

## **The Influence of Entrepreneurship on the Growth of Micro and Small Enterprises in Thika Town, Kenya**

**Samson Paul Nyang'au**

Jomo Kenyatta University of Agriculture and Technology

Assistant Registrar, SoDEL

P.O Box 62000 -00200

Nairobi

### **Abstract**

*This study sought to establish the influence of entrepreneurship on the growth of small and micro enterprises in the textile industry, in Thika town. The study adopted a survey research design to collect data. The study covered a sample of 226 drawn from a population of 526 micro and small enterprises of Thika Municipal Council who make thread to cloth. The sample was selected through simple random sampling. A semi-structured questionnaire was used to collect primary data. Quantitative data was analyzed using descriptive (mean, percentages and frequencies) and inferential statistics (correlation and regression). The study achieved a response rate of 61.95%. Majority of the respondents (79%) indicated that level of entrepreneurship among micro and small enterprises owners in the textile industry in Thika town was high. The study also revealed that the level of growth of enterprises was high as reported by 57% of the respondents. The study established a positive correlation between motivation and growth of small and micro enterprises with a correlation coefficient of 0.533. The p-value was (0.000) less than the alpha of 0.01 hence establishing a high significant relationship between variables. The study concludes that there has been a remarkable growth in small and micro enterprise in the textile industry at Thika town as a result of high levels of entrepreneurship. In order to sustain the growth, owners of the enterprises should the county government should organize regular short term training programmes to empower the enterprise owners with skills on entrepreneurship.*

### **1.1 Introduction**

Entrepreneurship is a process of bringing together creative and innovative ideas, combining them with management and organization skills in order to combine people, money and resources to meet an identified need and thereby create wealth (Agomuo, 2002). Gibb (2005) defines Entrepreneurship as a way of thinking, reasoning and acting that results in the creation, enhancement, realization, and renewal of value for an individual, group, organization or society. Entrepreneurship is strongly linked to small and medium sized enterprises (SMEs), which are the main developing force of the developed market economies. In most of developed countries, percentage of SMEs in total number of enterprises is higher than 95%, while 60% of available workforce is employed in those firms (Schmiemann, 2008). For example, in European Union (EU-27), SMEs account for 99.8% of all enterprises, out of which the vast majority of enterprises are micro enterprises (they comprise 91.8% of all enterprises). SMEs provide jobs to 67.1% of all employees and participate with 57.6% of total value added (Schmiemann, 2008; European Commission, 2009). Importance of entrepreneurship and SMEs development for long-term economic growth is obvious.

Nevertheless, numerous investigations show that Europeans, in general, express tendencies to work in some firms (for someone else) rather than start their own business. This tendency is typical for post-communist countries, in which the long-lasting easiness of working in a state-owned firm has become dominant determinant in human behavior (Jiangyong & Tao, 2008). In Kenya, SMEs create employment at low levels of investment per job, lead to increased participation of indigenous people in the economy. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005.

Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). However, it is generally recognized that SMEs face unique problems, which affect their growth and profitability and, hence, diminish their ability to contribute effectively to sustainable development. Many of the problems cited have implications for technology choice.

These problems include lack of access to credit, inadequate managerial and technical skills, low levels of education, poor market information, inhibitive regulatory environments, and lack of access to technology (Harper 1974; ILO, 1989; House et al. 1991).

Considering that entrepreneurial skills are very significant for the growth and development of economies in countries in which they operate their businesses, understanding their influence on the growth of enterprises. Unfortunately, studies on this topic were not conducted in satisfying amount in the developing countries of South-Eastern Europe, until recently (Zivkovic, Mihajlovic & Prvulovic, 2009; Zivkovic & Zivkovic, 2009). Thus, the main objective of this research is to determine the influence of entrepreneurship on growth of small and micro enterprises in the textile industry, in Thika town.

## **1.2 Materials and Methods**

The study adopted a survey research design to collect data in order establish the role of entrepreneurs' motivation in the growth of micro and small enterprises in Thika town. In this study the sampling frame was drawn from Municipal Council Thika data base of 2010 with a total of 526 micro and small enterprises. The markets are clustered into four zones i.e. Thika town centre, Jamhuri market, Jua Kali market and Makongeni. The population was stratified into micro and small enterprises and simple random sampling was performed within the strata. Therefore, the study used multistage method where stratified and simple random sampling was conducted to select those who make the tread into cloth, wholesalers and retailers. The sample sizes of 226 study subjects were selected (Morgan, et al, 1970). The main instrument of data collection was a structured questionnaire. In order to obtain adequate and reliable data the questionnaire was pre-tested using 10 micro and small enterprise entrepreneurs from Ruiru town who had similar characteristics as study subjects. Descriptive and inferential statistical tools were used to analyze the collected data with the aid of Statistical Package for Social Sciences computer programme. The mean, frequencies and percentages were used to describe the variable characteristics; correlation was used to test the hypothesis.

## **1.3 Results and Discussion**

### **1.3.1 Respondents Characteristics**

An analysis of the gender of the respondents indicates that 62% were male while 38% were female. This shows that majority of people who engage in micro and small scale enterprises specifically involving clothes and textiles in Thika town are men. This confirms the findings of Weiler and Bernasek (2001) who found that despite this growing interest, and despite the fact that the number of women entrepreneurs has accelerated radically in recent years, women's entrepreneurship potential has only started to materialize. Further, the General Entrepreneurship Monitor (GEM) Report on Women and Entrepreneurship (Allen et al., 2007) that examined the rates of entrepreneurship in 43 countries and showed that in all these countries the rates of women's entrepreneurship were lower than men's

The study also found that 48% of the respondents were aged between 16 and 35 years, 46% were aged 36 and 50 years, and 6% were 51 years old and above. As indicated in Table 2, majority of the respondents (94%) were aged between 16 and 50 years. Age is only one factor among many to predict the success of entrepreneurs, and anybody at any age can break any molds put forward by experts. However, it's clear that the stories of a few "college-dropout turned millionaire" (or billionaire) startup founders have clouded both the mass media and the tech industry from reality. Parker (2004) argues that an individual's decision to start a business is influenced by his or her age and by the age distribution in the region where the individual lives. A number of empirical studies have suggested that occupational choice varies with age and have reported an inverse U-shaped relationship between an individual's age and his or her decision to start a business.

The results further indicate that 28% of the respondents had primary education, 41% had secondary education, 20% had college education and 11% had university education. This shows that most of the respondents (72%) had secondary education and above and therefore, they had basic education to grow their enterprises.

### **1.3.2 Enterprise Characteristics**

The study also examined enterprise characteristics namely; main business activities, types of enterprise, age of the business and type of business. The results further indicate that 52% of the respondents were from micro enterprises while 48% were from the small scale enterprises. This shows that majority of the clothes and textile enterprises in Thika town and its outskirts are micro in terms of size.

The study also examined the main business activities that the respondents were engaged in. most of the respondents (43%) were involved in the sale of clothes and shoes, 23% operating a boutique, 9% were engaged in the sale of used clothes (mitumba), 1% were selling school uniforms, 6% had exhibition store, 5% had specialized with men’s clothes, 4% were dress makers and 9% were involved in garment distribution. It also emerged from the study that majority of the enterprises (64%) had been in operation for less than 20 years old, 27% had been in operation between 21 and 30 years, 8% between 31 and 40 years and 1% have been in operation for over 40 years. An evaluation of the type of business ownership revealed that 45% of the respondents were from sole proprietorship businesses, 34% were from partnership, and 21% were from company businesses. This shows that majority of business in Thika town are sole proprietor kinds.

**1.3.3 Entrepreneurship and Growth of Enterprise**

The study sought to determine the effect of entrepreneurial influence on growth of micro and small enterprises. The respondents were given a set of statements relating to the entrepreneurial influence on growth of enterprise and asked to rate them on a scale of 1 to 4, where 1 is strongly disagree and 4 is strongly agree.

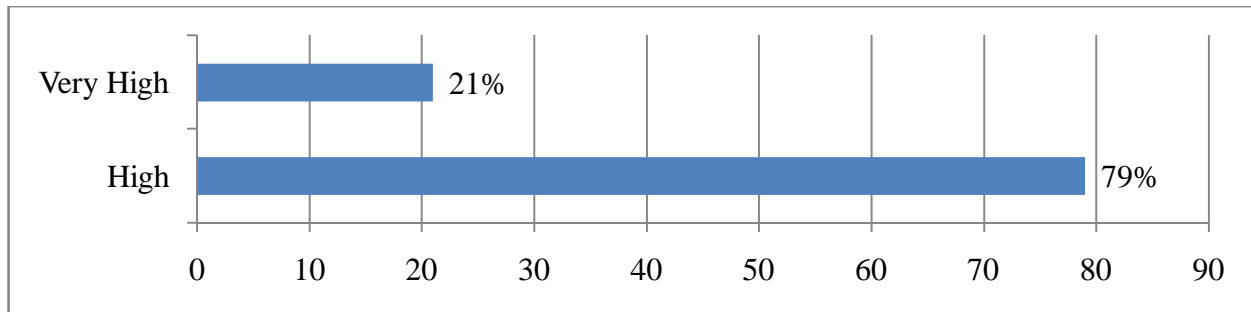
According to the results in Table 1, entrepreneurs are driven by opportunities as pointed out by 94% of the respondents. The respondents (93%) also indicated that entrepreneurs always demonstrate high level of creativity and innovation, show high level of management skills as well as demonstrating high level business know-how. They (89%) also indicated that entrepreneurs are optimistic, have mental energy, hard working, show intense commitment, perseverance and thrive on competitive desire to excel; these are the main ingredients for growth of a business enterprise. Further, the respondents (94%) noted that entrepreneurs tend to be dissatisfied with the status quo and always desire improvement.

The results also indicate that entrepreneurs are transformational in nature, and use failure as a tool and springboard for success as noted by 92% of the respondents. Additionally, they (89%) noted that entrepreneurs are individuals of integrity and visionally. A mean score of the responses for each statement was then computed and the results are as presented in Table 5. The mean scores were 3.529, 3.393, 3.450, 3.350, 3.357 and 3.557. The mean scores are above a score of 3 indicating that the respondents agreed with all the statements relating to entrepreneurs’ attributes.

**Table 1: Influence of Entrepreneurship on Growth of Enterprise**

Statement/ item	Strongly Disagree		Disagree		Agree		Strongly Agree		Mean scores
	Fq	%	Fq	%	Fq	%	Fq	%	
Entrepreneurs are driven by opportunities	0	0	8	5.7	50	35.7	82	58.6	3.529
Entrepreneurs always demonstrate high level of creativity and innovation and show high level of management skills and business know-how	0	0	10	7.1	65	46.4	65	46.4	3.393
Entrepreneurs are optimistic, have mental energy, they are hard workers, show intense commitment and perseverance; thrive on competitive desire to excel; these are the main ingredients for growth of a business enterprise.	0	0	15	10.7	47	33.6	78	55.7	3.450
Entrepreneurs tend to be dissatisfied with the status quo and always desire improvement.	0	0	9	6.4	73	52.1	58	41.4	3.350
Entrepreneurs are transformational in nature, and use failure as a tool and springboard for success.	0	0	11	7.9	68	48.6	61	43.6	3.357
Entrepreneurs are individuals of integrity and visionally	0	0	16	11.4	68	48.6	61	43.6	3.557

According to the results in Figure 2, 79% of the respondents indicated that level of entrepreneurship among micro and small enterprises owners in the textile industry at Thika town was high while 21% stated that the level was very high.



**Figure 1: Level of Entrepreneurship in Small and Micro Enterprises in Thika Town**

**1.3.4 Growth of Small and Micro Enterprises in Thika Town**

The study also examined the growth of small and micro enterprises in Thika town, done through a comparative assessment of enterprises’ growth at the start of business and at present. The growth indicators evaluated were sales, number of employees and capital.

When asked to indicate the enterprise sales growth at the start of business, forty percent of the respondents indicated that their sales grew at less than 1%, twenty percent of the enterprise sales grew between at 2 and 3% sales, ten percent had their sales growing at between 4 and 5%, twenty two percent enterprise reported 6 to 7% sales growth and six percent reported more than 12% sales growth as shown in Table 3.

**Table 2: Firm’s Sales Growth at the Start of Business**

Percentage sales	Frequency	Percent
Less than 1%	56	40.0
2 to 3%	31	22.1
4 to 5%	14	10.0
6 to 7%	31	22.1
More than 12%	8	5.7
Total	140	100.0

When asked to indicate the number of employees at the start of the business, 32% indicated that the business was being run by 1 employee, 44% stated that the enterprise was being operated by 2 to 3 employees, 2% were being operated by between 4 and 5 employees and 21% were operated by more than 5 employees as presented in Table 5.

**Table 3: Number of Employees at the Start of Business**

Number of employees	Frequency	Percent
1	45	32.1
2 to 3	62	44.3
4 to 5	3	2.1
More than 5	30	21.4
Total	140	100.0

The results further indicate that at present 26% of the respondents are being operated by less than 3 employees, 43% are operated by between 4 and 5 employees and 31% are being operated by more than 8 employees. This means that majority (74%) of the enterprises had more than 4 employees as compared to 24% enterprise which had the same number of employees at the start of the business. This shows a tremendous growth over years owing to the fact that most of the enterprises have been in operation for less than 20 years (Table 4).

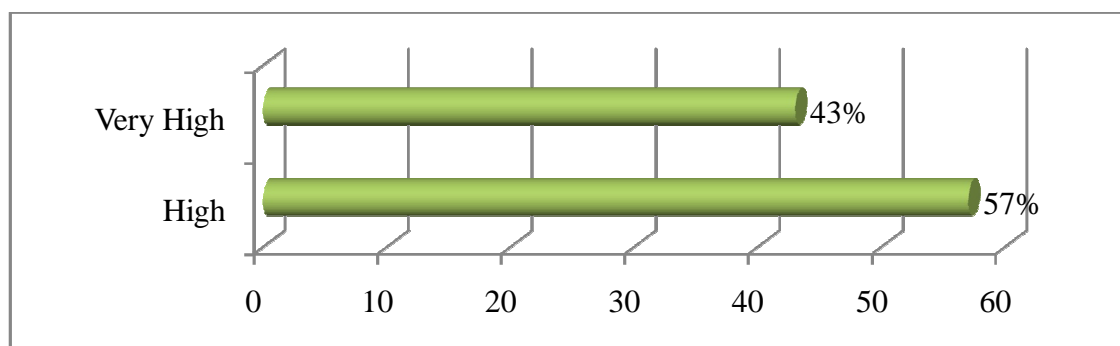
**Table 4: Number of Employees at Present**

Number of employees	Frequency	Percent
Less than 3	36	25.7
4 to 5	60	42.9
More than 8	44	31.4
Total	140	100.0

According to the results, 31% of the enterprises were initiated with a capital of less than Kshs20, 000, 45% with between Kshs30, 000 and Kshs40, 000 and 24% started with more than Kshs50, 000. Presently, 15% of the enterprises have a capital of less than Kshs30, 000, 54% have a capital of between Kshs40, 000 and Kshs50, 000 and 31% have a capital of more than Kshs60, 000. This indicates that most of the enterprises (85%) have a capital of over Kshs40, 000 as compared to 24% of enterprises at the start of business as shown in Table 18. This shows a significant increase in capital over years.

### Level of overall Enterprise Growth

An evaluation of the growth of enterprises revealed that 43% of the enterprises reported very high level of growth while 57% reported a high growth. Overall, all the enterprises reported high growth as illustrated in Figure 2. These results confirm the findings of USAID (2005) which indicate that at an aggregate level, MSEs demonstrate impressive growth, especially when compared with larger firms. However, many individual MSEs grow slowly or not at all; in some cases, due to a conscious decision on the part of the business owner. Overall growth rates are often fueled by the rapid expansion of a narrow group of highly performing MSEs. Nichter, (2004) contends that Some MSEs may face potentially lucrative business opportunities, but be unable to take full advantage of them due to inadequate capabilities. Although these “ponies” may expand quickly for short durations while trying to harness these opportunities, they often lack endurance as they do not have requisite capabilities for sustained growth.

**Figure 2: Level of overall Enterprise Growth**

### 1.3.5 Hypothesis Testing

The study had hypothesized that; entrepreneurship does not significantly affect the growth of micro and small scale enterprises in Thika Town, Kenya.

### Correlation Analysis

Hypothesis: *Entrepreneurship does not significantly affect the growth of micro and small enterprises in Thika town.*

This hypothesis was tested using a Pearson Product Moment Correlation at a 0.01 significance level. According to the results in Table 5, there is a positive correlation between entrepreneurship and growth of small and micro enterprises with a correlation coefficient of 0.533. The p-value is 0.000 and thus, less than the alpha of 0.01 hence establishing a high significant relationship between variables. This implies an increase in entrepreneurship results in a positive increase in growth of the enterprise.

**Table 5: Pearson's Correlation between Entrepreneurial Influence and Growth of Enterprise**

Variable		Entrepreneurial influence	Growth of enterprise
Entrepreneurial influence	Pearson Correlation	1	.533(**)
	Significance(2-tailed)	.	.000
	N	140	140
Growth of enterprise	Pearson Correlation	.533(**)	1
	Significance(2-tailed)	.000	.
	N	140	140

\*\* Correlation at 0.01(2-tailed)

#### **1.4 Conclusion and Recommendations**

The study concludes that there has been a remarkable growth in small and micro enterprise in the textile industry at Thika town. The growth was as results of high levels of entrepreneurial behaviour of the enterprise owners among other factors. The growth was results of entrepreneurs being driven by opportunities, always demonstrated high level of creativity and innovation, high level of management skills as well as demonstrating high level business know-how. Furthermore the entrepreneurs were optimistic, had mental energy, hard working, had intense commitment, perseverance and thrived on competitive desire to excel; these are the main ingredients for growth of a business enterprise.

Moreover, they were transformational in nature, and used failure as a tool and springboard for success. In order to sustain this growth, owners of the enterprises should the County government should organize regular short term training programmes to empower the enterprise owners with skills on entrepreneurship. Managing entrepreneurial growth may be the most critical tactic for the future success of business enterprises. After initiation of a new venture, the entrepreneur needs to develop an understanding of management change. This is a great challenge, because it often encompasses the art of balancing mobile and dynamic factors. Thus, the survival and growth of a new venture require that the entrepreneur possess both strategic and tactical skills and abilities.

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