

**DETERMINANTS OF GROWTH IN YOUTH OWNED
MICRO AND SMALL ENTERPRISES IN KENYA**

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Determinants of Growth in Youth Owned Micro and Small Enterprises in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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DEDICATION

To the young upcoming entrepreneurs whose hard work has continued to positively transform communities in Kenya.

ACKNOWLEDGEMENT

With devoted love, I dedicate this piece of work to my late grand mum Dorcas Mberenya may her soul through the mercy of God rest in peace. To my parents Mr. and Mrs. Kimuru, thank you for sponsoring my PhD studies; you always taught me perseverance when hard work is ahead. Special thanks to my supervisors Dr. Patrick Karanja, Prof. Christopher Kanali and Dr. Assumptah Kagiri for their scholarly support in this journey. God bless you all.

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ABBREVIATIONS AND ACRONYMS

AC	Access to Marketing
ACEPD	Africa Centre for Entrepreneurship Proficiency Development
C-YES	Constituency Youth Enterprise Scheme
DOI	Diffusion of Innovation Theory
EC	Entrepreneurial Characteristics
ILO	International Labour Organization
KPIA	Kenya Poverty and Inequality Assessment
KIPPRA	Kenya Institute for Public Policy, Research and Analysis
LG	Legal and Regulatory
MTP	Medium Term Plan
MFI s	Micro Finance Institutions
MSE s	Micro and Small Enterprises
ROK	Republic of Kenya
SEAF	Small Enterprise Assistance Funds
SE	Seed Capital
SME s	Small and Medium Enterprises
SSA	Sub-Saharan Africa
SPSS	Statistical Program for Social Science
TC	Technology Adoption
UYF	Umsombovu Youth Fund
WEF	Women Enterprise Development Funds
YEP	Youth Empowerment Project
YEDF	Youth Enterprise Development Funds
YRE s	Youth Run Enterprises

DEFINITION OF TERMS

- Access to Market:** Market access is the freedom to enter a market and sell goods and services (Nteere, 2012).
- Access to Capital:** Access to capital means the supply of credit to finance businesses when demanded (Ackah & Vulvor, 2011).
- Appraisal:** Appraisal is defined as the process of distinguishing records of continuing value from those of no further value so that the latter may be eliminated (Mokua, 2013).
- Access to Credit:** Access to credit refers to the possibility that individuals or enterprises can access financial services (Atherton, 2012).
- Branches:** A business branch is defined as an operating entity which does not have a separate legal status and is thus an integral part of the parent enterprise (Kuzilwa, 2010).
- Business License:** A business license is defined as the certificate of use intended to ensure that businesses operate in accordance with the law (Karambu, 2017).
- Cost of Capital:** Cost of capital refers to the minimum rate of return a firm must earn on its investments (Ackah & Vulvor, 2011).
- Collateral:** Collateral is defined as pledged security for repayment of a loan, to be forfeited in the event of a default (Atherton, 2012).
- Contracting:** Contracting is a voluntary agreement between two or more parties (Hanna, 2010)
- Development:** Development is the process of economic and social transformation that is based on complex cultural and environmental factors and their interactions (Mao, 2009).
- Entrepreneurship:** There is no single definition of the term Entrepreneurship. It all depends on the focus of the one defining it and from which perspective one intends to look at it (Clemence, 2009).

Entrepreneur: An entrepreneur is one who takes riskier decisions for greater rewards, exploiting opportunities that others have not noticed. Becoming an employer is an entrepreneurial act in the sense that it involves taking on risk (Osunde, 2014).

Enterprise: An enterprise is a unit of economic organization or activity; especially a business organization (Oni & Dania, 2012)

Entrepreneurial Characteristics: Entrepreneurial characteristics are actions of an entrepreneur who is a person always in search of something new and exploits such ideas into useful opportunities by accepting the risk and uncertainty (Dereje, 2008).

Enterprise Growth: Enterprise growth is the development process of enterprise from small to big and from weak to strong (Mao, 2009).

Legal and Regulatory: Legal and regulatory constitutes the many foreign and domestic laws governing how businesses must operate (Geringer, 2012).

Level of Technology Capacity: Technology capacity refers to the change or innovation through technological means (Jolly, 2011).

Micro and Small Enterprises Growth: Micro and small enterprises are businesses in both formal and informal sector, classified into farm and non-farm categories employing 1-50 workers (Nteere , 2012).

Registration of Business: Business Registration is a process of providing more prominent visibility on the business essential items i.e. business name, logo, business links, images, business hours, coupons, and even a local map that highlights an enterprise location (Karambu, 2017).

Risk Taking: A risk taker is an investor or entrepreneur who is intrigued from the market volatility, viewing it as an opportunity to realize a higher return on their investment (Gatangs & Matavire, 2013).

Sales Turnover: Sales turnover is the total amount of money that a company receives from the sale of products or services in a particular period of time (Dutta, 2009).

Seed Capital: Seed capital is the funding required for getting a new business started (Viswanadham, 2017).

Technology Adaption: Technology adoption can be defined as the acceptance of an innovation or invention by at least one user (Jolly, 2011).

Youth: A youth is defined as all individuals who have attained the age of 18 years but have not attained the age of 35 years (ROK, 2010).

ABSTRACT

The study sought to investigate the determinants of growth in youth owned Micro and Small Enterprises in Kenya. The research focused on seed capital, legal and regulatory environment, access to market and adoption of technology being independent variables on the growth of youth owned MSEs in Kenya. In the study, entrepreneurial characteristic was the moderating variable used. The study was guided by Resource-Based, Market Orientation, Adoption and Psychological Entrepreneurship Theories. Further, the research employed a descriptive survey research design with a sample size of 127 MSEs. Both primary and secondary data were used in this study. Primary data was collected using questionnaires as the main tool for data collection. The instrument was pretested for potential problems with the design and layout of the survey, to increase reliability, decrease measurement errors, and improve the validity of each construct measurements before the final test was launched. The study used quantitative and qualitative statistical measures to describe the relationships between the study variables. Descriptive statistics such as means, standard deviation and mode were used to describe the basic features of the data, provide simple summaries of the sample measures. Multiple regression was applied to examine the intensity of the variable links. Data analysis was facilitated by the Statistical Package for Social Sciences (SPSS Version). Finally, the data was presented using tables, graphs, and charts. From the study, it was revealed that many of youth owned MSEs faced challenges in accessing capital due to the high cost of credit evident in the high rates of interest, the high cost of accessing credit and the high cost of credit processing fee. MSEs were found not to be fully complying with the tax regime requirements due to multiple taxations from both the National and County governments. The study findings also established that MSEs face stiff competition in their different lines of business operations. Youth-owned MSEs lacked the capacity to acquire new technology, hence, face difficulties in innovating their products and services. The study found that determinants of growth components (access to capital, legal and regulatory, access to the market, adoption of technology and entrepreneurial characteristics) have a great positive influence on the growth of youth owned MSEs. Access to capital was most significant with a correlation coefficient of (0.784) elements of determinants of growth of youth owned micro and small enterprises in Kenya. The study concluded that fluctuating interest rates and high credit processing fee were the major issues that MSEs faced. The study also noted that high taxation was a major reason as to why some MSEs failed to comply with the requirement of the tax requirements. In the study competition was noted as a challenge facing a majority of the MSEs. The study findings further concluded that change in technology for youth owned MSEs was a major challenge. Finally, the study concluded that MSEs lacked innovation in their product/service development. This conclusion was arrived at by observing that many MSEs maintained their original products which indicate the slow pace of embracing innovation in their businesses. The study recommends the need to have clear loaning policies targeting youth owned MSEs. Both the National and County government should review their taxation system to ease the cost of business operations for MSEs. In addition MSEs need to be availed financial support to acquire appropriate

technology. To increase MSEs market access, the County and National governments are recommended to increase their consumption of products and services from youth-run enterprises. Enhancing the studies recommendations will ensure that youth owned MSEs will be able to effectively contribute to the realization of Kenyans Vision 2030.

CHAPTER ONE

INTRODUCTION

1.1 Backgrounds to the Study

The study sought to investigate the determinants of growth in youth owned micro and small enterprises in Kenya. MSEs play an important role in the economic growth and sustainable development of every nation hence its importance in youth empowerment through employment creation. This chapter discussed the background of the study that includes MSEs, youth owned enterprises and growth. The chapter also discussed the statement of the problem, objectives of the study, research hypothesis, significance of the study, justification, scope of the study and limitations of the study.

1.1.1 Micro and Small Enterprises

Youth-owned micro and small enterprises (MSEs) have increasingly been seen as playing an important role in the economies of many countries. Many, governments throughout the world have focused on the development of MSE sector in order to promote economic growth, (Olawe & Garwe, 2010). Youth-owned MSEs evolve in difficult business environments that are characterized by globalization, the internationalization of markets and there is a need to enhance greater efficiency, effectiveness, and competitiveness that are based on innovation and knowledge, (Mateev & Anastasov, 2010). The MSEs have faced many barriers that have prevented their start-up or growth and hinder their potential.

Njuguna (2015), states that MSEs represent about 78 percent of all the firms operating globally (USAID, 2010). Non-farm micro and small enterprises account for over 35

percent of total employment and 20% of the gross domestic product (GDP) in many developed and emerging economies , (IFC,2013). In countries like Indonesia, Singapore, Thailand and India, MSEs contribute over 40% of the GDP, (Fink, 2012). In 2012, the contribution of MSEs in the industrial sector to the national GDP was estimated at 40, 52, 55 and 47.5% for India, Japan, Sri Lanka, and Thailand, respectively. Similarly, micro and small-sized enterprises (MSEs) are the backbones of Singapore's economy, contributing about 47% of the country's GDP and generating 62% of available jobs , (UNCTAD, 2013). In the European Union countries, some 21 million MSEs provide around 59 million jobs and represent 73% of all enterprises. For instance in Britain, SMEs are the backbone of the British economy, (Rowe, 2010).

Njuguna, (2015) further explain that the UK economy is 48% MSEs, and the sector is said to be employing 14.47 million people, out of a working population of approximately 30 million. In regards to the UK turnover and GDP, MSEs accounted for 1.48 trillion British Pounds in 2011. In the UK MSEs with employing at least 1 employee perform better than the large UK corporations in terms of better productivity despite having minimal resources, less support and being largely ignored. Bigger UK Corporations are said to have 250 employees and over account for 52% of employment in the country but less than 50.8% of the UK turnover. The UK economy, just like many world economies, is supported by MSE performance, (The UK, 2012).

Regionally, the support of youth owned MSEs in the informal and formal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa (Njuguna, 2015). MSEs are the main source of employment in developing countries and comprise of over 70% of African business operations. They contribute to over 50% of African employment and GDP. In Nigeria, MSEs contributed an estimated 37 percent of the GDP, (SMEDAN, 2011). In Kenya, the MSE sector has both the potential and the historic task of bringing millions of people from the survival list level including the informal economy to the mainstream economy (Njuguna, 2015). MSEs are largely found in the informal sector, mostly employing 1-2 people, although, there are

many others that operate in the formal sector. Most of the local investment businesses in Kenya fall under the MSE business sector, (ACEPD, 2011). Employment within the MSEs sector increased from 4.2 million persons in 2000 to slightly over 7 million persons in 2014. This accounts for 74.2% of the total persons engaged in employment. The sector contributes up to 18.4% of the country's GDP and is not only a provider of goods and services but also a driver in promoting competition and innovation, (RoK, 2014).

Njuguna ,(2015) acknowledges that recognizing the important role small businesses play in the Kenya economy, the Government through Kenya Vision 2030 envisages the strengthening of MSEs to become the key industries of tomorrow by improving their productivity and innovation (Ministry of Planning, National Development & Vision 2030 (ROK, 2007). If Kenyans goal towards industrialization by the year of 2030 is to be realized, then the government has to support and encourage youth owned MSEs to play a greater role towards providing additional jobs in the country. The Kenyan government has made some steps towards developing a legal and regulatory framework that is aimed at guiding and accelerating youth owned MSEs growth. The developed MSEs policy framework of MSEs in Kenya is contained in the Sessional paper No. 2 of 2005, (ROK, 2010). This policy paper forms the background for enacting the MSE act to operationalize MSE policy in Kenya. The act is supposed to give direction on issues relating to the legal and regulatory environment, markets and marketing, business linkages, the tax regime, skills and technology, and financial services, (Syeki & Opijah, 2012).

The government has further set up funds that actualizes policies and support the sector. These funds include Women Enterprise Fund (WEF) and the youth enterprise development funds (YEDF). These support programs are meant to provide guidance, promotion, production efficiency, research and development activities, and product development. The net effect should be an increase in job opportunities among the young people, an expanded market for MSEs' products, increased capacity to service the

market, and improved returns for MSEs, (Vinod, 2006). Being an important pillar towards the realization of Kenya vision 2030 and the leading job provider in Kenya and Nairobi, Youth owned MSEs should play a role in the growth and development of the sector in the country and is the subject of the present study.

1.1.2 Youth Owned Enterprises

This study defines youth as any individual aged between 18-35 years. The status of Kenyan young people just like in most developing countries especially in the Sub-Saharan Africa (SSA) still faces a lot of challenges especially that of unemployment. Recent statistics in Kenya indicated that, those under the age of thirty-five form 80% of the Country's population. The authors further explained that employment rates were lowest among those without post-secondary education at 15%. By comparison, 32% of those with post-secondary education were unemployed. They concluded that 1 in 2 graduates were unemployed and only one in five youth with university degrees were in self-employment (Alex & Bruce, 2016). Youth form about 60% of the total labor force in the country, but a majority, about 65% is unemployed. In Kenya currently, 750,000 young people graduate from various tertiary institutions, and only 25% are able to access employment. The rest, 75% have to bear the burden of unemployment (Kimando, 2012). However, it is important to note that the youth have remained on the periphery of the country's affairs and their status has not been accorded due recognition. They have been excluded, for the better part of previous years, from designing, planning and implementing programs and policies that affect them. In the year 2006 the Government of Kenya devised a way of helping young people in growing their business. The government also availed funds to initiate new business starts ups through the Youth Enterprise Development Fund (Munene, 2013).

White and Kenyon (2011), argue that social and cultural identity is mostly promoted through youth enterprises, as is a stronger sense of community where young women and men are valued and better connected to society. Youth enterprises empower young

people, especially the marginalized youth. They offer a sense of meaning and belonging as well as supporting innovations in communities. This can shape the identity of youth and encourage others to treat them as equal members of society, (White & Kenyon, 2011).

Naikuru (2017), explains that efforts to initiate youth led MSEs were formally actualized through the creation of policy documents such as Sessional Paper No. 2 of 1992 on Small Scale and Jua kali enterprise, the 1997 – 2001 Development Plans, the National Poverty Eradication Plan of 1999 – 2015 and the Sessional Paper No. 1 of 2005 on Education Training and Research. She further observes that consequently, entrepreneurship training was made compulsory for youth undergoing training in all courses offered at tertiary institutions as well as in national universities with a hope that after the training, these youths will opt for self-employment initiatives by starting their own sustainable business enterprises. Youth fund was thereafter launched to enable the youth access the seed capital required to start their MSE's. Youth have also informally engaging in their owned MSEs as a way of earning a living throughout the country. (GOK, 2004) as cited by (Kithae, 2012).

1.1.3 Growth of Enterprises

In his studies, Mao (2009) explained that growth is used to describe a development process of enterprise from small to big and from weak to strong. The meanings of development exceed the meanings of growth, and it includes not only the growth process of things, but the generation stage growing out of noting before growth and the periodic process of the stage, i.e. the cycle process going round and round, (Mao, 2009). However, it is noted that the enterprise growth is a complex adjustment process which is different to the simple scale extension. It takes the balance adjustments of various relations in the interior and the exterior of the enterprise as the essential character, and it is the process of balanced development from unbalance to balance, and from lower balance to higher balance. Therefore, the meanings of enterprise growth is the

development process that enterprise keeps the tendencies of balanced and stable growth of total performance level (including output, sales volume, profit and asset gross) or keeps realizing the large enhancement of total performance and the stage spanning of development quality and level, (Sun, 2004).

In understanding enterprise growth the time property of enterprise growth the premise to analyze the growth of enterprise is long period in which the long-term development tendency and process of enterprise are observed, and it is not the status of enterprise in certain time point (Mao, 2009). The growth of enterprise is not a stable process without troubles. In the growth process, MSEs always transits from balance to unbalance, and the result is to transit from unbalance to balance and from lower balance to higher balance through unbalance. MSEs growth is the unification of quantity and quality. The increase of quantity is embodied in the extension of MSEs scale such as the increases in sales volume, market share, production value, profit and employee. The growth of quality is embodied in the enhancement of MSEs quality, which includes the technological innovation ability from immature to mature production technology, the optimal efficiency of investment and output, the organizational innovation and reform (Sun,2004).

1.2 Statement of the Problem

The Kenyan government, in line with the Medium Term Plan (MTP) of Vision 2030, chose to support entrepreneurship development through the start-up and growth of youth enterprises. The government's policy towards youth owned MSEs was an important factor taken into consideration when looking at the available opportunities that MSEs have for enhancing their business growth, (Gatt, 2012). The Kenyan government through its budget allocations has demonstrated its interest and acknowledgement of the crucial role entrepreneurship plays in economic development, and hence, it came up with policies for energizing and supporting youth owned MSEs i.e. via the Youth Enterprise Development Funds (YEDF). The government availed funds to support

youth-owned business ventures. Since its inception, the funds have advanced loans worth KSH 11.9 billion to 886,303 youth enterprises in Kenya (ROK, 2016). The funds were supposed to assist the young people in self-employment initiatives that would lead to profitable businesses through increased sales, business growth and employment creation.

Gichuki, Njeru & Trimba (2014) studies on the challenges facing micro and small enterprises in accessing credit facilities in Kangemi Harambee market in Nairobi County, explained that MSEs encounter unique issues. They further explain that these issues do affect their growth and profitability and hence, decrease their ability to contribute effectively towards sustainable development. Among those issues was inadequate access to credit facilities. Other challenges included access to market, adoption of technology and legal and regulatory environment. The central role of MSEs focuses on employment, industrial transformation, and poverty reduction. Competitiveness and growth prospects of MSEs are noted to have fallen below the levels that are required to meet the challenges of an increasing changing MSEs business environment as a result of competition (Moyi & Njiraini, 2005).

However in spite of the availed government's funds via the YEDF to support entrepreneurship through youth owned enterprises. Youth owned MSEs have not made significant impact on growth in relation to sales turnover, profitability, expansion of MSEs and creating employment opportunities and income for the poor. MSEs are the majority at about 70% of the total business operations in the country (Okafor, 2012). They employ about 74.2% of the Kenyan workforce contributing to about 18.4% of the country's GDP (RoK, 2014).

According to the National Economic Survey report by the Central Bank of Kenya (CBK) SMEs constitutes 98% of all business in Kenya. They also create 30 percent of the jobs annually as well as contribute 3% of the GDP. The report further indicates that 80% of the 800,000 jobs created in that year came from the informal sector which is

dominated by the SMEs. SMEs have indeed continued to perform much better compared to MSEs. Franklin (2017) explains that currently in Kenya out of the working age population of 24 million, one in every six young Kenyans is unemployed. These indicate that many young people have not fully embraced entrepreneurship as an alternative source of employment. Considering the significance of MSEs in Kenya, the study therefore investigates the determinants of growth in youth owned micro and small enterprises in Kenya.

1.3 Objectives the Study

1.3.1 General Objective

To examine the determinants of growth in youth owned micro and small enterprises in Kenya.

1.3.2 Specific Objectives

1. To examine how access to seed capital influences growth in youth owned micro and small enterprises in Kenya.
2. To establish how legal and regulatory environment affects the growth in youth owned micro and small enterprises in Kenya.
3. To examine the effect of access to market on the growth in youth owned micro and small enterprises in Kenya.
4. To establish the influence of technology adoption on the growth in youth owned micro and small enterprises in Kenya.
5. To examine the moderating effect of entrepreneurial characteristics in the growth of youth owned micro and small enterprises in Kenya.

1.4 Hypotheses

H₀₁: Access to seed capital does not influence growth in youth owned micro and small enterprises.

H₀₂: legal and regulatory environment does not affect growth in youth owned micro and small enterprises.

H₀₃: Access to market does not affect growth in youth owned micro and small enterprises.

H₀₄: The level of technological adoption does not influence growth in youth owned micro and small enterprises.

H₀₅: An entrepreneurial characteristic does not have a moderating effect on the growth in youth owned micro and small enterprises.

1.5 Significance of the Study

The study findings are expected to assist policy makers in coming up with appropriate measures that will address the growth challenges faced by youth owned MSEs in the country. The government can also use the findings of this study to assist in policy formulation and development for a framework for critical access to credit, legal and regulatory, access to market, and adoption of technology as the determinants that affect the growth of MSEs.

The research findings also provide information for suggesting improvement in service delivery of the respective sectors that facilitates growth of MSEs in Kenya. The private sector together with the Non-Governmental Organizational (NGOs) can also use the findings to develop various strategies and programs that aim to empower the youth and address the challenges they face in the operations and management of their MSEs.

The results of this study also gives feedback to the existing financial intermediaries that are supporting youth owned MSEs on the effects of their services to youth owned MSEs in relation to accessibility of credit. The findings of this study will help MSEs in the country, into the benefits of using different factors studied in this research to predict the factors that affect the growth of their businesses. Findings from this study will assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the critical factors that affect the growth of MSEs.

1.6 Scope of the Study

The study sought to establish the determinants of growth in youth owned micro and small enterprises, a study of Nairobi County. Nairobi County is currently the highest beneficiary of youth empowerment support funds, for example since the inception of the youth enterprise development funds the County has received 2.3 billion which translates to 20% of the total amount disbursed by the government (ROK, 2016). Nairobi County has also a total of 35,238 youth owned funded enterprises which translates to 13.5%. The study focused on the determinants of seed capital, legal and regulatory, entrepreneurial marketing, adoption of technology and entrepreneurial characteristics. The study concentrated on the owners of the MSEs. The study was undertaken to research on activities within the scope of the issues addressed by the research objectives. The study reviewed the past activities and this will be explained by the literature review of the study.

1.7 Limitations of the Study

The researcher experienced a number of challenges during the period in which the study was undertaken. One of the challenges was locating youth owned MSEs previously supported by the youth enterprise development funds. A number of MSEs in Nairobi had shut down their operations and others relocated their businesses elsewhere. MSEs were also not permanently located at a particular place where they could be found all the

time. For example some MSEs were engaged in hawking and personal selling as a way of reaching out to potential customers and that made it difficult to interview them. However, questionnaires were administered to those who were highly mobile for them to fill them up at their own convenient time. Some respondents were also uncooperative and failed to fill up the entire questionnaire or failed to present it back completely. Travel and other logistics were also a big challenge due to limited financial capacity.

1.8 Delimitation

In mitigation, a humble explanation to the respondents on the importance of the study was made. The explanation indicated to them that the recommendations of the study were geared towards improving the MSE sector in Kenya. It was further clarified that the study was solely for academic purposes. To increase the respondent's questionnaires response rate, venues where youth owned MSEs frequented for networking purposes were identified and used as appropriate places to give out the questionnaires. The respondents were allowed to fill the questionnaires at their own free time. The questionnaires then would be picked up later by the research assistant.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed scholarly literature and provided the conceptual and theoretical foundation of the determinants of growth of youth owned micro and small enterprises and the postulated variables. The chapter further reviewed the meaning of the concept from the perspectives of various scholars regionally and globally. The chapter also highlighted the gaps in the existing literature whose investigation is the subject of the current study. The chapter has seven sections the first section is the introduction whereas the second section covered the theories and models used in the study. The third section is the conceptual framework and the fourth section covers secondary research. The fifth, sixth and seventh sections covered empirical review, critique and research gaps respectively.

2.2 Theoretical Frame Work

Theoretical frameworks are explanations about the phenomenon. A theoretical framework provides the researcher the lens to view the world. A theoretical framework can also be thought of as a map or travel plan. Theories are meant to explain, predict and master a certain phenomena e.g. relationships, events, or behavior. The chapter developed theoretical review, conceptual framework, empirical review that was used in the study in regard to each variable in the study. This study was based on Resource Based Theory, Market Orientation Theory, Adoption Theory and Psychological Entrepreneurship Theory. Many theories have been established in an attempt to explain the growth of MSEs. These models are many and varied. However, not a single theory has adequately offered an explanation why some enterprises grow and others fail. This study sought to concentrate on four widely acclaimed theories that attempt to offer an explanation on the framework of enterprises growth.

2.2.1 Resource Based Theory

The resource-based theory of entrepreneurship explains that access to resources by MSEs is an important indicator of opportunity based entrepreneurship and new MSEs growth, (Alvarez & Busenitz, 2001). This theory emphasizes the importance of financial, social and human resources in support of youth owned MSEs (Aldrich, 1999). Hence, access to resources enables the MSEs ability to detect and act upon different opportunities that may arise, (Davidson & Honing, 2003). It is also of importance to note that financial, social and human capital are representatives of three classes of theories under the resource-based entrepreneurship theories that are very important in the determination of growth of MSEs.

Nkansah (2011) argues that this theory explains how entrepreneurs build their businesses from the available resources they possess or can be able to acquire in order to gain a sustainable business competitive advantage and growth prospects. The resource-based theory also notes that the choice of which industry to venture and what business to undertake is not enough to ensure successful business growth. The theory says that nature and the quality of the resources that entrepreneurs possess and can acquire can lead to long-run success. The resource-based theory recognizes six types of resources: financial, physical, human, technology, reputational and organizational. These six types of resources are broadly drawn and they include all assets, capabilities, organizational processes, firms' attributes, information and knowledge, (Nkansah, 2011).

The theory further explains that tangible assets are physical resources which can be seen and evaluated. They include plant, equipment, land, stocks, financial (debtors, creditors, cash in hand and at bank). It further states that intangible assets are those items that cannot be seen and quantified. For example, reputational resources like trademarks, patents, brand and goodwill as well as networks, individual and group skills, interactions and the organizational routines and processes used to organize and coordinate these resources. The theory also notes that external resources critical for the

success of business enterprises include relationships with and knowledge acquired through suppliers and customers, competitors and institutions like universities (Simpeh,2011).

2.2.2 Market Orientation Theory

Market orientation theory holds that the key to achieving organizational goals is being more effective than competitors in integrating marketing activities to determine the needs of target markets, (Kotler, 1999). Firms with better understanding of their customers, competitors and environment have a competitive edge. Enterprises should thus strive to understand customer needs which should then be translated into products or services. To achieve this, enterprises need market information to effectively market its products. Market research and consumer analysis are important to enable firms meet their customer needs to remain competitive. Market orientation aims at delivering superior customer value. There is a positive relationship between market orientation and firm performance, (KIPPRA, 2006).

Another close link to market orientation theory is the evolutionary systems change theory which explains that the ability of a firm to survive and succeed depends upon its ability to search for and respond to the needs of the market niches. However market systems are dynamic, changing in response to evolving needs and the behavior of competitors; making the market system to be in a continuous shift towards disequilibrium. Firms thus need to adapt to the new environment and find a competitive edge through improvements, maintaining high quality, selecting strategic market sites, promoting products and services, identifying niche markets and access other markets outside their localities. Relationship marketing theory posits that customers are increasingly looking for suppliers who provide value not only in terms of acceptable prices and an attractive range, but also in terms of relationship value. This approach leads to the need for relationship marketing which is defined as establishing, developing and maintaining successful relational exchanges, (KIPPRA, 2006). The theory further

explains that collaborative relationships, networks and processes, encompassing horizontal and vertical stakeholder relationships is an important effort to improve customer value. Firms need to develop customer relationship to obtain and retain customers.

2.2.3 Adoption Theory

According to Straub (2011), technology adoption is a complex, inherently social, developmental process. He further notes that individuals construct unique but malleable perceptions of technology that influence the adoption process. He concludes that successfully facilitating a technology adoption needs to address cognitive, emotional, and contextual concerns. Rogers (1995) further asserts that potential adopters of a technology progress over time through five stages in the diffusion process. He notes that first, they must learn about the innovation knowledge, second they must be persuaded of the value of the innovation, and they then must decide to adopt it (decision). He further notes that the innovation must then be implemented, and finally, the decision must be reaffirmed or rejected (Mairura, 2017).

According to Oliveira & Martins, (2011) diffusion of innovation theory (DOI) is a theory of how and why, and at what rate new ideas and technology are spread through cultures, operating at the individual and firm level. The theory, however, does not specifically point out at specific business types in addressing issues of technology adoption. DOI theory evaluates innovations as a process that is communicated through certain channels over a period of time and within a particular system in the society (Rogers, 1995). The theory also argues that business owners must be in possession of different capabilities and the willingness to adopt innovations, and thus it is normally observed that the percentage of the population adopting an innovation is approximately normally distributed over time, (Rogers, 1995). According to the DOI theory at the organizational level innovativeness is related independent variables i.e. organizational

leader characteristics, internal organizational structural and external factors of the organization, (Oliveira & Martins 2011).

Oliveira & Martins, (2011) argue that individual characteristics are able to describe the leader's attitude toward embracing change in an organization. They further note that internal characteristics of the organizational structure include observations according to Rogers, (1995) through centralization whereby power and control in a system are concentrated in the hands of a few individuals. The theory further notes that complexity issues relate to the degree in which organization's members are able to acquire a relatively high level of knowledge and expertise in relation to the technology adoption. Formalization is the extent to which an organization encourages its members with a view of embracing changes that are brought along by embracing new technology. The theory acknowledges the importance of organizations ability to avail uncommitted resources that are available to an organization to enhance its capacity of handling and affording new technology (Oliveira & Martins (2011). The theory, however, does not touch much on MSEs but looks at the whole issue of technology in a broader perspective. The theory emphasizes on the business owners creativity as key to acquiring new and appropriate technology that can foster growth in firms.

2.2.4 Psychological Entrepreneurship Theory

Psychological Entrepreneurship Theory explains the personal characteristics that are used to define entrepreneurship. The theory notes that personality traits need for achievement and locus of control are seen and empirical evidence presented for three other new characteristics that have been identified as closely associated with entrepreneurial inclination. These include risk taking, innovativeness, and tolerance for ambiguity (Mohar, Singh, & Kishore (2007). Recent finding on risk taking strengthens earlier empirical studies which had indicated that aversion to risk declines as wealth raises, that is, one's net assets and value of future income. He further argues that that success in entrepreneurship, by increasing wealth, can reduce the entrepreneur's degree

of risk aversion, and encourage more venturing. In his view, entrepreneurship is therefore being a self-perpetuating process. Further evidence also suggests that some entrepreneurs exhibit mildly risk-loving behavior. These individuals prefer risks and challenges of venturing to the security of stable income (Szpiro, 1986). It has been further argued that some of the characteristics or behaviors associated with entrepreneurs are that they also tend to be more opportunity driven in their business ventures. Many of these entrepreneurs demonstrate high level of creativity and innovation, by showing high level of management skills and business know-how. Innovative entrepreneurs have also been found to be optimistic, emotionally resilient and have mental energy, they are hard workers, show intense commitment and perseverance, thrive on competitive desire to excel and win, tend to be dissatisfied with the status quo and desire improvement. Innovative entrepreneurs are also transformational in nature, who are lifelong learners and use failure as a tool and springboard. They also believe that they can personally make a difference, are individuals of integrity and above all visionary (Simpeh, 2011).

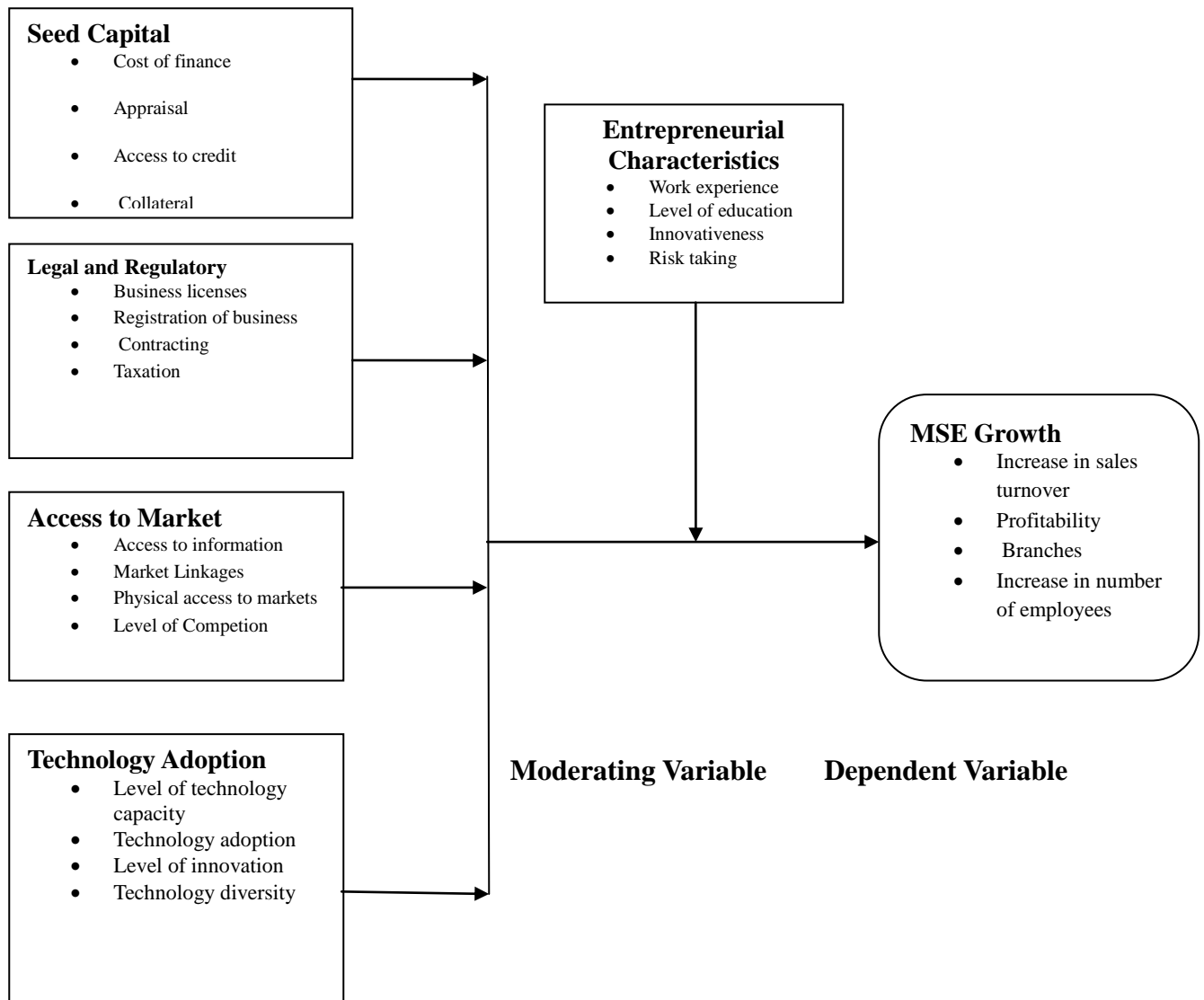
The theory further explains that an entrepreneurial characteristic gives an understanding of these traits or inborn potentials. It explains that personality traits could mean making inference from behavior. It is also important to note that some of the characteristics or behaviors associated with entrepreneurs are that they tend to be more opportunity driven demonstrates high level of creativity and innovation, and show high level of management skills and business know-how. Entrepreneurs have also been found to be optimistic, they are able to see the cup as half full than as half empty, they are emotionally resilient and have mental energy, they are hard workers, show intense commitment and perseverance, thrive on competitive desire to excel and win, tend to be dissatisfied with the status quo and desire improvement. Entrepreneurs are also transformational in nature, people who are lifelong learners and use failure as a tool and springboard. They also believe that they can personally make a difference in society and are individuals of integrity and above all visionary (Simpeh, 2011).

However it is important to note that the trait model is still not supported by research evidence. The only way to explain or claim that it exists is to look through the lenses of one's characteristics behaviors and conclude that one has the inborn quality to become an entrepreneur.

Eser & Ozdemirci (2016) explained that according to Thompson (2004) today's environment we need talent of entrepreneurs more than ever, and we need them to start a business. But he further notes that the difficulty is that we only know them when they appear. He further developed a BTEI (Bolton Thompson Entrepreneur Indicator) where he made an effort to identify those who are most likely to succeed as entrepreneurs, regardless of the context. Thompson makes a distinction between enterprising person and entrepreneur. He states that being innovative and creative in what one's doing is not the same as building something new. His other view was that everyone cannot be an entrepreneur and people should not be encouraged to believe so. He concludes that knowledge without talent and temperament is useless in becoming an entrepreneur (Thompson, 2004).

2.3 Conceptual Frame Work

Mugenda & Mugenda (2008) defines conceptual framework as a concise description of the phenomenon under study. According to Young (2009), conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. A conceptual frame work is made up of dependent, independent and intervening variables. According to Saunders (2003), a dependent variable is the variable that changes to other variables whereas the independent variable is the variable that causes change to the dependent variables. A moderator variable is one that has a strong contingent effect on the independent variable relationship such that its presence modifies the original relationship between the independent and the dependent variable, (Sekaran, 2010). Figure 2.1 presents the conceptual framework used in this study.



Independent Variables

Figure 2. 1: Conceptual Frame Work

2.3.1 Access to Capital

Viswanadham (2017) explains that combination of various resource acquisition challenges have continued to endanger the ability of small firms in Africa to survive in today's global economic system. Some of the key challenges include but not restricted to lack of seed capital, poor infrastructure, lack of government support and assistance, international expansion issues and globalization of markets and production. Access to

seed capital means the supply of credit finance to MSEs when demanded. Improving capital access means improving the extent to which financial services are available to MSEs at a fair price (CGAP, 2010). Capital structure has proved to be a perennial puzzle in finance, (Aleke 2011) The original Modigliani and Miller, 1958 and 1963 propositions highlighted the important issue involved in financial structure decisions namely: the cheaper cost of debt compared to equity, the increase in risk in the cost of equity as the debt increase and the benefit of tax deductibility of debt. The conclusion was that with taxes and deductibility of interest charges, firms should use as much debt as possible.

According to Jalilian & Kirkpatrick (2010), there is substantial theoretical literature on financial sector depth which use measures of financial depth collected from financial institutions themselves, such as the total value of bank deposits, or private credit, which do not capture the distribution of these bank deposits or credit across the population. In many countries, household survey evidence shows that most bank deposits and loans are held by only a small proportion of the population with relatively high incomes, and that relatively few people have access to any kind of formal financial services. Many people rely instead on informal or semi-formal providers such as microfinance institutions or cooperatives etc. for which data is not usually available.

Provision of loans to very small businesses and it is an increasingly becoming a common weapon in the fight to reduce poverty and promote economic growth. Businesses often use these lines of credit to expand, explore new areas of their industry, acquire another company, or pay employees. These are essential to the overall success of a business. It has been noted that the lack of access to credit has been indicated as a key problem for SMEs worldwide. In some situations, where credit is available, again the entrepreneur may find difficulties because of the lending conditions that may require collateral for the loan. Further review indicates that credit constraints operate in variety of ways for entrepreneurs. Capital market force entrepreneurs to rely on self-financing or borrowing from friends or relatives. The lack of access to long term credit for small

enterprises has often forced them to rely on high cost short term finance. For many SMEs the formal banking system is too expensive and inconvenient, (Mokua, 2013). Lending to small businesses has also been seen to be time consuming and costly for banks and other financial lending institutions. Small enterprises are again said to lack proper accounting procedures and owners easily mix their business and personal finances. This makes their financial statements often unreliable. Banks consider MSEs with no transaction history as too risky because their ability to repay loans is not yet known. These MSEs may also not be in a position of availing collateral to access formal credit. Another issue with unbanked MSEs is their lack of skills to run the business professionally. Many of them lack proper inventory systems, bookkeeping procedures, business plans or income statements. This makes it hard for banks and other lending institutions to evaluate their financial performance, (Frempong, 2010).

Youth owned MSEs collateral requirement have been noted as an obstacle to youth-owned MSEs growth. Scholars have noted that of lack of collateral could be ranked as obstacle number two from lack of finance. The lack of collateral is the most widely cited challenge encountered by MSEs accessing finance. Many MSEs for example may be unable to provide sufficient collateral because it is too new or is not firmly enough established, (Olawale & Garwe, 2010). Lending to MSEs has been seen as a high-risk business since most of these enterprises lack collateral. The challenge does not appear to be the lack of funds but it's on how to make the funds accessible to MSEs, (Kihimbo, 2012). There are a number of lending institutions such as banks and nonbank financial institutions that are willing to provide credit to MSEs although the businesses are not able to meet the requirements from these financial institutions. Among these requirements is the issue of collateral, which most MSEs cannot provide, (Ackah & Vulvor, 2011). The demand for collateral by banks and other financial institutions affects the growth of MSEs, (Kunateh, 2009). Finally lending to MSEs has been based on collateral than it is the case for loans borrowed by bigger firms. This had lead to the situation in which lending is no longer based on expected return but rather upon access to collateral requirements. Many MSEs lacking access to good collateral end up

suffering from credit rationing, (Ndumana, 2013).

2.3.2 Legal and Regulatory

An enabling environment legal and regulatory environment is important for the MSE sector to play effective role as an engine for economic growth, poverty eradication and employment creation. Despite the significant achievement made in reforming the legal and regulatory framework, a number of existing laws and regulations are still cumbersome and are hostile to the growth of MSE sector, (Nteere, 2012). Regulatory constraints also pose serious challenges to MSEs development and although wide ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm-level. The high start-up costs for firms, including licensing and registration requirements, can impose excessive and unnecessary burdens on MSEs. The high cost of settling legal claims, and excessive delays in court proceedings adversely affect MSE operations. In the case of Ghana, the cumbersome procedure for registering and commencing business are key issues often cited.

The World Bank Doing Business Report (2006) cited in Abor & Quartey (2010), indicated that it takes 127 days to deal with licensing issues and there are 16 procedures involved in licensing a business in Ghana. It takes longer (176 days) in South Africa and there were 18 procedures involved in dealing with licensing issues. Meanwhile, the absence of antitrust legislation favors larger firms, while the lack of protection for property rights limits MSEs' access to foreign technologies. The legal and regulatory environment still impend business operations, thus scaring away potential investors and squeezing revenues from those in operations. As such, there is need for a business environment that is at par with international best practice so that the country can attract the requisite private investments. There has been complains regarding tedious registration and certification process in Kenya. Various bodies have their requirements and require money and time. One option left to an entrepreneur is to evade the process

but this process is more expensive at the end because of penalty charged, (Wanjohi, 2009).

Registration of business names, obtaining licenses, adhering to statutory requirements, taxation and contracting still poses major challenges to MSEs in Kenya. Contracts involve long legal processes such as leasing, drawing up business contracts, legal representation and other aspects that place the MSEs in a disadvantaged position. Most of these enterprises find these processes lengthy and time consuming, hindering growth or expansion of enterprises (Muraguri, 2010). According to KRA , the principle factor contributing to poor tax collection include; poor compliance at the informal sector economy, narrow coverage of the existing tax instruments, poor administration and tax collection efforts. As a result of poor taxation system, the costs of running business in Kenya continue to heighten.

2.3.3 Access to Market

According to Muthee (2014) entrepreneurial marketing is a central concern of entrepreneurial research, even though entrepreneurs are not typically marketing experts. It is further argued that Entrepreneurial marketing represents an exploration of ways in which entrepreneurial attitudes and behaviors can be applied to the development of marketing strategy and tactics (Jones, 2013). Access to markets and marketing information remains a severe constraint to MSEs development and competitiveness in Kenya. Overall aggregate demand in low market are saturated due to dumping and over production and in many cases market do not function well due to lack of information and high transaction cost, (Nteere, 2012). Prescribed policies to address these challenges seem not to be effective, (ROK, 2005). Most of the MSEs are ill prepared to compete in globalised liberalized markets while fewer are capable of venturing into the export markets to tap into new market frontiers. This confines majority of MSEs to narrow local markets characterized by intense competition. It has been noted that small capital base and limited technology also confines MSEs to poor product quality that cannot

compete effectively in a global competitive market environment, (KIPPRA, 2006). MSEs seem ill equipped to embrace opportunities presented while confronting challenges of globalization. Globalization offers MSEs Opportunities to participate in the regional and international markets while internationalization presents opportunity for growth and development beyond the local market. However globalized production by multinationals presents new threats in form of increased competition., (Kaushalesh & Peedoly, 2012) Limited access to global markets denies MSEs significant opportunities confining them to saturated local markets whereas internationalization is necessary for their survival and expansion.

Barriers that limit MSEs internationalization include limited information on foreign markets and technology, lack of managerial skills, limited knowledge, limited resources to finance exports, inefficient transactions and limited product and service quality to meet customer requirements, (OECD, 2010). The ability of MSEs to survive in an increasingly competitive global environment is largely dependent upon their capacity to leverage information as a resource and to benefit from the value of information. MSEs need ready access to comprehensive relevant information since they operate in severe time and capacity constraints. They require information on business trends and markets; business environment, legal and regulatory aspects, business management, customer needs, business expansion and diversification; technology; business opportunities; linkages and business partnerships, (Schleberger, 2010). Limited access to opportune, current, relevant and adequate information is a notable constraint to MSEs in Kenya. The enterprises struggle to gain access to important information needed for improved productivity, customer satisfaction, improved cycle time and opportunities at the market place, (Hanna, 2010).

Market signals on business opportunities and customer trends are not communicated effectively to MSEs, who perform better in information rich environments, (KIPPRA, 2006). Major challenges in relation to market information relate to acquisition and capacity to interpret and effectively use the acquired information. Without access to

timely, simplified, reliable and relevant information on market opportunities, production technology, the sector is unable to survive and grow in a highly globalised and competitive market environment, (ROK, 2005). Even though acquisition of information is costly in developing countries, there is evidence to suggest that MSEs are willing to pay significant sums for relevant information where available, (KIPPRA, 2006). Difficulties associated with information acquisition have negative implications; lack of information may reduce the extent of mutually beneficial exchanges and lead to uncertainty concerning economic decisions in the enterprises, Information asymmetries leads to high transaction costs, uncertainty and therefore market failure, (Matambalya & Wolf, 2002).

2.3.4 Technology Adoption

Jolly (2011) explains that adoption is a decision of full use of an innovation as the best course of action available and rejection is a decision not to adopt an innovation Rogers further defines diffusion as the process in which an innovation is communicated thorough certain channels over time among the members of a social system. As expressed in this definition he notes that, innovation, communication channels, time, and social system are the four key components of the diffusion of innovations (Mairura, 2017). Rogers (2003) further categorized technology adopters into four categories that include innovators who tend to be experimentalists and techies interested in technology itself, early adopters who may be technically sophisticated and interested in technology for solving professional and academic problems, early majority who are pragmatists and constitute the first part of the mainstream and late majority who are less comfortable with technology and are the skeptical second half of the mainstream. Finally he describes the laggards who may never adopt technology and may be antagonistic and critical of its use by others. According to Morse, (2007) technology capabilities benefits small businesses in several ways: Technology enhances small businesses efficiency, reduce cost and broadens market share both locally and globally. Also noted by Lee

(2001) a small business that adopts greater levels of technology can be expected to grow more rapidly than a similar firm that does not. Yusuf (2003) explains that low technology capabilities hinder and discourage small businesses from fully reaching their potential.

Muthoni, Omato & Kithinji, (2013) argues that the history of technology development in relation to small enterprises in developing countries started with the emergence of Appropriate Technology (AT) Movements in the 1970s. The AT movements saw technology as a resource that can only be useful if adapted by businesses to improve their efficiency and factor productivity. The AT was initiated by international organizations, (ILO/ UNDP, 2000). Technology is judged appropriate not just in terms of their level of sophistication and complexity but also with regard to their suitability to particular social context and their consistency with desired social goals. Technologies used by SMEs in developing countries might be inappropriate because their choice is based on insufficient information and ineffective evaluation, (Harper, 1987). According to Kaplan (2000), firms should have new approaches that examine accumulation of technological capacity at the level of the firm. Lall (1992) suggests that capabilities assist a firm to access, identify, implement, absorb and develop knowledge that advances its position in the market. Dhungana (2003) argues that the ability of developing countries to receive, transfer, adopt, develop and manage technologies depends on development of endogenous technological capability and human resources.

Kenya has put a lot of emphasis on human capital development as a way of facilitating economic growth. Training nurtures creativity, critical thinking, produces innovative and adaptive human resources with appropriate skills and improves attitude and values for wealth creation, employment and prosperity. Lall (1999) suggests that education, on the other hand contributes to development of technical skills. The desire for competitiveness requires that countries shift from simple operational skills to advanced innovative skills. Dadabi (2003) submits that good technology may cost more initially but it later works effectively for a longer time. Small businesses that try to minimize

initial capital investment may end-up acquiring outdated and inefficient technologies. These happen since they are forced to look at short-term profit, rather than long-term returns. They end up obtaining obsolete tools and equipments which makes their operation unviable in the longer-run, (Muthoni, Omato & Kithinji 2013).

2.3.5 Entrepreneurial Characteristics

Entrepreneurs enter into business with different motives. Some will enter because they have identified a market opportunity and there is need to utilize their skills, others to generate income, while others will enter into business because of the desire for independence to be one's own boss, (McCormick & Pedersen, 1996; Dutta, 2009). Other factors that may attract or pull an entrepreneur into business are financial incentives, a hobby, previous work experience and family culture acting as a role model, (DATI, 2000). On the other hand factors such as lack of employment, retrenchment, retirement or death of a breadwinner are likely to push one into business. The characteristics of an entrepreneur are widely accepted as vital ingredients that influences business growth. Research indicates that particular characteristics of the entrepreneur that are associated with growth of the enterprise include motivation, previous management experience and demographics of the entrepreneur i.e. age, education. If the entrepreneur's reasons for starting the business originated in pull or opportunity driven motivates rather that push or necessity driven motivates, the resulting enterprise is more likely to grow.

Research in developed countries has shown that an entrepreneur's level of education may be associated with MSEs characteristics, such as growth and performance. This is because higher levels of education are associated with greater verbal communication and comprehension skills, all of which are important in business decision making and management, (McCormick & Pedersen, 1996). Previous experience from an entrepreneurial activity or occupation is considered to be an incentive for one to become a successful entrepreneur. McCormick & Pedersen (1996) found that entrepreneurs with no previous occupation began firms which were relatively small and remained in the

smallest category. On the other hand it was found that the largest enterprises were almost entirely set up by entrepreneurs with previous experiences either in manufacturing or in the retail trade.

2.3.6 Micro and Small Enterprise Growth

In general, MSEs are an integral element of the informal sector in most developing countries. In the majority of cases, these enterprises are initially informal but gradually some of them survive and become formal businesses, thereby providing the foundation of modern private companies, (Cook & Nixson, 2011). Hence, the growth of these enterprises is part and parcel of a dynamic growth process in the corporate sector, as argued by, (Liedholm & Mead 1994 &, Prasad 2005). As noted by Cook & Nixson (2011) although a number of measures have been used to identify and describe MSEs, there is no consensus on any one measure and it is customary to use several metrics, including the value of fixed assets of the enterprise, enterprise turnover and the number of employees. Ryan (2005) has pointed out that the term may be used to cover a wide range of economic activities for an indicative number of employees; for example survival activities 1 employees, household activities, microenterprise sector (5), small emergent enterprises (25) and growth businesses (100 employees). It has further been argued that in poorest countries, on average almost two thirds of their workers are employed in enterprises with have less than 5 employees while the majority work for enterprises with less than 100 employees, (Cull, 2004).

During the last 50 years, considerable insight into the characteristics of MSEs has been gained. Early literature, particularly Staley & Morse (1965), enhanced the conceptualization of the main characteristics of MSEs and the pattern of growth of these enterprises. However, Anderson (1982) notes that there was lack of basic data on the management and characteristics of MSEs. Industrial censuses tended to concentrate on large enterprises; censuses of MSEs were often non-existent or quite infrequent and published after a long delay. The lack of data hampered any attempts to undertake

serious empirical work on measuring the characteristics of MSEs and explaining the behavior of these enterprises, (Cook & Nixson , 2011).

However, during the 1980s, some efforts were made to collect baseline data on MSEs by, among other tasks, identifying universes, constructing samples and devising methods to deal with incomplete entries. However, due to poor book keeping by MSEs, the data were often incomplete, unreliable and not repeated across samples. Hence, while the baseline data could be used for measuring the characteristics of MSEs, it was not adequate for testing theoretical propositions about the expected behavior of the MSEs. However gradual improvements have been achieved over the years. In the year 1990s, some basic databases were available for empirical studies aimed at identifying the constraints facing the growth and development of MSEs in developing countries, (Levy, 1993). One of the main findings from these studies was that the growth and development of MSEs in developing countries were mainly inhibited by access to finance, poor managerial skills, lack of training opportunities and high cost of inputs (Cook & Nixson, 2011). Importantly, further studies especially those conducted in the late 1990s and thereafter suggest that finance is the most important constraint for the MSE sector.

2.4 Empirical Review

2.4.1 Seed Capital

The study by Ahiawodzi & Adade (2012), in Accra Ghana analyzed the access to seed capital and growth of SMEs in the Ho Municipality of Ghana. The objective of their study was to examine access to credit and growth of MSEs in Ghana and more especially Ho Municipality. The study was explorative in nature which used survey method mainly in data collection. The study employed a causal design which aimed at accessing credit on one side and its effect on growth of SMEs. The survey involved a sample of 78 SMEs in the manufacturing sector from the Ho Municipality. The study

findings indicated that both survey and econometric results show that access to credit exerts a significant positive effect on growth of MSEs in the Ho- Municipality of Ghana. The multiple regression analysis results showed that, access to credit, increase in total current investment, start- up capital and annual turnover have significant positive effect on the growth of MSEs.

Kuzilwa (2010) did a survey study on the role of credit for small business success in Tanzania. The Tanzania government through parliament's approval was to provide loans to MSEs. The funds were supposed to be loaned out initial borrowers and recovered with interest so that new businesses would borrow. All potential borrowers were supposed to go through special training as one of the preconditions for receiving credit. 7,610 applications were received with only 20% being successful for funding, Out of which 81% were in urban areas whereas 19% of were from rural areas. All entrepreneurs used the loan for the intended purpose with majority using the credit to fund business start-up while some undertook investments. The success indicators were; increase in demand for products, change in investment level, expanding business space, creation of employment and increase in profits. The study however only focused on the role of credit towards the success of small businesses.

Macharia (2012) conducted a study on the effects of access to seed capital on MSEs investment growth in Ongata Rongai Township. The objective of the study was to establish the effects of access to finance by MSEs in Ongata Rongai Township on their growth in investments. The research study employed a descriptive design since it sought to determine the relationship between access to finance and MSEs investment growth. The findings indicated that first, MSEs derive their finances majorly from: family and friends, business saving and financial institutions both formal and informal. Secondly, financial access, regulation, security, literacy, competition and other factors like transportation, high rent, and debt collection are all constraints that bar investment growth of MSEs.

2.4.2 Legal and Regulatory

Karambu, (2017) conducted a study on commercial banks lending strategies and growth of micro and small enterprises in Kenya. The research sought to establish how product accessibility, customer relationship marketing (CRM), collaterals, capacity building and technological innovation lending strategies by commercial banks influence growth of MSEs in Kenya. The study did an investigation of the moderating effect of legal and regulatory environment on the commercial bank lending strategies on the growth of MSEs in Kenya. This study used descriptive survey design. The researcher used purposive sampling to select respondents. The sample was purposively selected and comprised of 352 respondents. The study findings indicated that the interaction between independent variables and legal regulatory environment (moderator) was negative and significantly related. The study recommended that commercial banks together with MSEs need to put in place legal and regulatory framework management strategies.

Bouazza, Ardjouman & Abada (2015) investigated the factors affecting the growth of SMEs in Algeria. The study objective was to analyze the external and internal factors affecting the growth of MSEs in Algeria. The results findings reflected in the study indicated that unfair competition from the informal sector, cumbersome and costly bureaucratic procedures, burdensome laws, policies, and regulations, an inefficient tax system, a lack of access to industrial real estate, a lack of access to external financing, and low human resources capacities are the key business environmental factors affecting Algerian MSEs. The study recommended that policy makers should strive in strengthening the legislative and regulatory framework for the creation and development of SMEs by designing rules according to the think small first principle; in addition, policies to promote SMEs need to be tailored to each sector. The study however did not bring out other internal business factors that have affected the growth of MSEs and critically evaluate how the legal and regulatory environment can address MSEs internal challenges.

2.4.3 Access to Market

Clough (2011) conducted a study on marketing challenges and strategies for MSEs in east Africa. The research objective was to establish entrepreneurial marketing challenges faced by MSEs and the opportunities they have identified to grow their businesses. The research study employed a descriptive design. The research findings indicated that many entrepreneurs rely on local households as their main source of customers and face a lot of competition within the local area. They may feel limited in the markets they can access by their business location, available stock and finances. The findings further noted that many entrepreneurs perceive lack of finance as a hindrance to their marketing and business growth yet there is a lot that can be done with quality, price, placement and promotion within existing business resources. The study recommends that entrepreneurs need to have a clearer sense of their target customers and understanding of what motivates them to buy.

Kiveu & Ofafa (2013) conducted a research on enhancing market access in Kenyan SMEs using ICT. The study objectives to determine the various Market Access constraints faced by SMEs in Kenya, and to explore opportunities in ICT that SMEs in Kenya can harness to improve market access. The study was exploratory in nature. To achieve the research objectives, desk research that used secondary data was employed. The study findings indicated that ICT holds a lot of potential for enhancing market access and yet use by SMEs is limited as compared to larger enterprises. The use of ICT for marketing by SMEs still remains low despite SMEs having access to these tools. Majority of SMEs use ICT for communication, social networking and general information acquisition. There seems to be lack of awareness of the range of opportunities that ICT offers for increased market access. Limited use of ICT for marketing was also be attributed to perceived high costs of appropriate applications, security issues and limited knowledge and skills on some ICT applications e.g. e-commerce. The study recommended the need for awareness creation for ICT use, improvement in ICT literacy levels and infrastructure, development of user friendly

relevant ICT programs for SMEs. The study however did not look into how ICT would enhance the growth of SMEs and cost implications that SMEs face as they try to embrace ICT Marketing.

Akwalu (2014) investigated the factors influencing the performance of youth owned SMEs in Tharaka-Nithi County. His study objective was to examine how access to market influences performance of youth owned SMEs in Maara Sub-County. The study used descriptive research design. The study findings indicated that market access influence the performance of youth businesses. There was relationship between extents to which the respondents think that the market access influences performance. The study recommended that more cheaper and efficient marketing strategies be advocated among youth entrepreneurs to improve their reach to their customers.

2.4.4 Adoption of Technology

In his studies Mairura, (2017) conducted a research on the determinants of modern automobile technology adoption among mechanics in micro and small enterprises in Kenya. The main objective of the study was to establish the role of: relative advantage, compatibility, complexity and observability in the adoption of technology. In the study technology adoption was the dependent variable. The study adopted a descriptive cross sectional survey design and employed both probability and non-probability sampling techniques to collect quantitative and qualitative data from 132 mechanics sampled from an estimated population of 5,000 mechanics operating in the micro and small enterprises. The research findings indicated that along with formal education, technical training and experience levels of the mechanics, the conceptualized variables: relative advantage, compatibility, complexity and observability of a particular innovation play a significant role in technology adoption among automobile mechanics in micro and small enterprises. The study recommends that the relevant stake holders should create and encourage avenues that enable: technology transfer, technology promotion, technology deployment, technology innovation, technology development, technology research,

technology assessment, technology information and communication, technology investment, technology collaboration and technology commercialization.

Kenneth & Rebecca (2012) conducted a study on the factors affecting adoption of electronic commerce among small medium enterprises in Kenya: survey of tour and travel firms in Nairobi. Their study sought to explore the factors that affect adoption of electronic commerce among MSEs in Kenya, through a survey of tours and travel firms in Nairobi. The study used survey research design to collect data from the respondents. They also used simple random sampling procedure to select a sample that represented the entire population. Of all of the tour firms surveyed have adopted the use of electronic commerce in their business transactions in hotel booking, safari tours, emails and advertising. However, it was noted from the findings that there is low use of electronic commerce in marketing. This implies that there are still a lot of growth opportunities for SMEs to utilize electronic commerce for marketing their products and services. The study recommends the importance of innovation factor and product positioning as an influence to the uptake of electronic commerce.

Ocha (2011) conducted a study on the factors that influence adoption and frequency of use of e-commerce by Micro and Small Enterprises in Kisumu. The objective of his study was to find out the factors that influence the adoption of e-commerce and frequency of use of e-commerce in Kisumu. The research was carried out in the form of a survey design. The study established that e-commerce has been adopted and implemented in MSEs at various levels. Some of the factors that have contributed to the ease or difficulty of adoption in both the owners and the employees in the enterprises include the knowledge of benefits of e-commerce, cost of implementing e-commerce, infrastructure and technical skills needed in implementing and sustaining e-commerce in the businesses. The research recommended that workshops should be conducted for MSE's owners. Its further recommends that employees should be educated on the importance of and benefits of e-commerce in business.

Renny (2011) conducted a study on MSEs sector and existing systems with emphasis on high-tech oriented entrepreneurship in Kenya. The study objective was to document the existing government support services to MSEs and draw policy implications for future support efforts. The broad objective of the research was to document the existing government support services to MSEs and draw policy implications for future support efforts. The study specific objective was to investigate the extent of government support services to MSEs and identify the technological gaps facing MSEs in Kenya. The research reviewed existing studies and policy documents on the MSE sector in Kenya, and it mainly relied on documentary analysis and analytical narratives in order to fully address the issues raised. The study took stock of the various forms of government support that is relevant to MSE development in order to understand the gaps in government support services and specify policy options to fill the gaps. This was conceptualized into two broad questions: what kind of support and how well the support is delivered. The study findings indicated that technological situation of MSEs in Kenya remain an uphill task and more needs to be done in technology development. The study sited high cost of technology adoption as the major challenge facing MSEs.

2.4.5 Entrepreneurial Characteristics

Abdulwahab & Dame (2015) undertook a study on the impact of entrepreneurs' characteristics on small business success at medical instruments supplies organizations in Jordan. Their study surveyed the owners and managers working at these organizations which consisted of 66 organizations. The studies main hypothesis was entrepreneurs' characteristics do not have an impact on small business success at Medical Instruments Supplies Organizations in Jordan. The study findings indicated that the entrepreneurs' characteristics have positive impact on small business success of the Medical Instruments Supplies Organizations in Jordan. The study recommended the need to further investigate more entrepreneurs' characteristics in the future researches to include

more personal entrepreneurs' characteristics, skill, competencies, and traits of the entrepreneurs.

Adegbite, Irefin & Abereijo (2007), evaluated the impact of entrepreneurial characteristics on the performance of small scale manufacturing industries in Nigeria. The study objective was to identifying these entrepreneurial characteristics and the factors that influence their translation to optimum business performance. Primary data, through structured questionnaire, were collected from the samples of 100 firms randomly selected from among the small-scale manufacturing industries engaged in food and beverage; textile and wearing apparel; wood and wood products; chemical and pharmaceuticals; and fabricated metal products. The study results showed that human resource factors and the sales revenue were found to be inadequate and severely inhibited the potential of the entrepreneurs for performance and growth. However, length of years in business and working experience were found to have positive contribution on their performance.

Tefara, Gebremichael & Abera, (2013) in their study that investigated the growth determinants of MSEs based on a survey covering 178 randomly selected MSEs from Mekelle city, Tigray regional state of Ethiopia. The study identifies five potential MSEs growth determinants: gender of owner, initial investment size, location and sector as key determinants of MSES growth in northern Ethiopia. The study findings concluded that over three-fourth of the MSEs that are found in Mekelle city are survival MSEs and about one-fourth of them are growing MSEs. The study confirms that that about three-fourth of the MSEs are survival type and one-fourth or less of MSEs are growing type in this country as Wasihun & Paul (2010), & Gebreyesus (2007), found even though the growing MSEs percentage is higher as compared to other African countries (Botswana, Malawi, Swaziland and Zimbabwe except Kenya) in which the growing MSEs ranges from 19.3-22.8 percent while it is 34.8 percent for Kenya, (Liedholm, 2001). The study concludes that the dimensions and determinants of MSEs growth are vast and complex. The growth of MSEs has a recognized effect on unemployment reduction and poverty

alleviation since MSEs have massive contribution in employment creation and income generation than big enterprises but change in employment size in MSEs is subject to different constraints such as financial, working premises and other socio-economic conditions. Thus, proper understanding of these factors and conditions constitutes an essential starting point and is a key to the formulation of policies, designing of appropriate intervention strategies and practical steps by the government, non-government organizations and other stake holders in order to reduce poverty, unemployment and income inequality as well as to promote sustainable growth at micro and macro levels. The study recommends that the government and the NGOs, particularly operating at the local levels should design an awareness creation program to put the already endorsed and existing MSEs development policy and strategy.

In his research, Dereje (2008) studied the nature, characteristics, economic performance, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed that the main constraints of the MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, Workneh's (2007), research undertaken in Kolfe Keraneo sub-city of Addis Ababa indicated that lack of capital, lack of market, unfavorable policy, and inadequate infrastructure, absence of adequate and relevant training, bureaucratic structure and procedures are among constraints faced by MSEs. Similarly, Adil's (2007), research carried out in Addis Ababa shows that inappropriate government intervention, shortage of capital, location disadvantage, lack of market and lack of display room are the major challenges that obstruct MSEs.

Roy & Wheeler (2006) conducted a survey of micro enterprise in Urban West Africa: drivers shaping the sector. The study identified that the level of training of micro entrepreneurs both formal and informal; experience and number of years in operation; knowledge of the market; level of differentiation in terms of price, quality or other and

diversification of products; access to the necessary resources and technologies; level of planning; vision for the future; and the entrepreneur's level of poverty are among the factors contributing to success of MSEs. The study also noted that lack of market knowledge and training, limited access to capital, and lack of co-operation among possible business partners are some of the factors inhibiting the growth and development of the MSE sector.

2.5 Critique of Literature Relevant to the Study

Jalilian & Kirkpatrick (2010), argues that there is substantial theoretical literature on financial sector depth which use measures of financial depth collected from financial institutions themselves, such as the total value of bank deposits, or private credit, but do not capture the distribution of these bank deposits or credit across the population. Their arguments are valid however it remains to be seen how much data accessed by financial institutions can assist in assessing the growth of youth owned micro and small enterprises through access to credit facilities. Abor & Quarley (2010) argued that the pledging of collateral by itself should not distinguish asset based lending from any of the other lending technologies. They however fail to bring out other options available for MSEs for them to be able to access affordable credit with ease. According to KRA (1994), the principle factor contributing to poor tax collection include; poor compliance at the informal sector economy, narrow coverage of the existing tax instruments, poor administration and tax collection efforts. As a result of poor taxation system, the costs of running business in Kenya continue to heighten. They however fail to address some of the key challenges that cause MSEs failure to comply with the Kenyan taxation regime and what new policy and regulation are needed to ease the tax burden facing MSES.

Karambu, (2017) conducted a study on commercial banks lending strategies and growth of micro and small enterprises in Kenya. The research sought to establish how product accessibility, customer relationship marketing (CRM), collaterals, capacity building and technological innovation lending strategies by commercial banks influence growth of

MSEs in Kenya. The study recommended that commercial banks together with MSEs need to put in place legal and regulatory framework management strategies. The study however did not bring out the challenges facing MSEs as a result of legal and regulatory barriers. The study just focused on Legal and regulatory environment as a moderating variable.

Access to entrepreneurial markets and marketing information remains a severe constraint to MSEs development and competitiveness in Kenya. Overall aggregate demand in low market are saturated due to dumping and over production and in many cases market do not function well due to lack of information and high transaction cost, (Nteere, 2012). The argument however fails to offer solutions to MSEs noted challenges of market saturation and over production. Kaushalesh & Peedoly (2006), explain that limited access to global markets denies MSEs significant opportunities confining them to saturated local markets whereas internationalization is necessary for their survival and expansion. Their findings reveal the importance of internationalization however do not give valuable ways that MSEs can access markets.

National Development plan 1997 – 2001 notes that the informal sector has been growing in importance to Kenya both as a source of employment as well as innovative technologies. However, technological inefficiency, poor tools, limited access to market and lack of national support have constrained the sector's ability to upgrade its existing technological base to boost their productivity and income. The findings fail to offer solutions to the technological challenges facing MSEs in the country. Pedersen (1996) found that entrepreneurs with no previous occupation began firms which were relatively small and remained in the smallest category. On the other hand it was found that the largest enterprises were almost entirely set up by entrepreneurs with previous experiences either in manufacturing or in the retail trade. However past evidence indicate that small firms if well incubated can also grow and compete with large firms if the business environment favors and supports their growth. Importantly, further studies especially those conducted in the late 1990s and thereafter suggest that finance is the

most important constraint for the MSE sector growth, (Green, 2002). However they fail to draw attention to other factors that make access to credit difficult to the MSEs.

Although factors that influence MSEs growth have called for the attention of some researchers both internationally little is still known about the determinants influencing growth of MSEs in Kenyan enterprises especially those run by the youth in Nairobi county. The literature reviewed has left a relative gap in state of the art on this subject, particularly in the context of Nairobi County. Thus, there is little apparent evidence on factors determining growth of MSEs owned by young people in Nairobi County. As a consequence, the motivation for this study was: what are the main factors determining growth of MSEs owned by the youth of Nairobi County? And how can we measure the independent variables in the study and use them to analyse the determinants of growth of youth owned MSEs in Kenya Nairobi County. The literature review has not adequately spelt of such measure.

2.6 Research Gap

A number of researches have been carried out locally and internationally reviewing the determinants of growth in youth owned MSEs but not in a comprehensive approach. A few studies have been done but majority of them focused on the on the performance other than growth of MSEs. Most of these researches concentrated on their study areas based on their own objectives. Majority of studies done also explored government policy programmes geared towards the support and funding of youth owned enterprises through the YEDF, as in Sogwe (2011), his studies focused mainly on the performance of the MSEs.

The literature available does not concern itself on seed capital, legal and regulatory, access to market, technology adoption and entrepreneurial characteristics in one combination. For example Wangui, Njeru & Ibrahim (2014), studies looked at the challenges facing micro and small enterprises in accessing credit facilities in Kangemi

Harambee market in Nairobi. Their study focused on collateral requirements, cost of credit, and availability of information on finance and business risk as its independent variables. The study did not have a moderating variable.

Other studies by Tefera, Gebremichael & Abera (2013), on growth determinants of micro and small enterprises: evidence from Northern Ethiopia focused on gender of owner verses MSE growth, initial investment verses MSE growth, location verses MSE growth, and sector verses MSE growth as its independent variable. Their study did not have a moderating variable.

Mbugua, Mbugua, Wangoi, Oganda & karuki (2013) investigated the factors affecting the growth of micro and small enterprises: a case of dressmaking and tailoring in Eldoret, the study analyzed management, finances, market and marketing and entrepreneurial characteristics as its independent variables. The study did not have a moderating variable. Very few studies also focusing on legal and regulatory environment and entrepreneurial characteristics determinants on growth of MSEs were available.

2.7 Summary of Empirical and Theoretical Studies

The literature reviewed determinants of growth of youth owned micro and small enterprises in Kenya. This included access to capital, law and regulatory, access to market and adoption of technology. Research suggests that there is evidence that growth can occur within MSEs given the right environment. A favorable country setting or overall enabling environment for enterprises provides economic and political stability, offers low costs for business transactions, and allows for efficient business operations that lead to greater amounts of innovation creativity and better access to finance. It has also been noted that an enabling environment legal and regulatory is important for the MSE sector to play effective role as an engine for economic growth, poverty eradication and employment creation.

The ability of MSEs to survive in an increasingly competitive market is largely dependent upon their capacity to leverage information as a resource and to benefit from the value of information. MSEs need ready access to comprehensive relevant market information since they operate in severe time and capacity constraints. Moreover research has shown that educational attainment of enterprise heads or the entrepreneurial ability of owners may also interact with other constraints to MSE growth. Also, education may interact with other individual characteristics such as gender. In addition to this studies have shown that technology adoption is equally important, the role played by technology is crucial to changing the ways in which MSEs have been operating in the past.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter addressed the methodology that was used in undertaking the study. This includes the research design that was adopted; according to Sekaran (2010), a central part of research is to develop an efficient research strategy. Based on the model and variables developed in chapter two, this chapter covers the research design and research methodology used to test the variables. In particular, issues related to research design, the population, the type of data to be collected, sampling frame, sample and sampling techniques, data collection instrument, data collection procedure, pilot test, validity and reliability of the instrument, and the data analysis and presentation are discussed. Lastly, the analytic techniques that were used to test the hypotheses are also presented.

3.2 Research Philosophy

Kathuku (2017) argues that research methodology and philosophy must be stated in order to convince others of the credibility of the research. Based on the above concept and nature of different research philosophies, this study adopted the positivism approach which advocates for application of the methods of the natural sciences to the study on social reality and more. According to Njuguna (2015) in such an approach, the research associates objectivism with the concept of positivism (Saunders, Lewis & Thornhill, 2009). He further argues that positivist philosophy is also premised on the belief that reality is stable and that it can be observed and described from an objective view point without interfering with the phenomenon being observed.

3.3 Research Design

Kothari (2008) defines research design as the arrangement of strategies for the collection and analysis of data according to defensible procedures. Cooper and

Schindler (2008), view research design as the plan and structure of scientific investigation to respond to research questions. This study adopted descriptive survey research design. According to Saunders, Lewis and Thornhill (2003), survey strategy is a deductive approach popular in business research. Aggarwal (2008) explains that descriptive research is all about to the gathering of information about certain conditions or situations with a purpose of undertaking description and interpretation. He further argues that this type of research method is not simply amassing and tabulating facts but it also includes proper analyses, interpretation, comparisons, identification of trends and relationships. The main advantage of this research design is its ability to adopt applications of scientific method by critically analyzing and examining the source materials, by analyzing and interpreting data, and by arriving at generalization and prediction. A descriptive research design determines and reports the way things are, (Mugenda & Mugenda, 2003). Creswell (2003) observes that a descriptive survey research design is used when data are collected to describe persons, organizations, settings or phenomena. The design also has enough provision for protection of bias and maximized reliability (Kothari, 2008). Descriptive design uses a preplanned design for analysis, (Mugenda & Mugenda, 2003). The research aimed to describe the determinants of growth of youth owned micro and small enterprises in Kenya. It described the behavior of all the independent, dependent and moderating variables with the view to establish their relationship. The design was adopted since the research was concerned with assessing the relationship between the variables and the description of things such as access to finance, legal and regulatory, business location, adoption of technology and entrepreneurial characteristics. The research data was summarized in a way that provided the designed descriptive information.

3.4 Target Population

Population is defined as a full set of cases from which a sample is taken, (Saunders, 2003). The study population consisted of youth owned micro and small enterprises. Youth owned MSEs information was retrieved from the list of registered youth groups at

the Ministry of Devolution. Data available from the ministry revealed that the total number of youth group MSEs funded since the inception of the YEDF in Nairobi County is 1,263 (ROK, 2013). Therefore the study targeted 1,263 enterprises categorized as MSEs. The study targeted Nairobi County because it had the highest number of beneficiaries in the country. Nairobi County is currently the highest beneficiary of youth empowerment support funds, for example since the inception of the youth enterprise development funds the County has received 2.3 billion which translates to 20% of the total amount disbursed by the government (ROK, 2016). Nairobi County has also a total of 35,238 youth owned funded enterprises which translates to 13.5%. Due to the large numbers of beneficiaries it was impractical to survey the whole population; as a result, a sample was scientifically selected to represent the population. It was hoped that the target group would contribute greatly towards the study.

3.5 Sampling Frame

The sampling frame is a complete list of all the units of the population which is purposely used to draw random samples, (Mugenda & Mugenda, 2003). In the study stratified random sampling technique was used to draw the sample. This method helped in improving the representation of each stratum (groups) within the population, as well as ensuring that the strata were not over-represented. In a stratified random sampling approach, the population was divided into two or more relevant and significant strata based on one or a number of attributes, for example, the population of N units is first divided into disjoint groups of N_1, N_2, N_3 units, respectively. These subgroups, called strata, together comprise the whole population, so $N_1 + N_2 + N_3 = N$. From each stratum, a sample of pre-specified size was drawn independently using simple random sampling table in different strata. Then the collection of these samples constituted a stratified sample for the study, (Saunders 2003). For this study, constituencies were used as strata. These were eight (8) in total as shown in Table 3.1. These categories were used as the respective strata during sampling.

Table 3.1: Sampling Frame

S. No	Constituency	Population
1	Madaraka	152
2	Kamkunji	166
3	Starehe	171
4	Lang'ata	137
5	Dagoreti	79
6	Westlands	108
7	Kasarani	199
8	Embakasi	250
Total		1262

Source: ROK, (2013)

3.6 Sample and Sampling Technique

3.6.1 Sample Size

Sample size is a subset and representation of the population that is selected for research, and it consists of selected members from the population, (Bryman, 2007). From this, one can draw conclusions regarding the entire population as shown on Table 3.2. A sample size of 140 respondents for the study was determined using Sloven's formula for finite populations, (Yara, 2012) as shown in Equation (3.1) for a sample frame of 1262. In the equation, N is the core population, n is the sample size and $e=0.0842$ (8.42% level of significance). According to Mugenda and Mugenda (2003), a representative sample is at least 10 to 20% of the study population. In this study, the sample size was 10% of the sample, hence, was satisfactory.

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

(3.1)

Table 3.2: Sample Frame and Sample Size

S. No	Constituency	Population	Sample Size
1	Madaraka	152	15
2	Kamkunji	166	17
3	Starehe	171	17
4	Lang'ata	137	14
5	Dagoreti	79	8
6	Westlands	108	11
7	Kasarani	199	20
8	Embakasi	250	25
Total		1262	127

In order to get the sample size for each constituency (n_i), equation (3.2) was employed. In the equation, N_i is the population size for each constituency.

$$n_i = \frac{nN_i}{N}$$

(3.2)

3.6.2 Sampling Technique

Sampling is described as the process by which a relatively small number of individuals or a measure of individuals, objects or events is chosen and analyzed with an aim of finding out something about the population from which it was chosen. Sampling procedures also provide generalizations on the basis of relatively small preparations of the population. Cornell (1960) further argues that sampling is a technical and statistical problem of importance in questionnaire investigations and in many other descriptive survey studies. In his studies Ngugi, (2013) uses Kerlinger (1986) explanations that explain a sample size of 10% of the target population is large enough so long as it allows for reliable data analysis and allows testing for significance of differences between estimates. According to Mugenda & Mugenda (2003), a sample size of 10% of the total population is considered adequate for descriptive study. A random sample is

preferential because it is free from bias and therefore each unit has a chance to be included in the sample. Random sampling is also easy to be conducted, (Srivastava, 1993). According to Lenth (2001), the sample size should have the adequate size. It should be big enough so that an effect of such magnitude is of scientific and statistical significance. Sample size is important for economic reasons: An under-size study can be a waste of resources for not having the capacity to produce useful results, while an oversized one uses more resources than are necessary, (Lenth, 2001).

3.7 Data Collection Instruments

Both primary and secondary data was used in the study. Reswell (2002), defines data collection as a means by which information is obtained from the selected subjects of an investigation. The primary research data was collected from the owners of the MSEs in Nairobi County using a questionnaire. Questionnaire enabled the researcher to get first-hand information about the issue that was being investigated. It also provided an opportunity for anonymity to promote high response rate, (Mugenda & Mugenda, 2003). A certain degree of flexibility was permitted to allow the respondents ask questions and raise issues as this will be enriching in trying to solve the problem, (Srivastava, 1993). The questionnaire employed both structured and unstructured questions. It also adopted open ended and closed ended questions. Structured questions relied on closed-ended categories pre-selected by the researcher. Structured questions reduced the amount of thinking that a respondent needed to undertake to complete the task. This generally was expected to lead to higher response and more accurate data. It was also easier also for the researcher to code and analyze. Unstructured questions were used since they were a bit more qualitative in feel. They do not require pre-defined categories and they allow the respondent to express their views openly. Open-ended questions, as they are also known, were expected to produce a higher cognitive load in the sense that the respondents had to think harder to come to an answer.

3.8 Data Collection Procedure

Data refers to all the information the researcher gathers for his or her study, (Mugenda & Mugenda 2003). Collins & Hussey (2003), define data as all the known facts or things that a researcher could gather for his or her study and which could be used for inference or estimation. Collective administration was used to administer the questionnaires. Prior arrangements were made and appointments sought with each of the 127 MSE selected for the study. Research assistants were trained on both the content of the questionnaire and the general presentation required of them. The research assistant's accompanied the researcher during the pilot study so as to obtain the practical induction on the administration of the research instruments. Each MSE filled in the self-administered questionnaires that were later collected. Data collection from each of the 127 MSEs groups was done during different appointments. A total of 127 respondent questionnaires were distributed to the respondents.

3.9 Pilot Testing

The main aim of pilot studies was to assess the feasibility so as to avoid potentially disastrous consequences of embarking on a large study which could potentially drown the whole research effort. In his studies Ngugi. (2013), points out at issues argued by Cooper and Schindler (2008) which explains that a pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. According to Babbie (2004), a pilot study is conducted when a questionnaire is given to just a few people with an intention of pre-testing the questions. Therefore in this study a pilot test was conducted on (10%) of youth owned MSEs within Nairobi County using a pretest questionnaire.

The procedure used in pretesting the questionnaire was identical to the one used during the actual study or data collection, and the number in the pretest was small about 1% to 10% of the target population, (Mugenda & Mugenda 2003). In this study the

questionnaire was tested on 10% of the entire sample size, which translates to (13) respondents. These MSEs were selected randomly from a list of the study constituencies to eliminate bias that which might have arisen from subjective judgments in sample selection, (Sekaran, 2003). Pilot test was an activity that assisted the research in finding out if there were flaws, limitations, or other weaknesses within the interview design. The process then allowed the researcher to make necessary revisions prior to the implementation of the study (Kvale, 2007).

3.9.1 Reliability of the Research Instruments

Reliability is described as the consistency in measurement (Bollen 1988), or stability of measurement over a variety of conditions in which basically the same results should be obtained. (Nunnally, 1978). Mugenda & Mugenda (2013), posit that reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability of measurement concerns the degree to which a particular measuring procedure gives similar results over a number of repeated trials, (Orodho, 2008). Abbott & Mc Kinney (2013), state that reliability is the extent to which a given measuring instrument produces the same result each time it is used. Reliability is the repeatability, stability or internal consistency of a questionnaire, (Bryman, 2012, Cooper & Schindler 2011). Typical methods to estimate test reliability in behavioral research are, test-retest reliability, alternative forms, split-halves, inter-rater reliability, and internal consistency, (Drost, 2011). This study adopted the internal consistency method to estimate test reliability. The fist is a measure of composite reliability. This test assesses internal consistency and thus is analogous to coefficient alpha that is cronbach alpha, (Jenkins 2006).

Shook, Ketchen, Hult and Kacmar (2004), composite reliability represents a better choice. It draws on the standardized loading and measurement error for each item. Bagozzi and Yi (1988), indicate that composite reliability should exceed.6. The second test by Fornell and larcker (1981) is average variance extracted, while similar to

composite reliability. This measure is supposed to indicate the total amount variance that is captured by the construct in relation to the amount of variance due to measurement error. Results should exceed 0.5 Diamantopoulous & Singuaw (2000) explain that if not then the variance due to measurement error is greater than the variance due to the construct.

3.9.2 Validity of the Research Instruments

Mugenda & Mugenda (2003), define validity as the degree to which results obtained from analysis of the data actually represent the phenomenon under study. Orodho (2008) defines validity as the degree to which empirical measure or several measures of the concept, accurately measure the concept. Validity also refers to the degree to which an instrument measures what it purports to measure, (Mugenda, 2008; Bryman, 2012). Validity therefore, therefore is concerned with the meaningfulness of research components. The study adopted both content and discriminative validity. Content validity was used to measure the degree to which elements of a measurement instrument are relevant to and representative of the targeted construct for a particular assessment purpose, (Netemeyer, Boles & McMurriam 1996). It was enhanced through precise construct definition and conceptualization and by ensuring experts agree that items are reflective of the overall construct. Discriminant validity refers to the degree to which different model dimensions are unique, (Sethi & King, 1994). It requires that a measure does not correlate too highly with measures from which it is supposed to differ, (Netemeyer, Boles & McMurriam 2003). A common method for assessing this is to determine whether the correlation between two variables is significantly less than 1. The second method states that if the average variance extracted greater than the square of the correlation between two latent variables then discriminant validity has been obtained, (Fornell & Larcker, 1981).

Factors under investigation were operationalised using reliable and valid items obtained from validated measuring instruments utilized in previous empirical studies, as well as

various self-generated items based on secondary sources. The items were rephrased where necessary to make them more appropriate for the study, and subsequently used empirically test the relationships hypothesized. The data that was collected using questionnaires was subjected to several statistical analyses. Correspondingly, a correlation factor analysis was undertaken and a Cronbach-alpha coefficient was calculated to assess the discriminant validity and reliability of the measuring instrument, (Cooper & Schindler, 2011).

3.10 Data Analysis and Presentation

Data analysis is the process of editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques (Cooper, 2008). According to Mugenda (2008) data analysis is the process of cleaning and summarizing data so that it becomes information that can be easily interpreted and conclusions made to support decision making. This section discusses the techniques that were used to analyze data and test the variables. Before processing the responses, data preparation was done on the completed questionnaires through editing, coding, entering and cleaning the data. Data collected was analyzed using descriptive statistics. Descriptive statistics included statistical procedures used to describe the population (Kothari, 2014). The study used the measures of central tendency to analyse the data. According to Ary, Jacobs & Sorensen (2010), descriptive statistics recommended for ordinal measurement scale items include a mode or median for central tendency. The descriptive statistical tools helped in describing the data and determined the respondents' degree of agreement with the various statements under each factor.

The focus of the study was to evaluate and establish relationships between dependent and multiple independent variables of interest and the causal effects. Therefore, to address the study objectives, a multiple regression analysis technique was projected for the study. Multiple regressions used multiple independent variables; with each controlling for the other (Cooper & Schindler 2006). This technique was used to

investigate the relationships between determinants of growth and MSE growth. This included an error term, whereby response variable were expressed as a combination of explanatory variables, and the unknown parameters estimated using observed values of the dependent and independent variables (Hesketh & Skrondal, 2008). Multiple linear regression attempted to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to observed data.

Data analysis was conducted with the help of SPSS (Version 21), which was the most current version in the market. Micro and small enterprise growth (Y) was regressed against five (5) variables namely; Seed Capital (X_1), Legal and Regulatory (X_2), Access to Marketing (X_3), Adoption of Technology (X_4) and Entrepreneurial Characteristics (X_5) as presented in equation (3.3). In the equation, β_0 is constant or coefficient of intercept; β_1 are regression coefficients for the independent variables; and ε is error term.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

(3.3)

This model was estimated using least squares regression technique. The model was tested at 95% level of significance ($p < 0.05$). The correlation analysis was used to measure degree of association between seed capital, legal and regulatory, access to market, and entrepreneurial characteristics. The coefficient of determination (R^2) was used to interpret the goodness of fit of the regression model. Data was presented in tables and figures to enable ease of use, understanding and appreciation. The computations were performed using the statistical program for Social Sciences (SPSS). SPSS was the most preferred tool adapted to present data in this research work, (Kothari, 2008). It assisted the researcher to make the study more scientific and reliable as a number of different statistical tools were applied on the dissertation with the help of the software (Ary, 2010), and between entrepreneurial characteristics and determinants of growth based on the hypothesized relationships for testing. The study also used

Analysis of Variance (ANOVA) to analyze the degree of relationship between the variables in the study. This provided an indication to the strength and direction of association between the variables and hypotheses testing.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The chapter presents the empirical findings and results of the application of the variables using the techniques mentioned in chapter three. The current study sought to examine the determinants of growth in youth owned micro and small enterprises in Kenya. The specific variables of the study were access to capital, legal and regulatory, access to market and adoption of technology. The intervening variable was the moderating effect of entrepreneurship characteristics on the growth of youth owned micro and small enterprises in Kenya. Specifically, the data analysis was in line with specific objectives where patterns were investigated, interpreted and implications drawn on them. Descriptive and inferential statistics as well as qualitative data are used.

4.2 Response Rate

From the data collected, out of the 127 questionnaires administered, 80 were filled and returned, which represents 63.0% response rate (Table 4.1). This response rate was considered satisfactory to make conclusions for the study. Mugenda & Mugenda (2003) observed that a 50% response rate is adequate, 60% good and above, while 70% rated very good. This collaborates with Bailey (2000), assertion that a response rate of 50% is adequate, while a response rate greater than 60% is good. This implies that based on this assertion, the response rate in this case of 63.0% was therefore good. However the recorded response rate of 63.0% can be attributed to the data collection challenges especially locating the MSEs since some had closed up their businesses or moved elsewhere. Many of the MSEs also lacked sufficient records relating to their business performance. Table 4.1 below provides the findings.

Table 4. 1 Response rate

Response rate	Sample size	Response rate (%)
Returned questionnaires	80	63.0
Un-returned questionnaires	47	37.0
Total	127	100.00

4.3 Pilot Study Results

Pilot study was conducted to pretest the tool for the data collection. The pilot study was conducted on 13 youth owned MSEs which represented 10% of the target population within Nairobi County using a presets questionnaire. The questionnaire tool returned a fairly acceptable score since all coefficients were above 0.60. However, areas of weakness were noted and rectified especially in the case where the respondents did not have financial records and hence were not able to indicate their business growth estimates. Focus shifted to only the MSEs that could avail financial performance estimates. The results of the same are as shown in the results as follows in table 4.2 below:

4.3.1 Reliability Analysis

Reliability of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instruments. It is therefore, an indication of the stability and consistency with which the instrument measures the concept and helps to assess the goodness of a measure. In this study, Cronbach's alpha which is a reliability coefficient was used to indicate how well the items in the set are correlated to each other. Bagozzi (1994) explains that reliability can be seen from two sides: reliability (the extent of accuracy) and unreliability (the extent of inaccuracy). The most common reliability coefficient is the Cronbach's alpha which estimates internal consistency by determining how all items on a test relate to all other items and to the total test internal coherence of data. The reliability is expressed as

a coefficient between 0 and 1.00. The higher the coefficient, the more reliable is the test. The Cronbach's alpha was computed in terms of the average inter-correlations among the items measuring the concepts. The rule of the thumb for Cronbach's alpha is that the closer the alpha is to 1 the higher the reliability, (Sekaran, 2008). A value of at least 0.7 is recommended.

In this study to ensure the reliability of the instrument Cronbach's Alpha was used. Cronbach Alpha value is widely used to verify the reliability of the construct. The findings indicated that Cronbach's Alpha coefficient obtained range from 0.673 to 0.795 as presented in (Table 4.2). This indicates that all constructs depicted that the value of Cronbach's Alpha are above the suggested value of 0.5 thus the study was reliable (Nunnally & Bernstein, 1994; Nunnally, 1974). Based on the statistical analyses, the instrument appeared to be a fairly reliable measure to establish the determinants of growth of in youth owned micro and small enterprises in Kenya.

Table 4. 2: Reliability results

Constructs	Cronbach's Alpha
Access to Capital	0.795
Legal and Regulatory	0.673
Access to Market	0.695
Adoption of Technology	0.751
Entrepreneurial Characteristics	0.720

4.4 Demographic Data

The study sought to establish the demographic data of the respondents. A general analysis on the demographic data was provided by the respondents which included the gender, age, and the nature of business. This research targeted 127 participants in regard to the determinants of growth of youth owned MSEs in Kenya and 80 questionnaires were generated.

4.4.1 Gender of Respondents, Age of Respondent

The descriptive statistics of the study indicated that out of the 80 respondents majority were female (61.3%), as shown in (Table 4.3). The results indicate that the two genders were adequately represented in the study since there is none which was more than the two-thirds. However, the statistics show that the female gender could be dominating the micro and small enterprises sector in Kenya. Hence, the percentages indicate an increase in the number of women engaging in entrepreneurial activities. This could be attributed to further availed financial support to women through the Women Enterprise Funds (WEF) hence empowering more women to engage in more entrepreneurial activities. (Table 4.3) further indicates how the respondents were distributed as per age groups. (52.4%) of the respondents were between 33-35 years of age while between ages 18-32 the respondents were 47.6.3%. The findings show an increase in the number of young people engaging in entrepreneurial activities once they attain the age of 18 years. The study findings differ from a study conducted in by Muijanack, Vroonhof & Zoetmer (2003). They determined that the optimum age for entrepreneurs was 25-35.

Table 4. 3: Demographic factors for the respondent

Demographics	Factor level	Number	Response rate (%)
Gender of the respondents	Male	31	38.7
	Female	49	61.3
Total		80	100
Age of the respondents	18-22 years	11	13.8
	23-27 years	14	17.5
	28-32 years	13	16.3
	33-35 years	42	52.4
Total		80	100.00

4.4.2 Firm Demographics, Nature of Business, Motivation

Nature of Business

The study investigated the nature of the business that the respondents were running. (Table 4.4) indicates that that (36.3%) of the target enterprises were service enterprises. (22.5%) were trading enterprises. The findings concur with a study by Ngugi (2013), on influence of intellectual capital on the growth of small and medium enterprises in Kenya. He supports the argument that service enterprises are easy to establish and this could be attributed to the fact that service businesses accommodates diverse generalized skills and a relatively lower initial investment capital as compared to trading, manufacturing and agribusinesses reducing barriers to entry, (Moore, 2008).

Motivation of Starting the Business

The study reported that (32.5%) of the respondents noted that their motivation for starting their business was as a result of the desire to exploit an opportunity. (27.5%)

indicated they had experience and skills needed to run their business. In (Table 4.4), the findings could not well relate to the argument that there are three internally driven motives, or needs, for starting a business. These are a need for autonomy, a need for achievement and a need for power, (Brockhaus, 1982; Begley & Boyd, 1987). The findings also note that through the government availed youth enterprise development fund (YEDF), many young people are currently opting to engage in entrepreneurial business activities. In the year 2006 the Government of Kenya devised a way of supporting young people in venturing into entrepreneurial activities as a way of encouraging self employment (Munene, 2013). The Governments initiative was also in line with Kenya vision 2030 that envisages the strengthening of MSEs to become the key industries of tomorrow by improving their productivity and innovation (Ministry of Planning, National Development & Vision 2030 (MPNDV2030, 2007).

Table 4. 4: Firms demographics

Firm Demographics	Factor level	Frequenc y	Response rate (%)
Nature of Business	Manufacturing	13	16.2
	Trading	18	22.5
	Services	29	36.3
	Agribusiness	13	16.2
	Information Technology	5	6.3
	Telecommunication	2	2.5
Total		80	100.00
Motivation of			
Starting business	Easy to start and run	9	11.2
	Desire to exploit and opportunity	26	32.5
	Inherited	8	10.0
	Experience and skills	22	27.5
	Had talent in it	8	10.0
	High growth potential	5	6.3
	High stable return	2	2.5
Total		80	100.00

4.5 Descriptive Analysis of Study Variables and Growth of MSEs

Descriptive analysis was performed as per the study objectives; implications of seed capital, legal and regulatory environment, access to market, adoption of technology and lastly the moderating effects of entrepreneurial characteristic.

4.5.1 Cost of Seed Capital

The first objective of the study was to examine how access to seed capital influences growth in youth owned micro and small enterprises in Kenya. MSEs owners were asked to indicate the cost of access to seed capital, and to what extent had their businesses had obtained credit. MSEs Owners were also requested to indicate seed capital appraisal procedures and the collateral factors encountered as they tried to access seed capital. The majority of the respondents 44.0% indicated that the cost of accessing credit was very high. The respondents cited the amount of interest rate paid on loan as being very high and thus making the cost of finance unaffordable. 35.0% reported that credit processing fee was very high (Table 4.5) presents the findings.

The study concurs with Bouazza, Ardjouman & Abada (2015), studies investigating the factors affecting the growth of MSEs in Algeria. The cost of accessing credit and amount of loan repayment interest rates were cited as the major factors affecting the growth of MSEs in Algeria. The findings are also similar to a study carried out by Mwangi & Bwisa (2013) on challenges facing entrepreneurs in accessing credit: a case of youth entrepreneurs in Makuyu, Kenya. Their findings indicated that most of the youth entrepreneurs faced challenges in accessing credit due high cost of credit evidenced in, high rate of interest, high rate of credit processing fees and high cost of credit insurance. Resource based theory further highlighted the importance of capital by stating that that people with financial capital are more able to acquire resources to effectively exploit entrepreneurial opportunities, (Clausen, 2006).

Table 4. 5 : Cost of seed capital

Access to Capital	Very		Moderate	Very		mean	SD
	low	Low		High	high		
	(%)	(%)	(%)	(%)	(%)		
Cost of accessing credit	6	6	19	25	44	3.94	1.205
Amount of interest rate paid on loan	5	4	18	33	41	4.01	1.097
Fluctuating interest rates	14	9	20	21	36	3.58	1.412
Amount of credit processing fee	4	4	31	26	35	3.85	1.069

4.5.2 Appraisal

From the analysis majority of the respondent, 26.8% indicated that they were contented with the lent credit and 43.0% of the respondents reported that the credit lent out was less of their initial borrowed amount as indicated in (Table 4.6). The findings can draw a conclusion from a study conducted by Matavire (2013), on challenges facing SMEs in accessing requested finance from financial institutions. The case of Belaway, Zimbabwe found out that SMEs fail to secure requested loans because of restrictive requirements from the financial institutions. (Table 4.6) further indicates that 65.0% of the respondents reported that the procedure factor in accessing capital was bureaucratic and difficult. The findings can draw a conclusion that many youth owned MSEs have not been able to access financial support due to the bureaucratic and difficult procedure they undergo before accessing credit from lending institutions.

Table 4. 6: Appraisal

Credit	Statements	Number	Response rate %
Contented with the lent amount	The amount was sufficient	38	56.7
	The amount was less of what was borrowed	29	42.3
Procedural factors in accessing capital	Clear and simple procedure	26	34.7
	Bureaucratic and difficult procedure	49	65.3

Credit

From the analysis (Figure 4.1) indicates that, only 34.0% of the respondents tried to obtain credit to a moderate extent whereas 11.0% made no extent in seeking for credit. The findings concur with the study of Ntakobajira, (2013) on factors affecting the performance of MSEs traders at City Park hawkers market in Nairobi County, Kenya. The study concluded that inefficient access to credit affected the performance of MSEs to a great extent because it limited the entrepreneurs' ability to take advantage of the opportunity as and when they arise. The findings can affirm that that access to credit is a determinant of MSEs growth in relation to increase in sales turnover, profitability, business expansion and increase in employment opportunities. The findings further concur with the resource based theory argument that most entrepreneurs start without much capital however differs on the same where the theory emphasizes that financial capital is not significantly related to the probability of being entrepreneurs, (Aldnek & Keister, 2003).

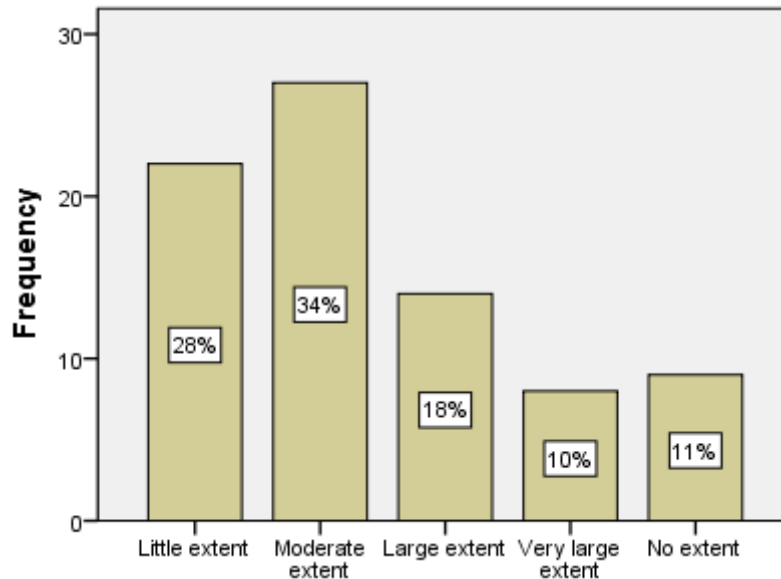


Figure 4. 1: Access to credit.

Collateral

From the analysis 72.0% of the respondents reported that their business assets could secure capital and that their cash flow is sufficient to repay the loan (Table 4.7) indicates the findings. In their studies Gichiki, Njeru & Tirimba (2014), agreed with studies conducted by Gangata & Matavire, (2013) on challenges facing MSEs in accessing finance from financial institutions. The findings indicated that very few MSEs succeed in accessing funding from financial institutions, the main reason being a failure to meet lending requirements, chief among them being the provision of collateral security. Although many youth owned MSEs indicated that their business assets could secure capital many have not been able to access funding from lending institutions and the reasons can be supported by Vuvor & Ackah (2011) study which included the inability of SMEs to provide collateral and other information needed by banks such as audited financial statement coupled with the high cost of the loan in terms of high-interest rates make it extremely difficult to access credit. Another collateral challenge facing youth owned MSEs could be the lack of tangible assets like land, which are used as assets to secure credits according to a study by, (Makena, 2014).

Table 4. 7: Collateral factors

Collateral	Number	Response rate
		%
Business assets can secure capital	58	73.0
Cash flow to repay the loan	55	69.0
Group guarantors are appropriate	18	23.0
Individual guarantors are appropriate	42	53.0

Source of Funding

The respondents were requested to indicate the alternative financial institution where they have been able to access credit. In (Table 4.8), the results indicate that 41.3% of the respondents accessed bank loans and 10.0% of the respondents borrowed from friends and colleagues. The findings indicate that majority of MSEs are shifting from the informal sources of finance which are inadequate and unreliable to finance their business operations. These findings concurs with those of Mwanja (2011), Mugo (2012) & Kinyua (2014), that finance affects performance of SMEs since finance aspect is key in any business. The findings further concur with the resource based theory argument that entrepreneurs with financial capital are more able to acquire resources to effectively exploit entrepreneurial opportunities, (Clausen, 2006).

Table 4. 8: Source of funding

Source of Funding	Number	Response Rate
		%
Bank loan	33	41.3
Saving	18	22.5
Loan from family	5	6.3
Inheritance	1	1.2
Micro finance institutions	12	15.0
Friends or colleagues	8	10.0
Sacco's	3	3.7
Total	80	100.00

4.6 Legal and Regulatory

The second study objective was to establish how legal and regulatory environment affects growth in youth owned micro and small enterprises in Kenya. The respondents were requested to identify the legal and regulatory factors that their businesses have encountered in the last 5 years (Table 4.9) presents the findings. 51.2% had public contract information, 40.0% of the respondents have transacted business with both the county and national government, while 43.4% of the MSEs businesses evaded taxation. The findings concur with the World Bank researchers argument that constrains that are facing for the growth of SMEs are complex tax systems (World Bank, 2010).

The findings also concur with studies conducted by Nganda , Wanyonyi & Kitili (2014) on determinants of growth of small and medium enterprises in Kakamenga. Their study can draw a conclusion by their argument that majority of the MSEs businesses meet all the legal conditions needed for operation. However income taxes and collection of revenue charged on the businesses slows down the business growth of MSEs. The findings are also similar to studies conducted by Kithae (2012) where he concurred with

arguments by Gichira, Amondi, Njoroge & Kabugua (2002) that MSEs in Kenya do not perform well because of too much harassment from local authorities for failure to adhere to legal regulations.

Table 4. 9: Legal and regulatory

Legal and Regulatory	Number	Response rate %
My business can meet license fee	73	91.2
Procedure of obtaining business license is easy	63	78.7
Business is registered with all the legal documents	63	78.7
Availability of public contact information	41	51.2
Does business with county and national government	32	40.0
Affordable cost of tendering	41	51.2
Business is tax compliant	58	72.5
Multiple taxation raises cost of operation	42	52.5
Multiple taxation has seen my business evade some tax but not all	35	43.4
Some taxes are charged twice or more in a single product	30	37.5

4.7 Access to Market

The third study objective was to examine the effect of access to market on growth in youth owned micro and small enterprises in Kenya. The respondents were requested to indicate their business ability to access market information, market linkages and physical access to market. The respondents were also asked to indicate the number of their major competitors. From the study 88.7% of the respondents reported that they could access market information (Table 4.10) indicates the results. The findings are in agreement that enterprises should thus strive to understand customer needs which should then be translated into products or services. To achieve this, enterprises need market information to effectively

market their products (KIPPRA, 2006). 53.7% of the respondents were able to network with other entrepreneurs in different forums. The findings can further be explained by the argument that MSEs need ready access to comprehensive relevant information since they operate in severe time and capacity constraints. They require information is on business trends and markets; business environment, legal and regulatory aspects, business management, customer needs, business expansion and diversification; technology; business opportunities; through linkages and business partnerships (Schleberger, 1998).

The study concludes that access to market has indicated an increase in the new forms of marketing via telephone and internet that many MSEs have been able to embrace. This has improved communication, social networking and general information acquisition. The findings concur with studies by Akwalu (2014), on the factors influencing the performance of youth owned SMEs in Tharaka-Nithi County. The study findings indicated that market access influence the performance of youth businesses.

Table 4. 10: Access to market

Access to Market	Number	Response rate %
Availability of market information	71	88.7
Ability to subcontract	52	65.0
Ability to network	43	53.7
Access to market location	51	63.7
Availability of telephone internet	70	87.5

Number of Competitors

In Table 4.11 the findings indicate that 42.5% of the respondents had over 100 competitors, whereas 12.5% had between 21-100 competitors. The study findings can affirm that most of the MSEs are ill prepared to compete in globalised liberalized markets while fewer are capable of venturing into the export markets to tap into new market frontiers. This confines majority of MSEs to narrow local markets characterized by intense competition. Further observation notes that small capital base and limited technology also confine MSEs to poor quality products that cannot compete effectively

in a globalised competitive market environment (KIPPRA, 2006). The findings concur with Clough (2011) in his study on marketing challenges and strategies for MSEs in East Africa. The research findings indicated that many entrepreneurs rely on local households as their main source of customers and face a lot of competition within the local area. They may feel limited in the markets they can access by their business location, available stock and finances.

Table 4. 11: Number of competitors

Major Competitors	Number	Response rate	
		%	Cumulative Percent
2-10	27	33.8	34
11-20	10	12.5	46
21-30	3	3.7	50
41-50	3	3.7	54
50-100	3	3.7	58
over 100	34	42.5	100
Total	80	100.00	

4.8 Adoption of Technology

The fourth study objective was to establish the influence of technology adoption on growth in youth owned micro and small enterprises in Kenya. The respondents were asked to indicate their level of technology capacity, technology adoption, level of innovation and technology diversity.

Level of Technology Capacity

Very few MSE owners 38.7% had the capacity to acquire new technology immediately it is introduced in the market (Table 4.12) indicates. The findings concur with an

observation from Dadabi (2003) who suggests that good technology may cost more initially but it later works effectively for a longer time. Hall (2002) studies can be used to draw a conclusion that successful implementation of a technology in firms requires new skills, it consumes time or costly to acquire. As a consequence, the overall levels of technological skills available to the enterprise as well as the manner in which the necessary skills are acquired are important components of technology diffusion.

Technology Adoption

Majority of the respondents had adopted some form of technology especially in areas of communication, new product development and in the new forms of banking (Table 4.12) indicates the findings. These new adoptions did impact significantly towards the growth of their MSEs in a moderate effect. The findings can concur with a study by Kithaye (2010) where he notes that technology adoption is not only the capability of acquiring the new technology but modification of an existing technology to meet the needs of specific types of producers or consumers, become compatible with locally available materials or local tastes and preferences or take advantage of a relative abundance of labour relative to capital (Van Dijk, 2001).

The findings can also concur with Hall (2002) who notes that the obvious determinants of new technology adoption are the benefits received by the users and the cost of adoption. He further notes that in many cases these benefits are simply the difference in profits when a firm shifts from older technology to a newer however the status that the strength of the relation to the firms customs and the importance of network is key to the success of the adopted technology.

Level of Innovation

Majority of the respondents indicated that whereas they have introduced new products and services using new technology, they also reported that change of technology has poised a great challenge in their businesses (60.0%) (Table 4.12) explains the results.

The findings can conclude that the innovation ability of enterprises plays a critical role in product innovation and organizational innovation which are the motivating factors for firm growth the quality of managers, the intrinsic quality of MSEs and corporate business development strategies are also important factors in determining its growth (Tasseey, 2004).

Technology Diversity

Majority of the respondents were able to embrace diversity in technology especially in areas of communication where they embraced the use of websites, emails and mobile phone for effective and efficient communication. The findings concur with studies conducted by ILO/UNDP, (2000) where it was argued that the purpose of technology is to improve productivity of enterprises, and enhance the quality of goods produced to help the enterprises with-stand local and international competition (ILO/UNDP, 2000). The findings are also supported by Nganda& Wanyonyi & Kitili (2014) where they noted that mobile phones make it easy to run business and that both mobile phones and internet contributed to business growth. (Table 4.12) presents the findings.

Table 4. 12: Adoption of technology

Adoption of Technology	Number	Response rate %
Availability of skills to handle new technology	63	78.7
Your business promotes products/services via a web site and emails	44	55.0
Ability to acquire new technology immediately it is introduced in the market	31	38.7
Introduced new products using new technology	43	53.7
Ability to use different new technologies i.e. emails for communication, payments using M-banking applications i.e. M-pesa, M-kesho, Airtel money, Paypal	68	85.0
Change of technology has poised a great challenge in my business	48	60.0

4.9 Entrepreneurial Characteristics

The fifth study objective was to examine the moderating effect of entrepreneurial characteristics on growth in youth owned micro and small enterprises in Kenya. MSEs Owners were requested to indicate their work experience, level of education, innovativeness and risk taking.

Work Experience

The study sought to establish the duration the respondents had taken in the management of their MSEs and the related work experience. (75.0%) of the respondents reported to be in business operation for between 5 and 8 years, whereas (25.0%) had been in operation for between 2 to 4 years as shown figure 4.3. Onsongo and Muturi (2015) in their studies on factors influencing the growth of hair salon enterprises in Kenya argue

that work experience is likely to give the entrepreneur some specific knowledge and managerial capabilities, which can assist them in developing more successful strategies leading to higher growth rates. However, they further note that empirical evidence on this issue remains elusive, following a study by Friar and Meyer (2003) which indicated that previous experience and growth were negatively correlated. (Table 4.13) further indicates that the majority of youth owned MSEs in Kenya have operated for less than ten years.

The findings disagree with a study conducted by Njuguna, (2015) on factors affecting effective participation of micro and small enterprises in public procurement in Kenya. His research findings supported arguments by Aremu & Laraba (2012) which indicated that most MSEs die within their first three years of existence and only a very smaller percentage gets into extinction between the fourth and fifth year while only about five to ten percent of young companies survive, thrive and grow to maturity. This study finding observes a possibility of other factors in the macro environment such as, technology, political and economic factors could have prolonged the MSEs life cycle hence boasting their survival rates.

Table 4. 13: Work experience

Firm Demographics	Factor level	Number	Response rate (%)
Business operation period	2- 4 years	20	25.0
	5 - 8 years	60	75.0

Level of Education

The study findings in (Table 4.14) indicates that (43.0%) of the respondents were university graduates, and (2.5%) had no formal education. The high number of university graduates engaging in entrepreneurial activities can be supported by the Kenyan government Plan of 1999 – 2015 and the Sessional Paper No. 1 of 2005 on education training and research. In the plan, entrepreneurship training was made

compulsory for youth undergoing training in all courses offered at tertiary institutions as well as in national universities with a hope that after the training, these youths will opt for self-employment initiatives by starting their own sustainable business enterprises. These findings fail to concur with those of Mitullah (2008) & King & McGrath (2010) who established that majority of those who run MSEs are ordinary lot whose educational background is lacking.

Another research measuring the impact of general education on entrepreneurship and entrepreneurial performance suggests that there is evidence positively linking education and entrepreneurial performance (Raposo & Arminda, 2011). According to the authors the level of education of an individual influences the knowledge base, the achievement of skills, competences and attitudes on which future career choices are based including a choice to join entrepreneurship. However according to studies by Alex and Bruce 2016 employment rates were lowest among those without post-secondary education at 15%. By comparison, 32% of those with post-secondary education were unemployed. Their arguments can conclude that entrepreneur's without post secondary education are more aggressive job creators compared to those with post secondary education.

Table 4. 14: Level of education

Respondents Demographics	Factor level	Number	Response rate (%)
Level of education	None	2	2.5
	Primary	9	11.3
	Secondary	21	26.5
	College	14	16.2
	University	34	43.0
Total		80	100

Innovativeness

The study sought to investigate the influence of entrepreneurial innovativeness on the growth of youth owned MSEs. (Table 4.15) indicates that (60.0%) of the respondents reported to have maintained their original product and services. The findings indicated lack of sufficient entrepreneurial innovation among youth owned MSEs products and services. In their studies Ngugi, Mcorege & Muiri (2013) concurred with a research conducted by Zerenler, (2008) in the Turkish automotive supplier industry investigating the influence of innovativeness upon the SMEs performance. His study concluded that SMEs growth had significantly positive relationships with innovation performance. Further studies conducted by Varis and Littunen (2010) indicated that new products in comparison to the revenues of enterprise is a major significance to SMEs growth and competitiveness. (62.5%) of MSE owners had undertaken research and development before introducing new products, The findings are in line with those by Kusar (2004) who found that SMEs can successfully enter, grow and remain in the global market through investment in research and development which leads to new products and hence competitiveness of the enterprise.

Table 4. 15: Innovativeness

Innovativeness	Number	Response rate %
Introduction of new products/services	69	86.2
Through research and development	50	62.5
Maintaining original product	48	60.0
Identification of new source of raw materials	59	73.7

Risk Taking

Table (4.16) indicates that (80.0%) reported to care about potential losses when facing decision with uncertain. This study finding observes that the risk taking measures among youth owned MSEs towards decision making in a turbulent environment with

minimal information and unclear results was not adequately enhanced in their businesses. Pendergast (2003) argues that entrepreneurs are commonly described as risk-takers; he explains the concept of risk as possibility of loss due to uncertain future events.

Table 4. 16: Risk taking

Risk Taking	Number	Response rate %
I have confidence on my ability to recover from my mistakes no matter how big	76	95.0
I take failure like the long road to business success	74	92.5
Taking business risks makes good sense only in the absence of acceptable alternatives	64	80.0
I can handle big losses and disappointments with little difficulty	48	60.0
I believe that opportunity generally knocks only once	54	67.5
When facing a decision with uncertain consequences, my potential losses are my greatest concern	64	80.0

4.10 Micro and Small Enterprise Growth

Sales Turnover

The respondents were required to indicate their sales turnover between the years 2010 to 2014 the Minimum sales turnover was Kshs 150,000 and the maximum sales turnover was Kshs 1,300,000. The findings in Table (4.17) indicate slight changes in terms of the sales turnover performance. This is reflected by the fact that the figures kept changing from a decline to improvement over the years. This could be as a result to the frequent changes in the business environment that have consistently affected the MSEs operations in the country.

Table 4. 17: Sales turnovers

Sales turnover	N	Minimum	Maximum	Mean	Std. Deviation
2010	72	180,000	13,000,000	2,800,278	3,535,367
2011	75	190,000	12,000,000	3,345,653	3,561,673
2012	79	300,000	12,500,000	3,448,990	3,509,508
2013	79	180,000	13,000,000	4,108,228	3,666,497
2014	78	150,000	13,000,000	3,681,795	3,249,114

Net Profit

The respondents were required to indicate by how much their net profit had contributed towards the growth their business (Table 4.18) indicates that, between years 2010 to 2014, the minimum net profit was Ksh 55,000 whereas the maximum net profit was Ksh 7,000,000. The findings indicate very minimum changes with regard to the net profit, the net profit margin kept changing from an increase to a decrease over the period. Again this can indicate the slow growth rate experienced by the MSE sector in the country.

Table 4. 18: Net profits

Net profit	N	Minimum	Maximum	Mean	Std. Deviation
2010	72	60,000	5,000,000	1,061,778	1,595,617
2011	78	70,000	6,100,000	1,197,244	1,703,254
2012	80	80,000	6,300,000	1,066,038	1,495,633
2013	79	70,000	7,000,000	1,512,468	1,755,923
2014	77	55,000	7,000,000	1,293,299	1,493,402

Number of Branches

The respondents were requested to indicate the number of branches they have had during their business operation period. (Table 4.19) indicates that between the years 2010 to 2014 the minimum number of branches was 1 and the maximum were 5 branches. The figures indicate minimum changes and reflect the slow pace in which MSEs undergo before expanding and opening up other similar business outlets. This could be as a result of challenges that emanate from lack of sufficient financial flow that is key MSEs expansion and growth. Sun, (2004) concurs with the findings by explaining that growth of enterprise is not a stable process without troubles. In the growth process, enterprise always transits from balance to unbalance, and the result is to transit from unbalance to balance and from lower balance to higher balancer through unbalance.

Table 4. 19: Number of branches

Number of business branches	N	Minimum	Maximum	Mean	Std. Deviation
2010	74	1	4	1	0.6
2011	78	1	4	1	0.7
2012	79	1	4	1	0.8
2013	79	1	5	2	0.9
2014	77	1	5	2	1.0

Number of Employees

The respondents were requested to indicate the number of employees they have had, the minimum was 1 and maximum was 25 in (Table 4.20). The findings support the argument that MSEs are largely found in the informal sector, mostly employing 1-2 people, although, there are many others that operate in the formal sector. Most of the local investment businesses in Kenya fall under the MSE business sector (ACEPD, 2011).

Table 4. 20: Number of employees

Number of employees	N	Minimum	Maximum	Mean	Std. Deviation
2010	73	1	16	3	3.3
2011	77	1	20	4	4.4
2012	80	1	20	3	3.9
2013	79	1	25	4	4.1
2014	74	1	25	5	5.1

4.11 Regression Analysis

The study further conducted regression analysis and the findings below discussed results relating to test of assumption of study variables, testing of outliers, normality of the dependent variable and serial correlation.

4.11.1 Test of Assumption of Study Variables

When the assumptions of the linear regression model are correct, ordinary least square (OLS) provides efficient and unbiased estimates of the parameters (Long & Ervin (2000)). To keep on with the assumptions, this study tested for outliers, homoscedasticity, multicollinearity and serial correlation.

4.11.2 Testing for Outliers

An outlier is a case that is significantly different from the main trend of the data and can thus cause bias in the data. Mahalanobis d-squared was used for multivariate testing on the dependent and Independent variables where they produced reasonable box-plots as shown in Figure 4.2 where all the constructs are symmetrical and with no outliers identified.

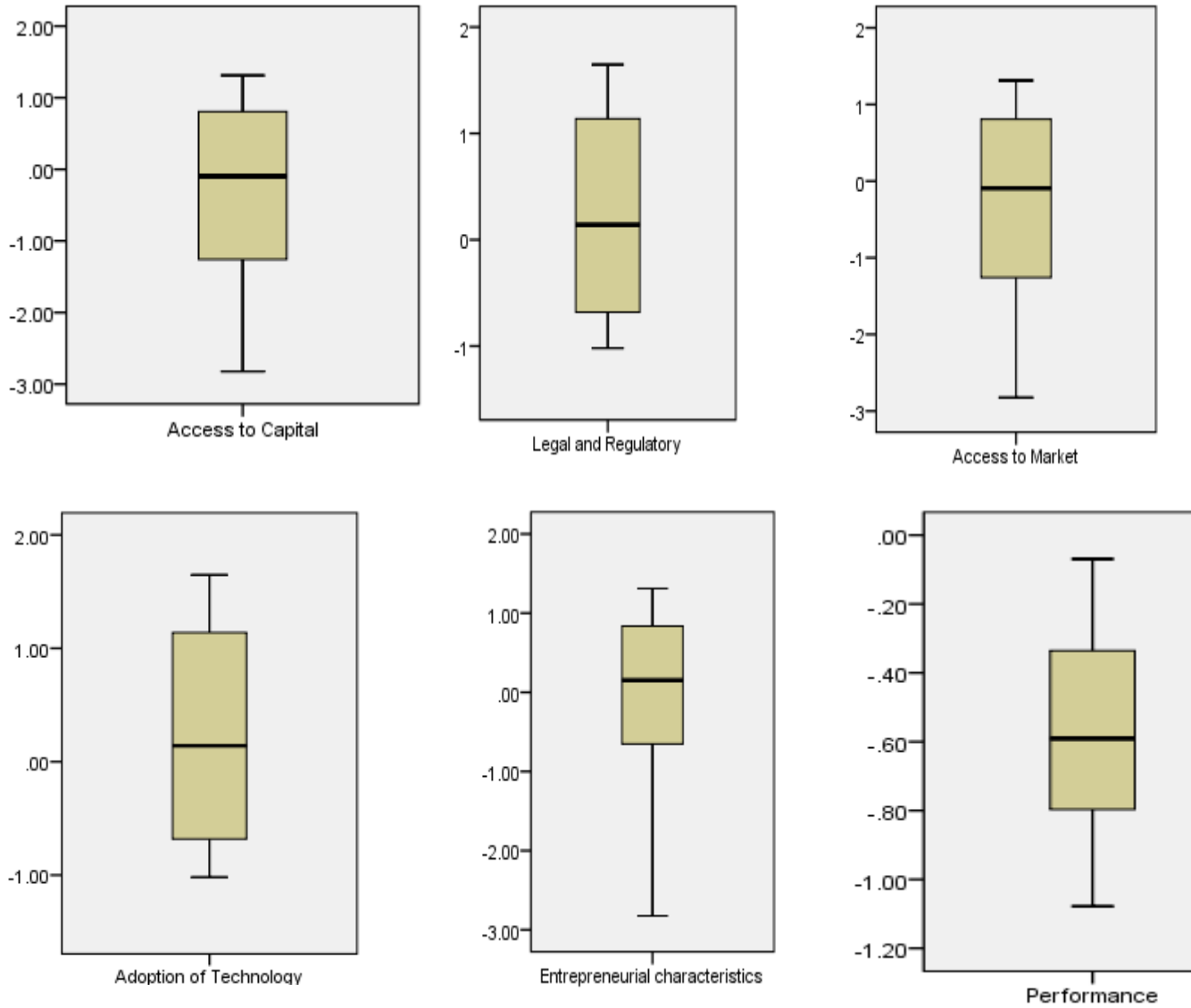


Figure 4. 2: Test for outliers.

4.11.3 Normality of the Dependent Variable

Normality presented in (Table 4.21) was tested by use of Kolmogorov-Smirnov and Shapiro-Wilk test. The tests results show that the p-value = 0.061 > 0.05. The tests reject the hypothesis of normality when the p-value is less than or equal to 0.05 (Sharpiro &

Wilk, 1965) illustrating that the standardized residuals was significantly normally distributed.

Table 4. 21: Normality test results for dependent variable

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.104	66	.074	.964	66	.061

a. Lilliefors significance correction

4.11.4 Multicollinearity

The standard issue in multicollinearity is that, the standard errors and thus the variances of the estimated coefficients are inflated when multicollinearity exists (Simon, 2004). Test for multicollinearity among study variables was conducted using Tolerance and Variance Inflation Factor (VIF). In (Table 4.22) Variance Inflation Factor was checked for evidence of multicollinearity where their numerical values were all well below the cut-off value of 10 suggested by Neter, Kutner, Wasserman & Nachtsheim (1996).

Table 4. 22: Multicollinearity test for the study variables

Variables	Collinearity statistics	
	Tolerance	VIF
Access to Capital	.789	1.268
Legal and Regulatory	.735	1.361
Access to Market	.714	1.401
Adoption of Technology	.854	1.170

4.11.5 Test for Heteroscedasticity

Heteroscedasticity in a study usually happens when the variance of the errors varies across observation, Long and Ervin (2000). A large chi-square value greater than 9.22 would indicate the presence of heteroscedasticity (Sazali, Hashida, Jegak & Raduan, 2009). In this study, (Table 4.23) indicates the chi-square value was 2.424 indicating that heteroscedasticity was not a concern.

Table 4. 23: Breusch-Pagan and Koenker test for heteroscedasticity

Ho	Variables	Chi ² (1)	Prob > Chi ²
Constant Variance	SC, LR, AM and TA	2.424	0.658

In the table: SC = Seed capital; LR = Legal and regulatory; AM = Access to market; AT = Technology adoption; Ho = constant variance

4.11.6 Serial Correlation

The Durbin Watson test for autocorrelation is a statistic that indicates the likelihood that the error values for regression have the first order auto regression component. The regression model assumes that the error deviations are uncorrelated. (Table 4.24) indicates the Durbin Watson statistic ranges from 0 to 4. If the statistic is close to zero then positive autocorrelation probably is present, if the statistic is close to 2 then the model is autocorrelation free, if the statistic is close to 4, then negative autocorrelation is probably present.

Table 4. 24: Serial correlation test

Dependent variable	Independent Variables	Durbin Watson Statistic
Increase in sales turnover	AC,LR,AM and AT	2.008

4.12 Hypotheses Testing

4.12.1 Access to Seed Capital on Growth in Youth Owned Micro and Small Enterprises

The first null hypothesis of study stated access to seed capital does not influence growth in youth owned micro and small enterprises. (Table 4.25) indicates the linear regression model shows $R^2 = 0.433$ which means that 43.3 % change of growth of youth owned micro and small enterprises in Kenya can be explained by a unit change of access to capital.

Table 4. 25: Regression model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.658	.433	.423	.28624

a. Predictors: (Constant), Seed capital

b. Dependent Variable: growth

Further test on ANOVA above shows that the significance of the F-statistic (7.375) is less than 0.05 since p value, $p=0.00$. Table 4.26 presents the findings.

Table 4. 26: Anova for Access to Seed Capital on the Growth in Youth Owned Micro and Small Enterprises

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.111	1	2.111	7.375	.008
1 Residual	16.888	59	0.286		
Total	18.999	60			

a. Dependent Variable: growth

b. Predictors: (Constant), Seed capital

Further test on the beta coefficients in (Table 4.27) of the resulting model, the constant $\alpha = -0.361$, if the effect of access to capital is held constant then there will be a negative growth of youth owned micro and small enterprises in Kenya by 0.361. The regression coefficient for access to capital was positive and significant ($\beta = 0.174$) with a t-value=2.851 (p-value<0.05) implying that for every 1 unit increase in access to capital, growth of youth owned micro and small enterprises is predicted to increase by 0.174 units and therefore H_{01} is rejected. The findings differ with studies conducted by Nganda, Wanyonyi & Kitili (2014), on the determinants of growth of small and medium enterprises in Kakamega central sub county Kenya.

Correlation values obtained in his studies show that there was a significant (p<0.05) association between financial factors and the growth of SMEs, their coefficient values were below 0.5, an indication that there was a marginal weak association between financial factors and the growth of SMEs in Kakamega Central Sub-County. This implied that financial factors did not have a significant (p<0.05) influence on the growth of SMEs in Kakamega.

Table 4. 27: Beta coefficients for first hypothesis

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1	(Constant)	-.361	.062	-5.787	.000
	Access to capital	.174	.061	.333	.006

a. Dependent Variable: growth

4.12.2 Legal and Regulatory Environment on Growth in Youth Owned Micro and Small Enterprises

The second hypothesis to test for this specific objective was H_{02} : legal and regulatory environment does not affect growth in youth owned micro and small enterprises. In (Table 4.28) the linear regression model shows $R^2 = 0.141$ which means that 14.1 % change of growth of youth owned micro and small enterprises can be explained by a unit change of legal and regulatory environment.

Table 4. 28: Model summary

Model	R	R Squared	Adjusted R Square	Std. Error of the Estimate
1	0.376	0.141	0.120	0.26322

Further test on ANOVA in (Table 4.29) shows that the significance of the F-statistic (4.596) is less than 0.05 since p value, $p=0.00$.

Table 4. 29: ANOVA for Legal and Regulatory Environment on Growth in Youth Owned Micro and Small Enterprises

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.399	1	1.399	4.596	.035 ^b
	Residual	17.961	59	.304		
	Total	19.360	60			
a. Dependent Variable: growth						
b. Predictors: (Constant), legal and regulatory environment						

Further test on the beta coefficients of the resulting model, as shown in (Table 4.30), the constant $\alpha = -0.549$, if the effect of legal and regulatory environment is held constant then there will be a negative growth in youth owned micro and small enterprises in Kenya by 0.549. The regression coefficient for legal and regulatory environment was negative and significant ($\beta = -0.110$) with a t-value=2.566 (p-value<0.05) implying that for every 1 unit increase in legal and regulatory environment, growth of youth owned micro and small enterprises in Kenya is predicted to decrease by 0.110 units and therefore H_{02} is rejected. Similar studies conducted by Nganda, Wanyonyi and Kitili, (2014), on the determinants of growth of small and medium enterprises in Kakamega central sub county Kenya noted that, between law and regulations on growth of SMEs do indicate that income taxes and collection of revenues from the government agents hamper the running of the business, thus, slowing the growth of the SMEs ($r = -0.018$, $p < 0.05$).

Similar studies by Karambu (2017) on commercial banks lending strategies and growth of micro and small enterprises in Kenya. The studies null hypothesis stated that there is no significant moderating effect of legal and regulatory environment on the growth of MSEs in Kenya. Study results indicated that the p value of the interacting term was statistically significant (0.017); therefore legal and regulatory environment moderate MSEs growth in

Kenya and thus moderation is supported. Since the calculated p value of the interaction

Table 4. 30: Coefficients

Model		Unstandardized		Standardized	t	Sig
		Coefficients		Coefficients		
		B	Std Error	Beta		
	(Constant)	-.549	.041		-	.000
					13.246	
1	Legal and regulatory environment	-.110	.043	-.376	-2.566	.014

a. Dependent Variable: growth

4.12.3 Access to Market on Growth in Youth Owned Micro and Small Enterprises

The third specific objective of this study was to examine how access to market affects growth in youth owned micro and small enterprises. The hypothesis to test for this specific objective was: H_{03} : Access to market does not affect growth in youth owned micro and small enterprise. (Table 4.31) shows the linear regression model shows $R^2=0.252$ which means that 25.2 % change of growth of youth owned micro and small enterprises can be explained by a unit change of access to market. Further test on ANOVA shows that the significance of the F-statistic (4.713) is less than 0.05 since p value, $p=0.00$.

Table 4. 31: Model summary

Model	R	Adjusted R	Std. Error of the
1	R Square	Square	Estimate
1	0.502	.252	.30149

a. Predictors: (Constant), Access to market

b. Dependent Variable: growth

Table 4. 32: ANOVA for Access to Market on Growth in Youth Owned Micro and Small Enterprises

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.421	1	1.421	4.713	.033
1 Residual	17.788	59	0.301		
Total	19.209	60			

a. Dependent Variable: growth; b. Predictors: (Constant), Access to market

Further test on the beta coefficients of the resulting model, as shown in (Table 4.33), the constant $\alpha = -0.368$, if the effect of access to market is held constant then there will be a negative growth in youth owned micro and small enterprises in Kenya by 0.368. The regression coefficient for access to market was positive and significant ($\beta = 0.128$) with a t-value=2.103 (p-value<0.05) implying that for every 1 unit increase in access to market, growth of youth owned micro and small enterprises in Kenya is predicted to increase by 0.128 units and therefore H_{03} is rejected. According to Naikuru (2007) the findings concur with the works of Olwande & Mathenge (2012) who explained that the performance of an entrepreneurial firm depends on its ability to maintain and extend its networks to realize growth. These networks are of significant importance in production and marketing activities of youth owned enterprises.

Table 4. 33: Coefficients

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-.368	.064		-5.756	.000
	Access to market	.128	.061	.252	2.103	.039

a. Dependent Variable: growth

4.12.4 Technology Adoption on Growth in Youth Owned Micro and Small Enterprises

The fourth specific objective of this study was to establish the influence of technology adoption on growth in youth owned micro and small enterprises in Kenya. The hypothesis to test for this specific objective was: H_{04} : The level of technological adoption does not influence growth in youth owned micro and small enterprises. (Table 4.34) indicates the linear regression model shows $R^2 = 0.197$ which means that 19.7 % change of growth of youth owned micro and small enterprises in Kenya can be explained by a unit change of technological adoption.

Table 4. 34: Model summary

Model	R	R Square	Adjusted R	
			Square	Std. Error of the Estimate
1	0.444	.197	.184	.30947

a. Predictors: (Constant), technological adoption

b. Dependent Variable: growth

Table 4. 35: ANOVA for Adoption of Technology on Growth in Youth Owned Micro and Small Enterprises

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	1.742	1	1.7421	5.629	0.020
1	Residual	18.259	59	0.309		
	Total	20.001	60			

a. Dependent Variable: growth

b. Predictors: (Constant), Adoption of technology

Further test on the beta coefficients of the resulting model in Table 4.36, indicates , the constant $\alpha = -0.362$, if the effect of technological adoption is held constant then there will be a negative growth in youth owned micro and small enterprises in Kenya by 0.362. The regression coefficient for technological adoption was positive and significant ($\beta = 0.132$) with a t-value=2.020 (p-value<0.05) implying that for every 1 unit increase in technological adoption, growth of youth owned micro and small enterprises in Kenya is predicted to increase by 0.132 units and therefore H_{04} is rejected. The findings differ with studies conducted by Nganda, Wanyonyi & Kitilim , (2014), on the determinants of growth of small and medium enterprises in Kakamega central sub county Kenya. Their studies indicated that although the change of technology had posed a great challenge to small businesses, its influence on the growth of the business in Kakamega Central Sub-County was not significant ($r = 0.015$, $p > 0.05$).

Table 4. 36: Coefficients^a

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-.362	.065		-5.546	.000
	technological adoption	.132	.065	.279	2.020	.047

a. Dependent Variable: growth

4.12.5 Moderated Regression Analysis

Entrepreneurial Characteristics on Growth in Youth Owned Micro and Small Enterprises

The fifth objective was to investigate the moderating effect of entrepreneurial characteristics on growth in youth owned micro and small enterprises in Kenya. The hypothesis to test for this specific objective was: H₀₅: Entrepreneurial characteristics do not have a moderating effect on the growth of youth owned micro and small enterprises in Kenya. (Table 4.37) indicates the findings.

Table 4. 37: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.850	.722	.697	.29095

- a. Predictors (Constant), Seed Capital, Access to Market, Adoption of Technology, Legal and Regulatory
- b. Dependent Variable: Growth

Table 4. 38: ANOVA for Entrepreneurship Characteristics on Growth in Youth Owned Micro and Small Enterprises

Model		Sum of Squares	df	Mean Squares	F	Sig.
	Regression	6.399	5	1.2798	4.399	0.039
1	Residual	16.002	55	0.291		
	Total	22.401	60			

- a. Dependent Variable: growth

b. Predictors: (Constant), Access to Capital, Access to Market, Adoption of Technology, Legal and Regulatory

Table 4. 39: Coefficients^a

Model	Unstandardized Coefficients		Standardize	T	Sig.
	B	Std. Error	d Coefficients Beta		
(Constant)	-0.523	0.031		-16.87	0.000
Seed Capital	0.308	0.028	0.866	10.989	0.000
Legal and Regulatory	-0.163	0.033	-0.556	-4.939	0.000
Access to Market	0.104	0.028	0.452	3.714	0.000
Technology Adoption	0.202	0.037	0.704	5.459	0.000
Entrepreneurial characteristics	0.099	0.026	0.422	3.808	0.000

a. Dependent Variable: growth

The established moderated multiple linear regression equation becomes

$$growth = -0.523 + 0.308X_{AC} - 0.163X_{LR} + 0.104X_{AM} + 0.202X_{AT} + 0.099X_{AT} + Error$$

The regression analysis shows a strong relationship, $R^2=0.722$ which shows that 72.2% of change of growth in youth owned micro and small enterprises in Kenya can be explained by a change of one unit of all the predictor variables jointly and the

moderator. The moderating effect of entrepreneurial characteristics gained 10.2% variance in growth of youth owned micro and small enterprises in Kenya, above and beyond the variance by Seed Capital, Access to Market, Technology Adoption, Legal and Regulatory. The amount of the change in R^2 is a measure of the increase in the predictive power of particular dependent variable/variables, given the dependent variable or variables already in the model. Thus the null hypothesis was rejected and hence entrepreneurial characteristics moderates' growth of youth owned micro and small enterprises.

The findings concur with a study conducted by Abdulwahab & Damen,R (2015) on the impact of entrepreneurs' characteristics on small business success at medical instruments supplies organizations in Jordan. Their results were based from the multiple regression analysis on the six variables of entrepreneurs' characteristics. These included need for achievement, self-confidence, initativeness, independency, risk taking and experience. The study findings indicated that that the six variables together explained 87.6% of the variance, where ($R^2=0.876$, $F=121.945$, $Sig. =0.000$). Therefore, the null hypothesis was rejected and the alternative hypothesis accepted. It stated that the entrepreneurs' characteristics have impact on small business success at medical instruments supplies organizations in Jordan, at ($\alpha=0.05$).

4.13 Overall Model

The established multiple linear regression equation is as shown in equation (4.1). The regression analysis shows a strong relationship, $R^2= 0.620$ which shows that 62.0% of change in growth in youth owned micro and small enterprises in Kenya can be explained by a change of one unit of all the predictor variables jointly. A further test on the beta coefficients the resulting model, the constant $\alpha = -0.526$ is significantly different than 0, since the p value $p=0.000$ is less than $p=0.05$, this implies that the growth of youth owned micro and small enterprises in Kenya will be negative without the effect of predictable variables. The coefficients for β_1 to β_4 are significantly different

from 0, with p values 0.000, 0.000, 0.001 and 0.000, respectively, and are less than p=0.05.

$$Y = -0.562 + 0.303X_1 - 0.162X_2 + 0.103X_3 + 0.198X_4 + \varepsilon \quad (4.1)$$

Table 4. 40: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.788 ^a	.620	.579	.18198	2.008

a. Predictors: (Constant), Seed Capital, Access to Market, Technology Adoption, Legal and Regulatory

Table 4. 41: ANOVA for Overall Model

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.399	4	1.34975	4.208	0.044
1 Residual	17.961	56	0.321		
Total	23.360	60			

a. Dependent Variable: growth

b. Predictors: (Constant), Seed Capital, Access to Market, Technology Adoption, Legal and Regulatory

Table 4. 42: Overall Model

Model	Unstandardized		Standardize	t	Sig.
	Coefficients		d		
	B	Std. Error	Beta		
(Constant)	-0.526	0.03		-17.732	.000
Seed Capital	0.303	0.028	0.784	10.623	.000
Legal and Regulatory	-0.162	0.032	-0.554	-5.059	.000
Access to Market	0.103	0.027	0.445	3.769	.001
Technology Adoption	0.198	0.034	0.691	5.764	.000

a. Dependent Variable: growth

Similar studies conducted by Nganda, Wanyonyi & Kitili , (2014), on the determinants of growth of small and medium enterprises in Kakamega central sub county Kenya noted that, financial factors ($r = 0.3462$,) were found to have a greater significant ($p < 0.05$) influence than all the other three growth determinants. The second variable in terms of the influence on the growth of SMEs was advancement in technology ($r = 0.334$), followed by law and regulation ($r = 0.2063$) which was significant and lastly market ($r = 0.270$) which was insignificant.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study sought to examine the determinants of growth in youth owned micro and small enterprises in Kenya. This chapter presents a brief summary, conclusion, and recommendations of the study findings. The conclusion relates directly to the research objectives / hypotheses and the recommendations were derived from the discussion of the study findings and conclusion. The chapter also presents suggested studies that could be carried out in future to extend knowledge in this particular area.

5.2 Summary of the Research Findings

The present study targeted youth owners of various micro and small enterprises in Nairobi County, Kenya. A total of 127 youth owners of MSEs were sampled. The summary of the study findings presented herein followed the research hypotheses formulated in chapter one of the study. A pilot study was undertaken with 13 MSEs youth owners to test the reliability and validity of the questionnaire. The stratification was based on the type of business that the 13 youth owned MSEs were operating. This comprised of manufacturing, trade, service, agri-business and information technology/telecommunication.

5.2.1 Access to Capital

The first objective of the study was to examine how access to capital influences growth in youth owned micro and small enterprises in Nairobi County. The study established that majority of the respondents reported that the cost of accessing credit was very high. The respondents also pointed out that interest rates paid on loans including interest rates fluctuations was very high making access to capital unaffordable to many MSEs youth owners. For the MSEs that were not able to meet the required standards by financial

institutions but merited for some financial support, they were not contented with the amount lent to them. The respondents also indicated that the credit processing fee was high but many of the respondents had at some extent tried to obtain credit from different lending institutions in the country. Mean while a small percentage made no extent in trying to access credit from lending institutions. MSEs were also able to approach other available funding institutions to access financial support.

Majority of the respondents were contented with the availed financial support however majority of the respondents reported that the procedure of accessing financial support was a very bureaucratic and difficult procedure. The findings also noted that many of the MSEs business assets could indeed secure capital according to the respondents feedback. They indicated they had enough cash flow to repay the loan. However it was noted that different financial institutions had different measures of accessing business viabilities before availing credit. The study concludes that access to capital is an essential ingredient that is essential for the growth of youth owned MSEs.

5.2.2 Legal and Regulatory

The second objective of the study was to establish how legal and regulatory environment affects growth in youth owned micro and small enterprises in Nairobi County. The study established that majority of the respondents were able to comply with the legal and regulatory requirements in relation with the business requirement. These could mean that the MSEs improved their competitiveness quite well. The respondents indicated that they could meet license fee, and they also reported that the procedure of obtaining business licenses was easy. Majority of the MSEs were registered with all the legal documents and had public contract information but only a few of the MSEs transacted business with the county and national government. The findings noted the challenges MSEs face in acquiring tenders in the competitive business environment. The study noted that multiple taxation from both the county and national government was reported to have had raised the cost of MSE, business

operations. It was therefore noted and legal and regulatory entrepreneurial business environment was an important factor that determines the growth of youth owned MSEs in Kenya.

5.2.3 Access to Market

The third objective was to examine how access to market affects growth in youth owned micro and small enterprises in Nairobi County. The study found out that a majority of the MSEs had access to market information; many of the MSEs were also able to subcontract businesses and a slight majority could network with other similar businesses. The market space was also sufficient among the majority of the MSEs. The respondents also indicated that their businesses could access telephone communication and internet. Majority of the respondents explained that they had more than 100 competitors in their business area of operation. Competition and failure to network was noted as the immediate challenge affecting youth owned MSEs.

5.2.4 Technology Adoption

The fourth objective was to establish the influence of technology adoption on growth in youth owned micro and small enterprises in Nairobi County. The findings revealed that the majority of the MSEs owners reported that they indeed had the necessary needed skills to handle new technology. Majority of the respondents indicated their ability to promote their products and services using emerging new technology. However, only a few of the MSEs were able to acquire new technology once it was introduced in the market. Majority of the MSEs indicated that change in technology had poised a great challenge in their businesses. It was noted that change in technology brings in a challenge to MSEs since it carries along with it cost implications that many MSEs cannot not afford. Technology indeed was a contributing factor relating to the growth of youth owned MSEs in Kenya.

5.2.5 Entrepreneurial Characteristics

The fifth objective of the study was to establish the influence of entrepreneurial characteristics on growth in youth owned micro and small enterprises in Nairobi County. The findings revealed that many of the MSEs owners reported to be in business for a period of between 5 to 8 years. Further analysis indicated that majority of the MSEs owners were university graduates. The study also noted that many of the MSEs owners cared about potential losses when facing decision with uncertain. They further maintained their original products and services. Youth owners of MSEs should possess the relevant entrepreneur's characteristics since it determines the growth of their businesses.

5.3 Conclusions

Seed Capital

The objective of this study was to explore the determinants of growth in youth owned MSEs in Kenya. The study concluded that MSEs face challenges in trying to access seed capital due to high cost of accessing capital, high interest rates. The study found out that fluctuating interest rates and high credit processing fee were the major issues that MSEs faced. This conclusion was arrived by observing that many youth owned MSEs have had moderate extent in trying to access capital from lending institutions. Further the study concluded that the bureaucratic and difficult procedures encountered by MSEs in the process of trying to access capital has resulted to many of them not seeking for financial assistance from lending institutions to expand their businesses.

Legal and Regulatory

The study concluded that many MSES complied with the legal and regulatory environment. The conclusion was arrived at by observing that many MSEs could meet

their business license fee as a result of having an easy and efficient procedure in obtaining business license. The study concluded that high taxation was a major reason as to why some MSEs failed to comply with the requirement of the tax requirements. The conclusion was arrived at by observing that some MSEs did not fully comply with the tax regime.

Access to Market

Based on the study finding the study concluded that entrepreneurial marketing and market information was not a major challenge since most of the MSEs were able to address the market barriers challenges. This conclusion was arrived at by observing that most MSEs had access to market information through their mobile phones and internet. The study concluded that competition was a challenge facing majority of the MSEs, this conclusion was arrived at by observing the high number of competitors noted by the MSEs in the study.

Technology Adoption

The study concluded that change in technology for youth owned MSEs was a major challenge. This conclusion was arrived at after observing that MSEs including those that were able to embrace technology previously could not embrace new technology immediately as a result of cost implications.

Based on the study findings the study concluded that MSEs lacked innovation in their product/service development. This conclusion was arrived at by observing that many MSEs maintained their original products which indicate the slow pace of embracing innovation in their businesses. Many of the youth owned MSEs were cautious on taking business risks due to fear of incurring losses.

5.4 Recommendations

Arising from the study conclusion, research recommends as follows.

5.4.1 Access to Seed Capital

Financial and other lending institutions need to take note of the expensive and difficult lending conditions facing youth owned MSEs in the country. Then they should address the critical issue of lending rates i.e. how to lower the cost of credit through lowering the interest rates. Credit lending procedure should also be simple and clear. It is therefore important for the government to come up with a policy that redesigns the available credit programmes for MSEs i.e. the YEDF in order to address the high cost access to capital that is affecting youth owned MSEs. That will make access to credit affordable to MSEs.

The government should also formulate effective policies to ensure that the interest rates suggested by the Central Bank of Kenya are also adopted by both commercial banks and micro financial institutions so as to encourage MSEs owners to access micro-credit facilities. There is a need to have clear loaning policies that support MSEs to avoid misunderstanding on expectations on repayment period and the interest rate on the borrowed loan. MSEs also need to undergo business management training for them to adopt critical knowledge relating to accounts, bookkeeping procedures, inventory system, and business plan development. The proposed training areas are important since they are the parameters that lending institutions use to evaluate MSEs viability to access credit.

5.4.2 Legal and Regulatory

The government should review its taxation system that is both the National and County governments to ease the cost of business operations for MSEs. Considerations should be

given to youth owned MSEs given their small scale financial strength.

5.4.3 Access to Market

To increase market access for youth owned MSEs the government should increase its consumption of products from youth run enterprises from the current 30% to 50% across all its ministries and parastatals. The government should also improve its tendering system by making it easier for youth enterprises to win government tenders. Youth owned MSEs should be encouraged to venture in different sectors to reduce the competition amongst them. Youth enterprise could be availed tax holiday during the start-up so that they can compete effectively with others.

5.4.4 Adoption of Technology

MSEs should be supported to be able to adopt better production technology that will enable them increase efficiency, improve quality and diversity of products. The government should also encourage and support MSEs manufacturing enterprises to acquire the new technology. It is also necessary to train MSEs on how to identify and adopt appropriate technology based on the needs of specific types of products, services or consumer needs. The government also needs to reduce importation of technologies and increase the usage of local technologies from the existing MSE.

5.5 Recommendations for Future Research

An assessment of the reasons for ineffectiveness/effectiveness of sponsored seed capital programmes for youth run enterprises, i.e., YEDF towards business growth and development should be conducted. This is after it emerged from the present study that youth owned MSEs continue to face credit challenges even with the availed government sponsored financial support funds. The study looked at the determinants of growth of youth owned micro and small enterprises in Kenya. The study recommends a similar

study on youth owned SMEs to look out for possible similarities. The literature reviewed indicated that SMEs had no significant advantage when seeking access to seed capital, legal and regulatory business environment, entrepreneurial marketing and adoption of technology.

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APPENDICES

Appendix I: Letter of Introduction

Dear Respondent,

REF: DATA COLLECTION

I am a PhD student at the Department of Entrepreneurship and Procurement at Jomo Kenyatta University of Agriculture and Technology. I am carrying out a study on determinants of growth of youth owned micro and small enterprises in Kenya. The aim of this questionnaire is to gather information related to this topic. You are therefore requested to respond to the questions as honestly as possible and information given shall be treated confidentially and used only for academic purpose. However, your participation in this exercise is voluntary.

Thank you

Yours sincerely,

Sign.....

Mugambi Peter Kimuru

Appendix II: Questionnaire

Data Collection Questionnaire

This research seeks to study the determinants of growth in youth owned micro and small enterprises in Kenya. To achieve this objective, relevant questions have been provided to gather data for analysis. Kindly spare some time to provide the requested information as accurately as possible. Any information supplied will be strictly confidential and will be used for academic purposes only.

Section A: Demographic Information *(Please tick where appropriate)*

1. Name of the MSE:

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2. Address:Email.....Mobile number.....

3. Business location.....

3. Gender: Male Female

4. Age of the respondent. 18-22 yrs 23-27 yrs 28-32 yrs 33- 35yrs

5. Nature of the business

Manufacturing Trading Services Agribusiness Information Technology & Telecommunication

Others *(Please specify)*.....

5. Section B: Access to Capital

Cost

C1 How has your business found the cost of accessing credit? Use a scale of 1-5 where 5=very high; 4 high; 3=moderate; 2=low and 1= very low.

Statement	1	2	3	4	5
Cost of credit					
Amount of interest rate paid on loan					
Fluctuating interest rates					
Amount of credit processing fee					

Credit

C.1 To what extent has your business obtained credit? **(Tick one)**

- a) Little extent []
- b) Moderate extent []
- c) Large extent []
- d) Very large extent []
- e) No extent []

C.2 Indicate the alternative financial institution where you have been able to access credit?

(Tick one)

- a) Bank loan []
- b) Own capital /savings []
- c) Loan from family []
- d) Inheritance []
- e) Micro finance institutions []
- f) Friends or colleagues []
- g) Sacco's []
- h) Youth Enterprise Development Fund []
- i) Women Enterprise Development Fund []

C.3 Were you contented with the maximum money that was lend to your business?

(Tick one)

- a) The amount was sufficient []
- b) The amount was less of what was borrowed []

C.4 If your answer was **No Extent** in **C1** what factors impended you from accessing credit? **(Tick one)**

- a) Lack of accounting records []
- b) Lack of a business plan []
- c) Rules and procedures associated with lending []
- d) Lack of knowledge about lending sources []
- e) Lack of security []

Other

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Appraisal

A1. What procedural factors did you encounter in trying to access capital from lending institutions? (**Tick one**)

- a) Clear and simple procedures []
- b) Bureaucratic and difficult procedures []

Other explain briefly

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Collateral

C1 What collateral factors did you encounter in trying to access capital from lending institutions? (**Respond to all**)

Statement	Yes	No
Business assets could secure the requested capital		
Availability of cash flow to repay the loan as per the agreement with the lending institution		
Group guarantors were more appropriate		
Individual guarantors were more appropriate		

Other explain briefly

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Section D: Legal and Regulatory

Identify the legal and regulatory factors that your business has encountered in the last 5 years? **(Respond to all factors)**

Statement	Yes	No
My business can meet license fee		
Procedure of obtaining your business license was easy		
Your business is registered with all the legal documents		
Procedure of registering your business was easy		
Availability of public contracts information		
Your business has done contracts with County and National government in the last 3 years		
Affordable cost of tendering		
My business is tax compliant (i make tax returns to KRA)		
Multiple taxation i.e. from the County and National government raises the cost of operations		

From your answers above, explain briefly on the factors that have posed the greatest challenge to your business

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Section E: Access to Markets

A1 Identify factors that relate to your business level of access to markets? (**Respond to all factors**)

Statement	Yes	No
Availability of market and market information		
Ability to subcontract business opportunities that you cannot handle due to limited finances		
Ability to network with other businesses across the Country via organized trade shows and entrepreneurs mentorship forums		
Availability to access market location		
Availability of telephone, internet		

A2 what's the number of your major competitors? (**Tick one**)

- a) 2-10 []
- b) 11-20 []
- c) 21-30 []
- d) 31-40 []
- e) 41-50 []
- f) 50-100 []
- g) Over 100 []

Explain briefly other market challenges your business has faced in trying to access the market?

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Section F: Technology Adoption

Identify the factors that relate to your business level of adoption of technology?

(Respond to all factors)

Statement	Yes	No
Availability of skills to handle new technology		
My business can afford the cost of acquiring new technology		
Your business promotes products/services via a web site and emails		
Ability to acquire new technology immediately it is introduced in the market		
Introduced new products using new technology		
Ability to use different new technologies i.e. emails for communication, payments using M-banking applications i.e. M-pesa, M-kesho, Airtel money, Paypal		
Change of technology has poised a great challenge in my business		

Explain briefly on the major factors that have made it difficult for your business to adopt new and better technologies?

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Section G: Entrepreneurial Characteristics

Work Experience

1. How long has your business been in operation? **(Tick one)**

Less than 2 year [] 2 - 4years [] 5 - 8years [] 8- 10 years []

2. What motivated you to start your own business? **(Tick one)**

- a) Easy to start and run []
- b) Desire to exploit an opportunity []
- c) Inherited []
- d) Experience and skills []

- e) Had talent for it []
- f) High growth potential []
- g) High stable return []
- h) No competition []

Level of Education

What is the level of your academic qualification? **(Tick one)**

- a) None []
- b) Primary []
- c) Secondary []
- d) Tertiary college []
- e) University level []

Innovativeness

How does your business ensure that its products and services are gradually improved to attract more customers? **(Respond to all Factors)**

Statement	Yes	No
Undertake product/ service research and development		
Maintaining original product		
Identification of new source of raw materials		

Risk Taking

What factors relate to your level of business risk taking? (**Tick one**)

Statement	Yes	No
I have confidence on my ability to recover from my mistakes no matter how big		
I take failure like the long road to business success		
Taking business risks makes good sense only in the absence of acceptable alternatives		
I can handle big losses and disappointments with little difficulty		
I believe that opportunity generally knocks only once		
When facing a decision with uncertain consequences, my potential losses are my greatest concern		

Section H: Micro and Small Enterprise Growth

1. Indicate by how much the factors listed below have contributed towards the growth or decline of your business? **(Respond to all factors)**

Statement	2010	2011	2012	2013	2014
Sales turn over					
Net profit					
No of business branches					
Number of employees					

Thank you for completing the questionnaire and your participation in this study is very much appreciated. If there are any other additional comments that would be relevant to this study, please indicate in the space provided below.

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END