INFLUENCE OF DEMOGRAPHIC FACTORS ON ENTREPRENEURIAL SUCCESS IN KENYA

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ABSTRACT

Purpose: The purpose of this research was to assess the influence of age, education and business experience 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 findings indicate that the age and education level of entrepreneurs influence their success while the influence of their experience before the start of business contributes little to their success.

Unique Contribution to Theory, Policy and Practice: The study recommended the revision of Kenya's educational curriculum to incorporate entrepreneurship skills at all levels of education.

Keywords: *Age, education, experience, entrepreneurial success.*

1.0 INTRODUCTION

1.1 Background to the Study

Entrepreneurship is globally recognised, but there is no consensus on a single precise definition. Valerio, Parton and Robb (2014); Klapper, Amit, Guillen and Quesada (2009) describe how, from a practitioner's standpoint, entrepreneurship is generally understood as a process of nurturing enterprises, to create new wealth, but for the purpose of measuring entrepreneurship, the definition narrows to the initiation of economic activities in the form of legal (formal) enterprises. Additionally, entrepreneurship is defined as a mechanism of achieving stable income flows and increased profits for vulnerable populations (Karlan & Valdivia, 2011).

Research in entrepreneurship has over the years generated interest is findings out what motivates individuals to become entrepreneurs. For example, why do people take financial risks, leave the safe environment of a job to pursue an uncertain future, and make the personal sacrifices required to start and grow a business? Previous studies have shown which factors contribute to the success of the entrepreneurs. McClelland (1987) identified some of the attributes of a successful entrepreneur. These are risk taking, opportunity and skills. Since these studies were conducted in different countries, it is impossible to extrapolate such studies to identify what account for success or failure of entrepreneurs to a universal set of factors. Kuratko, Hornsby and Nafziger (1997) noted that to understand the entrepreneurial process, one needs to identify the motivation behind entrepreneurs' decisions. Several factors, both internal and external, have been found to motivate entrepreneurs (Kuratko, Hornsby, & Nafziger, 1997; Robichaud, McGraw, & Roger, 2001). Some desire independence/autonomy, family security, self-fulfillment, and growth, financial gain, as well as opportunity recognition, are some of the factors that have been found to motivate individuals to engage in small businesses (Chu, Benzing & McGee, 2007).

Kenya, unlike most developing countries, has in official development policies recognised informal enterprises as more than a residual employer for the survival of poor households (Afande, 2015). Since independence, the Government has recognised the potential of the SMEs sector in employment creation and poverty reduction in its numerous policy documents. The importance of the SMEs in Kenya was first recognised in the International Labour Organization report (ILO) in 1972 *on 'Employment, Income and Equity in Kenya' (ILO, 1972)*. In the report not only was the phrase "informal sector" coined, but this concept played a key role in the whole analysis of the employment situation.

1.2 Statement of the Problem

Absent in the available literature is some clear indication(s) on which demographic factors enable and enhance entrepreneurial development in Kenya. This study was 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 (Gustafson *et al*., 2003), 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. One wonders whether the business owners consider the factors that influence

the success of the business venture. It is necessary to find out the demographic factors that allow entrepreneurs to succeed with a view of cultivating the same across the country.

1.3 Research Objective

The research objective was to assess the influence of three demographic factors (age, education and business experience) on entrepreneurial success in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1 Expectancy Theory

It is argued that the cognitive process of goal formation lead to success perceptions. This is at its core, an application of expectancy theory (Vroom, 1964). Expectancy Theory (ET) involves three relationships: valence, instrumentality and expectancy itself. Motivation or goal has valence commensurate with its importance, and instrumentality in comparison to other outcomes. Where valence and instrumentality are high, and the owner perceives that requisite effort will lead to the desired outcome then expectancy of achieving the outcome is high. When expectancy is high, and the goal is achieved, perceptions of success will likely be strong. Expectations can vary from case to case in small business performance measurement, with both valence and instrumentality variable and personal in nature. For example, recent work on expectancy theory within entrepreneurship suggests that differences exist between the growth expectancies of men and women (Manolova, Brush, Edelman, & Shaver, 2012). Notwithstanding such variations, expectancy theory is of utility to predict the importance (salience) of a goal (and subsequent success perception) if the outcome will be both desirable and imaginable. However, once again the challenge of any performance measurement metric is the capacity to compare results, either temporally (same owner, two points in time) or between businesses for purposes of benchmarking.

Expectancy theory provides a framework for thinking about how people make choices based upon expectations. For example, it provides the basis under which entrepreneurs make choices on the marketing strategy they use to earn more returns. Focusing on expectations allows the theory to account for differences in choices between people despite the actual amount of effort necessary to achieve rewards and the actual value of rewards. The formula, expectancy times instrumentality times valence also agrees with basic intuition regarding motivation. If any of the three values that make up MF is zero, MF also equals zero. This makes intuitive sense: If someone believes his effort will have no chance of resulting in a certain reward, that a certain performance level will not lead to a reward or that a reward will have no value, he will have no motivation to work toward the reward.

For this study, expectancy theory provided the researcher with the thinking about how entrepreneurs make choices of the business they start based upon the customers' expectations. The theory provided the researcher with the basis under which entrepreneurs in developing countries like Kenya make choices on the marketing strategy, the source of their capital, and source of their information that they use to earn more returns from their SMEs. The theory

further enabled the researcher to focus on expectations of SMEs entrepreneurs that allowed them to account for differences in their choices and customer's choice despite the actual amount of their efforts necessary to achieve rewards and the actual value of rewards.

The theory explains what keeps employees working in a certain organisation. Its underlying principle is that employees perform in work situations because they expect to receive a direct reward, a factor called expectancy. Their performance is tied to both the degree to which they think they will be rewarded, which a factor is called instrumentality and the extent to which they want the reward, which is called valance. Understanding this theory is key in SMEs, many of which frequently run lean and, as such, could greatly benefit from having a well-motivated and highly productive workforce, good marketing strategies, good access to capital, good experience, availability of infrastructural services like good roads, access to information and having government support.

Expectancy Theory of Motivation highly contributes directly to the objective of this study. The theory implies that entrepreneurs will put more efforts towards the factors that contribute to their success because they expect to be rewarded with high profits in their business. This means that an entrepreneur will ensure that he/she has sufficient experience before starting a business, starts the business at an early age and the necessary education level. These demographic characteristics will also reward him/her with operating a successful SME since they have an influence on the success of business.

2.2 Empirical Review

2.2.1 Entrepreneurs' Level of Education and their business success

Zhao (2012), compared national PISA math scores of economically developed countries with those nations' scores of perceived entrepreneurial ability, derived from Global Entrepreneurship Monitor survey data. The results suggest counter-intuitively that better skills correspond to less self-confidence over the ability to start a business. A better explanation is that the way skills are taught undermines the attitudes needed to start a business. Zhao (2012) contends that "Traditional schooling aims to prepare employees rather than creative entrepreneurs. As a result, the more successful traditional schooling is (often measured by test scores in a few subjects), the more it stifles creativity and the entrepreneurial spirit".

2.2.2 Age of the entrepreneurs and their business success

Grounded in theoretical reflections by McClelland (1961), the life span approach to entrepreneurship understands the enterprising actor as a developing person and highlights the importance of the early formative years (i.e. childhood and adolescence) in individuals' development towards entrepreneurial activity and success over the course of the career (Schmitt-Rodermund, 2007). Studying a person's formative years to predict his or her later work outcomes in the context of entrepreneurship is an understudied field of research, despite the fact that it may provide policy makers and educators with results relevant for the planning and implementation of entrepreneurship education programs (World Economic Forum, 2009). With regard to demographic factors, the common notion through various research findings (Brush and Brush,

2006) has been that female entrepreneurs start their business later in life than their male counterparts.

Reynolds et al. (2000) found that individuals in the age bracket between 25 to 44 years were the most entrepreneurially active. Findings from another study in India by Sinha (1996) revealed that successful entrepreneurs were relatively younger in age. In their study on Internet café entrepreneurs in Indonesia, Kristiansen, Furuholt and Wahid (2003) found a significant correlation between age of the entrepreneur and business success. The older (>25 years old) entrepreneurs were more successful than the younger ones.

Donna et al. (2011) in the Global Entrepreneurship Monitor Report conducted a survey on Age Distribution of Early-Stage Entrepreneurs (TEA) at three economic development levels namely; Factor-Driven, Efficiency- Driven and Innovation-Driven Economies. The study revealed that early-stage entrepreneurs tend to be young to mid-career, from 25 to 44 years old. The two age categories which were represented in this range, the 25-34 year-olds and the 35-44 year-olds, were equally represented in the factor Factor-Driven economies and Innovation-Driven Economies. Additionally, the survey showed a tendency of young entrepreneurs (18-34 year-olds) being in the efficiency-driven economies. The Global Entrepreneurship Monitor (GEM) conducted its 13th annual survey of the rate and profile of entrepreneurial activity around the globe. GEM interviewed over 140,000 adults (18–64 years of age) in 54 economies, spanning diverse geographies and a range of development levels.

2.2.3 Experience of the Entrepreneurs and their Business Success

Kolvereid (1996) found that individuals with prior entrepreneurial experience had significantly higher entrepreneurial intentions than those without such experience. Conversely, Mazzarol et al. (1999) found that respondents with previous government employment experience were less likely to be successful founders of small business. Through experience, the skilful entrepreneurs have more opportunities to develop their human capital profiles compared to new entrepreneurs (Westhead et al., 2009). The previous experiences can have important role in recognition process of success opportunities. Experience-based knowledge can create a recognition path to improve creativity. Experience gives a framework for information processing to discernible models to allow the experienced entrepreneurs apply the benefits of identification of profitable opportunities. The most successful entrepreneurs are inclined to combine education and experience. The complexity of this relationship is less about new entrants as their experience is low. It seems that having business experience plays a pivotal role in future activities of entrepreneurship and performance of learners (Rosa & Peter, 2003).

Is an entrepreneur's performance helped or harmed when he or she exploits past experience? Most research on organisational experience is consistent with behavioural learning theory, which argues that organisations learn from experience (Greve, 2003). Yet, although experience may spill over from one activity to another (Nerkar & Roberts, 2004), the returns from exploiting experience may be more complicated and difficult to predict in other settings.

Ucbasaran, Wright and Westhead (2003) argued that an entrepreneur who starts a business can gain useful human capital, including knowledge of tactics, channels of distribution, and how to

hire and fire people. Such entrepreneurs can then use this experience in their next venture (i.e., opportunity exploitation). By creating a venture, they gain customer capital, namely relationships with suppliers, customers, and regulators that they can use to identify new products, new markets, and funding sources. Although experience is multidimensional, the business press (Binsacca, 2000) and the scholarly literature (Alsos & Kolvereid, 1998) argued that entrepreneurs with previous entrepreneurial experience will do better than those without such experience.

Failure rates fall with the age of the firm because older firms have had time to form a more accurate view about their attributes, especially efficiency levels and cost structure (Ropega, 2011). Follower businesses (where the founder enters an existing business) have a better survival rate than newcomer businesses, largely because they are able to 'piggyback' on previously established connections to customers or from internal routines that have proved useful. Starting a business without experience in the industry sharply increases business mortality rates. Research also shows that younger firms tend to grow more rapidly, but that there are sector differences (Jasra et.al., 2011). The slowdown in growth in older SMEs may be due to a slackening in entrepreneurial motivation, mentioned above, once the business owner has achieved a satisfactory level of income, or it may have moved beyond its minimum efficiency level, or diseconomies may have emerged with the need to employ and manage others.

3.0 RESEARCH METHODOLOGY

The study applied a descriptive research design. The population for this study was SME entrepreneurs in Kenya. 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

The study sought to find out the demographic factors that determine the success of SME entrepreneurs in trade sub-sector.

4.1 Age of Entrepreneurs engaged in SMEs

4.1.1 Age of Entrepreneurs versus the number of employees in the business

The number of employees is an indicator of the success of a business. The more the number of employees in a business, the more the likelihood that the business is making good progress in its development, hence an indication that the business was successful to an extent.

A cross-tabulation between the age of SME entrepreneurs and the number of employees in their businesses indicated that there were a total of nine businesses with more than 20 employees out of which four of them were 41 – 60 years, three had 31 – 30 years and two were 21 – 30 years. Also, the majority of those entrepreneurs operating SMEs with 16 – 20 employees had the age group of between 41 – 50 years as shown in Table 4.32.

Table 1: Cross tabulation of age of entrepreneurs versus the number of employees in the business

Age	Number of employees in the business						Total
---	one/owner	2- 5	6 - 10	Eleven - 15	sixteen - 20	Above 20	
Below 20 years	9	6	1	2	0	0	18
21- 30 years	70	84	22	45	8	3	232
31- 40 years	54	69	20	22	4	3	172
41- 50 years	46	98	33	21	13	2	213
51- 60 years	28	34	18	16	7	2	105
Above 60 years	2	6	3	1	2	0	14
No response	2	3	1	0	0	0	6
Total	211	300	98	107	34	10	760

In order to establish whether the relationship between age of the entrepreneurs and number of employees in the business is positive, a Chi-square test was conducted to determine the statistical significance of the relationship and results are as presented in the Table 2.

Table 2: Chi-square test of the age of entrepreneurs and number of employees in the business

Chi-Square Tests			
	Value	df	Asymp. Sig.
Pearson Chi-Square	35.641[a]	30	.029
Likelihood Ratio	36.074	30	.206
Linear-by-Linear Association	.447	1	.804
N of Valid Cases	760		
a. 21 cells (50.0%) have expected count less than 5. The minimum expected count is .07.			

From Table 2, the significance value of the linear-by-linear association between age of entrepreneurs and the number of employees in the business is 0.804, implying that there was a strong relationship between age of entrepreneurs and number of employees in the business. The relationship was statistically significant as revealed by the Pearson Chi-Square Coefficient (alpha, p) value of 0.029 which less than 0.05. Since $p \leq 0.05$, we reject the null hypothesis that there is a no positive relationship between age of entrepreneurs and number of employees in the business and accept the alternative hypothesis.

4.1.2 Age of Entrepreneurs versus number of years the business has been in operation

The number of years the business has been in operation indicated the success of the business. It was a general view that the more the number of years the business was in operation, the more the success of the business, hence entrepreneurs' success. In most cases, a business cannot operate

for a long time if it is not successful or making profits. Most unsuccessful businesses operate for a short time and they close down if there are no good returns.

A cross-tabulation between the age of SME entrepreneurs in the study region and the number of years the business has been in operation revealed that most SMEs that have been in operation for 11 years and above were operated by entrepreneurs who were mostly between 31 – 60 years as compared to those who are 30 years and below. Worthy to note was that out of a total of thirteen (14) entrepreneurs who were above 60 years, six of them had been operating SMEs for more than 10 years. Very few entrepreneurs who were above 50 years had been in business for less than 5 years as shown in the Table 3.

Table 3: Cross tabulation of the age of entrepreneurs versus number of years the business has been in operation

	Number of years of experience when the business was started					Total
Age	Below a year	1 - 5 years	6 - 10 years	11 - 15 years	Above 15 years	
Below 20 years	8	9	1	0	0	18
21- 30 years	34	131	54	10	3	232
31- 40 years	14	90	53	9	6	172
41- 50 years	19	90	74	28	2	213
51- 60 years	9	39	34	17	6	105
Above 60 years	2	5	1	2	4	14
No response	1	5	0	0	0	6
Total	87	369	217	66	21	760

Further, a Chi-Square test was conducted to establish whether there is a relationship between age of the entrepreneurs and number of years he or she has been operating the business. The results are presented in Table 4.

Table 4:Chi-Square tests of age of entrepreneurs and number of years the business has been in operation

Chi-Square Tests			
	Value	Df	Asymp. Sig.
Pearson Chi-Square	110.512[a]	30	.031
Likelihood Ratio	88.031	30	.106
Linear-by-Linear Association	.917	1	.811
N of Valid Cases	760		
a. 14 cells (40.0%) have expected count less than 5. The minimum expected count is .17.			

From the results of Chi-Square tests in Table 4, the significance value of the linear-by-linear association between age of entrepreneurs and the number of years the business had been on the operation was 0.811. This implies that there is a positive strong relationship between age of entrepreneurs and number of years the business has been in operation even if the relationship is weak. The measured relationship was found to be statistically significant since the Pearson Chi-

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Square Coefficient (alpha, p) is 0.031 which is less than 0.05. With $p \leq 0.05$, we reject the null hypothesis that there is no positive relationship between age of SME entrepreneurs and number of years the business has been in operation and therefore accept the alternative hypothesis that there is a positive relationship between age of SME entrepreneurs and the number of years the SMEs have been in operation.

4.1.3 Age of respondents versus average profit generated by the business per month

Profit generation is the main driver of any business. All business, whether small, medium or large, operate to generate profit. The more the profit generated in a business, the more the business is considered successful. This study looked at the influence of age of entrepreneur and his or her success on the basis of profit generated by the business per month.

Table 5: Cross tabulation of age of respondents versus average profit generated by the business per month

Age of Entrepreneurs	Average profit generated by the business per month					Total
	0 - 100000	101000 – 200000	201000 - 300000	301000 - 400000	No response	
Below 20 years	4	7	6	0	1	18
21- 30 years	52	55	98	21	6	232
31- 40 years	53	57	47	9	6	172
41- 50 years	34	98	36	42	3	213
51- 60 years	20	24	41	17	3	105
Above 60 years	1	7	3	3	0	14
No response	2	3	1	0	0	6
Total	166	251	232	92	19	760

A cross-tabulation in Table 5 shows that most entrepreneurs who generate high profits per month (Kshs. 301, 000 – 400, 000) are those aged between 41 and above compared to those who are below 40 years, while entrepreneurs who generate the least amount of profit per month (Ksh. 100,000 and below) are mostly below 40 years compared to those who are 40 years. This indicates that there is a relationship between age of SME entrepreneurs and their success in business. A Chi-Square test was conducted to establish whether the above relationship between age of entrepreneurs and the average amount of profit generated per month and Table 6 presents the results.

Table 6: A Chi-square test of age of respondents versus average profit generated by the business per month

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	88.298[a]	24	.003
Likelihood Ratio	92.722	24	.000
Linear-by-Linear Association	.335	1	.563
N of Valid Cases	760		

a. 15 cells (42.9%) have expected count less than 5. The minimum expected count is .15.

The significance coefficient value of the linear-by-linear association between age of entrepreneurs and the average amount of profit generated by the business per month was 0.563. This implies that there is a moderate positive relationship between age of entrepreneurs and the average amount of profit generated by the business per month. The measure of the relationship was statistically significant since the Pearson Chi-Square Coefficient (alpha, p) is 0.003, which is less than 0.05. Following these findings, it is appropriate to reject the null hypothesis that there is no positive relationship between age of SME entrepreneurs and the average amount of profit generated by the business per month hence accept the alternative hypothesis that there is a positive relationship between age of entrepreneurs and the number of years the business has been in operation.

4.2 Education level of SME Entrepreneurs

This study investigated the influence of education level on entrepreneurs' success. Findings from interviews with SMEs entrepreneurs revealed that education has influence on the success of the entrepreneurs as discussed hereafter.

4. 2.1 Education level of SME Entrepreneurs versus number of employees in the business

The number of employees in a business indicates whether the business is successful or not. The more the number of employees in a business, the higher the business is deemed to be successful. Findings in Table 7 indicate that most SMEs with a higher number of employees have achieved high levels of education. For instance, a total of 10 SME entrepreneurs had more than twenty employees. Out of the 10, four of them have attained education up to certificate level, four of them have diploma, and one has a post-graduate degree, while one is educated up to secondary school level. Cumulatively, nine of the entrepreneurs with more than twenty employees obtained education beyond secondary level. Also, Table 4.38 shows that very few entrepreneurs with only secondary level education had more than fifteen employees.

Table 7: Cross-tabulation of education level of SME Entrepreneurs versus number of employees in the business

| Education Level | Number of employees in the business | | | | | | Total |
	one/owner	2- 5	6 - 10	11 - 15	16 - 20	Above 20	
Primary	10	17	4	7	0	0	38
Secondary	87	94	20	35	3	1	240
Certificate	46	85	25	19	15	4	194
Diploma	39	57	16	15	3	4	134
Graduate	23	37	26	21	9	0	116
Post graduate	6	10	7	10	4	1	38
Total	211	300	98	107	34	10	760

Findings in Table 7 show that there a relationship between the education level of entrepreneurs and their success in business. A Chi-square test of the variables to measure the significance of the relation was conducted and the results are presented in Table 8.

Table 8: Chi-Square test of education level of SME Entrepreneurs versus number of employees in the business

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	66.332[a]	25	.047
Likelihood Ratio	68.803	25	.113
Linear-by-Linear Association	1.344	1	.801
N of Valid Cases	760		

a. 10 cells (27.8%) have expected count less than 5. The minimum expected count is .50.

From the Chi-square tests in Table 8, the significance coefficient value of the linear-by-linear association is 0.801. This implies that there is a strong positive relationship between the education level of SME entrepreneurs and the number of employees in their businesses. The measure of the relationship between the two variables was statistically significant since the Pearson Chi-Square Coefficient (alpha, p) was 0.047 which is less than 0.05. We can, therefore, reject the null hypothesis which states that there is no positive relationship between education of SME entrepreneurs and the number of employees in his other business and accept the alternative hypothesis that there is a positive relationship between the education level of entrepreneurs and the number of employees in an operational business.

4.2.2 Education level of the Entrepreneurs versus number of years of operation of a business

Logically, the more the number of years a business has been in operation, the higher the chances that business is successful. The study sought to establish whether there is a relationship between education levels of SME entrepreneurs and their success in business. Findings in Table 9 indicate that most of the entrepreneurs whose businesses had been in operation for more than fifteen years had obtained higher education, which includes certificate, diploma, graduate and post-graduate levels as compared to those who had only primary and secondary education. For example, Table 4.40 shows that out of 67 entrepreneurs whose businesses had been in operation for more than fifteen years, a cumulative of 52 had academic qualifications of higher education compared to fifteen who had academic qualifications of up to primary and secondary school levels only. This shows that education plays a vital role in business success.

Table 9: A cross tabulation of education level of the Entrepreneurs versus number of years of operation of the business

| Education Level | Years of operation of the business | | | | | | Total |
	Below a year	1 - 5 years	6- 10 years	11 - 15 years	Above 15 years	No response	
Primary	0	14	11	11	1	1	38
Secondary	13	118	48	35	14	12	240
Certificate	8	60	60	26	24	16	194
Diploma	6	44	44	21	12	7	134
Graduate	3	35	27	28	10	13	116
Post graduate	5	11	11	2	6	3	38
Total	35	282	201	123	67	52	760

A Chi-square test that was conducted to measure the significance of the relationship between the education level of the entrepreneurs and the number of years their businesses had been in operation. The results are presented in Table 10.

Table 10: A Chi-Square test of education level of the entrepreneurs versus number of years of operation of the business

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	**59.424[a]**	**25**	**.000**
Likelihood Ratio	58.785	25	.000
Linear-by-Linear Association	3.801	1	.601
N of Valid Cases	760		

a. 6 cells (16.7%) have expected count less than 5. The minimum expected count is 1.75.

The value of the linear–by–linear association between the education level of the entrepreneurs and the numbers of years their businesses had been in operation is 0.601, indicating that the relationship between the two variables is moderate. However, the relationship is statistically significant at 100% confidence level with Pearson Chi-square coefficient, alpha (p) being 0.000. We, therefore, reject the null hypothesis, and accept the alternative hypothesis that there is a positive relationship between the education level of SME entrepreneurs and their success in business.

4.2.3 Education level of the Entrepreneurs versus the average amount of profit per month

As discussed earlier, all businesses struggle to make profits for their sustainability. Any business that is not making profits is not operational. However, the amount of profit that a business makes differs from one business to another depending on various factors, including the size of business, nature of business, among other factors. This study took the average amount of profit that SMEs make per month as a measure of the success of SMEs. The higher the profit the more successful the SME is deemed to be.

The researcher sought to establish the relationship between the education level of SME entrepreneurs and the average amount of profit they make per month. A cross-tabulation between the level of education and the amount of profit that the SMEs make per month is shown in Table 11.

Table 11: A cross tabulation of education level of the Entrepreneurs versus the average amount of profit per month

Education Level	Average profit generated by the business per month					Total
	0 – 100000	101000 – 200000	201000 - 300000	301000 - 400000	No response	
Primary	10	10	12	5	1	38
Secondary	72	70	82	12	4	240
Certificate	55	65	49	23	2	194
Diploma	23	50	42	14	5	134
Graduate	6	43	34	28	5	116
Post graduate	0	13	13	10	2	38
Total	166	251	232	92	19	760

Table 11 indicates that most of the SME entrepreneurs who make the highest amount of profit (Kshs. 301,000 – 400,000) a month are those who have obtained academic qualifications up to higher education level compared to those who stopped at primary or secondary school level. Out of a total of 92 respondents who were interviewed, and revealed that they make a profit of between Ksh. 300, 000 and 400, 000 a month, 75 of them had obtained higher education (certificate, diploma, graduate and post-graduate), 12 had obtained secondary school education, while five had only primary school education. This indicates that the higher the academic qualifications of an entrepreneur, the higher the chances that his or her business would be successful, hence higher profits per month. This is evident by the fact that most of the entrepreneurs who were interviewed and revealed that they make the lowest profit (Ksh. 0 – 100, 000) per month had low academic qualification with none of the entrepreneurs with post-graduate qualification revealing that he or she was making that little profit per month as shown in Table 11. Chi-Square tests to measure the strength of the relationship between the education level of entrepreneurs and the amount of profit they make per month are presented in Table 12.

Table 12: A Chi-Square test of education level of the Entrepreneurs versus the average amount of profit per month

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	78.257[a]	20	.000
Likelihood Ratio	90.319	20	.188
Linear-by-Linear Association	1.563	1	.863
N of Valid Cases	760		

a. 7 cells (23.3%) have expected count less than 5. The minimum expected count is .95.

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The significance value of linear – by – linear relationship in Table 12 is 0.863, implying that there is a strong positive relationship between the education level of the entrepreneur and the amount of profit the SMEs generate per month. This may be attributed to the market strategies that the entrepreneurs use and location of the business. The measure of the relationship between the two variables was statistically significant at 100% confidence level since Pearson Chi-Square Coefficient (p) is 0.000. Therefore, we reject the null hypothesis that there is no positive relationship between the education level of SME entrepreneurs and the average amount of profit they make per month and accept the alternative hypothesis.

4. 3 Experience of the SME Entrepreneurs

Investigating the experience of the entrepreneurs in a specific area of business before starting the business was one of the objectives of the study. The main purpose of focussing on the experience that the entrepreneur had before starting a business was to determine whether such experience had influence on the success of the entrepreneur especially those who are operating SMEs.

4.3.1 Number of years of experience during start of SME versus number of employees in the business currently

A cross-tabulation between the number of years of experience before the start of a business and the number of employees in the business is presented in Table 13.

Table 13: Cross tabulation of number of years of experience during start of SME versus number of employees in the business currently

Number of years of experience when the business was started	Number of employees in the business						Total
	One / owner	2- 5	6 – 10	11 – 15	16 - 20	Above 20	
Below a year	53	22	5	2	4	1	87
One - 5 years	119	160	26	50	11	3	369
6 - 10 years	29	94	44	37	10	3	217
Eleven - 15 years	6	18	19	14	8	1	66
Above 15 years	4	6	4	4	1	2	21
Total	211	300	98	107	34	10	760

The number of employees in a business indicates whether the business is successful or not. More employees mean the business is successful, while few employees mean the business has not grown hence not much successful.

From Table 13, it is clear that the number of years of experience that the entrepreneurs had before the start of business does not really influence or determine the number of employees that the entrepreneur currently has in his or her business. Most of the entrepreneurs who had more than fifteen employees in their businesses had between 1 – 5 years of experience before they started their businesses. Cumulatively, those entrepreneurs who had more than 10 years of experience before they started their business had few employees in their businesses compared to those who had less than 10 years of experience before they started their businesses. This is an indication that experience of entrepreneurs before the start of a business has little influence on

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the number of employees entrepreneurs work within the subsequent years. A Chi-Square test is presented in Table 14.

Table 14: A Chi-Square test of the number of years of experience during start of SME versus number of employees in the business currently

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	142.677[a]	20	.000
Likelihood Ratio	135.116	20	.000
Linear-by-Linear Association	68.257	1	.000
N of Valid Cases	760		

a. 10 cells (33.3%) have expected count less than 5. The minimum expected count is .28.

Table 14 shows the significant value of linear – by – linear association between the number of years of experience the entrepreneurs had before the start of business and the number of employees currently in his/her business is 0.000, an indication that there was no association between the two variables hence they are independent of each other. However, the measure of the relationship was statistically significant at 100% confidence level since Pearson Chi-Square coefficient is 0.000. We, therefore, accept the null hypothesis that there is no positive relationship between the number of years of experience the entrepreneur had before the start of business and the number of employees he or she has in his or/her business.

4.3.2 Number of years of experience during start of SME versus number of number of years the business has been in operation

Table 15 shows a cross-tabulation between the number of years of experience that the entrepreneurs had before the start of a business and the number of years the business had been in operation.

Table 15: A cross tabulation of the number of years of experience during start of SME versus number of number of years the business has been in operation

Number of years of experience when the business was started	Years of operation of the business						Total
	Below a year	1 - 5 years	6- 10 years	11 - 15 years	Above 15	No response	
Below a year	13	37	19	5	10	3	87
One - 5 years	17	202	65	40	20	25	369
6 - 10 years	3	35	112	39	14	14	217
Eleven - 15 years	2	5	4	38	9	8	66
Above 15 years	0	3	1	1	14	2	21
Total	35	282	201	123	67	52	760

From Table 15, the number of years of experience entrepreneurs had before the start of a business has little influence on the number of years the business had been in operation. Cumulatively the number of entrepreneurs who had less than 10 years of experience before the

start of a business and their businesses had been in operation for more than 10 years is higher compared to those who had more than 10 years of experience before the start of businesses and their businesses had been in operation for more than 10 years. This is an indication that the number of years of experience before the start of business does not really determine the number of years that an SME business will be in operation.

Table 16: A Chi-Square test of the number of years of experience during start of SME versus number of number of years the business has been in operation

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	357.022[a]	20	.000
Likelihood Ratio	289.028	20	.000
Linear-by-Linear Association	4.955	1	.026
N of Valid Cases	760		

a. 7 cells (23.3%) have expected count less than 5. The minimum expected count is .97.

A Chi-Square test in the Table 16 proves that there is no association between the number of years of experience before the start of business and the number of years the business had been in operation since the significant value of linear – by – linear association between the two is 0.026. However, the measure of the relationship between the two was statistically significant at 100% confidence level since Pearson Chi-Square coefficient (p) is 0.000. We, therefore, accept the null hypothesis that there is no positive relationship between the number of years of experience the entrepreneur had before the start of business and the number of employees he or she has in his or her business.

4.3.3 Number of years of experience during start of SME versus average amount of profit that the business generates per month

Table 17 shows a cross-tabulation between the number of years of experience entrepreneurs had before the start of business and the average amount of profit that the business makes per month.

Table 17: A cross-tabulation of the number of years of experience during start of SME versus average amount of profit that the business generates per month

Number of years of experience when the business was started	Average profit generated by the business per month					Total
	0 – 100000	101000 - 200000	201000 - 300000	301000 - 400000	No response	
Below a year	20	30	27	7	3	87
One - 5 years	99	123	114	27	6	369
6 - 10 years	36	73	69	34	5	217
Eleven - 15 years	9	17	17	20	3	66
Above 15 years	2	8	5	4	2	21
Total	166	251	232	92	19	760

Results of cross – tabulation in Table 17 shows that cumulatively the number of entrepreneurs who had more than 10 years of experience before the start of business and their businesses make on average more than Ksh. 200,000 per month is higher compared to those who had less than 10 years of experience before the start of businesses and their businesses on average make more than Ksh. 200,000 per month. This is an indication that the number of years of experience before the start of business determines the average amount of money that the business makes per month. Also, worthy to note is that very few entrepreneurs who had more than 10 years of experience before the start of business make little profit of less than Ksh. 200, 000 compared to those who had less than 10 years of experience before the start of business.

Chi-Square test carried out to measure the importance of the relationship between the number of years of experience before the start of business and the average amount of profit that the businesses made per month.

Table 18: A Chi-Square test of the number of years of experience during start of SME versus average amount of profit that the business generates per month

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	48.802[a]	16	.000
Likelihood Ratio	43.403	16	.000
Linear-by-Linear Association	3.316	1	.690
N of Valid Cases	760		

a. 5 cells (20.0%) have expected count less than 5. The minimum expected count is .53.

Results in Table 18 shows that there is a moderate association between the number of years of entrepreneurs' experience before the start of business and the average amount of profit that the entrepreneur makes per month since the significant value of linear – by – linear association between the two is 0.69. The measure of the relationship between the two was statistically significant at 100% confidence level since Pearson Chi-Square coefficient is 0.000. We, therefore, reject the null hypothesis that there is no positive relationship between the number of years of experience the entrepreneur had before the start of business and the number of employees he/she has in his/her business currently and accept the alternative.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

The study revealed that there was significant positive relationship between age and level of education of the entrepreneurs and their success in SMEs businesses. However, background experience was found to have little influence on growth and success of SMEs.

5.2 Recommendations

Due to a strong and significant positive relationship between the education level of entrepreneurs and their success, the study recommends the revision of the educational curriculum in developing

countries like Kenya to incorporate entrepreneurship skills at all levels of education i.e. right from primary to higher education. This will ensure that pupils and students acquire academic qualifications that include entrepreneurship skills which would help them establish small businesses for self-employment. This would help alleviate unemployment in developing countries.

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