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ABSTRACT

Purpose: The purpose of this research was to assess environmental factors on entrepreneur success in Kenya.

Methodology: The study applied a descriptive research design. The researcher used both structured questionnaire that was designed for the entrepreneurs and interview schedules that were designed for SME managers/owners. The analysis of data was done using the Statistical Package for Social Sciences (SPSS version 23.0) computer software.

Results: The key findings indicate that there was a significant positive relationship between environmental factors and entrepreneurs' success apart from government support whose relationship with entrepreneurs' success is weak.

Unique Contribution to Theory, Policy and Practice: The study recommended adequate government support to SMEs; improved technology; ensuring that business information is accessed by entrepreneurs as easily as possible; and developing quality physical infrastructure.

Keywords: *Marketing, capital access, government support, access to information, physical infrastructure, entrepreneurial success*.

1.0 INTRODUCTION

1.1 Background to the Study

The role played by SMEs in any society is undoubtedly important. In Kenya, many unemployed youths and women have resolved to join SMEs for gainful income and sustainability., Nowadays, small and micro firms, have to lead us to look at entrepreneurship as full-time career that needs to be natured and as a development agent in the society. The importance of Small and Medium Enterprises (SMEs) in both national and international contexts undoubtedly is of high relevance. These firms are important not only for the concerns on its representation for economic analyses but also for the countries' economies and the implications for the society. These firms have an important role in many aspects, such as taxes, and innovations.

According to ILO (1972), SMEs have unique features that influence the way they respond to their business environment. They are generally found in small, underdeveloped niches of the market. They are not able to compete with large organisations in mass markets. Their markets normally have low entry costs and low exit costs as well. SMEs rely heavily on domestic resources which also influence their location. The majority of SMEs are family owned, and in most cases, are one person owned. The problem with the one-person owner is that it is difficult for the owner/manager to know everything and be able to carry out the jobs which in large organisations are done by different people handling specific functions (Torrence 1987).

To increase growth and reduce poverty, the World Bank Group and other international aid agencies provide targeted assistance to small and medium-size enterprises (SMEs) in developing economies. For example, the World Bank Group approved more than $10 billion in SME support programs from 1998 to 2002 (World Bank, 2002). The World Bank also provides direct and indirect support to SMEs. Regarding World Bank activities, 80 percent of its programs are related to direct financial assistance to SMEs, while 20 percent of the World Bank programs are related to indirect support such as technical assistance for SMEs and institutions that support SMEs development.

SMEs advocates argue that SMEs enhance competition and entrepreneurship and hence have external benefits on economy-wide efficiency, innovation, and aggregate productivity growth. From this perspective, direct government support of SMEs help countries exploit the social benefits from greater competition and entrepreneurship. Secondly, proponents of SME support claims that SMEs are generally more productive than large firms but financial markets and other institutional failures impede SME development (World Bank, 2002). Thus, pending financial and institutional improvements, direct government funding to SMEs can boost economic growth and development. Finally, some argue that SME expansion boosts employment more than large firm growth because SMEs are more labour intensive (World Bank, 2002).

Foley and Green (1989) note that despite the large number of SMEs and their diverse range of activities, they all have one thing in common; they all strive to be successful. Success in business can be interpreted in many different ways. The most common adopted definition of success in financial growth is associated with a high level of profits. However, other definitions of success

are equally applicable, and many businesses set themselves alternative goals. Some gain satisfaction and attain success by developing new products. Havard Business School (1998) notes that the leading indicators of business success cannot be found in financial data alone. Quality, customer satisfaction, innovation, market share metrics like these often reflect a business' economic condition and growth prospects better than it is reported earnings. This study, therefore, sought to establish whether entrepreneurs in Kenya considered customer satisfaction, innovation, and market share as growth and success of their SMEs as opposed to their returns.

1.2 Statement of the Problem

Absent in the available literature is some clear indication(s) on which environmental and demographic factors enable and enhance entrepreneurial development in Kenya. This study is therefore designed to investigate and establish those factors which influence and enhance SME entrepreneurs' success in Kenya. While tests cannot predict success and should not be used to predict or define entrepreneurial ability, when one is starting and operating a micro or small business, he/she should recognise that starting a business includes a possibility of success as well as failure (Gustafson *et al*., 2003). One wonders whether the business owners consider the factors that influence the success of the business venture. With this in mind, there is need to carry out studies that would establish the conducive environmental factors that facilitate the entrepreneurship to start new ventures to facilitate the young idle people to be productively engaged. It is necessary to find out the environmental that allow entrepreneurs to succeed with a view of cultivating the same across the country.

1.3 Research Objective

The study sought to establish environmental characteristics prevalent among SME entrepreneurs in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1 Behavioural Theory of the Firm

The behavioural theory of the firm (Cyert & March, 1992) has been proposed as a theoretical lens to help understand business growth in small firms, in particular, to predict why success and growth reinforce each other (Zahra, Sapienza, & Davidsson, 2006). The behavioural theory of the firm (BTOF) stipulates that businesses consist of a coalition of many individuals that are likely to have many conflicting goals (Dew et al., 2008). Bounded rationality is a key element of the theory which implies that businesses aim at satisfying set targets instead of optimising the best imaginable solution for the firm (Pitelis, 2007).

The theory argues that ultimately, the organisational goals that are set are achieved through a bargaining process where coalition members agree on mutual targets and objectives (Cyert & March, 1992). While the goals of individuals within a coalition may be disparate, so long as the

resources available are greater than the demands of the members, the coalition, and thus the organisation will be feasible. At any given time, organisations will have various goals about each of the diverse decision variables facing them. These goals must address a variety of subjects including sales, market share, profit, inventory, and production levels.

2.2 Empirical Review

2.2.1 Marketing and the Success of Entrepreneurs

Aremu and Adefemi (2011) in their research entitled Marketing Mix Practice as a Determinant of Entrepreneurial Business Performance found that a significant relationship exists between an enterprise's marketing and entrepreneurial orientations are both widely being responsible for corporate success. In addition, marketing affects the success of entrepreneurial ventures, while entrepreneurial approaches influence the success of marketing efforts. It would, therefore, seem vital for marketers to understand entrepreneurship. Views of marketing as a dynamic, socially embedded process can be linked with complexity theory.

Marketing and entrepreneurship have been recognised as two key responsibilities of a firm (Drucker, 2014; Mohr & Sarin, 2009). Despite the central and complementary roles of marketing and entrepreneurship responsibilities, research has largely examined marketing activities and the entrepreneurship processes separately. Marketing scholars have extensively examined research questions related to identification and understanding of the customer and translating customer needs into new products (Webb et al., 2011). In contrast, entrepreneurship scholars have instead examined factors, such as an entrepreneur's traits and behaviours that influence how entrepreneurs recognise opportunities, innovate, and then exploit opportunities (Baron 2008). "Management competencies" and "networks" are the new concepts of entrepreneurial marketing (Carson et al., 1995).

2.2.2 Access to the Capital and the Success of Entrepreneurs

Some governments have focused their efforts toward attracting new venture capital. The underlying assumption is that more venture capital allows an increase in successful entrepreneurial activity. The empirical evidence, however, is once again mixed. Cumming & Macintosh (2007), for example, found that the Australian Innovation Investment Fund governmental program, first introduced in 1997, has facilitated investment in start-up, early-stage, and high-tech firms, as well as cost-effective monitoring. Kreft and Sobel (2005), on the other hand, suggested that the causal relationship between entrepreneurship and venture capital is reversed—in other words, that entrepreneurial activity attracts new venture funding while the reverse is not true. Additionally, venture capital has been shown to account for only a very small amount of overall financing to entrepreneurship and to be of significance only for a relatively small group of high-potential ventures in a limited number of countries (Bygrave & Quill, 2006). With varied views on the relationship between the success of SMEs and access to capital, the study sought to investigate whether access to capital has influence on the success of entrepreneurs operating SMEs in Kenya.

2.2.3 Government Support for Entrepreneurship Development

The relationship between entrepreneurship and economic growth has seen increased interest at the local, state, and national levels and recent studies have shown that the contribution of the entrepreneurship sector to employment and GDP is increasing (Kumar & Liu, 2005). A significant amount of work has also established that entrepreneurial activity has important social implications (Chell, 2007). As a result, policy discussions have centred on the idea that governments seeking to stimulate their economies should reduce constraints on entrepreneurship (Minniti, 2008).

Many attempts have been made at implementing policies that enhance financing offerings to entrepreneurs (Harrison, Mason, & Girling, 2004). Specifically, governments have promoted the reduction of financial constraints faced by entrepreneurial ventures by adding instruments like mutual credit guarantee and microfinance schemes to traditional bank loans. Mutual credit guarantees have the advantage of reducing information asymmetries, thereby reducing transaction costs. Microfinance schemes, instead, have the advantage of circumventing the financial risk of the borrowers by selecting collateral requirements that are satisfied by nonmonetary accountability based on reputation or small-group enforcement mechanisms. The empirical evidence on the effectiveness of financing support, however, is mixed. While microfinance schemes are usually assessed positively, other forms of financing have been criticised.

2.2.4 Access to Information and growth of SMEs

The performance of SMEs has been of interest to many researchers, international organisations, and policy makers, at least, since the Bolton Report (1971), and therefore has become the subject of a great deal of analysis. This performance may have two strategic outcomes that are often referred to in the literature as firm success or failure (Ostgaard & Birley, 1995).

In a management field, success and failure can be interpreted as measures of good or indifferent management, but it may occur for other reasons such as luck (Storey, 2011). Numerous terms have been used in the literature to describe the firm failure, for example: bankruptcy, insolvency, liquidation, death, deregistering, discontinuance, ceasing to trade, closure, and exit. These terms overlap each other to some extent, and thus, the concept of failure is ambiguous, as it can have different interpretations by different people (Wickham, 2001). The many different interpretations and definitions of both success and failure make it very hard to compare research findings on the performance of small firms.

In the entrepreneurship literature, the concept of success remains a topic of debate (Gorgieveski et al., 2011). This is despite the evidence that the ‘success’ of small firms has been subject to a great deal of research. However, there is no general agreement in the literature on what is meant by the success of a firm. Indeed, a myriad of perspectives, ranging from mere survival to the achievement of certain levels of performance, exist about such a concept in the entrepreneurship literature. Besides the multi-dimensional aspect of success, variables that contribute to the success of SMEs are not unanimously agreed upon by researchers. While some analysts

suggested that the dynamics of the success of businesses remain a black box (Ligthelm, 2010), others argued that the success of enterprises is a function of both external and internal factors (Markman & Baron, 2003).

The literature on the performance of SMEs usually identifies several causal factors with regard to the internal and external environment of the firm. In terms of internal factors, several researchers have attempted to investigate the characteristics of SMEs and characteristics of the entrepreneur as the internal factors that influence SMEs performance. For the firm characteristics, several studies have revealed that size, age, and location of the firm could be related to business performance. On the other hand, other researchers have shown great interest in understanding the relationship between characteristics of the entrepreneur and business performance (Khan et al., 2011). The general environment consists of the political-legal, macroeconomic, socio-cultural, technological, demographic and global factors that might affect the organisation's activities. On the other hand, the competitive environment consists of other specific organisations that are likely to influence the profitability of the enterprise, such as customers, suppliers and competitors (Olawale & Garwe, 2010: Jasra et al., 2011).

2.2.5 Infrastructures and the Success of the Entrepreneurs

There is growing interest in Small and Micro Enterprises in developing countries as a contributor to economic growth, employment generation, livelihood diversification, and poverty reduction. Access to infrastructure is identified in some studies as a factor that affects non-farm rural employment but less attention has been paid to the constraints imposed by poor quality infrastructure (Gibson & Olivia, 2010). Considerations should be made on both the *accessibility* and the *quality* of rural infrastructure. This distinction makes sense from both policy and econometric perspectives. In terms of policy, there may be trade-offs between building new infrastructure to improving accessibility and upgrading the quality of existing infrastructure. However, spending to maintain or improve the quality of existing public infrastructure has often been neglected.

According to Agenor (2009) "inadequate funding for infrastructure maintenance has been a chronic problem in many countries in the developing world, resulting in rapid decay of public capital, such as roads and power grids" (p. 27). Accounting for differences in infrastructure quality also makes sense from an econometric point of view because the estimated effect of infrastructure access on rural non-farm enterprises may be biased if relevant quality attributes are ignored. Heterogeneous infrastructure quality implies that simply measuring quantities, such as spending on roads or the length of roads, may not be sufficient. This study also sought to find out whether the quality of physical infrastructure in Kenya, from an econometric point of view, affected success of SMEs. Particular focus was given to heterogeneous infrastructure quality in different regions of Kenya and their effect on success of SMEs.

3.0 RESEARCH METHODOLOGY

The study applied a descriptive research design. The researcher used both structured questionnaire that was designed for the entrepreneurs and interview schedules that were designed for SME managers/owners. The analysis of data was done using the Statistical Package for Social Sciences (SPSS version 23.0) computer software.

4.0 RESULTS AND DISCUSSION

4.1. Marketing and the success of entrepreneurs

The study sought to establish whether there was a significant positive relationship between marketing and the success of entrepreneurs. To measure this, respondents were first asked to give their views on five marketing items/indicators using a Likert scale of 1 – 5 (1= strongly disagree and 5=strongly agree). The responses were as shown in Table 1.

Table 1: Entrepreneurs' responses on marketing indicators

Marketing activity	N	Mean	Std. Deviation	Sig. (2-tailed)
Entrepreneurs have a big market for product	760	4.2081	7.22978	.000
Entrepreneurs consider business successful through marketing	760	4.4422	7.29212	.000
Entrepreneurs have successful marketing experience	760	4.631	10.51086	.000
Entrepreneurs are keen with emerging business trends in the market	760	4.7511	10.39783	.000
Entrepreneurs customers about the products in the market	760	4.7421	13.58926	.000

From the results above, some respondents agreed (means of 4.2081 and 4.4422) that they have a big market for their products and they consider their businesses successful. Other respondents strongly agreed (means of 4.631, 4.7511 and 4.7421) that they have successful marketing experience, hence they are keen on the emerging trends in the market and they do educate customers about their products in the market.

SME owners/managers were asked how they market their business through in-depth interviews. A total of 100 SME owners gave different responses on ways in which they market their businesses with some of them giving more than one method that they use. Table 2 shows the methods that SME owners of Kenya use to market their businesses and the corresponding percentages.

Table 2: Ways entrepreneurs use in marketing SMEs

Ways of marketing business	Responses N	Percentage
Online (social media and internet)	35	26.3%
Face - to – face	18	13.5%
Through Friends/relatives	16	12.0%
Use of fliers/posters/brochures	13	9.8%
Good display of products	11	8.3%
Advertisements	10	7.5%
Putting businesses at strategic locations	8	6.0%
Educating consumers about the goods and services	4	3.0%
Use of business cards	4	3.0%
Personal visits	3	2.3%
Having good customers relations	3	2.3%
Use of letters	2	1.5%
Through customer referrals	2	1.5%
Providing best services to people	2	1.5%
Through Newspapers	1	.8%
Engaging the local people	1	.8%

From Table 2, most (26.3%) of the SMEs are marketed online (through social media and the internet), followed by face-to-face marketing at 13.5%, through friends and relatives at 12.0% and other methods as shown in Table 2.

Table 3: Most successful form of marketing SME businesses

Most successful form of marketing	Responses N	Percentage
Online marketing	43	38.7%
Face - to – face	12	10.8%
Good display of products	9	8.1%
Advertisements	9	8.1%
Popularity	7	6.3%
Personal visits/Door to door visits	7	6.3%
Good location of businesses	6	5.4%
Use of posters/fliers/brochures	4	3.6%
Social media (TV, Radio, etc.)	3	2.7%
Good customer relations	3	2.7%
Giving quality services	3	2.7%
Friends support	3	2.7%
Giving credit to loyal customers	2	1.8%

Findings also indicate that online marketing is the most successful way of marketing SMEs, followed by face-to-face marketing and the other ways are shown in Table 3.

In order establish whether there is a significant positive relationship between marketing and the success of entrepreneurs, a Spearman correlation analysis between the responses to the above

marketing indicators and responses to the success indicators was conducted. The outcome was as shown in Table 4.

Table 4: Correlation between Marketing indicators and success indicators

Correlations						
			Business success indicators			
Marketing indicators			I consider my business successful	My business has grown very much	My revenue has grown very fast	I consider government support relevant
Spearman's rho	I have a big market for product	Correlation Coefficient	.423**	.395**	.342**	.068
		Sig. (2-tailed)	.000	.000	.000	.076
		N	760	760	760	674
	I have successful marketing experience	Correlation Coefficient	.365**	.308**	.283**	.052
		Sig. (2-tailed)	.000	.000	.000	.178
		N	760	760	760	674
	I am keen with emerging business trends in the market	Correlation Coefficient	.230**	.266**	.230**	.010
		Sig. (2-tailed)	.000	.000	.000	.797
		N	673	673	673	672
	I educate customers about the products in the market	Correlation Coefficient	.238**	.161**	.111**	-.135**
		Sig. (2-tailed)	.000	.000	.004	.000
		N	760	760	760	674

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

From the Spearman correlation Table 4 above, there is a positive relationship between entrepreneurs' marketing strategies and their business success. The analysis shows that the correlation between marketing and business success is statistically significant since alpha (p) < 0.05. This implies that there is a positive correlation/relationship between Entrepreneurs' marketing skills and their business success at 95% confidence level. However, the Spearman's rho of correlation between entrepreneurs' efforts in educating customers about the products in the market as a marketing factor and considering the government support relevant as a business success factor is negative. This implies that there is a negative relationship between the two indicators.

Influence of marketing on success of SMEs per region

Influence of marketing on the success of SMEs was further established per region in Kenya. And the study findings were shown in Table 5.

Table 5: Influence of marketing on success of SMEs per region

REGION	Marketing influence success of SMEs			
	Disagree	Not sure	Agree	Total
Nairobi	14	12	81	107
Nyanza	34	10	59	103
Central	30	18	49	97
Coast	23	3	68	94
Western	17	14	53	84
Rift Valley	41	10	45	96
Eastern	8	17	72	97
North Eastern	12	9	61	82
Total	**179**	**93**	**488**	**760**

Study findings in Table 5 show that the influence of marketing on the success of SMEs is different across various regions in Kenya. For instance, the influence of marketing on the success of SMEs is more in Nairobi region, followed by Eastern, and then Coast. Out of a total of 488 entrepreneurs who agreed that marketing influenced the success of their SMEs, most (81) of them were from Nairobi region, 72 were from Eastern region, while 68 were from Coast region. On the other hand, out of a total of 179 entrepreneurs who disagreed that marketing has influence on the success of SMEs, most of them (41) were from Rift Valley region, followed by 34 from Nyanza region, and then 30 from Central Kenya region.

4.2 Capital Access

Capital is an essential input for any business start-up. The amount of capital required to start a business depends on the size and type of business.

Source of capital for start of business

The source of capital for business start-up varies from one business person to another. The study sought to establish the source of capital for SMEs in Kenya and how it influences the success of entrepreneurs.

Table 6: Sources of capital for the SMEs

Business capital source	Frequency	Percentage
Personal savings	328	46.1
Microfinance institutions	146	19.1
Friends & relatives	140	18.2
Loans from banks	117	14.8
Chama	29	1.8
Total	760	100.0

Findings in Table 6 show that most (46.1%) of the SME entrepreneurs in Kenya started businesses using capital from personal savings (46.1%), followed by loans from micro-finances (19.1%), then friends and relatives support (18.2%), loans from banks (14.8%0 and a few (1.8%) from *Chama's.*

In-depth interviews with some of the SME owners revealed that most (41.0%) of business owners in Kenya fund their businesses to execute minimal cash flow through personal savings. Other SMEs got funding to execute on minimal cash flow through loans from banks/micro-finance institutions, family support, sustaining the on-going business, *Chamas* and through inheritance as shown in Table 7.

Table 7: Ways in which entrepreneurs funded their SMEs to execute on minimal cash flow

Ways in which entrepreneurs funded their SMEs to execute on minimal cash flow	Frequency	Percentage (%)
Personal savings	41	41.0
Loans from Banks/Micro-finances	27	27.0
Family support	16	16.0
Sustaining the business that is on-going	5	5.0
Chamaa	4	4.0
Inheritance	3	3.0
No response	4	4.0

Other sources of start-up capital that the business owners used include loans from banks, *chamaas,* borrowing cash from friends, reduction of personal expenses/salary, inheritance and Financial SACCOs as shown in the Table 8.

Table 8: Other sources of funding for the SMEs

Other sources of funding	Responses	
	Frequency	Percentage (%)
Loans from banks/micro-finance	43	42.6%
Chamaas	19	18.8%
Personal savings/salary	13	12.9%
Borrowing Cash from friends	12	11.9%
Reduction of personal expenses to fund business	9	8.9%
Inheritance	4	4.0%
Financial SACCOS	1	1.0%

Traditionally, SMEs have difficulties in accessing finances for start-up, therefore many of them start with personal savings or finances borrowed from family and friends (Entrepreneurs' Toolkit, 2012). However, in-depth interviews with some of the SMEs owners in this study revealed that most (42.6%) of SME owners interviewed accessed loan funds from the bank or micro-finance institutions, followed by Chamaas (19%); personal savings (13%), and borrowed cash from friends (11.9%), which are inconsistent with the existing literature. This scenario could be attributed to the level of efficiency brought by the emergence of mobile payment platforms such as M-pesa, which has made borrowing process to be easier than before.

Challenges business owners encountered when raising capital

During in-depth interviews with the business owners, they were asked to highlight some of the challenges they faced when raising capital to start their businesses. Their responses were as represented in Table 9.

From Table 9, most of the respondents (24.5%) indicated payment of bills as a challenge; other challenges were inadequate capital (12%); and lack of collaterals (9%), which are consistent with the existing literature. Lack of support from anybody (2%), high-interest rates when borrowing (0.9%), and inadequate business skills and business background (0.9%), were considered not significant challenges by the respondents.

Table 9: Challenges entrepreneurs face when raising capital to start business

Challenges entrepreneurs face when raising capital to start business	Responses	
	N	Percentage
Paying bills (rent, electricity and water bills)	26	24.5%
Inadequate capital	13	12.3%
Lack of collaterals	10	9.4%
Saving money was a problem due to high standards of living	9	8.5%
Finding guarantors for bank loans was difficult	8	7.5%
No challenge experienced	7	6.6%
Banks charge high-interest rates when giving out loans	7	6.6%
Competing with personal needs that interfere with capital of the business	5	4.7%
Lack of adequate information	4	3.8%
Lack of a security title	4	3.8%
Insecurity in the area of business	4	3.8%
Affording the "good will"	3	2.8%
Convincing family members that business is my choice was a challenge	2	1.9%
Lack of support from anybody	2	1.9%
High-interest rates when borrowing	1	.9%
Inadequate business skills and business background	1	.9%

Capital access and success of entrepreneurs

This study sought to measure whether there is a significant positive relationship between government support and success of the entrepreneurs. Their responses are as shown in 10.

Table 10: Entrepreneurs' responses on capital access indicators

Capital access indicator	N	Mean	Std. Deviation	Sig
Entrepreneurs have access to finance i.e. loans for business support	760	4.2919	9.81668	.000
Entrepreneurs have the ability to obtain capital for business support	760	4.4933	8.65770	.000
Entrepreneurs have different sources for acquiring business capital	760	3.9659	7.50749	.000
Entrepreneurs have network of guarantors to help acquire business capital	760	3.7259	8.10212	.000

From Table 10, it is clear that majority of the entrepreneurs appreciate that they have fair access to capital for their businesses because all of them agree (means of more than 3.5 but less than 4.5) to the four capital access indicators that the researcher used to measure their level of access

to capital for their businesses. They agreed that they have access to finance i.e. loans for business support, ability to obtain capital for business support, different sources for acquiring business capital and a good network of guarantors to help acquire business capital. The standard deviations of the four indicators are more than 1.0 implying that the variables have no consensus hence they are evenly distributed.

Table 11: Correlation between capital access indicators and business success indicators

Correlation								
			Business success indicators					
Capital access indicators			I consider my business successful	I have been in the business for many years	My business has grown very much	My revenue has grown very fast	I consider government support relevant	I consider business relocation
Spearman's rho	I have access to finance i.e loans for business support	Correlation Coeff	.169**	.214**	.343**	.381**	.294**	-.160**
		Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
		N	760	760	760	760	674	760
	I have the ability to obtain capital for business support	Correlation Coeff	.228**	.243**	.290**	.267**	.008	-.005
		Sig. (2-tailed)	.000	.000	.000	.000	.831	.901
		N	760	760	760	760	672	760
	I have different sources for acquiring business capital	Correlation Coeff	.204**	.233**	.460**	.397**	.294**	-.155**
		Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
		N	760	760	760	760	674	760
	I have network of guarantors to help acquire business capital	Correlation Coefficient	.168**	.258**	.472**	.427**	.381**	-.138**
		Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
		N	760	760	760	760	674	760
		Sig. (2-tailed)	.627	.452	.153	.899	.347	.
		N	760	760	760	760	674	760

*. Correlation is significant at the 0.05 level (2-tailed).

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

In order to determine whether there is a positive relationship between the entrepreneur's access to capital and their business success, a correlation analysis was carried out between access to capital indicators and business success indicators and the results are presented in the Table 12.

From the correlation analysis in Table 11, there is a positive relationship between entrepreneurs' access to capital for their businesses and their business success. This was justified at 95% confidence level since the correlation significance, alpha (p) < 0.05. The Spearman's rho (correlation coefficient) between the entrepreneurs' ability to obtain capital and considering the government support relevant is 0.831. This showed a very strong relationship between the two variables because as a rule of the thumb, the correlation/relationship is considered perfect when the correlation coefficient is between 0.8–1.0. This may be explained by the government's effort in giving entrepreneurs loans and incentives at subsidized interests hence considering their support relevant.

Influence of capital access on success of SMEs per region

The study further sought to establish the influence of capital access of SMEs per region. Study findings were shown in Table 12.

Table 12: Influence of capital access on success of SMEs per region

REGION	Capital access influence success of SMEs			
	Disagree	Not sure	Agree	Total
Nairobi	17	8	82	107
Nyanza	44	3	56	103
Central	52	4	41	97
Coast	22	4	68	94
Western	23	9	52	84
Rift Valley	23	12	61	96
Eastern	86	0	11	97
North Eastern	26	2	54	82
Total	**293**	**42**	**425**	**760**

From the findings shown in Table 12, capital access has more influence on the success of SMEs in Nairobi, Coast, and Rift Valley regions. Out of 425 entrepreneurs who agreed that capital access influence success of SMEs, most of them (82) were from Nairobi, followed closely by 68 from Coast, and then 61 from Rift Valley region. On the other hand, out of a total of 293 entrepreneurs who disagreed that capital access had influence on SMEs success, most of them were from Eastern region at 86, followed by Central region at 52, and then Nyanza at 44.

4.3.3 Government Support

From the literature review, it was realized that for a long time now the development of the SMEs has been regarded as crucial for economic growth of many nations through creation of employment especially to middle and low-class citizens, hence the achievement of broader development objectives, including poverty alleviation, economic development and the promotion

of more democratic and pluralist societies. For this reason, government support to SMEs is very important unless their importance in the economic development of a country has not been realised. The respondents gave their views on government support to the success of their business through agreeing or disagreeing to five government support indicators. The responses are as shown in Table 13.

Table 13: Entrepreneur's responses on government support indicators

Government support indicators	N	Mean	Std. Deviation	Sig.
Government support SMEs to grow	760	3.5630	12.24636	.000
Government has strong legislative systems to nurture SMEs	760	3.1111	10.88738	.000
Government promotes business growth for SMEs	760	2.4785	10.46416	.000
Government has put mechanisms to support SMEs from external competition	760	2.2785	9.88759	.000
Government has tax waivered some products	760	2.9422	10.38522	.000

Table 13 shows that there are divided views among entrepreneurs with regard to government support. On whether the government supports SMEs to grow, most of the respondents (entrepreneurs) agreed with a mean of 3.560. Entrepreneurs were not sure (mean = 3.111) whether the government has strong legislative systems to nurture SMEs. The findings further indicated that the SME entrepreneurs of Kenya disagree with the fact that the government promotes business growth for SMEs and that it has put mechanisms to support SMEs from external competition with means of 2.4785 and 2.2785 respectively. On whether the government has tax waivers on some products, the SMEs were not sure (mean = 2.9422).

The study sought to understand whether there was any form of assistance that SMEs of Kenya have received from the government with regard to improving their businesses. The findings from the in-depth interviews with SMEs owners/managers indicated that majority (91.0%) of the SMEs had not received any government support with regard to promoting their business activities while only 7% of had received government support to improve their businesses as shown in Table 14.

Table 14: Whether entrepreneurs receive any government support

Any government support to SMEs?	Frequency	Percentage (%)
Yes	7	7.0
No	91	91.0
No response	2	2.0
Total	100	100.0

Responses in Table 14 indicated that there was very minimal government support for SMEs yet they contribute a lot to the economic growth of the country. The study went further to find out whether there are government initiatives that entrepreneurs would like the government to provide to them or those that would make the businesses improve. The findings indicate that most (23.2%) of the SME entrepreneurs want the government to lower interest rates for loans so that they have easy access to capital to improve their business activities hence high returns. Other

initiatives that SMEs wanted the government to provide are as shown in Table 15 in a descending order with reduction of tax on products, improved security through security initiatives and provision of soft loans/grants to SMEs coming out at the top.

Table 15: Government support initiatives that SMEs need

Government Initiatives that SMEs want	Responses	
	N	Percentage
Lower interest rates for loans	26	23.2%
Reduce tax on goods & services	22	19.6%
Improved security through security initiatives	11	9.8%
Provide soft loans/grants to SMEs	10	8.9%
Provide funds needy people who have potential to carry out business	7	6.3%
No need of initiatives from the government	5	4.5%
Develop infrastructure like roads, electricity, water, sewerage, etc.	4	3.6%
Improve on already existing initiatives e.g. youth & women funds	3	2.7%
Tax relief on imports	3	2.7%
Have a strategy to reduce ineffective competition	3	2.7%
Ensure ease access to product imports	3	2.7%
Reduce fees and penalties	3	2.7%
Remove strict regulation that hinders success of SME businesses	3	2.7%
Stop corruption	2	1.8%
Have clean-up programs to clean towns	2	1.8%
Create conducive environment	2	1.8%
Build more markets/malls, etc.	1	.9%
Subsidise some products like medical products	1	.9%
Creating more jobs	1	.9%

This study went further to establish whether there was a positive relationship between government support and business success by carrying out a correlation analysis between government support indicators and business success indicators. Results are as shown in Table 16.

Table 16: Correlation between government support indicators and business success indicators

Correlation

			Business success indicators					
Government support indicators			I consider my business success	I have been in the business for many years	My business has grown very much	My revenue has grown very fast	I consider government support relevant	I consider relocating my business
Spearman's rho	Government supports SMEs to grow	Correlation Coeff	.075	.151**	.373**	.341**	.444**	-.231**
		Sig. (2-tailed)	.053	.000	.000	.000	.000	.000
		N	760	760	760	760	758	760
	Government has strong legislative systems to nurture SMEs	Correlation Coeffi	.052	.134**	.346**	.309**	.412**	-.227**
		Sig. (2-tailed)	.181	.000	.000	.000	.000	.000
		N	760	760	760	760	758	760
	Government promotes business growth for SMEs	Correlation Coeff	.061	.150**	.356**	.353**	.475**	-.072
		Sig. (2-tailed)	.113	.000	.000	.000	.000	.061
		N	760	760	760	760	758	760
	Government has put mechanisms to support SMEs from external competition	Correlation Coeff	.034	.113**	.311**	.314**	.407**	-.087*
		Sig. (2-tailed)	.373	.003	.000	.000	.000	.024
		N	760	760	760	760	758	760
	Government has tax waivered some products	Correlation Coeff	.182**	.158**	.181**	.125**	.084*	.248**
		Sig. (2-tailed)	.000	.000	.000	.001	.029	.000
		N	760	760	760	760	758	760

The Spearman's correlation in Table 16 showed that the correlation coefficient between the government's support indicators and business success indicators were less than 0.5 between all the indicators with most of them being between 0.1 and 0.4. This implied that the relationship between government support and business success among entrepreneurs was weak. Where the coefficient was negative, it implied that there was a negative relationship. However, the correlation was statistically significant since $p < 0.01$ with a few indicators having more than 0.01.

Influence of government support on success of SMEs per region

Further analysis on government support was carried to establish its influence on SMEs success in each of the eight regions in Kenya. Findings were as presented in Table 17.

Table 17: Influence of government support on success of SMEs per region

REGION	Government support influence success of SMEs			
	Disagree	Not sure	Agree	Total
Nairobi	22	4	81	107
Nyanza	68	3	32	103
Central	17	6	74	97
Coast	45	3	46	94
Western	22	1	61	84
Rift Valley	54	8	34	96
Eastern	93	0	4	97
North Eastern	35	13	34	82
Total	**356**	**38**	**366**	**760**

Table 17 shows that a total of 366 entrepreneurs agreed that they had received government support which boosted the success of their SMEs. Out of the 366, most of them were from Nairobi (81), Central (74), and Western regions (61). On the contrary, 356 entrepreneurs disagreed that they had received government support that influenced the success of their SMEs, most of whom were from Eastern at 93, Nyanza at 68, and Rift Valley at 54.

4.3.4 Information Access

Literature review revealed that access to adequate business information for SMEs is insufficient especially in developing countries. The study sought to investigate the whole idea surrounding SMEs with regard to access to adequate business information for the growth of their businesses.

SMEs require some specific information about their businesses. SMEs owners were asked to highlight major information that they need for their businesses.

Table 18: Major information that SME Entrepreneurs need for their businesses

Major information that SME Entrepreneurs need for their businesses	Responses	
	N	Percentage
Technological skills	31	21.5%
Marketing information	28	19.4%
Financial information	26	18.1%
Business management	23	16.0%
Technical skills	22	15.3%
Legal information	7	4.9%
Source of raw materials	7	4.9%

Findings indicate that 21.5% of them require technological skills, 19.4% need marketing information, 18.1% need financial information, 16.0% need business management information, 15.3% need technical skills, a few (4.9%) need legal information, while the rest (4.9%) need information on the sources of raw materials as shown in Table 19.

From Table 18, it is clear that most SMEs in Kenya had no access to technological skills that enhance access to adequate business information. In order to access the above information, entrepreneurs need some tools/facilities that would enable them to obtain the information that they require for their businesses. SMEs were asked to state the facilities that they needed to obtain the necessary information for their businesses. Their responses indicate that the Internet and mobile phones are the main tools/facilities that SMEs need to obtain information for the growth of their businesses with 29.3% of them preferring the Internet and an equal number (29.3%) preferring use of mobile phones to get information. Other entrepreneurs preferred other facilities like the use of people to get information, use of television, newspapers, radio, libraries and land line telephones in descending order respectively as shown in Table 19.

Table 19: Types of tools/facilities that SME Entrepreneurs need to obtain information

Types of tools/facilities that SME Entrepreneurs need to obtain information	Responses	
	N	Percentage
Internet	56	29.3%
Cell phone	56	29.3%
People	35	18.3%
Television	18	9.4%
Newspapers	14	7.3%
Radio	8	4.2%
Libraries	3	1.6%
Land phone (fixed line)	1	.5%

In the process of entrepreneurs' efforts to access information for their businesses, they did encounter barriers that hindered them from accessing the right information that they needed Table 20 shows the findings outlining the barriers as presented by the respondents.

Table 20: Barriers entrepreneurs encounter in obtaining information

Kind of barrier in obtaining information	Responses	
	N	Percentage
Non-availability of appropriate information	25	23.8%
Lack of awareness of availability of information	20	19.0%
Lack of technology skills	16	15.2%
Inadequate time	16	15.2%
Lack of current information	12	11.4%
Lack of capital	8	7.6%
Poor network	6	5.7%
No barriers experienced	2	1.9%

From Table 20, non-availability of appropriate information is the leading barrier that hindered SMEs in Kenya from accessing information that they wanted for their businesses, followed by, in a descending order, lack of awareness of availability of information, lack of technology skills, inadequate time, lack of current information, lack of capital to enable them access the required information and least is poor network especially on those entrepreneurs that rely on the Internet to access information for their businesses.

The study went further to establish the relationship between entrepreneurs' access to information and their business access, to fulfil one of its objectives and test the hypothesis. Three information access indicators were used and asked respondents to agree or disagree to the items using a Likert scale of 1 – 5 (1=strongly disagree and 5 = strongly agree). Table 22 shows the entrepreneur's responses.

Table 21: Entrepreneurs' responses on information access indicators

Information access indicator	N	Mean	Std. Deviation	Sig. (2-tailed)
Entrepreneurs are able to access information on the products easily	760	4.5319	9.77234	.000
Entrepreneurs have several barriers to accessing information about my products	760	4.7393	11.27022	.000
Entrepreneurs have access to information relevant to the products	758	4.8068	11.76867	.000

From Table 21 most entrepreneurs responded positively to the three information access indicators with a large number of them strongly agreeing (mean of more than 4.5) that indeed they have easy access to information with regard to their products; there are no barriers to accessing information about their products; and they access information relevant to their products.

A correlation analysis between the information access and business success indicators was conducted, in order to determine whether there was a positive or negative relationship between entrepreneurs' information access about their products and their business success. The results are presented in Table 23.

Table 22: Correlation between information access indicators and business success indicators

Correlation			Business success indicators					
Information access indicators			I consider my business successful	I have been in the business for many years	My business has grown very much	My revenue has grown very fast	I consider government support relevant	I consider business relocation
Spearman's rho	I am able to access information on the products easily	N	760	760	760	760	758	760
		Correlation Coefficient	.221**	.245**	.165**	.137**	.000	.118**
		Sig. (2-tailed)	.000	.000	.000	.000	1.000	.002
	There are no several barriers to accessing information about my products	N	760	760	760	760	758	760
		Correlation Coefficient	.101**	.094*	.031	.085*	.026	.233**
		Sig. (2-tailed)	.009	.015	.415	.027	.507	.000
	I access Information relevant to the products	N	760	760	760	760	758	760
		Correlation Coefficient	.215**	.218**	.180**	.156**	-.026	.138**
		Sig. (2-tailed)	.000	.000	.000	.000	.506	.000
		N	758	758	758	758	757	758

*. Correlation is significant at the 0.05 level (2-tailed).

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

From Table 22, Spearman's correlation coefficient was less than 0.5 in all correlated indicators. This implied that the relationship was weak. However, the correlation was statistically significant with two information indicators since $p < 0.05$ except the correlation with government support being considered relevant as success indicators where in both cases $p > 0.05$. The correlation of one indicator i.e. there being no barriers to accessing information about entrepreneurs' products,

was not statistically relevant when correlating it to success indicators because the result shows that p>0.05 and 0.01.

Influence of access to information on success of SMEs per region

Study findings on the influence of access to information on the success of SMEs per region are presented in Table 23.

Table 23: Influence of access to information on success of SMEs per region

REGION	Information access influence success of SMEs			
	Disagree	Not sure	Agree	Total
Nairobi	27	7	73	107
Nyanza	26	10	67	103
Central	55	4	38	97
Coast	20	6	68	94
Western	13	9	62	84
Rift Valley	60	2	34	96
Eastern	4	0	93	97
North Eastern	53	2	17	82
Total	**248**	**40**	**452**	**760**

Table 23 reveals that information access plays a very important role in the success of SMEs in Nairobi, Nyanza, Coast, Western, and Eastern regions of Kenya. This was ascertained by the fact that more than half of the entrepreneurs from those regions who agreed that they were able to access relevant information on the products easily. On the other hand, more than half of the entrepreneurs from Central, Rift Valley, and North Eastern disagreed that they had access to relevant information on products in the market hence the success of their SMEs did not depend on their access to information.

4.3 Access to Physical Infrastructure

Infrastructure supports business in many ways. Table 24 shows entrepreneurs' responses with regard to how infrastructure supports their businesses.

Table 24: Entrepreneurs' responses to access to physical infrastructure indicators

Access to physical infrastructure indicators	N	Mean	Std. Deviation	Sig.
There is enough infrastructure i.e. roads & technology to help my business	760	4.7511	9.72852	.000
Business is easily accessed by customers	760	4.6444	8.72466	.000
Availability of all the necessary infrastructure for the business	760	4.3496	8.77627	.000

From Table 24, most entrepreneurs strongly agreed (mean = 4.7511 and 4.6444) that there is adequate infrastructure (i.e. roads and technology to help their businesses), and that their businesses are easily accessed by customers. They also agreed (mean = 4.3496) that there is the availability of the necessary infrastructure for their businesses. The variables were evenly distributed hence the standard deviation was more than 1.0 in all infrastructure indicators shown in Table 25.

One of the critical issues about the infrastructure that this research sought to establish were the reasons that make SME entrepreneurs choose the physical location of their businesses. When the respondents were asked to give the factors they considered when choosing the physical location of their businesses, they gave varied responses with most of them (34.2%) saying that high concentration of people is the main reason why they chose the location in order to take advantage of the people who would patronise their business. Other reasons for the choice of the physical location of businesses are as outlined in the Table 25 in a descending order.

Table 25: What prompted entrepreneurs to decide on their current location of business

What prompted entrepreneurs to decide on their current location of business	Responses	
	N	Percentage
High population in the area hence good flow of people	40	34.2%
Ease access to roads & other infrastructure	21	17.9%
Readily available market in the area	12	10.3%
Availability of business space & opportunity	11	9.4%
Popularity of the areas hence favouring business	7	6.0%
Proximity to market	6	5.1%
Enhanced security	5	4.3%
Availability of products from the source	4	3.4%
Proximity to area of residence	3	2.6%
Rent was affordable	3	2.6%
It was a strategic location	3	2.6%
Access to social amenities like water, etc	2	1.7%

Table 25 shows that easy access to infrastructure like roads is one of the factors that influence the decision of entrepreneurs on the location of businesses, hence the importance of a well-developed infrastructure in improving SMEs. In order to measure the relationship between

entrepreneur's access to better infrastructure and their business success, the correlation analysis between responses to infrastructure indicators and business success indicators was carried out and results are presented in Table 26.

Table 26: Correlation between access to physical infrastructure indicators and business success indicators

Correlations								
			Business success indicators					
Access to physical infrastructure indicator			I consider my business successful	I have been in the business for years	My business has grown very much	My revenue has grown very fast	I consider government support relevant	I consider business relocation
Spearman's rho	There is enough infrastructure i.e. roads & technology to help my business	Correlation Coefficient	.232**	.181**	.193**	.177**	-.066	.043
		Sig. (2-tailed)	.000	.000	.000	.000	.088	.259
		N	760	760	760	760	758	760
	My business is easily accessed by customers	Correlation Coefficient	.271**	.183**	.225**	.177**	.021	.097*
		Sig. (2-tailed)	.000	.000	.000	.000	.578	.012
		N	760	760	760	760	758	760
	Availability of all the necessary infrastructure for the business	Correlation Coefficient	.251**	.265**	.239**	.180**	-.021	.243**
		Sig. (2-tailed)	.000	.000	.000	.000	.590	.000
		N	760	760	760	760	758	760

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

From the correlation Table 26, there is a positive relationship between access to better infrastructure and business success because the Spearman's correlation coefficient is positive in most infrastructure indicators that were correlated, except the correlation between government support as success indicator and the three infrastructure indicators which record negative correlation apart from one indicator. Although there was a correlation, it was not a strong one since the correlation coefficient was less than 0.5 in most of them. However, the correlation was statistically significant with $p<0.05$ in most of the correlated indicators.

Influence of physical infrastructure on success of SMEs per region

Further analysis on physical infrastructure was conducted to show its influence on the success of SMEs in each of the eight regions in Kenya. The findings were as presented in Table 27.

Table 27: Influence of physical infrastructure on success of SMEs per region

REGION	Physical infrastructure influence success of SMEs			
	Disagree	Not sure	Agree	Total
Nairobi	7	11	89	107
Nyanza	17	3	83	103
Central	16	8	73	97
Coast	17	8	69	94
Western	10	3	71	84
Rift Valley	16	10	80	96
Eastern	3	0	94	97
North Eastern	10	2	70	82
Total	**96**	**55**	**629**	**760**

As shown in Table 27 physical infrastructure influenced the success of SMEs in all regions in Kenya. Most (more than half) of the entrepreneurs that participated in this study from each of the eight regions in Kenya agreed that physical infrastructure led to the success of their SMEs.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

From the findings, it is clear that there is a significant positive relationship between environmental factors (marketing, access to capital, access to information and physical infrastructure) and success of SMEs in Kenya. However, government support as an environmental factor has little influence to success of entrepreneurs in Kenya.

5.2 Recommendations

This study recommends that governments need to support SMEs adequately by prioritising entrepreneurial activities and formulation of effective policies and programmes that will lead to the achievement of the economic pillar of Vision 2030.

The study recommends that well-developed physical infrastructure like roads, security facilities, water, power, electricity and enhanced technology be put in place to enable SMEs to operate effectively. The study recommends improved technology and ensuring that business information is accessed by entrepreneurs as easily as possible. Access to business information will steer growth and development of SMEs, hence the need to ensure that information is availed and accessed promptly when required.

The study recommends marketing of SMEs using modern technologies like social media and online approaches. Since most entrepreneurs in developing countries have access to mobile

phones that can access the Internet, they should adopt online marketing of their products since clients are currently advertised more through the Internet than other modes of marketing.

The study recommends a comprehensive local driven SMEs Management Policy that specifically addresses issues of growth of SMEs in Kenya. The policy will seek to realign the overall SMEs policies with the envisaged devolution framework as outlined in the Kenyan Constitution. The study recommends a locally driven policy because of two reasons: First, the policy framework to promote the local economic development of SMEs has been pegged on wider national policies for a long time, with limited emphasis on locally led development strategies. Secondly, a window of opportunity has been opened through the County system of government with its focus on local economic development opportunities based on local resources. Therefore with a locally driven SMEs Management Policy, SMEs issue will be realigned including tax issues which is one of the factors that constitute to the SMEs' unfavourable economic environment, unnecessary competitions, and high interests on loans among others.

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