type of training I have helps me solve problems in my business					

**SECTION D: FINANCING**

10) Kindly rate the following factors / statements using a scale of Strongly Agree; Agree; Neutral; Disagree; and Strongly Disagree regarding financing.

Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) There are various sources of capital I can access					
b) I have access to Loans					
c) The terms and conditions of the loans are favorable for my business					
d) Financing has promoted growth of my business					

**SECTION E: NETWORKING**

11) Kindly rate the following factors / statements using a scale of Strongly Agree; Agree; Neutral; Disagree; and Strongly Disagree regarding networking.

Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) I belong to an association					
b) There are regular forums that I am part of and regularly attend					
c) I regularly attend trade fairs and business forums organized by government and private institutions					

### SECTION F: ENTERPRISE CULTURE

12) Kindly rate the following factors / statements using a scale of Strongly Agree; Agree; Neutral; Disagree; and Strongly Disagree regarding enterprise culture.

Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) Together with my employees we brainstorm for new ideas and ways to solve problems in the business					
b) I empower my employees with more responsibilities, and encourage them to make decisions on their own.					
c) I give employees ownership of projects and follow their recommendation					
d) I do take risks in business					

### PART III: MICROENTERPRISE GROWTH

13) Kindly rate the following factors / statements using a scale of Strongly Agree; Agree; Neutral; Disagree; and Strongly Disagree regarding microenterprise growth.

Parameters	2012	2013	2014	2015	2016
a) The profit made by the year indicated					
b) The sales turnover by the year indicated					
c) The number of employees by the year indicated					
d) The profit plowed back into the microenterprise for expansion by the year indicated					

**THANK YOU**