THE EFFECT OF KEY SUCCESS FACTORS ON THE GROWTH OF MICRO AND SMALL ENTERPRISES IN KENYA: A CASE OF AGROVETS IN MURANG’A COUNTY, KENYA

by

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A thesis submitted to the School of Business and Economics

of

Daystar University
Nairobi, Kenya

In partial fulfillment of the requirements for the degree of

Master of Business Administration
in Strategic Management

September 2020
APPROVAL

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THE EFFECT OF KEY SUCCESS FACTORS ON THE GROWTH OF MICRO AND SMALL ENTERPRISES IN KENYA: A CASE OF AGROVETS IN MURANG’A COUNTY, KENYA

I declare that this thesis is my original work and has not been submitted to any other college or university for academic credit.

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ACKNOWLEDGMENTS

Firstly, all gratitude goes to Our God for sustaining me and guiding me through this journey. Secondly, I will forever grateful to my supervisors, Dr. Samuel Muriithi and Mr. Joseph Munyao for their unwavering encouragement, support and guidance throughout this thesis journey. Thirdly, I would also like to thank my family and friends for their support and prayers.
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LIST OF ABBREVIATIONS AND ACRONYMS

ADB  Asian Development Bank
AfDB  Africa Development Bank
CIDP  County integrated development plan
CSAE  Center for Study of African Economies
EAC  East African Community
EC  European commission
GDP  Gross Domestic Product
IFAD  International Fund for Agricultural Development
IFC  International Finance Corporation
KIPPPRA  Kenya Institute for Public Policy Research and Analysis
KNBS  Kenya National Bureau of Statistics
MOALF  Ministry of Agriculture Livestock and Fisheries
MSE  Micro and small enterprise
MSEA  Micro & Small Enterprises Authority
OECD  Organisation for Economic Cooperation and Development
SACCOS  Savings and Credit Co-operative Societies
ABSTRACT

Micro enterprises are ubiquitous in Africa, yet many of them never seem to graduate to small or medium enterprises. It is against this background that this study sought to assess the effect of key success factors on the growth of micro and small enterprises (MSEs) in Kenya, specifically agrovets in Murang’a County. The objectives of the study were to establish the key success factors for the growth of MSEs (agrovets), identify growth within the MSEs (agrovets), and determine the effect of identified key success factors on the growth of MSEs (agrovets) in Murang’a County. The study applied descriptive research design and the target population was 192 registered agrovets in Murang’a County. A sample of 99 respondents was calculated and selected using a simple random sampling technique. Data was collected using questionnaires and analysed using Statistical Package for Social Sciences (SPSS) version 23.0. Study findings indicated that most MSEs used internal financing and borrowed from SACCOS to supplement their financing. There was very little knowledge or awareness of existing government finance programs and none of the respondents had successfully accessed funding from these programs. The study analyzed the growth of businesses based on the increase in sales turnover and an increase in the number of employees. The findings indicated there was very little growth over the last four (4) years with only 30% of the businesses recording growth and the key success factors that influence growth are the education of the business owner, the age of the business, the location of the business concerning proximity to similar businesses and access to finance. Based on the findings the study recommended the increased capacity building of business entrepreneurs and improved access and availability of affordable financial products as the most critical areas that would enhance business growth.
CHAPTER ONE
INTRODUCTION AND BACKGROUND TO THE STUDY

Introduction

The micro and small enterprise (MSEs) sector is the key to unlocking economic growth (Kanu, Salami, & Numasawa, 2014). The sector contributes up to 33% of national income in Africa, Asia, South America, and parts of Europe (Bell, 2015). In Africa, MSEs make up 95% of business Enterprises (Fjose, Grunfeld, & Green, 2010). However, despite their recognized significance on both national and domestic levels, the sector is characterized by high failure rates, for example, in Kenya, it is estimated that 50% of start-ups will fail within their early years (Mutahi, 2016). Studies have also shown that most micro-enterprises in developing countries stay small and do not graduate to small or medium enterprises and in Kenya, it was found that only about 1% of micro-enterprises graduated in the long run (Gomez, 2008). The failure is attributed to numerous constraints: failure to adopt technological advancements, business regulatory environment, access to finance, managerial and operations capacity at the firm level, the informality of the sector (Fjose et al., 2010; International Labour Organization [ILO], 2015). This chapter introduces the overall study, its purpose and objectives. It gives a background of the sector to be studied from a global perspective and further narrows it to a country, then county perspective. It identifies the growth and survival rate of micro and small enterprises as the problem statement upon which the research is based. It categorizes three related research questions that would potentially further inform the problem and ways to address it. The chapter will also look at the importance of the current study, its limitations and assumptions.
Background to the Study

Agriculture is the main economic activity in Africa, supporting the livelihoods of the majority of the African population (Kanu, et al., 2014). The sector employs over 60% of the labor force compared to manufacturing, and construction that employs only 15% (United Nations, 2012). The sector contribution to Africa’s Gross Domestic Product (GDP) was reported to be 32% by the World Bank (Bell, 2015).

In Kenya, the agricultural sector is the highest GDP contributor at 30% (Kenya National Bureau of Statistics [KNBS], 2016). The business opportunities especially for enterprises located closer to farms can vary from input supplies such as fertilizer and seed stockists, veterinary medicine services, water treatments, aggregation, and marketing companies (Porter, 1998).

It is widely agreed that MSEs are the backbone of most economies, particularly in developing countries (Bell, 2015). MSEs are termed as the solution to high unemployment rates, local industry development, poverty reduction, and overall economic growth. Likewise, the World Bank reports that there are between 365-445 million MSEs in the emerging markets of Sub-Saharan Africa, North Africa, Asia, South America, and Eastern Europe. Formal MSEs contribute up to 45 percent of total employment and up to 33% of national income (GDP) in emerging economies (Bell, 2015). However, the number of stagnated and MSEs failures reported is staggering. In Kenya alone, it stands at a 50% failure rate of MSEs within the first year (Mutahi, 2016) and only 1% graduating to small businesses (Gomez, 2008).

Micro and Small Enterprises (MSEs)

By definition there is no universal classification of MSEs, they are defined differently dependent on the economy or country (Bouri, Breij, Diop, Kempner, Klinger, & Stevenson, 2011; Kushnir, 2010). In Eastern Africa, the parameters used to
define MSEs include the number of employees, the industry, value of assets, turnover and capital (Kushnir, 2010). The definitions also vary from country to country within the region. For example, Rwanda uses the number of employees to define MSEs (Kushnir, 2010). In Kenya, the sector is formally defined in the Kenya micro and small enterprises act that was gazetted in 2012 (Micro and Small Enterprises Act, 2012, 2013). The act defines an enterprise as an undertaking or a business concern whether formal or informal engaged in production of goods and/or provision of services. The characteristics defining a micro enterprise and a small enterprise in Kenya are the same as defined in Kushnir’s report and are listed as annual turnover, number of employees, asset value and financial investment. However, the parameters of these characteristics differ and in Kenya a micro enterprise is one with less than ten (10) employees and whose annual turnover is less than Kenya Shillings 500,000.

Regardless of the slight differences in definition of these enterprises there is a shared global consensus on their importance. The Organization for Economic and Cooperative Development (OECD) describes the potential of micro and small enterprises that can be enhanced by economies of scale through increased globalization that is connecting the world, aggressive infrastructure development by governments of developing countries and adoption of new technologies on the rise from a highly innovative generation (OECD, 2000).

Africa governments recognize the importance of the MSE sector as a key driver to rapid growth and economic expansion. In 2015, the informal sector that is dominated by MSEs, created over 700,000 new jobs in Kenya and contributed significantly to the country’s gross domestic product (KNBS, 2016). The survey also reported that employment growth was aggressively driven by self-employment at 19.6% and the private sector at 5.4% with the informal sector having the lion’s share in the past 5
years. In Mozambique, MSEs are acknowledged for their important role to the nation’s economy. According to Osano and Languitone (2016) MSEs in Mozambique account for 98.6% of the enterprises. They contribute to the national income by providing employment opportunities, contributing to the national treasury through business taxes and contributing to national economic and social indicators through crowding in additional investment. They also create a stimulus for innovation and competition necessary for balancing the market forces (Osano & Languitone, 2016). This affirms the important role of this sector to the growth of the country’s economy through reduction of unemployment, increase of incomes and by extension local consumption along with various other growth indicators.

Key Success Factors Affecting Growth of Business

Key success factors are the pathways to success and are those things that a business must prioritize and get right to succeed in a competitive environment (Kenny, 2001; Trkman, 2010). The key success factors affecting an enterprise's performance are both intrinsic to the firm and extrinsic (Nyangara, Ojera, & Oima, 2015). The intrinsic key success factors are often associated with the firm's inherent resources, that is, the business owner and the business characteristics. In the case of MSEs, the two are thought to be synonymous with each other (Birley & Westhead, 1990). The extrinsic key success factors are often those out of the control of the firm such as availability of finance and government sector incentive programs (Fjose et al., 2010).

Inherent to the firm are key success factors such as the business characteristics and business owner orientation. Business characteristics refer to attributes of the firm such as age, location, or positioning, the brand, the firm size (Alsharkas, 2014; Birley & Westhead, 1990). For example, the competitive advantage of location plays a role in influencing the performance and growth of an enterprise (Porter, 1998). The closer an
enterprise is to both input and output resources allows it to enjoy lower transportation costs, a ready market, and economies of scale from accessing otherwise expensive resources at a shared cost with other similar enterprises in the constellation (Porter, 1998). The unique business owner characteristics in the case of MSEs are synonymous with the firm itself (Pena, 2004). The owner characteristics that are mirrored in the film are; the entrepreneur orientation, education, business experience, age, and gender (Wiklund, Patzelt, & Shepherd, 2009).

An enterprise exists within an ecosystem and therefore must be cognizant of external key success factors that may be out of its control but may have a direct impact on the enterprise's performance (Nyangara et al., 2015). They believe that the extrinsic and intrinsic key success factors are co-dependent. External key success factors influencing firm performance include government sector incentives that provide stimulus to sector growth. These include financing programs, ease of business entry, taxation policies, and governance. Also, and possibly the most common external strategic factor is access to finance. Fjose et al. (2010) pointed out that access to finance is the major obstacle for MSEs in Africa, especially because most businesses in the sector are perceived to be high risk and due to the moral hazard realized by financial institutions.

Several factors influence the growth of MSEs both in Africa and worldwide. These factors either promote or prohibit MSEs from growing beyond small or in dire cases, from remaining a going concern (Central Bureau of Statistics [CBS], 1999). The key success factors that influence growth include the business owner characteristics, the business characteristics, access to finance, and the government finance programs developed to stimulate the sector.
This study, therefore, sought to analyze the effect of key success factors on the growth of MSEs in Kenya, specifically, agrovets in Murang'a County, Kenya. The study looked at the relationship between the key success factors and indicators of the growth of the agrovets. The main factors assessed in the study were the business owner, the business characteristics, access to finance, and government financing programs.

Growth of Micro and Small Enterprises

The growth of enterprises is commonly measured through the indicators of the size of the firm, business turnover, value addition, business expansion, market position, quality of the product, and several employees (Birley & Westhead, 1990; Gupta, Guha, & Krishanswami, 2013; Pena, 2004). Indicators of business growth include changes in financial and human resources, specifically increased profit and increased number of employees (Barkham, Gudgin, Hart, & Hanvey, 1996). The indicators of growth for Kenyan SMEs to include growth of capital base and incremental changes in the number of employees and increase in sales turnover (Tarus & Ng’ang’a, 2013). This study used the changes in sales turnover and increase in the number of employees as indicators for measuring growth as derived from literature and empirical studies (Birley & Westhead, 1990; Gupta et al., 2013; Pena, 2004; Tarus & Ng’ang’a, 2013).

Key Success Factors and Growth of Micro Enterprises

The key success factors have been established as the business owner characteristics, the business characteristics, the business access to finance and government finance programs to incentivize business growth (Alsharkas, 2014; Birley & Westhead, 1990; Fjose et al., 2010; Nyangara et al., 2015; & Porter, 1998). Business owners with higher education and previous business management experience were able to make better business decisions increasing sales turnover of the firm (Wiklund et al.,
2009). This is consistent with Muriithi (2017) who found that limited competency and capacity of the owner were common challenges that had a negative impact on the growth of the business. Bouazza, Ardjouman, and Abada, (2015) found that gender influenced the innovation and risk attitude of the business owners, highlighting that women often took a risk-averse approach that limited their innovation, a necessary ingredient for business growth. The competition where businesses are clustered has been found to benefit the business through economies of scale realized in input costs and resultant higher profit margins (Porter, 1998). Studies on micro-enterprises found that the age of the businesses had a proportionate relationship with the growth of the business, where an older business having gained experience through the learning curve, was more likely to experience growth than a young firm entering the market (Onsongo & Muturi, 2015). The capacity and ability of a business to grow through initiatives such as market expansion, product differentiation, and stability of supply, is closely linked to the availability and cost of business capital (Afande, 2015). The relationship between business growth and business access to finance as critical but fragile with most financial institutions reluctant to provide credit to the sector (Afande, 2015). National governments can contribute to the growth of the businesses through specialized procurement programs reserved for micro-business and through the provision of low-cost finance to the sector (Gitonga, 2014). The two incentives would result in an expanded market and expanded business operations both leading to increased sales and business growth.

MSE Sector in Murang’ a County

The Kenyan constitution enacted in 2010 decentralized the government administrative system into 47 counties that consist of a County assembly and a County executive (National Council for Law Reporting, 2010). The head of the County of
Murang’a, the 21st County, is the Governor, Mwangi wa Iria (Murang’a County Government, n.d.). The vision of Murang’a County is to be the leading County in agricultural production, infrastructural and social-economic development in the country (Murang’a County Government, n.d.). The County has an estimated population of over 1 million people, of whom 27% are classified as youths (between the age of 20 to 40 years) and the majority of the population is engaged in agricultural economic activities (Murang’a County Government, n.d.). Murang'a contributes to the national economy through the production of cash crops and horticultural crops for export such as coffee, tea, coffee, macadamia, tomatoes, French beans among others (Murang’a County Government, 2018). It also contributes to food security through the production of food crops such as beans, maize, and bananas (Murang’a County Government, 2018). Beyond crop agriculture, Murang’a County is also heavily invested in animal husbandry both for home consumption and for trade. The County activities are therefore key at both a National and County level. Regarding the industry, there are no major manufacturing plants and the existing factories are all Agro-processing plants for coffee, tea, milk, nuts, fruits, and animal feeds. These factories produce semi-finished products for export (Murang’a County Government, 2018).

Owing to the prominence of agriculture in Murang’a County, the main businesses fall in the category of agro-processors and agro-dealers, however even these businesses are faced with challenges and constraints that limit their ability to support the sector that employs 57% of the labor force in Murang'a (Murang’a County Government, 2018). The Murang'a County Government highlighted these constraints as limited availability of financing, poor marketing strategies, poor database resources for information sharing, and relatively low but improving education levels (Murang’a County Government, n.d.). The County has great potential with numerous opportunities.
for business growth. It is hoped that this study will contribute towards addressing the constraints and challenges limiting the potential of Murang’a County.

Statement of the Problem

The MSEs are the backbone and engine of economies globally (Bell, 2015). Their critical role is also acknowledged in Africa where MSEs contribute to more than 33% of the continent's economy (Bell, 2015; Fjose et al., 2010). However, the majority of the enterprises operating in this sector are characterized by high mortality rates of above 50% (KNBS, 2016; Mutahi, 2016) or very low growth (Kirika, 2018; World Bank Group, 2016; Zia, 2016).

Researchers have studied MSEs to identify the challenges faced by enterprises. Results from studies attribute the poor performance to the capacity of the business owner and the individual profile of the business owner (Bouazza et al., 2015; Filser, Eggers, Kraus & Malovics, 2014; Kamunge, Njeru & Tirimba 2014; Yeboah, 2015). Other studies attribute the poor performance to challenges in accessing finance (Afande, 2015; Bouri et al., 2011; Walhua, 2013). While other studies attributed the challenges to the age and experience of the business (Afande, 2015; Bowen, Morara & Muriithi, 2009).

Based on the problem of high mortality and low growth faced by MSEs that was driven by the challenges identified by earlier research, the study analyzed the effect of key success factors on MSEs growth to contribute to the body of knowledge to guide the MSEs in strategy development, planning, and decision making.

Purpose of the Study

The purpose of this study was to assess the effect of key success factors on the growth of micro and small enterprises in Kenya, specifically agrovets in Murang’a County, Kenya.
Objectives of the Study

The objectives of this study were:

1. To establish the key success factors for the growth of MSEs (agrovets) in Murang’a County, Kenya
2. To identify growth within the MSEs (agrovets) in Murang’a County, Kenya
3. To determine the effect of identified key success factors on the growth of MSEs (agrovets) in Murang’a County, Kenya

Research Questions

The research questions answered were:

1. What were the key success factors that influenced the growth of MSEs (agrovets) in Murang’a County?
2. Which MSEs (agrovets) in Murang’a County were experiencing growth?
3. What was the effect of the identified key success factors on the growth of MSEs (agrovets) in Murang’a County?

Justification for the Study

Agribusiness is the sleeping giant that could transform the rural economy and create jobs for the youth (Ndiritu, 2013). The agricultural sector is dominated by MSEs and has received numerous accolades for its potential in the African continent. As noted by several scholars, these MSEs have a low chance of survival, let alone growth, as they are faced with numerous challenges throughout their life cycle (CBS, 1999; Gomez, 2008; KNBS, 2016; Mutahi, 2016).

The study sought to analyze the effect of key success factors on the growth of MSEs, specifically agrovets. The findings of this study will help agrovets, the government, funding agencies, financial institutions, and other industry players to
prioritize strategic actions, design development and training programs, and structure incentive and sector stimulus interventions.

Significance of the Study

The findings of this study can enhance awareness creation. The findings provide a better understanding of the key success factors influencing MSE growth and the information can be used by different stakeholders for informed MSE engagement. Further, the research findings will enable MSEs to develop prioritized strategic plans focusing on elements that have been found to influence growth. The study findings will also be useful to the Government of Kenya in better understanding the MSE landscape, specifically policy actions that would stimulate the sector. Last but not least, the research findings will be useful for development partners in informing their program development and design of interventions for strengthening the MSE sector.

Assumptions of the Study

This study assumed that:

1. There was a correlation between identified key success factors and the growth of SMEs.
2. All information collected from respondents was reliable and provided a clear and true picture of the actual business situation in Murang’a County.

Scope of the Study

The study focused on 99 licensed agrovets operating in Murang’a County in Kenya. It targeted the business owners or managers of agrovets based in the local commercial centre of each sub-County. The targeting was based on reaching agrovets that would likely have higher sales based on the centrality of their location and proximity to complimentary services.
Limitations and Delimitations of the Study

Some limitations were experienced in the course of this research. They were as outlined here in after.

1. Access and availability to government information on MSEs. Information especially about statistical historical data on agrovets was not easily available and retrievable from government offices. The officers engaged from the County office cited that previous surveys conducted collected data on broad indicators of businesses in the County and not specifically on agrovets.

To overcome this challenge, extensive research was conducted to benefit from all sources that may have data on the sector such as the Kenya National Bureau of Statistics that collects and analyzes data annually. Some comparative information from other sectors that may be related was also be used, in the absence of specific information.

2. The willingness of entrepreneurs to share the performance of their businesses.

The business owners/managers were hesitant to provide information regarding their business trends and performance, especially sales turnover numbers due to the confidentiality of information, protection from competitors, and exposure to government taxes. In response to this challenge, a non-disclosure statement was included in the data collection tool (questionnaire) and was re-emphasized by the enumerators verbally during interviews. Names of individuals and businesses were provided by the respondents but have been kept confidential to protect their identities and businesses.

3. Accuracy and integrity of respondents’ information. The business owners/managers were hesitant to provide specific information regarding their annual sales turnover for fear that the information may be used by tax authorities
to verify their annual sales for business tax. To overcome this challenge, the respondents were provided additional information on the reasoning behind the question and given assurance that the broad sales turnover brackets reduced the possibility of quantifying their specific sales turnover volume. This ensured that respondents clearly understood the questions. The purpose and the audience of the study were also articulated to all participants by reassuring them that the information provided is for research purposes only.

Definition of Terms

Agribusiness: It is defined as a cumulative of all the commercial activities that are engaged in agricultural production including farming, input supply, mechanization, processing, distribution, and sales (Ministry of Agriculture Livestock & Fisheries [MOALF], 2012). The study conducted research of characteristics of agribusinesses on the continent. It was additionally significantly informed by the agribusiness strategy of the Ministry of Agriculture, Kenya.

Agrovet: These are micro agro-dealers defined as traders selling agricultural inputs such as seed, fertilizer, mechanization, and animal health products and services (MOALF, 2019). The research conducted specifically targeted agrovets that were operating in Murang’a County. Data was collected from a sample of owners and managers of the agrovets in the county and analyzed this data to identify the effect of key success factors on the growth performance of the agrovets.

Enterprise: This is defined by the MSE Act as an undertaking or a business concern that can be either formal or informal (Micro and Small Enterprises Act 2012, 2013). The study included formal enterprises classified as micro enterprises in the agriculture sector.
Entrepreneur: This is defined as a businessperson or owner of an enterprise (Micro and Small Enterprises Act 2012, 2013). The entrepreneurs in this study were the owners of the agrovets in Murang’a County.

Growth: Business growth is defined by the Organization for Economic Cooperation and Development (OECD) as the increase in the number of employees and/or an annual increase in turnover of more than 20% (OECD, 2007). Growth was a critical component of this study and formed the dependent variable.

Micro and Small Enterprises (MSEs): This is defined by the MSE Act in aggregate as an enterprise, trade, service, industry, or business activity whose annual turnover does not exceed Kenya Shilling 5 million and that employs a maximum of 50 people (Micro and Small Enterprises Act 2012, 2013). The micro enterprises in this study were those operating in the agriculture sector and were physically located in Murang’a County.

Key success factors: These are defined as the unique elements that are essential for an enterprise to achieve its business objectives and competitive performance (Trkman, 2010). In this study, the key success factors associated with business growth were the business owner – based on the demographics of the owner, the business – based on the age, location, technology, registration status and existing competition of the business, the business access to finance – based on the financing options the business accessed and used to operate and scale its operations and the business access to government support programs.

Summary

This chapter gives an overview of the research study; it introduces the research, giving a background of the content. It elaborates principle definitions including the definition of MSEs, the key success factors for MSE growth and the indicators of
growth that will be used in the study. The chapter also provides an overview of the MSE sector in Murang’a county, highlighting the county’s performance and opportunities. With this background, the chapter introduces the problem that was researched upon which the purpose and objectives of the study were anchored. It finally highlights areas where the research will be of benefit to several stakeholders. The next chapter focuses on the literature review undertaken in the study and conceptual framework.
CHAPTER TWO

LITERATURE REVIEW

Introduction

Micro and small enterprises (MSEs) are the backbone of most economies, particularly in developing countries (Bell, 2015). The importance of the role of MSEs has been recognized by governments, regional bodies, and development agencies. According to the World Bank, there are between 365-445 million micro, small, and medium enterprises (MSEs) in emerging markets (Bell, 2015). The recent growth in many countries has been driven by MSE activity (Fjose et al., 2010).

Formal MSEs contribute up to 45 percent of total employment and up to 33 percent of national income (GDP) in emerging economies (Bell, 2015). MSEs can strengthen the domestic economy through diversification and reducing its vulnerability to shocks from fluctuations in international capital flows (Bouri et al., 2011). The OECD reports that 95% of enterprises in their representative countries are MSEs (Pena, 2004). More recently, the Organisation for Economic Cooperation and Development (OECD) further reported that the MSE sector has been central to driving the recovery of the national post-financial crisis (OECD, 2016). This continues to demonstrate that MSEs are not a mere alternative for the poor or developing countries but are indeed the core of global economic strategies playing a key role in development through satisfying rising local demand for services and catering for specialization.

Theoretical Framework

A theoretical framework is a model of scholarly literature that can be used to support a position or to further explain an area of the research study (Abend, 2008). It demonstrates the author's understanding of past knowledge in the specific field of study,
supporting assumptions made, and guiding the hypothesis to be used (Jaccard & Jacoby, 2010). This study examined three major theories relating to key success factors and business growth namely: Enterprise Growth Theory and Entrepreneurship Theory, Resource-based View Theory, and Dynamic Capabilities Theory. The theories are interrelated with most being developments of earlier works where scholars further interrogated and improved positions earlier held.

Enterprise Growth Theory and Entrepreneurship Theory

The enterprise growth theory was first suggested by Penrose in 1959 and it proposed that an enterprise’s growth is based on its management’s ability to match resources with opportunities (Pitelis, 2002). The theory noted that an enterprise was more than just an administrative structure but was a combination of both human and non-human resources, which needed to be focused on and maximized to realize sustained growth. Penrose’s theory relates closely to Covin and Slevin who proposed an entrepreneurship theory that posited entrepreneurship as a combination of a firm’s behavior related to its innovative actions, its pro-activity, its appetite for risk, and its aggressiveness in the face of competition (Covin & Slevin, 1991).

Penrose posited that growth is not simply a product of available resources: skills, capabilities, assets, but is a combination of pre-determined interaction between the resources available and matching them to the right opportunities (Pitelis, 2002).

The external and internal environment greatly influences the entrepreneurial posture of the firm, which in turn impacts the firm's performance (Covin & Slevin, 1991). The entrepreneurship theory suggests that a business entity that consistently demonstrates the attributes above is entrepreneurial and has a higher chance of growth and expansion than those firms that do not have the same characteristics. Covin and Slevin (1991) referred to the combination of these characteristics as the enterprise’s
entrepreneurial posture which is greatly influenced by three key drivers related to the firm: External environment – this comprises other players, technology, sector dynamism, industry life cycle; strategic environment – this comprises the business strategy, the vision, the mission; and internal environment – this comprises the culture, organization resources and competencies, organization structure, leadership values and philosophies.

Micro and small enterprises, therefore, require the appropriate skills and capacity, which is often a direct product of the owner's attributes such as experience, motivation, education, age, and gender. These attributes influence the attitude towards risk, proactivity, and innovation. However, the presence of a certain skill or capability alone will not lead to growth, unless perhaps stochastic growth (Covin & Slevin, 1991). The firm operates in a dynamic eco-system that presents numerous opportunities and the firm's ability to match these opportunities to its capabilities is what creates the growth potential.

Pitelis (2002) argued that an enterprise always has excess resources that are underutilized and can be used to expand the enterprises' activities at a low cost. However, the potential for this expansion happening depends on the firm's proactivity and engagement in growth options, such as tapping into new markets or innovative products. Penrose further clarified her theory by classifying the path to growing into; internal factor – this relating to the managerial ability, the external factor – this relating to markets and risk – this she defined as a product of both the internal and external factors (Blundel, 2015). Penrose’s work was well acclaimed and was suggested to have influenced the development of the resource-based view theory that further defined what kind of resources are necessary for the firm to grow (Blundel, 2015; Pitelis, 2002).
Based on this theory, the study looked at the resources available to the agrovets in Murang’a County and how both human and non-human resources affect growth.

Resource-based View Theory

Building from the work of Penrose, the resource-based theory has since been popularized and adopted with contributions from scholars such as Lippman and Rumelt, Wernerfelt and Barney (Peteraf, 1993). The resource-based view theory agrees with Penrose’s firm growth theory that an enterprise’s resources are crucial to its growth. It goes on to clarify what criteria these resources must meet, noting that not all resources will create or sustain competitive advantage and growth for the firm. The resources crucial for growth are often internal to the firm and are a combination of tangible and intangible assets (Oliver, 1997). For the firm to obtain a competitive advantage and sustained growth, the resources to be selected and prioritized must be: 1) Inimitable – the resource must be unique to the firm and available in limited supply (Peteraf, 1993); 2) Non substitutable – a competing firm cannot obtain an alternate resource that would produce the same output (Oliver, 1997); and 3) Immobile – Resources are thought to be immobile if they cannot be traded or transferred (Peteraf, 1993).

In 1997, Oliver identified a gap in the resource-based theory in that it considers the firm in isolation. Oliver (1997) argued that the firm exists in an eco-system and firm owners/enterprises must be cognizant of the external factors that influence the business. Oliver introduced the external resource and its strategic influence, adding on to the resource-based theory. This study agrees with the resource-based view to firm growth and believes that the growth of MSEs is driven by a combination of the internal and external resources available to the firm as well as the firm’s responsiveness to the opportunities available. The prioritized key success factors in this study are guided by this theory and research conducted will aim to ascertain the degree of parallels if any.
The business owner characteristics and the firm characteristics are factors that meet the three pillars of the resource-based view theory: non-imitable, non-substitutable, and non-transferrable. The resource-based view informed the research study while borrowing lightly from the other related theories mentioned.

**Dynamic Capabilities Theory**

The dynamic capabilities theory builds on previous work by Penrose, Lippman and Rumelt, Wernerfelt, and Barney and Porter. The theory suggests that an enterprise must identify its specific capabilities that are unique and can be deployed to its advantage, the combination of these capabilities with the firm's resources are then defined as the firm's capabilities (Teece, Pisano, & Shuen, 1997). The enterprise ability to identify its unique comparative advantage and develop strategies to capitalize on and leverage that advantage is critical not only to the enterprise growth but also to its resilience and sustainability (Alberti, Ferrario & Pizzurno, 2018).

The agility of the firm to continually renew its unique capabilities and deployment of resources to respond to a changing business environment is what is referred to as dynamic (Teece et al., 1997). This is normally a factor of innovativeness, technological awareness, and agility of the firm. Innovation and technological awareness must be at the core of the enterprise’s strategy and business outlook plan if they are to remain relevant but more importantly, if they are to grow (Alberti et al., 2018).

**General Literature Review**

Bouazza et al. (2015) described the growth of micro and small enterprises as an erratic phenomenon where despite the high failure rates, entry rates continue to soar. The paradox of MSEs persists as the sector is acknowledged as the heartbeat of the economy yet is characterized by staggeringly high failure rates and growth stagnation.
Gomez, 2008). Today's business environment that is driven by technology and globalization makes it that much harder for industry players to maintain the sustainable competitive advantage, that is required for survival and eventual growth (Filser et al., 2014). Previous research studies intimated that the key success factors influencing the growth of MSEs are not new and do not vary significantly across borders or continents. It is also notable that an enterprise's success must be viewed from a dimensional lens and no one single strategic factor can influence the success in isolation (Pena, 2004). The key success factors are categorized using different perspectives depending on the researcher's school of thought, empirical background, and analysis approach.

The researchers analyzed the relationship between the independent variable – key success factors and the dependent variable – growth. The key success factors were identified as: the characteristics of the business and the business owner, access to finance, and access to government financing initiatives (Afande 2015; Bell, 2015; Bouri et al., 2011; Muriithi, 2017; Onsongo & Muturi, 2015; Wiklund et al., 2009). The next section further discusses the research variables.

The Business Owner

The owner-manager influence on business performance is a widely discussed topic. Theories such as entrepreneurship orientation, owner-manager characteristics, and entrepreneur motivation have been researched to measure or identify the relationship with the firm's performance. Cognizant of the nature of small businesses concerning employee numbers, it is common to find the owner playing the role of vision holder, business manager, and sometimes only employee (Adisa, Abdulraheem & Mordi, 2014; Birley & Westhead, 1990; Muriithi, 2017). It is therefore often difficult to separate the firm's characteristics from the owner characteristics. Muriithi (2017) cited poor management, limited competency, and limited capacity as some of the key challenges.
facing the performance and growth of MSE's. Birley and Westhead (1990) and Pena (2004) posited that the entrepreneur and characteristics attributed to him are the key drivers of company growth. They looked at the owner's influence on the firm from three lenses: innovativeness, risk-taking attitude, and proactiveness. These characteristics are interdependent and (Wiklund et al., 2009) viewed the combination of the three as an enterprise strategy that they called entrepreneurial orientation. Wiklund et al. (2009) theorized that entrepreneurial orientation is principal to positive performance implications on small businesses. Proactive characteristics are exhibited in the owner’s display of willingness to explore and exploit new market opportunities. Such an owner can create first mover advantages and is often seen to adopt a market leadership strategy. One way to do this is to be innovate by introducing new unique products or services that disrupt the status quo in relation to the market and give an edge to a business.

Adisa, et al. (2014) observed that most MSEs are managed by the owners and that the performance of the business is hinged on the collective capacity of the owner, who often lacks the skills and knowledge to successfully drive all functions of the business operations.

Bouazza et al. (2015) introduced an additional dimension of the entrepreneur; age and gender. The entrepreneur's age and gender are thought to have an impact on their orientation (proactiveness, risk appetite, and innovation) to some extent and as a result, impacting the growth and performance of the firm. Wiklund et al. (2009) proposed other owner characteristics such as knowledge, skills, experience, networks, and growth attitude. The knowledge and skills of the owner influence the kind of decisions made for the firm, the types of opportunities that they pursue, and the effective utilization of resources available to the firm. It also influences the management style, types of records
maintained, and often the strategic direction taken. Owners who have background experience in running a business or who have worked in managerial positions tend to have a higher success rate than those who have never run a business before (Pena, 2004). This is consistent with the research of Kamunge et al. (2014), which found that business success is heavily anchored on the managerial experience of its owner.

The Business Characteristics

Firm features play an essential role in the growth and sustainability of SMEs. Alsharkas (2014) posited that the age of the firm could present both advantages and disadvantages. The impact of the age of the firm on its growth does not present a linear relationship and some instances witness a young firm displaying progressive behavior as a factor of age and the same can be said of some old enterprises as well (Alsharkas, 2014). In the MSE sector, until recent years, empirical data had not been well documented and synthesized for learning information, therefore many businesses have had to go through a learning curve of the actual market and industry experience (Onsongo & Muturi, 2015). This suggests a negative relationship between the young firm and growth. Most entrepreneurs have to enter the industry and gradually identify whether they have the core competencies required or if they need to exit the market (Onsongo & Muturi, 2015). Therefore, the more mature firm in this case would be more likely to grow as it is already ahead on the learning curve. Industry experience allows the more mature firm ease of navigation around issues that relate to the operational environment, understanding the business cycle trends, and awareness on appropriate actions to take at certain decision points. It also implies that the firm will have some historic performance data, making the accessibility to finance easier. Based on empirical research, Alsharkas (2014) found that the age of the firm had a complex effect on the use of innovation for growth. New entrants were found most likely to be
innovative, desirous of creating product differentiation for competitive advantage, however, these enterprises were most likely to be constrained by access to finance that will support its innovative agenda (Alsharkas, 2014). While older or mature enterprises were found to have a stronger industry knowledge base that would improve its innovation but is often paralyzed by rigidity brought about by the hazard of experience.

The local environment in which an enterprise is operating can have performance advantages. Strategic locations such as those with proximity to raw material suppliers, financial institutions, anchor partners (this could be complementary partners or large companies that need inputs from the MSE), proximity to buyer concentration—form robust constellations for competitive advantage and business growth (Birley & Westhead, 1990). Through empirical and theoretical research, they posited that peripheral locations to these constellations experienced lower economic growth, labor supply bottlenecks, lower rates of innovation, and fewer venture capitalists. Porter (1998) called these constellations clusters and he argued that they harbor knowledge, relationships, motivation, reduced input costs through reduced transportation, and increased availability of labor. Porter theorized the competitive success and advantages of clusters on an enterprise's performance, though there are recent arguments that with the rise in globalization and technology, the physical location of a business is no longer significant.

Porter further posited that despite this school of thought on globalization, clusters continue to be a significant feature of most nations, and the world continues to see successful businesses exist in clusters, such as; Silicon Valley, which is the largest technology cluster in the world, the mutual-fund companies in Boston, the world re-known entertainment cluster that is Hollywood and the high-performance auto companies in South Germany (Porter, 1998). Kenya is not exempt from clustering and
this is evidenced by the manufacturing and production hub that is known as the Industrial area. Economist (2009) defined clustering as where enterprises from the same industry are set up near each other. It affirmed that clusters act as a vehicle that allows small companies to enjoy economies of scale such as a pool of skilled workers, information channels, and suppliers; that would otherwise not be possible.

Whereas not traditionally included as a factor influencing growth of a firm, networks have come to play a key role in the growth and performance (Ludmila & Grosová, 2015). Wiklund et al, (2009) describes three kinds of networks: the inter-organizational networks that are the strategic alliances that the firm can leverage on, the intraorganizational networks which is greatly influenced by the management skills of the leadership and refers to the relationships within the organization and the inter-personal networks, which can also be called the social capital of the owner and refers to the direct relationships that can be leveraged for the advantage of the firm.

The external factors of growth are those determinants that are seen to be out of the control of the firm. They are controlled by external players and form the opportunities and threats of the SWOT analysis of the firm during strategy review (Akpoviroro, 2019). They are vital to the firm’s success because no business operates in isolation and its success is contributed to by how it engages with its external operating environment. The external environment hosts a myriad of opportunities and threats; therefore this paper did not consider all of them prioritized factors which if well exploited could unlock many other opportunities for the firm’s growth. The study therefore considered access to finance and access to government financing programs.
Access to Finance

The area of finance as a factor of MSE growth and emergent gaps has been an interest to many scholars and governments. Some studies argued that there exists no significant relationship between access to finance and business growth through the exploitation of new opportunities (Alsharkas, 2014). However, most research studies suggested that access to finance is a turnkey for growth (Afande 2015; Asian Development Bank [ADB], 2012; Bouri et al., 2011). Capital is vital to business growth, it is the key ingredient in enabling enterprises to expand operations, to take risks, to capitalize on opportunities such as technology, and to innovate (Afande, 2015). In considering access to finance, one must view it from two perspectives. One is the cost of credit as this can be a barrier to access (Blattman et al., 2004). If the interest rate applied to a loan is too high, then it will outweigh the benefits that will be realized from taking out such a facility. The cost of credit can also be measured using the collateral requirements, their nature and opportunity cost related to attaching the collateral to credit. The other is the obtainability of the credit; there exist situations where the cost of credit is reasonable, however, either due to the location of the business or due to the risk perception taken by the bank, the credit becomes inaccessible. In Kenya, one major barrier to accessing finance in Kenya is the cost of credit, Blattman et al. (2004) reported that in comparison to its neighbors', credit channeled to the private sector was higher in Kenya. The authors further found that the cost and availability of finance were mostly constrained for micro-enterprises. In 2016, Kenya was viewed as having one of the highest commercial bank interest rates in the world (Barasa, 2016). Additional barriers that research found were high collateral requirements, lack of MSE clarity on their financing requirements and limited MSE experience within the financial institutions (Bouazza, et al., 2015; Bouri et al., 2011). However, several alternatives
exist to conventional credit finance from commercial banks and micro-finance institutions. For example, Gatsby, a UK firm exploring venture capital investment in East Africa to address what it refers to as the missing middle, established the African Agricultural Capital investment vehicle that works to invest in agriculture MSEs whose requirements are viewed as too small by the commercial banks and too large by the micro-finance institutions (Gatsby, n.d). The European Investment Bank is another example of a venture capitalist, in 2015 the bank set aside $80 million for venture capital investment in East Africa, targeted at ambitious enterprises with a compelling business theory (European Investment Bank, n.d).

Studies showed that the bulk of the credit for micro-enterprises came from the informal financial sector through personal savings, family funds, development agencies, and rotation savings and credit societies (Bouri et al., 2011; CBS, 1999; Osano & Languitone, 2016). This research study looked at the accessibility of finance by the micro-enterprises and the effect the finance had on growth.

Government Financing Programs

Micro, small and medium enterprises have been described as the backbone of every country’s economy (Bell, 2015). It is generally agreed that this sector drives growth through an increase of employment opportunities, local consumption reduction of poverty, among other indicators (Bell, 2015; Bouri et al., 2011; Fjose et al., 2010). National governments aware of the constraints to access and the vital role of finance have sought ways to ease the burden on MSEs and provide financial incentives, through various government assistance programs (Gitonga, 2014). In Korea, the government has institutionalized a public procurement scheme where MSEs qualifying to supply goods or services to the government can get an advance payment of up to 70% of the contract value (ADB, 2012). They also have a network loan program with selected
financial institutions that allows MSEs to access bank loans up to 80% of the contract price, the banks in this case are willing to provide the loan as the risk is transferred to the government and the collateral used is the contract (ADB, 2012).

One common initiative taken by the Kenyan government is through government public procurement for small enterprises (Gitonga, 2014). Gitonga reported that in India, for example; the government reserves specific products exclusively to be purchased from the small sector. This promotes market availability for the improvement of local trade. Similar initiatives are also found in Korea and China. The Korean government maintains a procurement scheme where MSEs qualifying to supply goods or services to the government can get an advance payment of up to 70% of the contract value (ADB, 2012).

In 2008, the European Commission launched the small business act established to support small businesses to operate at full capacity and realize their full potential (European Union, 2008). The commission proposed to do this through addressing key bottlenecks to MSEs such as access to finance, innovation, and training, better taxation policies with a reduced burden for local businesses, and improved access to public procurement contracts. This would be institutionalized and achieved through incentives such as concessional value added tax for locally supplied services and labour-intensive services and policies on government invoice payments, ensuring that enterprises are paid within 30 days easing the financial constraint on the MSEs.

Africa as a continent is no exception to such initiatives and different governments as well as regional bodies have demonstrated efforts to support MSEs through policy. The Africa Development Bank in its aim to achieve an industrialized Africa established in 2013 the US$ 125 million Africa MSE program and in 2017 invested US$ 22 million towards youth agribusinesses in Malawi, aimed at promoting
entrepreneurship and expanding opportunities in agriculture (African Development Bank [AfDB], 2014).

The recognition of the importance of the MSE sector to economic development in Kenya dates back as far as 1986 when mechanisms for supporting the sector through an enabling environment were documented in the sessional study no. 1 of 1986, economic management for renewed growth (Ongolo & Awino, 2013). The study charted the way for government commitment reinforced through many other studies in following years that can be said to have culminated in 2012 with the adoption of the MSE act and the establishment of a state corporation; MSEs Authority (MSEA), (MSEA, n.d; Ongolo & Awino, 2013). Some of the proactive and aggressive government measures towards supporting entrepreneurship and its growth and sustainability include the Uwezo Fund and the Youth Enterprise Development Fund. The Youth Enterprise Development Fund was gazetted in 2006 and aims at supporting enterprise development through expanding access to finance, providing business development services, and linking the small enterprises to larger ones (Youth Enterprise Development Fund, n.d.).

The Uwezo Fund was launched in 2013 and aims at expanding access to finance and provide mentorship to entrepreneurs to promote the business at the constituency level (Ministry of Devolution and Planning, n.d.). About threshold reservation on public procurement, the government reserves 30% of all its contracts for the MSE sector (Public Procurement Regulatory Authority, 2016). Most government assistance programs are closely linked to addressing access to markets and access to finance; the two being interrelated.
Indicators of Growth in the MSE Sector

There are divergent views on the key indicators of business growth. Mauboussin (2012) suggested that often businesses track the wrong indicators of growth, especially regarding non-financial indicators of growth such as customer satisfaction and customer referrals. Nonetheless, there are some generally accepted measures of growth and these can be grouped into financial and non-financial indicators. According to Barkham et al. (1996), Chong (2008), and Tarus and Ng’ang’a (2013), the indicators used to measure business growth are an increase in sales turnover and an increase in the number of employees. This is consistent with the indicators identified by Mwamuye, Nyamu, Mrope, and Ndungu (2015) relating specifically to agribusinesses.

Sales Turnover

Chong (2008) and Tarus and Ng’ang’a (2013) agreed that profit or sales turnover is an objective indicator that is easy to measure and defines profit as revenue earned when the cost of outputs exceeds the cost of inputs or when the return from sales is higher than the cost of production. All things constant, a growing enterprise is expected to evidence incremental profits. As noted by Chong (2008), this definition allows for subjectivity and variant interpretation, for example on what to include under the cost of production. A business must be careful to use the same definitions and parameters over different periods of measure to ensure the accuracy of data. The study considered business sales revenue recorded as an indicator for growth, comparing revenue recorded over the last four (4) years.

Number of Employees

The non-financial indicators as mentioned above by Chong (2008) are an increase in the number of employees, customer satisfaction, and customer referrals.
Birley and Westhead (1990) acknowledged that increase in the number of employees has for a long time remained an indicator of growth. Employees are likely to remain and join in a business that is offering new challenges that often come with growth and where they can see opportunities in the future. Measuring customer satisfaction may be a bit more complex than measuring an increase in the number of employees, employee turnover, and customer referrals. This is especially so for non-service-oriented enterprises dealing primarily with goods. The study, therefore, considered the increase in the number of employees as an indicator to track based on the availability of documentable data and the absence of subjectivity.

Key Success Factors and Growth of MSE’s

The profile of the business owner has been found to either positively or negatively affect the growth of the business (Wiklund et al., 2009). The Kenyan business sector is male-dominated and therefore male-owned businesses tend to perform better than female-owned businesses (Bowen et al., 2009). Even with the demographic changes, female-owned businesses still record lower growth and performance than male-owned businesses and the International Finance Corporation (IFC) attributes this to the numerous gender barriers and biases that mar female-owned enterprises (International Finance Corporation [IFC], 2006).

Studies indicate that businesses owned by older entrepreneurs possess stronger industry knowledge and tend to perform better (Alsharkas, 2014). This is closely related to the demographic that ventures into the enterprise and according to the World Bank Group (2016) most businesses in the micro sector are owned by entrepreneurs aged above 35 years. Muriithi (2017) noted that the limited competency and capacity of the owner was one of the key limitations to the growth of the MSE. This implies that a higher educated and experienced entrepreneur would realize higher growth and better
performance in their business. Kamunge et al. (2014) posited that most low levels of education and lack of previous managerial experience of business owners in the micro sector results in management decisions that are more intuitive and less analytical, these decisions are then not able to carry the business into sustained performance and growth.

Similarly, in as much as the business owner profile affects the business growth, the profile or characteristics of the business itself also affect growth. Alsharkas (2014) suggested that older or mature enterprises tend to demonstrate better business performance. This is consistent with studies by Onsongo and Muturi (2015) who found that businesses need to go through a learning curve to gain industry experience and market knowledge, after which they begin to experience growth. Market and industry experience can be accelerated by the enterprises’ location through proximity to similar business and according to Porter (1998), the location of the business concerning its proximity to complementary, supplementary and competing enterprises can positively affect the business performance through the advantages of economies of scale, information and knowledge sharing, and connectivity.

Savaram (2019) also suggested that positive competition does not hinder growth but rather positively contributes to it. It is almost unanimously agreed and widely suggested that access to finance is the turnkey for business growth with most authors suggesting that there is a positive correlation between the two. Afande (2015) and Bouri et al. (2011) said that finance is critical for business growth, while the International Fund for Agricultural Development (IFAD) recognized the same importance of finance they have found that access, availability, and affordability of the finance are huge barriers faced by micro-enterprises in the agricultural sector (International Fund for Agricultural Development [IFAD], 2009). Recognizing that business financial needs could be met through various sources and is not restricted to the conventional cash from
bank, governments play a key role in easing the capital needs of micro and small businesses through government incentive programs such as public procurement schemes allocating a budget amount specifically for micro and small businesses or schemes that pay these businesses in advance to allow them to meet operational costs (ADB, 2012; Gitonga, 2014). The extra boost from the government supports the micro and small enterprises with financial and technical resources that translate to better business performance and growth of the enterprise.

Empirical Literature Review

Studies have been conducted to identify the factors that continue to influence the growth of SMEs. Filser et al. (2014) consistently found that indeed the business owner was a key driver of MSE growth. The owner characteristics such as innovativeness, proactivity, and risk attitude had a direct influence on enterprise performance. This was consistent with the findings of Bouazza et al. (2015) who added a dimension to the owner attributes influencing MSE performance. They found that the age and gender of the business owner also played a key role in influencing the entrepreneurial orientation. Yeboah (2015) tested the hypothesis of the relationship between gender and growth of the MSE. Yeboah studied 121 MSEs to determine the influence of owner gender on sales and the study showed that female-owned enterprises are more likely to fail than male-owned enterprises. Yeboah (2015) also tested the relationship between the age of business owner and enterprise growth. The research used age pools of between 30 to above 60 years of age. Information collected showed that enterprises whose owners were within the 30–39 age bracket experienced the highest increase in sales and those above 60 experienced the highest decrease in sales. Contradictory positions have been held as to whether the entrepreneur is a positive or a negative driver for the growth of the MSE. Bouazza et al. (2015) posited that the absence of objectivity or varied
opinions in MSEs, the reliance on the potentially subjective owner/entrepreneur, would negatively affect enterprise growth. A comprehensive study conducted by Bouri et al. (2011) found that access to finance was a major link between MSE and growth in Africa. This was consistent with later research conducted by Afande (2015) that found finance to be the key to unlocking growth in the sector and that there exists a positive relationship between the two. Waliaula (2013) studied 48 Kenyan micro and small enterprises on the effect of access to finance on their sales volumes and evidenced that availability and access to credit had a positive impact on the increase of sales for these enterprises. The research demonstrated that above 60% of the enterprises benefited with an increase in sales as a result of access to credit. The research also revealed that their total assets increased through the same resources.

Bowen et al. (2009) sought to identify the relationship between growth and the factors influencing growth. Bowen et al. (2009) found that the MSE sector is dominated by owner-managers with relatively low education levels, however, the study found that there was no direct relationship between education level and enterprise performance. Business owners that received targeted training on their business reported that they experienced growth. The research also found that there is a positive relationship between MSE performance and the age of the enterprise. Younger enterprises reported to be struggling while the more mature enterprise reported growth.

Osano and Languitone (2016) found that the majority of the MSE enterprises did not access finance from the traditional financial institution, the sector players would use alternative sources such as investment groups or savings and credit co-operative societies (SACCOS).

Ongolo and Awino (2013) presented studies on the relationship between MSE growth and public sector engagement, the research findings indicated that countries
where there is strong dialogue and public sector support demonstrated lower enterprise failure rates and stronger MSE performance. The public sector assistance researched by Ongolo and Awino explored sectoral assistance areas of extension—which included sector education, market, infrastructure, and pricing regulation to protect small enterprises from middlemen and larger enterprises.

Afande (2015) found a positive relationship between the age of the enterprise and overall business growth. In Afande's research findings 86% of the enterprises identified were found to have positive growth indicators related to the number of years they had been in business.

In the area of agriculture, Kamunge et al. (2014) observed that managerial experience, access to finance, access to information, and government policies and regulations were strategic factors that fostered agribusiness growth. They found that where agribusinesses had the right set of skills to run the business, were able to access affordable finance and operate in an enabling business regulatory environment; these businesses improved their performance.

**Conceptual Framework**

The conceptual framework is the model upon which the research will be based. It demonstrates the relationship between a dependent and an independent variable. Figure 2.1 shows this study’s conceptual framework.
**Independent Variable**

Strategic factors influencing growth:
- Business Owner
- Business characteristics
- Access to finance
- Government financing programs

**Dependent Variables**

Indicators of growth
- Increase in sales turnover
- Increase in the number of employees

- Micro-economic performance of the County
- The enterprises business strategy
- Business regulatory environment

**Intervening Variables**

*Figure 2.1: Conceptual Framework*

Source: Author (2020)

**Discussion**

The independent variable for this study was the key success factors that influence the growth of SMEs. These key success factors have been discussed and suggested to be; the business owner, the enterprise, access to finance, and government financing programs. The research studied the relationship between these factors and the dependent variable, which is growth and whose indicators are the percentage change in sales revenue and percentage change in the number of staff. The author believes that the key success factors do not result in growth in isolation but rather are a result of how the enterprise interacts with them.

**Summary**

There is a plethora of research done on the factors influencing the growth of MSEs over the past decade. Scholars, governments, development organizations have sought to better understand this very important sector, the sectoral dynamics, and ways in which they can intervene to accelerate growth and improve the sustainability of the
businesses. The factors influencing growth mentioned above are not new and many sector players are aware of these, why then do MSEs have such a low success rate? This study looked at the well-known key success factors and their effect on business growth. It sought to argue that the constraints may be reduced but the reduction may not necessarily cause a positive relationship to growth.
CHAPTER THREE
RESEARCH METHODOLOGY

Introduction

This chapter discusses the research methodology used in this study. It introduces the research design, target population, and proposed sampling method, the data analysis methods, and the analysis tools used to analyze information gathered and the data collection methods to be employed. The data presentation method is also discussed in this chapter.

There are many definitions to research; however, this gives only a few of them. Research can be defined as the search for knowledge, the art of scientific investigation, or a movement from the known to the unknown (Kumar, 2008). It brings in a unique contribution to already existent knowledge for purposes of improving the knowledge. Research involves the collection of data to help answer questions on specific problems (Bailey, 1994).

Some of the common objectives of research studies are: to get new insights into a subject area, to predict and explain phenomena, to solve a social problem, and to test a causal relationship theory between variables (Bailey, 1994; Hair Jr., Celsi, Money, Samouel, & Page, 2011; Kothari, 2008; Kumari, 2008).

Research Design

Research designs are plans that seek to explain strategies used to find answers to the research questions and also explains how the research strategy will be put into action, articulating how, when, and where data will be collected (Walsh & Wigens, 2003). The research design selected is dependent on several variables and it is advisable for a researcher to first look at the secondary data established before selecting their research design (Hair et al., 2011). There are several types of research designs; the type
selected often depends on the scientific method of research to be employed. Some of the research design types are; exploratory design, descriptive design, experimental design, case studies, cross-sectional design, longitudinal design, observational design (Hair et al., 2011). This research study used descriptive research design.

Descriptive Research Design

As the word implies, this research design aims to describe the target populations' characteristics, it aims to answer the questions where, what, and when (Walsh & Wigens, 2003). Its process involves the collection of information and relevant data to test a hypothesis on a selected population or the relationship between variables (Mugenda & Mugenda, 2003). It is generally agreed that MSEs are the key to unlocking the economic growth of a country and are the answer to many national growth indicators such as unemployment rates and poverty. Researchers have extensively written about the sector, its sub-optimal growth, and the potential from interaction with certain key success factors such as the business owner, the age of the enterprise, the location of the enterprise, government policy, and interventions, and access to finance (Afande, 2015; Muriithi, 2017; Onsongo & Muturi, 2015; Porter, 1998). The relationship between the key success factors and growth of the business is believed to be correlated therefore, a descriptive research design would be appropriate (Walsh & Wigens, 2003). This study used the descriptive research design as it looks at how these key success factors influence the growth of MSEs, it analyzed selected key success factors that would result in growth for the business.
Population

A population is also known as a universe and it is used to identify the field of investigation – it refers to all the items in the specific field (Kothari, 2004). Specifically relating to this research, a population can be defined as the entire group of individuals having a common characteristic (Mugenda & Mugenda, 2003). The research focused specifically on the agriculture sector as it forms the main economic activity engaged in by the larger population in Kenya. In Kenya, the agriculture sector was the highest GDP contributor at 30% in 2015, and with most agricultural products contributing to the balance of payments (KNBS, 2016). The study also specified the location as Murang’a County as it is a hub for businesses in the agriculture sector. The total population (N) of registered agrovets in Murang’a is 192 (County Government of Murang’a, 2017).

Target Population

The target population refers to the population to which the researcher makes inferences. This should be theoretically countable, observable and exist within a specific time frame. The units of the target population must also be specified (Walsh & Wigens, 2003). The target population for this study was made up of all the registered agrovets in Murang’a, a total of 192 agrovets (County Government of Murang’a, 2017). Table 3.1 shows the target population for the study.
Some populations are too large to use in totality for research. In such cases, a sample is used. A sample can be defined as the subset of a population (Hair et al., 2011). Sampling is the process of selecting a small number of individuals or experiments from the total population. This selection is intended to be a representation of the larger group (Mugenda & Mugenda, 2003). In the sampling process, a sample design is carefully selected and used to obtain the sample from the population size.

The study sampled 50% of the agro-vets licensed in Murang’a, which, according to Mugenda and Mugenda (2003), is acceptable. The sample was then be stratified based on the eight (8) sub-Counties in Murang’a County as per the sample frame below. The research used 99 businesses and targeted the business owner as the respondent. To ensure adequate representation, the apportionment basis was 50% of the businesses in each sub-County. The sample frame is represented in Table 3.2.

### Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Sub-counties</th>
<th>Total Agrovets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kangema</td>
<td>29</td>
</tr>
<tr>
<td>Mathioya</td>
<td>15</td>
</tr>
<tr>
<td>Kiharu</td>
<td>11</td>
</tr>
<tr>
<td>Maragua</td>
<td>20</td>
</tr>
<tr>
<td>Gatanga</td>
<td>20</td>
</tr>
<tr>
<td>Kandara</td>
<td>29</td>
</tr>
<tr>
<td>Kigumo</td>
<td>49</td>
</tr>
<tr>
<td>Kahuro</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>192</td>
</tr>
</tbody>
</table>

County Government of Murang’a, 2017)
### Table 3:2: Sampling Frame

<table>
<thead>
<tr>
<th>Sub – County</th>
<th>No. of Agrovets</th>
<th>No. of business to be sampled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kangema</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td>Mathioya</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Kiharu</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Maragua</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Gatanga</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Kandara</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td>Kigumo</td>
<td>49</td>
<td>25</td>
</tr>
<tr>
<td>Kahuro</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>192</strong></td>
<td><strong>99</strong></td>
</tr>
</tbody>
</table>

## Sampling Techniques

Sampling techniques are approaches applied to a large group of data points to select a subset of individual data points that would be representative of the larger population universe (Mugenda & Mugenda, 2003).

The two sample techniques used in research are probability sampling and non-probability sampling. Probability sampling uses statistical inferences and is deemed to be quite objective as it applies the rules of probability and has a fairly high degree of accuracy (Mugenda & Mugenda, 2003). Non-probability sampling is used more often due to cost and time constraints however, the degree of accuracy is lower than that of probability samples (Walsh & Wigens, 2003). Non-probability sampling is normally used for qualitative research and often uses judgment in the sample selection process (Hair et al., 2011).

The study used simple random probability sampling. Probability sampling is defined as sampling where every entity has an equal chance of selection. Probability sampling contains further sub-sets such as simple random sampling, systematic sampling, cluster sampling, stratified sampling, multi-stage and multi-phase sampling. The sampling framework used in this study included all the registered agrovets as in table 3.1. Data was collected from the business owners or managers available
businesses located in the County local town that was operational on the data collection date in each sub-County.

Data Collection Instrument

The data collection tools can be broadly grouped into two: communication and observation (Walsh & Wigens, 2003). Communication comprises of interviews and questionnaires, observation comprises of observation and recording of the subjects under the study. Information for this research is to be obtained using the communication classification.

A questionnaire is a schedule of various questions intended for self-completion by survey participants (Walsh & Wigens, 2003). It is a cost-effective method of acquiring information especially from a large or sparsely located group of respondents. In addition, it also allows for anonymity. Questionnaires were used in this research because of the element of anonymity as some of the information required such as annual turnover, was sensitive. Also, due to the different locations of the businesses, it was found to be more effective to use questionnaires to gather more information. All business owners included in the sample were requested to complete the questionnaire and where the business owner was not actively involved in the business, the business manager completed the questionnaire.

Research Data

There exist two major types of data; primary data which is information gathered directly from the source for purposes of the study and secondary data which is information gathered from the published work of other authors (Mugenda & Mugenda, 2003). Data can also be classified as quantitative or qualitative, with the main distinguisher being the numerical nature of the data. Qualitative data is non-numerical
and usually holds a lot to meaning and interpretation, whereas quantitative data is numerical and more scientific (Babbie, 2013). Qualitative data is often used in narratives, case studies, and theories whereas quantitative are often used in experimental designs and some non-experimental designs such as surveys (Babbie, 2013). This research used both primary and secondary data as sources of information. The primary data was obtained from the respondents’ feedback to the questionnaire, while secondary data was sourced from a wide range of published works. The research also used both qualitative data provided by the respondents and quantitative data generated from analysis of the data collected. The qualitative data contains information on the different profiles of the business and business owners, their experience in accessing finance, and government financing initiatives. The quantitative data contains the information on the growth indicators, the age of the enterprise, the age of the business owner, the location, and competition to the business, and the technology used.

Data Collection Procedure

The research was based on both primary and secondary data. According to Kothari (2004), primary data is collected through observation or direct communication with respondents, the approaches to direct communication include but are not limited to face interviews and administering of questionnaires. The primary data collection procedure for this research study was questionnaires. Questionnaires were disseminated for data collection to each of the 99 businesses included in the sample. The questionnaires were completed by the business owner or in their absence, by the business manager (most senior person operating the business). Data collection from the questionnaires was administered by a qualified team of two (2) enumerators who are proficient in the local language and were be able to translate and respond to any clarifications that the respondents sought. The enumerators were trained on the
structure and content of the data collection tool to ensure effective administration and accurate feedback responses. The data was collected in January 2020 and is representative of businesses in eight (8) sub-counties in Murang’a.

Pretesting

Pretesting of questionnaires is essential to avoid pitfalls after administering the data collection tool, as a screening method, it allows the researcher to try the questionnaire on a smaller group of respondents initially to allow for feedback and corrections (Walsh & Wigens, 2003). This approach helps the researcher to minimize wrong answers due to misinterpretation of questions or blanks in questionnaires due to respondents’ misunderstanding of questions.

The questionnaire was pretested to ensure that the questions were relevant, clear, and understandable. It involved ten (10) respondents, 5% from the target population of 192 agrovets. The respondents were picked from similar businesses but not were not included as final respondents in this study. The pretesting confirmed the reliability of the research tools including the wording, structure, and sequence of the questions.

Reliability and Validity

The reliability and validity are measurement methods that ensure rigor in the research and they are used to confirm the consistency and accuracy of the data collected. They use the specified tools and can be measured in two ways; content, and structure (Price, Jhangiani, & Chiang, 2015). Under content and construct, the validity of the research instrument was tested through the pretesting of questionnaires with select respondents to identify any gaps that exist. The reliability can be measured using three approaches; over time also known as test-retest, internal consistency, and inter-rater
reliability (Price et al., 2015). The reliability of this study used the test-retest method of ten respondents to ensure the consistency and stability of the research tool. The results returned a correlation of 0.8. Price et al. (2015) indicated that a correlation above 0.8 is acceptable and indicates good reliability.

Data Analysis Plan

Data analysis is carried out after all data has been collected and is a process used to make sense of the data. The type of data analysis tool that would be used is dependent on the type of data, that is; is the data qualitative or quantitative (Walsh & Wigens, 2003). To analyse quantitative data, frequency tables, and statistical software packages can be used (Walsh & Wigens, 2003). The quantitative data in this research were analysed using simple tables in MS Excel format to provide summaries and Tableau, an analytics software package for more detailed analysis. The qualitative data analysis process begun by coding the various categories for standardization of classification, and then data was analysed using excel and tableau, this is more ideal as the information gathered was large and would have been time-consuming if not well planned. The data has been presented using frequency tables and charts in the next chapter.

The study used regression analysis to identify the existence and nature of the relationship between the independent and dependent variables. Regression analysis is a test used to compare the dependent and independent variables to identify the existence of influence and the extent of impact (Gallo, 2015).

Ethical Considerations

Ethical considerations in research can be defined as ensuring that the researcher conforms to the standards of conduct of the authorities in the area of research. Examples of ethical issues that may arise are voluntary participation of respondents, deception to
participants, anonymity, and confidentiality of information given, analysis and reporting, harm or danger to participants, and any other professional code of ethics expected (Babbie, 2013). To ensure that the research is done ethically according to the expectations of all authorities, the researcher verbally requested the consent of the respondents before administering the questionnaire. In addition, the researcher obtained an approval from the Ethics Review Board (ERB), a letter from Daystar University School of Business and Economics, and a permit from the National Council of Science and Technology (NACOSTI).

Summary

This chapter has introduced the topic of research, exploring research design, types of data, data collection and analysis tools and ethical considerations to be considered during research. The research used both primary and secondary data as information sources, and data was analysed using MS-Excel and Tableau Analytics. Permits and approvals were obtained from Daystar University and the National Council of Science and Technology to ensure that research was done within the standards and regulations of each authority.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

Introduction

This chapter presents the analysis and interpretation of the data that was collected from agrovet owners and/or managers in Murang’a County, Kenya. The purpose of the study was to evaluate the effect of key success factors on the growth of micro and small enterprises in Kenya, specifically agrovets in Murang’a County. The data was collected using questionnaires, which were administered to 99 respondents, analysed using data reduction and statistical measures to transform the data into insightful information, and finally presented using statistical distribution tables and charts.

Analysis and Interpretation

This section examines the demographics of the respondents and business profile and trend. Major focus is on the gender, age, education, business management experience, business registration status, age of the business, competition, access to conventional finance, access to government financing programs and sale volumes. The analysis provides a better context of the specific study findings and informs the recommendations provided in the conclusion.

Response Rate

The study’s target sample size was 99 respondents. Out of 99 questionnaires that were distributed, 94 questionnaires were duly filled and returned. This accounts for 95% response rate. According to Babbie (2013), a response rate of 80% and above is excellent. This implies that this study’s response rate was excellent to draw conclusions and recommendations. The high response rate was achieved because questionnaires...
were administered to the highest officers available at the business premise, of whom 91% were the owners of the business while 9% were business managers. The research obtained responses from one person in each business.

Demographic Information of the Respondents

Gender of the Respondents

The research sought to identify the gender distribution of the respondents. The results were as presented in Figure 4.1.

![Figure 4.1 Distribution of Respondent by Gender](image)

The results shown in Figure 4.1 revealed that there was a significant gender difference within agrovet business owners in Murang’a County, Kenya: Male respondents were 59(63%) while female respondents were 35(37%). The gender statistics indicated that there were more men running agrovets in Murang’a County compared to the number of women running agrovets. This finding is in line with other studies, which had indicated that there is more male dominance in the Kenyan business sector (Bowen et al., 2009).

Age of the Respondents

The study sought to identify the age of micro and small business owners and managers. The results from the question on age were as presented in Table 4.1.
Table 4.1: Age of Respondents

<table>
<thead>
<tr>
<th>Age interval in years</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>18–26</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>27–34</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>35 and above</td>
<td>71</td>
<td>76</td>
</tr>
<tr>
<td>Total</td>
<td>94</td>
<td>100</td>
</tr>
</tbody>
</table>

The results found that there were no business owners/managers below the age of 18 and that the existing business owners/managers were within three age categories. The majority of the respondents at 71(76%) were 35 years of age and above while those between ages 27 and 34 years accounted for 22(23%) of the respondents. Only 1(1%) were below 26 years of age.

The findings indicated that the agrovets are dominated by business owners above 27 years with the majority being above 35 years, this is similar to other studies that found the average age of business owners in the micro sector to be 35 years (World Bank Group, 2016). It is notable that mostly, young people do not engage themselves in the agricultural sector. According to MOALF, the negative perceptions among the youth towards agriculture is associated with limited skills and knowledge, and inadequate policies to enable youth participation in agrovets (Ministry of Agriculture Livestock & Fisheries [MoALF], 2017).

Formal Education Level of the Respondents

In terms of education, the respondents indicated their highest level of formal education as shown in Figure 4.2.
In terms of the respondent’s formal education level, the study found out that 92(98%) of the respondents had received a minimum of secondary education, with only 2(2%) having reached primary education as the highest level of formal education. The results also indicated that only 8(9%) had attained a university degree, with most respondents, 45(48%) having attained a diploma and 39(41%) a secondary school certificate respectively. This is consistent with other findings that individuals achieving higher education prefer to be engaged in formal employment and not in entrepreneurial activities (Bosire & Etyang, 2003).

Respondents Managerial Experience

The researcher asked respondents whether they had previous years of experience in managing businesses. The results are presented in Figure 4.3.
The results found that only 19 (20%) respondents had previous experience in owning or managing a business before they started the existing one, which is consistent with findings by Adisa et al. (2014). This limited experience likely translates to business performance and may translate to the results found in business growth areas of revenue and employment. The level of prior experience in running businesses is expected to contribute significantly to business success. However, the fact that most business owners had no experience may indicate that there is a high level of ease in starting agrovets businesses and the sector allows entrepreneurs to gain experience through learning obtained while already running the business.

Profile of the Business Enterprises

Age of the Enterprise

The study aimed to establish the number of years that the business had been in existence. The results are presented in Table 4.2.

Table 4.2: Distribution of Agrovets by Years of Existence

<table>
<thead>
<tr>
<th>No. of years of enterprise existence</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1-3</td>
<td>10</td>
<td>10.64</td>
</tr>
<tr>
<td>4-5</td>
<td>13</td>
<td>13.83</td>
</tr>
<tr>
<td>Above 5</td>
<td>71</td>
<td>75.53</td>
</tr>
<tr>
<td>Total</td>
<td>94</td>
<td>100</td>
</tr>
</tbody>
</table>
All the businesses sampled in the study had existed for more than one (1) year, with most of the respondents, 71(76%), having been in existence for five (5) years or more. Only 10(11%) of the businesses had been in existence for less than three (3) years. With the majority of the businesses being in existence for five (5) years or more at 71(76%), it shows they had already passed the stage where 90% of businesses fail and are in their growth stage (Muriithi, 2017). This may also imply that most agrovets do not have a high failure rate and that is encouraging to the entrepreneurs in the sector as they are assured of business longevity.

Location of MSEs

The study sought to identify the location of the business premises. The location of a business premise is a key factor in business performance. The location of a business can be viewed from multiple lenses; proximity to its customer base, proximity to developed infrastructure such as roads or airports, proximity to other similar enterprises and proximity to supplementary and complementary services. In this study, all 94 (100%) respondents were operating businesses located in the sub-county local towns. The result on business location fits within the development of economic hubs where groups of similar businesses are located near each other to draw from economies of scale and connectivity (Porter, 1998). These hubs crowd in service providers who are attracted to the centralized consolidated market.

Competition

The study sought to identify whether the businesses had any proximity competition and the number of competing businesses within a five (5) km radius. The results from the study showed that there was existing and concentrated competition for the businesses. Almost all the respondents at 92(98%) noted that there were similar
businesses within a five (5) km radius of their businesses thereby signifying active competition. Only 1(1%) of the respondents indicated that there was no competition while one business did not respond to the question. The presence of competition among small businesses is a common practice in the micro sector due to the low investment requirement, low market entry restrictions, low formal skills requirement and similarity of commodities produced and sold. The research further sought to identify the number of competing businesses and the results are presented in Table 4.3.

<table>
<thead>
<tr>
<th>No. of competing businesses</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No competition</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1-2</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>3-4</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Above 5</td>
<td>63</td>
<td>67</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>94</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The findings indicated that the number of competing businesses was more than five (5) businesses in less than a five (5) km radius for the majority of the businesses at 63(67%), while 22(23%) respondents indicated that they had between three (3) to four (4) competing businesses in the same radius, and another 1(1%) indicated no competition. The concentrated constellation of businesses may be a product of intentional government development of rural commercial hubs that grow into local towns in a central area. The aim of such development is often to improve the efficiency of delivery of public services required by businesses. The findings on the number of competing businesses within close proximity reaffirms that competition is healthy and does not hinder business growth. This conclusion is supported by other similar studies on small business competition (Savaram, 2019).
Business Ownership

As to whether the respondents were the actual business owners, the results showed that most businesses were operated by the owners. Most of the respondents at 86 (91%) recorded that they are the owners of the business and they were the active managers of the business. The remaining 8 (9%) recorded that they were not the owners of the business but were the active managers. The prevailing trend of business owners also playing the role of business manager is commonplace for micro enterprises and is often associated with the size of the business from a revenue perspective. Most micro enterprises may not have adequate resources to engage additional staff. The results on business ownership indicated that MSE’s are often synonymous with the owner and the owners’ characteristics/profile that is consistent with other research (Adisa et al., 2014; Birley & Westhead, 1990; Pena, 2004).

Technology Use

The study sought to find out whether the businesses employed the use of technology in their operations and if so the kind of technology employed. About technology use, the study revealed that 91 (97%) used technology in their business and only 3 (3%) of the respondents recorded to use no form of technology, neither a mobile phone nor the internet. Similarly, most respondents at 80 (85%) used mobile phones as a type of technology while 11 (12%) used both mobile phones and internet enabled technologies. While 97% of the respondents used technology in their businesses, the type of technology was basic, mainly mobile phone applications for communication and mobile transactions. The businesses were not found to be using technology to maintain customer and supplier databases or to maintain sales records. Technology is increasingly growing as the modern currency for driving efficiency in business performance. In an era where data is imperative for designing targeted solutions for the
market, businesses must maximize the utility of accessible technology in order to have first mover advantages and to scale their businesses. For businesses like these micro-businesses, technology would be beneficial in helping collect, track, and analyze data that would help inform their business decisions.

Access to Finance

The study sought to identify how the respondents financed their business and the sources of from which they obtained the finance. Respondents were asked how they financed their business activities and it was found that most respondents at 52(55%) were using their own personal funds and borrowing additional funds from various external sources to boost their capital injection. Likewise, out of the total respondents, 42(45%) recorded that they were self-financing and 52(55%) recorded that they had mixed sources of funds, both self and borrowed from financing institutions.

Concerning the respondents’ business sources of finance, different sources were given as shown in Table 4.4.

<table>
<thead>
<tr>
<th>Source of finance</th>
<th>Sum of Respondent No.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance</td>
<td>19</td>
<td>20%</td>
</tr>
<tr>
<td>SACCO</td>
<td>33</td>
<td>35%</td>
</tr>
<tr>
<td>Self</td>
<td>42</td>
<td>45%</td>
</tr>
<tr>
<td>Total</td>
<td>94</td>
<td>100%</td>
</tr>
</tbody>
</table>

The results indicated that to supplement self-raised funds, most businesses at 33(35%) borrowed from Savings and Credit Co-operative Societies (SACCOS). A few others at 19(20%) borrowed from micro-finance institutions and none of the respondents recorded to have borrowed funds from either family or shylocks. Micro enterprises are often viewed as too small, too risky and with high administrative costs by many investors and financial institutions, however, SACCOS being member-owned
organizations are more likely to provide smaller businesses better, less restrictive and more flexible credit terms which are similar to findings by IFAD (2009). According to the International Fund for Agricultural Development (2009), in agricultural finance, most lenders apply high charges due to risks emerging from information asymmetry. Information asymmetry is where the lender does not have sufficient information to comprehensively measure the risk and on the other hand, the borrower does not maintain sufficient historical records that can inform business performance projections that would provide assurance to the lender (Osano & Languitone, 2016). In addition to the challenge of information asymmetry lenders also highlight the challenge of costly administrative logistics in the rural areas where businesses may be sparsely located and with inadequate infrastructure, as well as the absence of agricultural expertise within the financial institution to develop appropriate products that are tailored to suit the uniqueness of businesses operating in agriculture such as seasonality (IFAD, 2009). The results on the most accessed source of finance also speak to the perception of the financial sector towards micro and small enterprises and towards the agricultural sector manifested in their hesitance towards lending to MSEs and subsequently imposing constraining accessibility conditions such as collateral and high-interest rates to cover their perceived risk (Capital Markets Authority, 2010).

Challenges Faced in Accessing Finance

The study sought to identify the challenges faced by the agrovet businesses in accessing external financing. The results are presented in Figure 4.4.
The research found that amongst the respondents that accessed external sources of finance, the most common challenge faced by the businesses 29(31%) was the high cost of debt such as the interest rate and heavy collateral requirements such as land title deeds and other immovable assets. Another 11(12%) businesses recorded a combination of the high cost of credit, heavy collateral requirements, and constraining eligibility requirements as the challenges faced. The high cost of debt as a standalone challenge was only experienced by 5(5%) of the businesses and this may be related to the source of debt financing being the SACCO. Additionally, heavy collateral requirement as a standalone challenge was experienced by only 5(5%) of the businesses and only 1(1%) each recorded that constraining eligibility requirements and limited options of providers as the challenges faced. The high cost of debt and heavy collateral requirements are common challenges experienced by MSEs and this is often as a result of both perceived and actual risk resulting from the absence of adequate information (IFAD, 2009; Osano & Languitone, 2016). The findings on challenges faced in accessing finance are also consistent with other studies conducted that indicated micro-enterprises are the most exposed and affected by barriers to finance in Kenya (Blattman et al., 2004).
Government Financing

The study sought to assess the level of awareness and extent of access to government funding programs developed specifically to support local MSEs, agriculture-based businesses, youth, and women. The study found that only 13(14%) of respondents were aware of government support financing programs. Interestingly, 81(86%) of the respondents did not have any knowledge of government support. The government finance program through the Agricultural Finance Corporation was most commonly known with 10 (11%) recording knowledge of its existence. This is likely because it is industry-specific and all businesses operating in agriculture may have opportunities to access the program.

There was very little knowledge of the youth fund and women fund with only 1(1%) business recording knowledge of each. This may be as a result of the financing programs being a part of a broader stimulus program and perhaps promoted more in other sectors other than agriculture. Out of the entire population of respondents, there were no reported cases of successful access to government financing under any of the stimulus programs. The results indicated that government funding programs designed to boost key sectors and demographics may not be as successful as intended in rural Kenya.

Growth Indicators

Sales Volume

The study sought to establish the annual business sales volume. The results attained from the respondents are presented in Table 4.5.
The findings indicated that most of the businesses recorded sales within the annual sales turnover bracket of Ksh. 240,000 or less at 61(65%) and only 4(4%) recording sales of above Ksh. 480,001. The results confirmed data recorded by the Kenya Bureau of National Statistics, indicating the 49.2% of MSEs record a monthly turnover of Ksh. 50,000 or less (Kinuthia, 2020). Similarly, MSEA records that micro-enterprises have an annual turnover of below Ksh. 50,000 (Micro and Small Enterprises Act, 2012, 2013). The results on sales volumes indicated that the agrovets in Murang’a County would best be classified as micro-enterprises that they are largely homogeneous and have limited variation to the product mix, pricing, or promotion of their goods and services.

In terms of annual sales changes between 2017 and 2019, the majority of the businesses 60(64%) did not record any change in sales turnover between 2016 and 2019, while another 28(30%) of the businesses recorded an increase in sales turnover within the four (4) year period. Notably, 5(6%) of businesses did not respond to this question. It can, therefore, be concluded that the majority of the respondents' businesses had not experienced any significant changes in their annual sales turnover. This is common for most small businesses since they offer the same products and services to the same target groups in the rural setting (Kirika, 2018; Zia, 2016).
Number of Employees

The research sought to identify the number of employees working in businesses. The results found that majority of agrovets were employed between one (1) to four (4) employees. An average of 86(92%) respondents reported consistently having between one (1) to four (4) employees over the last four (4) years, the other 3(3%) recorded having between five (5) to nine (9) employees over the same period. The employee size was consistent with findings from other research that found most micro-enterprises employ between one (1) to four (4) employees (Kamunge et al., 2014; World Bank Group, 2016). Only 2(2%) respondents, showed a change in the number of employees, from the one (1) to four (4) bracket to the five (5) to nine (9) bracket. This indicated that whereas the MSEs sector has the most potential to contribute to employment levels, the number of employees in the businesses was consistently low a conclusion consistent with a study conducted by the World Bank on enterprises in Kenya which found only 27% of the selected enterprises increased the number of employees they had within four (4) year periods (World Bank Group, 2016).

Effect of Key Success Factors on Growth of Businesses

One of the study objectives was to establish the effect of key success factors on the growth of businesses (agrovet) in Murang’a County. This section analyses the effect between the two variables (key success factors and growth of businesses). The business owner characteristics that were analyzed were gender, age, education, and managerial experience. The results found that 70% of the respondents recorded no change in sales turnover over the four (4) years. The results on business performance were consistent with other findings that most micro-enterprises in developing countries stay small and do not graduate to small or medium enterprises (Gomez, 2008). The results indicated that more male owned businesses than women owned businesses experienced growth.
in sales turnover. Out of the total sample size of businesses that demonstrated growth, 60% were male owned and 40% were women owned. The results correlated with the findings that overall more men (63%) than women (37%) were engaged as agrovet owners in Murang’a County and could be related to experience attained from the male dominance in the broader Kenyan business sector as found in research by Bowen et al. (2009). The research compared the level of formal education of the business owners with the change in annual sales turnover. Out of the 30% business that recorded growth, most (68%) had owners who had obtained a diploma as their highest level of formal education. The results indicated that education is a key success factor contributing to the growth of the enterprise. This findings on the relationship between level of formal education and business performance were confirmed in other studies such as Muriithi (2017) and Wiklund et al. (2009), which found that the skills, knowledge, and capacity of the business owner were critical to the business performance.

The research compared the age of the business owners with the change in annual sales turnover. From the enterprises that recorded growth, the majority, (82%), were owned by entrepreneurs above the age of 35 years. Businesses owned by individuals between the age of 27-35 represented 5% of the sample. Notably, businesses whose owners were below the age of 27 years did not record any growth. The results indicated that it is likely that experience gained with age impacts the growth of sales in agrovets. The findings on the relationship between age of the business owner and business performance were consistent with (Alsharkas, 2014), whose research suggested that enterprises owned by older or mature entrepreneurs had a stronger industry knowledge base.

The research compared the managerial experience of business owners with the change in annual sales turnover. The results indicated that of the enterprises that
recorded growth, 29% had previous managerial experience and 71% did not have previous managerial experience. This result on the correlation between previous managerial experience and business performance indicated that previous managerial experience may not be a strong enough factor in influencing the growth of business and that for micro-enterprises experience can be gained on the job and that business owner could learn in practice.

In summary, observing the results related to the business owner characteristics and the effect on the growth of the business using the indicator of sales turnover, it was found that the businesses with recorded growth were dominated by male owners above 35 years of age, the owners possessed a diploma certificate as their highest level of formal education and the owners did not have previous managerial experience. It can therefore be concluded that agrovets in Murang’a do not have heavy entry restrictions and new entrants do not require prior experience or advanced higher-level education to succeed and that men do better in the agrovet business than women.

Effect of the Enterprise Characteristics on the Growth of Business

The research compared the number of years the enterprise had been in existence with the change in annual sales turnover over the four (4) years and it found that most of the businesses with demonstrated positive changes in annual sales turnover (86%) had been in existence for five (5) years or more. Only 1% of the businesses aged below three (3) years recorded growth in sales turnover. This correlated with other studies that revealed the need for many businesses to go through a learning curve of the market and industry dynamics before experiencing positive revenue growth (Onsongo & Muturi, 2015).

The research compared the number of competing businesses with the change in annual sales turnover. The results revealed that enterprises (75%) with more
competition around them recorded a positive change in sales turnover. The results could be related to the centrality of other supplementary businesses, therefore, attracting a larger diversified market and allowing access to shared services such as labor, transportation costs, supply chain efficiency. The findings on business performance and competition confirmed other studies that postulated that there are complementary benefits of economies of scale when more businesses are concentrated in the same geographical location (Birley & Westhead, 1990).

In summary, the results related to the enterprise’s characteristics and the effect on the growth of sales turnover found that the businesses that had existed for more than five (5) years and with more than five (5) competing businesses in the same location had the greatest number of businesses recording the positive change in sales turnover.

Effect of Access to Finance on the Growth of Business

The research compared the source of financing acquired by the businesses and the change in annual sales turnover. The results found that of the businesses that experienced growth more of them, (64%) were using mixed (internal and external) financing models, while 36% of the businesses were relying solely on self-financing. The results on the performance of businesses using mixed financing indicated that additional financing could boost business performance by enabling business to expand operations. This is also consistent with other studies that found finance to be critical in supporting the growth of the business (Afande 2015; Bouri et al., 2011).

The results on the business financing option were further analysed to understand the source of the external finances. The results found that most businesses that (Johnson & Christensen, 2012) experienced growth (50%) accessed external financing from SACCOS and only 14% accessed credit from microfinance institutions. The findings indicated a stronger affinity to credit from SACCOS than from microfinance.
institutions and commercial banks. According to the Kenya Union of Savings and Credit Co-operatives (KUSCCO), SACCOS by being member-owned and member-controlled exist to support their members meet their socio-economic needs and therefore offer better tailored and favourably priced financial products to their members (Kenya Union of Savings and Credit Co-operatives, 2017). The findings related to the accessibility and suitability of SACCO financial products is also consistent with the findings from IFAD that reported commercial lenders as having high charges due to risks emerging from information asymmetry, administrative logistics in the rural areas, and absence of agricultural expertise to develop appropriate products (IFAD, 2009).

Effect of Government Financing Programs on the Growth of Business

The research sought to find whether a relationship existed between accessing and application of government financing and the growth of the business. The results found that none of the businesses in the sample had been successful in accessing government financing programs, with 86% of them not even being aware of their existence.

The results indicated that government funding programs designed to boost key sectors and demographics may not be as successful as intended in rural Kenya or with micro-enterprises. This could be a product of poor awareness creation of programs available, complex and constraining registration and access requirement, high cost of registration, lack of business historical performance data (Innovations for Poverty Action, 2015).

Regression Analysis

The data collected was analysed to identify the strength of the relationship between the variables and to identify the effect of one variable on another. The research used multiple regression analysis to inform conclusions. Regression analysis is a test
used to compare the dependent and independent variables to identify the existence of influence and the extent of impact (Gallo, 2015).

Regression of Business Owner Characteristics on the Growth of the Enterprise

Data was collected on the demographics of the business owner and compared to the growth in annual sales turnover of the enterprise. It was then analysed using regression analysis of the business owner against growth in sales turnover. The coefficients results indicated that gender has a negative correlation with sales turnover, and this was interpreted to mean that as more women enter the market and become business owners, the gender of the business owner will not affect the growth of the business. The age, education, and managerial experience had a positive correlation with sales turnover, and this was interpreted to mean that the older, more educated, and more experienced business owner would positively affect the business growth. It can be concluded that higher education, managerial experience, and age as characteristics of the business owner, are likely to positively affect the growth of the business. As there were no changes in the number of employees for the businesses sampled, regression analysis was not performed on the variable.

Regression of Business Characteristics on the Growth of the Enterprise

The data collected on the business was compared to the growth in annual sales turnover of the enterprise and the results were analysed using regression analysis. The coefficient's results indicated that the age of the enterprise, the level of competition, the status of business ownership, and the use of technology were all positively correlated to business growth. This was interpreted to mean that businesses would experience more growth if they had been in existence for longer and were located where there was healthy competition. Also, the more the business used technology in its operations the
higher the growth. As there were no changes in the number of employees for the businesses sampled, regression analysis was not performed on the variable.

Regression of Access to Finance on the Growth of the Enterprise

Data was collected on the enterprise's access to finance and compared to the growth in annual sales turnover of the enterprise. The data was then analysed using regression analysis. The coefficients results indicated that the type of finance (external or internal) was positively correlated with the growth of the business and the more a business can accessed financing the more likely it was to realize positive changes in its sales turnover. The source of finance was negatively correlated with the growth of the business and this was interpreted to mean that all factors considered constant, the source of finance (such as SACCO, microfinance, bank) would not affect the growth of the business. As there were no changes in the number of employees for the businesses sampled, regression analysis was not performed on the variable.

Regression of Government Financing on the Growth of the Enterprise

The data collected on government financing programs was compared to the growth in annual sales turnover of the enterprise and then analysed using regression analysis. The coefficient for government financing was zero and this was because none of the businesses had successfully accessed government financing. Therefore, there was no demonstrated effect of financing initiatives on the growth of the business.

Summary of Key Findings

1. Technical education is a key success factor for micro-enterprises to grow. In Murang'a, most business owners (67%) that experienced business growth had attained a diploma as their highest level of formal education.
2. Agrovets that had been in existence for longer realized better business performance and this finding could be closely related to the finding that most business owners had no prior business management experience. It can be concluded that the sector was characterized by businesses that grew with gained practical experience.

3. Majority of the businesses with growth (75%), had more than 5 competing businesses within a 5km radius of their location. This was consistent with other studies that found that business clusters provide for economies of scale to cost and shared knowledge and information channels (Economist, 2009; Porter, 1998; Savaram, 2019).

4. Access to finance was found to be a key success factor for growth as 64% of the business with growth were using both internal and external financing in their business. This was consistent with other studies that found access to finance as the turnkey for growth (Afande 2015; Bouri et al., 2011).

5. SACCOS (35%) were the preferred provider of financing by the micro-enterprises and is consistent with other research findings that recognized the pivotal role SACCOS play in serving the micro and small enterprise sector (Bouri et al., 2011; CBS, 1999; Osano & Languitone, 2016).

6. There was very little knowledge of government financing programs with the business owners in this study. Only 14% were aware of at least one program and none of the businesses had been successful in accessing finance from the government. This was a critical finding as it indicated a failure rate of government financing programs since the intended recipients had no knowledge of the programs and had not accessed or utilized the programs.
Summary

This chapter has covered the data analysis and interpretation thereof to identify the existence of a relationship between different key success factors of growth and actual growth of the MSEs, as well as the strength of the relationship. The main findings of the investigations were summarized in each section and finally, a comparative analysis of different factors was provided. The study has found that key success factors of the business owner, the business characteristics, and access to finance affect the growth of the enterprise.
CHAPTER FIVE
FINDINGS, CONCLUSION, AND RECOMMENDATIONS

Introduction

This chapter concludes the research study by looking at the summary of the findings, linking the findings with the research objectives, the author’s conclusions and includes recommendations and suggestions for future research.

The study sought to evaluate the effect of selected key success factors on the growth of MSEs in Murang’a County, Kenya. The literature review upon which the research was anchored, provided for several growth theories including; growth by management; growth through the optimized application of resources, growth through competitive advantage such as location, and growth through access to financial resources. The study administered questionnaires to 94 different MSEs located in the County. The data collected was quantitative and was analyzed using both excel and tableau data analysis software. The questions collected general information of the businesses, indicators of growth, and data on the business status as relates to key success factors. The intention was to identify if the businesses were growing or not growing because of employing the strategies.

Discussions of the Key findings

Key Success Factors Influencing Growth of Micro and Small Agricultural Agrovet Enterprises in Murang’a County, Kenya

The research found that majority of the respondents were male (62%) thus indicating that there are more men running agrovets in Murang’a compared to women. The findings on male dominance in the ownership of agrovets was in line with other studies that showed more male dominance in the Kenyan business sector (Bowen et al., 2009). Most of the respondents were above 35 years of age (75%), which indicated that
the agrovets were dominated by business owners above 35 years. This finding was consistent with studies conducted by the MoALF that found young people did not engage themselves in the agricultural sector (MoALF, 2017). The highest mode of formal education attained for most respondents (48%) was a diploma with only 9% of the respondents having attained a university degree. The education level evidenced would not be classified as low, which is contrary to several scholars who indicated that MSEs were characterized by very low education (United Nations Development Programme, 2015). However, it was notable that there were very few degree holders (9%) running agrovets in Murang’a. This low number may be attributed to findings that individuals achieving higher education preferred to be engaged in formal employment as opposed to entrepreneurial activities (Bosire & Etyang, 2003).

Most of the respondents (91%) owned the business and had no previous experience in business management, which according to scholars is a significant contributor to business success (Kamunge et al., 2014; Pena, 2004). Most businesses had been in existence for more than five (5) years (76%), having gone through the business learning curve and crossed past the five (5) years decline marker. All the businesses were located within the local town, and 98% had active competition, with 68% having more than five (5) competing business close to them. Previous studies have indicated such competition can be beneficial to the business performance and growth (Birley & Westhead, 1990; Porter, 1998; Savaram, 2019). About financing the business, 56% of the respondents used mixed financing from their resources, supplemented with financing from mostly SACCOS. Access to finance has been recorded by many scholars as a key ingredient for business growth (ADB 2012; Afande 2015; Bouri et al., 2011). None of the businesses had successfully accessed government funding and only 16% were aware of the government funding mechanisms available to them.
It can therefore be concluded that the agrovets in Murang’a County were male dominated, run by business owners who are diploma holders, above the age of 35 with no previous managerial experience. Most of the businesses had been in existence for more than five (5) years and existed with active competition from similar businesses around them. Most businesses used their funds to finance the business operations, with a percentage supplementing this with external finance from SACCOS. Government financing programs had not been adequately promoted, communicated, adapted or used in the running of the agrovets. The conclusion is consistent with other studies that reported similar findings in the sector (Bosire & Etyang, 2003; Bowen et al., 2009; Kamunge et al., 2014; MoALF, 2017; Muriithi, 2017; Onsongo & Muturi, 2015; Savaram, 2019; World Bank Group, 2016).

Indicators of Growth within the Micro and Small Agricultural Agrovet Enterprises in Murang’a County

The study considered two indicators of growth for research; annual sales turnover and an increase in the number of employees. The results found that 70% of the businesses recorded no change in the annual income from sales over four (4) years, with the majority (65%) recording an annual turnover of Ksh. 240,000. Only 4% recorded an annual sales turnover above Ksh. 480,000. The findings were consistent with KNBS and MSEA reports that stated the maximum monthly turnover for micro-enterprises as Ksh. 50,000 (Kinuthia, 2020; MSEA, 2013). The findings were also consistent with other research findings that many micro-enterprises are not profitable (Kirika, 2018, Zia, 2016).

The indicators of an increase in the number of employees and sales turnover have also been commonly considered by other scholars (Barkham et al., 1996; Chong, 2008; Tarus & Ng’ang’a, 2013; Mwamuye et al., 2015). About employees, 92% of the
respondents had the same number of employees (between one to four) over the four (4) year period, and 99% recorded that their staff was employed on a full-time basis, the results were consistent with data on the definition of micro enterprises in Kenya (MSEA, 2013). It was concluded that annual turnover provided a stronger indication of growth than the change in staff numbers.

In conclusion, the majority of the agrovets in Murang'a made less than Ksh. 240,000 in annual sales turnover and employed between one (1) to four (4) employees. The majority of agrovets did not experience any positive change in sales or staff employed. This could likely be that the agrovets were experiencing change within the brackets, but not enough change to move them from one sales turnover range to the next or from one employee bracket to the next. It was also concluded that agrovets in Murang’a were not growing from a sales turnover or increase in employees’ perspective and this was consistent with studies of microenterprises (Kamunge et al., 2014; Kirika, 2018; World Bank Group, 2016; Zia, 2016).

Effect of Key Success Factors on Growth of Micro and Small Agrovet Enterprises in Murang’a County, Kenya

The research found that 70% of the enterprises did not experience growth, therefore, to evaluate the effect of key success factors on growth, the research further analyzed the 30% who recorded growth through a change in annual sales turnover. The results found that the education of the business owner as a key success factor influenced the growth of the business. The majority (68%) of the business with growth were owned by diploma holders. This was consistent with other studies that found that increased capacity and knowledge of the business owner is critical for business growth (Muriithi, 2017; Wiklund, 2009). The previous managerial experience was not found to be a key success factor for growth as the majority (71%) of the businesses were owned by
entrepreneurs with no prior experience. However, other results indicated that experience
did influence growth but most of this was acquired while running the business. This was
colonized by the findings that businesses that have been in existence for longer
experienced growth. The age of the entrepreneur as a key success factor was found to
influence growth as the majority (82%) of the business with growth were owned by
entrepreneurs above the age of 35. This was consistent with other studies that found
mature enterprise owners have more industry knowledge (Alsharkas, 2014). The same
was found about the age of the enterprise as a key success factor. The age of the
enterprise influenced business growth and the study found that the majority (86%) of the
enterprises that experienced growth had been in existence for more than five (5) years.
The findings were consistent with other research that found businesses have to go through
a learning curve to experience growth (Onsongo & Muturi, 2015).

Porter (1998) reported clusters to be a positive driver of business performance
and this is consistent with the findings of this study. Clustering was found to influence
growth as the majority (75%) of the businesses had more than 5 similar businesses
close to them. The study found access to finance to be a key success factor
influencing the growth of the enterprise as the majority (64%) of the enterprises that
experienced growth were using both internal and external financing. This was
consistent with findings from other research that found access to finance a critical
ingredient for business growth (ADB, 2012; Afande 2015; Bouri et al., 2011).

Conclusion

The study concluded that there are key success factors that influence the growth
of micro enterprises, specifically agrovets in Murang’a County. The key success factors
that have a positive effect on growth include formal technical education of the enterprise
owner/manager, the age of the enterprise, the location of the enterprise about
proximity to other similar businesses, and access to finance. The study also concluded that very few microenterprises grow though most of them survive beyond five (5) years.

The study also concluded that while the age of the entrepreneur and the age of the enterprise were found to influence growth; both could be a product of other factors such as low prior management experience and little documented sector best practices that would guide new entrants and young entrepreneurs for early success.

On the other hand, the study concluded that gender was not a key success factor for agrovets in Murang'a County. Government financing programs were concluded to not affect the growth of enterprises in Murang'a County because of low awareness and low uptake.

Recommendations

Based on the findings of this study, the following are the recommendations:

Business owners should be encouraged to pursue formal technical education (for example diploma in business management) to enhance their knowledge, skills, and capacity to manage and grow their enterprises.

The management experience of the business owner can be enhanced by training institutions, development partners, and government. These institutions should harvest industry experience including successes, challenges and lessons learned to inform the design of innovative training programs like business incubation hubs. The hubs will provide a simulation of the business environment for new entrants and the model has the potential to shorten the learning curve of enterprises.

Development partners seeking to strengthen the micro-enterprise sector should include capacity building programs focused on training the business owner and employees on business management and strategy.
The Murang’a county government should consider formally structuring business constellations that cluster similar businesses and supplementary businesses. It will not only improve the provision of public services to the enterprises but also allow for economies of scale to accessing other services such as transport and labour.

Commercial banks have an opportunity to develop innovative products that serve the micro-enterprises, through understanding their business dynamics, the banks would be able to tap into a ready but under-served market.

The national government should re-initiate sensitization and awareness creation activities to promote knowledge of existing financing programs. They could also invest in a recruitment drive at the County level that not only passes the information to the micro-enterprises but also guides them through the entire application process and provides support in follow up.

Recommendations for Further Research

Theoretically, the business life cycle for most businesses is five (5) years, after which the enterprises struggle to be a going concern. However, the businesses (98%) studied in this research had been in existence for five (5) years or more but without evidenced incremental income growth. This could mean that the motivation for business continuity for these micro enterprises goes beyond financial growth. Further research could look into the motivational factors and incentives as perceived by the businesses, for example, community contribution, culture, status. Such a study would reveal new insights into sustaining these kind of businesses, their growth ambitions, and behavioural factors that influence their business strategy decisions.

The research could also look into applying the same key success factors and indicators of growth to same size businesses in different sectors and in different
geographical locations to identify whether results would be similar and if not, what the differentiating factors are.

Further research can be conducted to study the adoption and effectiveness of government incentive programs.

Further research can be conducted to understand the borrowing behaviour of the micro-enterprises and their creditworthiness. This could be of benefit to banks and potentially lower the constraining requirements placed on this sector.
REFERENCES


Filser, M., Eggers, F., Kraus, S., & Malovics, E. (2014). The effect of financial resource availability on entrepreneurial orientation, customer orientation and


APPENDICES

Appendix A : Questionnaire

Dear respondent,

My name is Mumbi Maina a final year MBA student at Daystar University. As part of my course fulfilment, I am researching on the key success factors influencing growth of small and micro agrovets. In line with this, I request you to take a few minutes to complete the questionnaire. Your time, accuracy and honesty are appreciated and required for the validity of the survey. This questionnaire consists of two parts; kindly answer all the questions by ticking in the appropriate box provided. Please do not write your name anywhere on the form. Your views will be treated with utmost confidentiality, for purely academic purposes only.

SECTION A: GENERAL INFORMATION

*Details of the shop: This information is voluntary but would be appreciated. Information provided will be treated with anonymity and confidentiality*

Name of shop: 

Owner’s name: 

District and Province: 

Telephone: 

1. What is your gender? M ( ) F ( )

2. What is your age?

   Under 18 ( ) 18–26( ) 27–35( ) Above 35 ( )

3. What level of education have you attained?

   Informal ( ) Primary ( ) Secondary ( )

   Diploma ( ) Degree ( )

4. How many years has the business existed?

   Under 12 months ( ) 1-3 years ( ) 4-5 years ( ) Above 5 years ( )

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SECTION B: GROWTH INDICATORS

5. What was your total sales volume in the period below?

(a) January to November 2019
Kes. 0 – 240,000 ( ) Kes. 240,001 – 480,000 ( ) Kes. Above 480,000 ( )

(b) January – December 2018
Kes. 0 – 240,000 ( ) Kes. 240,001 – 480,000 ( ) Kes. Above 480,000 ( )

(c) January – December 2017
Kes. 0 – 240,000 ( ) Kes. 240,001 – 480,000 ( ) Kes. Above 480,000 ( )

(d) January – December 2016
Kes. 0 – 240,000 ( ) Kes. 240,001 – 480,000 ( ) Kes. Above 480,000 ( )

6. How many employees do you have?
1 – 4 ( ) 5 – 9 ( ) 10 – 14 ( ) above 15 ( )

7. How many employees did you have in the periods below?

(a) 2019
1 – 4 ( ) 5–9( ) 10–14( ) above 15 ( )
(b) 2018
1 – 4 ( ) 5–9( ) 10–14( ) above 15 ( )
(c) 2017
1 – 4 ( ) 5–9( ) 10–14( ) above 15 ( )
(d) 2016
1 – 4 ( ) 5–9( ) 10–14( ) above 15 ( )

C: KEY SUCCESS FACTORS

8. Are you located within the village town?
Yes ( ) No ( )

9. Are there similar businesses within a radius 5km or less? Yes ( ) No ( )

How many? 1-2 ( ) 3-4() above 5 ( )

10. Ownership Are you the owner of the business? Yes ( ) No ( )

11. Are you the managing director of the business? Yes ( ) No ( )

12. Have you owned OR managed a business before? Yes ( ) No ( )

13. Do you use ICT services in your business? (a) Yes ( ) No ( )
(b) Which ICT services below do you use:
Mobile platform ( ) Internet ( ) Other – please specify ( )
14. How do you finance your business? Choose (tick) one -  
Self-funded (  ) Borrowed funding (  ) Mix (self and borrowed) ( )

15. If borrowed or mix, tick challenges that you have faced in accessing the funds:
   - High cost of credit (  )
   - Heavy collateral requirement (  )
   - Constraining eligibility requirements (  )
   - Limited options of providers (  )

16. Where do you borrow funds from?  
Family ( ) SACCO ( ) Shylock ( ) Bank/Micro Finance ( ) Other ( ) If other, please specify………………………………………………………………………………………………

17. a. Are you aware of any government financing programs accessible to you?  
   Yes ( ) No ( )
   b. If yes, which ones?
   ……………………………………………………………………………………………………………………………
   ……………………………………………………………………………………………………………………………
   c) Have you tried to access any? Yes (  ) No (  )
   d) Did you receive funds? Yes (  ) No (  )

Thank you most sincerely for taking the time to fill the above questionnaire!
Appendix B: Ethical Clearance

REF: DU-ERB/29/10/2019/000373

Date: 28-10-2019

TO: Mary M Maina

Dear Mary,

RE: THE EFFECT OF STRATEGIC FACTORS INFLUENCING THE GROWTH OF MICRO AND SMALL ENTERPRISES: A CASE OF AGROVETS IN MURANGA COUNTY

This is to inform you that Daystar University Ethics Review Board has reviewed and approved your above research proposal. Your application approval number is DU-ERB-000373. The approval period is 11th October, 2019 – 10th October, 2020.

This approval is subject to compliance with the following requirements:

i. Only approved documents including informed consents, study instruments, MTA
   will be used.

ii. All changes including (amendments, deviations, and violations) are submitted for
    review and approval by Daystar University Ethics Review Board.

iii. Death and life threatening problems and serious adverse events or unexpected
    adverse events whether related or unrelated to the study must be reported to
    Daystar University Ethics Review Board within 72 hours of notification.

iv. Any changes, anticipated or otherwise that may increase the risks or affected
    safety or welfare of study participants and others or affect the integrity of the
    research must be reported to Daystar University Ethics Review Board within 72
    hours.

v. Clearance for export of biological specimens must be obtained from relevant
    institutions.

vi. Submission of a request for renewal of approval at least 60 days prior to expiry of
    the approval period. Attach a comprehensive progress report to support the
    renewal.

vii. Submission of an executive summary report within 90 days upon completion of
    the study to Daystar University Ethics Review Board.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://nacostigov.co.ke and also obtain other clearances needed.

Yours sincerely,

Ruthy Kiambi
Secretary, ERB
Appendix C: Letter of Introduction from Daystar University

02\textsuperscript{th} January, 2020

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: MARY MAINA: STUDENT NO: 08-1092

Mary is a fully registered student in the School of Business & Economics at Daystar University. She has completed her course work towards a Masters of Business Administration (MBA) in Strategic Management and Project Management. She is now working on the research for her thesis.

Mary’s thesis topic is:

“The Effect Of Strategic Factors Influencing The Growth Of Micro And Small Enterprises: A Case Of Agrovets In Murang’a County”

The purpose of my writing is to request that you give Mary the necessary assistance to enable her to complete this important academic exercise.

We assure you that any information collected will be used strictly for academic purposes and will remain absolutely confidential. Upon completion of the research, her thesis will be available at our library.

We appreciate your support for our student towards the successful completion of her thesis research.

Yours Sincerely,

Dr. Samuel Muriithi, HOD Commerce
Appendix D: Research Permit

This is to certify that Ms. MARY MAINA of Daystar University, has been licensed to conduct research in Muranga on the topic: THE EFFECT OF STRATEGIC FACTORS INFLUENCING THE GROWTH OF MICRO AND SMALL ENTERPRISES: A CASE OF AGROVETS IN MURANGA COUNTY for the period ending: 07/January/2021.

License No: NACOSTI/P/203159

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Applicant Identification Number

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