

The Contribution of Entrepreneurship Ecosystem in Inculcating Entrepreneurial Propensity for Community Development in Kenya

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Abstract: *The focus of this research was to establish the effect of entrepreneurship Ecosystem in inculcating entrepreneurial propensity for community development. Promotion of entrepreneurship in Kenya has existed ever since independence. The Government has shown tremendous support to entrepreneurship growth. The Government have channelled financial support through funding such as Women Enterprise fund, Youth Enterprise Fund and Uwezo Fund. Other forms of Government support include improved infrastructure, introduction of entrepreneurship education in all institutions of higher learning, as well as enhancing security in the country. Nevertheless, community underdevelopment has continued to excruciate. This research purposed to investigate whether the entrepreneurial ecosystems play any role in determining community development. The determinants of entrepreneurial ecosystems include Government Policy, Financial availability, Human Capital and the state of the market. The population under study were individuals operating Micro Enterprises within Nyeri Town. Out of 478 Micro Enterprises business owners were selected. A statistical formula was used where 236 were taken as a sample size which is within the acceptable sample. The theories that form the bases of this study includes Economic theory, Psychological Theory and the Social Cultural Theory. A questionnaire was administered out of which 212 responded. Data was then analysed using SPSS. The findings indicated that Government policies contributes 0.77 in inculcating entrepreneurial propensity. The research indicated a strong correlation of 0.79 on the contribution of the financial access in inculcating entrepreneurial propensity that would enhance community development. The research also indicated a moderate positive correlation of 0.65 on how human capital contributes in inculcating entrepreneurial propensity for community development. The state of Markets indicated a moderate correlation of 0.63. The findings have been reported in tables. Out of the research findings, the researcher recommended the need for the Government to relook the already existing Government policies and rectify those that are retrogressive to entrepreneurial propensity. The research revealed that although the Government has availed finances, they are available but not accessible due to the rules and regulations of borrowing. Kenya is a Human resource intensive Nation, unfortunately, the existing Human Resource are uneducated and unskilled. The study recommended entrepreneurship training, not only at the Institutional levels but also to the already existing business persons.*

Key Words: *Self-Efficacy- Ones judgement of ability to execute an action (Bandura, 1986). The strength of a person's belief that he/she is capable of successfully performing the various roles and tasks of entrepreneurship (Chen, et al., 1998)*

Desirability- *Degree of attraction an individual perceives towards a specific behaviour (intrapersonal and extra personal (Krueger & Brazeal 1994)*

Feasibility- *The extent to which an individual feels personally capable of starting a business or performing the task (Krueger, 1993)*

Ecosystems- *A set of interconnected entrepreneurial actors either existing or potential that can either positively or negatively affect enterprise performance (Rosted, 2012)*

I. Introduction

The concept of who an entrepreneur is and what is entrepreneurship has existed since the 16th century. The word entrepreneur was used to refer to those people who engaged in military expeditions in the early 16th century (Khanka, 2000). In the 17th, the term entrepreneur was used to refer to civil engineers who were engaged in construction activities. It was not until the 18th century that the word entrepreneur was viewed from an economic point (Khanka, 2000). It is believed that Richard Cantillon was the first person to use the word entrepreneur. From His point of view, an entrepreneur was a risk taker, an individual who bought goods at a certain price to later resell them at uncertain price hence operating at a risk (Khanka, 2000).

Entrepreneurship is not only associated with the development of technical innovation and commercial application but also the growth of employment and competitiveness as well (Nystrom, 2008). Academic studies and economic policies have related with entrepreneurial activity with economic growth for over two decades now (Lina, 2011). Previous studies have revealed the contribution of entrepreneurship on economic growth and development of any nation (Ma'rio, 2010) especially in higher income Nations (Linana, 2011). The Global Entrepreneurship Monitor emphasized that individual with limited education are unlikely to participate in entrepreneurial activities (Reynolds, 2001). It can be deduced that getting adequate and proper education plays an important role in propelling entrepreneurial propensity among university students (Turk & Selcuk, 2009). Entrepreneurship has been recognized as the engine that drives economies and societies in many nations (Albert, 2004).

It is due to such recognition that Scholars and policy makers have seen the importance of embracing entrepreneurship in the education system (Albert, 2004).

CHAPTER TWO

II. Environmental Dynamism Concept

Environmental dynamism is the frequent changes that occur in the environment. Wijbenga and Van Witteloostuign (2007), it is the rate at which the preference of customers and the services of organizations change over time. An act of entrepreneurship can ameliorate a constraint rather than being limited by its Rammel, (2003). One of the ways in which this can be attained is by shifting resources, substituting resources. This would include adopting new technologies changing business models in order to bear on the problems. It may also include coming up with new forms of contracts in organization Rammel, (2003). Environmental constraint can be a function of an incentive within which entrepreneurial agents can see business opportunities.

A study by Zapalska (2003) revealed that various environmental factors affected entrepreneurs of New Zealand. Ullah (2011) in his study he emphasized that both environmental dynamisms and environmental heterogeneity are significant predictors of entrepreneurial orientation and that it has a positive effect on entrepreneurial propensity. Jalali (2012), in his study, he found that environmental determinants affected risk taking and innovativeness which are considered as basic dimensions of entrepreneurial propensity. Gul (2011) affirms that environmental dynamism has a positive effect on firm performance. Economic evolution that is associated with creative destruction dominates the slow evolutionary dynamics of the ecosystem which consequently weakens its resilience (Gual and Norgaard 2010). Metcalfe (1998) confirms that the knowledge base of the economic order is ever changing rapidly.

Environmental dynamisms capabilities influence how new ventures are created and shape its resource position and capabilities which affect the new business performance (Zott 2003). Jantunen (2005) analyzed the relationship between entrepreneurial propensity and internationalized performance. The findings revealed that environmental dynamics has a great effect on international firm performance (Jantunen, 2005). Environmental dynamisms are helpful to leverage entrepreneurial resources to benefit start-up businesses (Wu, 2007).

A study by Teece (2007) revealed that new ventures rely on environmental sensing capabilities and response capabilities so that they may dynamically adapt to a new complicated environment. New ventures achieve knowledge from the environment, configure it and integrate its operational capabilities at the end of it they

internally change and effectively respond to new market demand and consequently realize the dynamic match between internal resources and external environment.

III. Theoretical Literature

Theoretical literature covers theories that are relevant in entrepreneurship dynamism. They are theories that have been used in past studies to explain the behavioral patterns of entrepreneurs and factors that influence their behavior and the subsequent outcome of such behaviors.

ECONOMIC THEORY

The economic theory argues that the entrepreneurial activity originates from the surrounding economic environment. According to this theory, an entrepreneur is a person who brings together the resources or factors of production into combination that makes their value better than before. Adam Smith, the advocate of this theory in His book “An inquiry into the nature and causes of the wealth of Nations” Argues that an entrepreneur is an economic agent and innovations who bring about new product and production processes. (Smith, 1776). The theory advocates that those who enter into business should be able to combine other factors of productions such as land, capital labor and entrepreneurial skills in order to succeed. Many businesses do fail as a result of ignoring other factors of production.

PSYCHOLOGICAL TRAIT THEORY

Psychological theory argues that entrepreneurs have unique values and attitudes and needs that drive them. It argues that personality traits are the main determinates of entrepreneurial behavior. The argument is that people are likely to become entrepreneurs either because of their hereditary or biological relations. This theory argues that entrepreneurs are likely to be influenced by their longing for independence. The need for achievement is the first in the personality trait that brings about entrepreneurship affiliation and has a desire to take personal responsibility to invest and manage a business (McClelland, 1996). The psychological trait theory associates people with high need for achievement to people whose parents had set high standards for them while they were children. It can therefore be argued according to this theory that entrepreneurs are born and not made. The contradicting factor in this theory is that the environment also influences a person’s behavior. This reveals that a person doesn’t engage in entrepreneurship just because of personality attribute but that the environment equally plays a vital role for an individual to engage in entrepreneurship.

SOCIAL- CULTURAL THEORY

This Theory maintains that social and cultural factors are the main factors for a person to exhibit entrepreneurial skills. These social aspects include family, peers, education, work experience and even role models. For a person to become an entrepreneur, he/she must have an association with people who were entrepreneurs or who had entrepreneurial traits. This is even more evident if the person was a close relative or more so, a parent. This linkage provides a social support which is critical in business development (Kent 1981). According to this theory, some entrepreneurs could have landed there as a result of an influence from friends or relative meaning they are bound not to succeed if they never get there out of their own initiative.

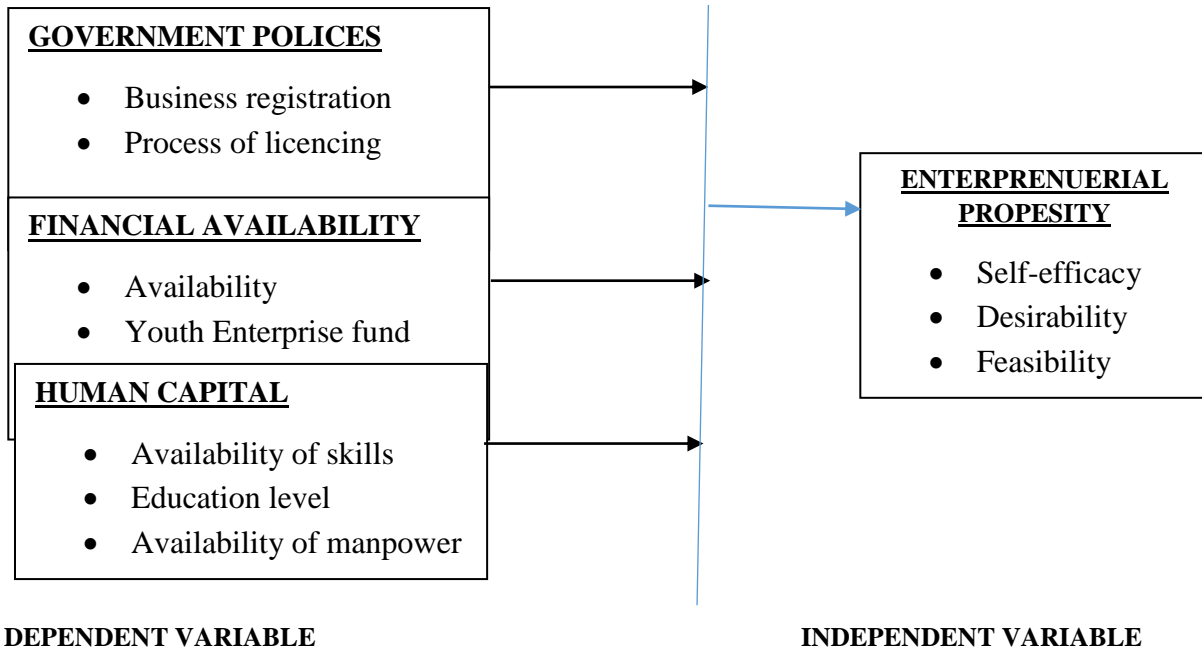
IV. Conceptual Framework

A conceptual framework is a model of presentation. The researcher conceptualizes the existing relationships between variables under study, then shows the relationship either diagrammatically or graphically (Orotho, 2008). A conceptual framework is a hypothesized model identifying variables under study and showing their relationship Orotho (2008).

The variables in this study were categorized as dependent variable and independent variable Mugenda (2008), States that the independent variable can also be referred to as predictor variables. This is because they are used in predicting the variation that occurs in relation to a different variable. Mugenda (2008) explains further that the dependent variable can also be referred to as criterion variable. This is mainly because this variable is influenced to change by another variable. It is the dependent variable that the research study wishes to explain.

The variables under study analyzed how Government policies, financial availability, Human market and the State of markets influences entrepreneurial propensity and its ripple effect on Community Development.

Conceptual Frame work (E.E)



FINANCIAL ACCESSIBILTY

Failure to access funding with ease is as a result of constraining regulations by the financial Institutions which has affected entrepreneurship growth to a very large extent. Entrepreneurship involves sizable start-up capital and the availability of capital financing is one of the critical factors influencing entrepreneurship growth in Kenya. Still and Guerin (1991) viewed financing difficulties as a major problem for entrepreneurs and operational level. They observed that Banks are unwilling to approve loan applications for new ventures that have no proven track record.

Financial hindrance has been ranked as the second factor that hinders entrepreneurship growth in developing Countries after corruption (World Bank, 2001). The accessibility of monetary services is one of the significant factors for the continued existence of the majority of the newly formed firms as well as essential element in entrepreneurship practice (Shuo, 2014) The study by Shuo (2014) continues to reveal that the Government uses direct subsidies, tax incentives and Government procurement to inject large amount of resources to the entrepreneurial process. The attainment of economic development through entrepreneurship means there should be funded based on the policy document establishing the assistance program.

RESEARCH METHODOLOGY

V. Introduction

The methodology chapter dealt with description of the methods that were applied in caring out the research study by the researcher. It is organized under research design, procedures, research instruments and data collection procedure.

RESEARCH DESIGN

A research design is the structure of the Research (Orotho, 2003) defines a research design as a scheme, outline or plan that is used to generate answers on research problems. The research design used in this study is was the descriptive survey research design. This research design enabled the researcher to access the degree of the relationship that exist between the variables in quantitative terms. The design enabled the researcher to analyze the inter-relationship among a large number of variables in a single study. The design enables the study to analyze the inter-relationship among a large number of variables in a single study. It assisted to analyze how several variables singly or in combination affects a particular phenomenon being studied.

The descriptive research design can be done solely to identify variables worthy of experimental investigation and also because it is easy to administer.

Population

The research target population in this study were stratified micro and small business owners in Nyeri County. Out of the registered 206 business operators in Nyeri Municipality, a sample of 62 were selected for study.

Sample and Sampling Procedure

A list of 206 registered business owned enterprises was obtained from Nyeri Municipal Council. Out of the 206 population, a stratified sampling method was used to generate 62 respondents. From the stratum, a simple random sampling technique was used to generate the sample size. 7 service industry business were sampled, 6 were selected from Agro-based Industry, 11 from clothing and textile Industry, 4 from transport and 34 from trade Industry.

The sample was a good representation of the population (Dixon and Leach, 1984) adequacy and resources should determine the sample size which is big enough to capture variability of responses and facilitate analysis. The simple random sampling method was used as it is useful in obtaining a representative sample. This technique was used because each element of the target population had an equal chance of being selected (Cochran, 1977) a sample of 30% of the population is sufficient for the study (Orotho, 2005).

The table below illustrates the sampling procedure.

Table 3:1: Target Population in Nyeri Municipality Sampling Procedure

Type of Trade	Total Population 30%	Total Sample Size
Trade	108	34
Transport	14	4
Agro-based	20	6
Service	26	7
Clothing and Textile	38	11
Grand Total	206	62

Instruments

The research instrument used for this study was a questionnaire. A one-on-one interview was used in order to unearth all the answers that would necessitate the success of the study. Structured and semi-structures were administered. The research instrument was administered during working hours to ensure high rate and fast rate of coverage. One of the advantages of this instrument is that it can be administered to a large number of respondents at the same time and the fact that it ensures uniformity.

Validity and Reliability

Validity is the ability of an instrument to measure what it's supposed to measure and reliability is the usage of the same instrument to other different groups to test whether it will give the same result. It is used to measure consistency.

A pre-test helps to identify some of the shortcomings likely to be experienced during the actual study (Donald and Delno, 2000). Validity and reliability are used to measure how variable and reliable the research instrument is. A pilot-test was undertaken in Othaya town which is about 25km from Nyeri town. Corrections were amended and adjustments made.

Data Collection Procedures

Open-ended and closed questionnaires were used to collect primary data. Data collection was prepared, and face to face interviews was used to probe for clarification of any ambiguities. Interviews allowed for collection of more in-depth information and minimized misinterpretation and inconsistencies. Interview data was analyzed qualitatively and the results used to make conclusion and recommendations.

Data Analysis

Data analysis is important because it includes the results of findings and where gaps for future research can be pointed out (Donald and Delno, 2006). Data was analyzed using advanced inferential statistics. Collected data was coded to enable the researcher carry out statistical analysis. Quantitative data was analyzed using statistical package for social services (SPSS).

VI. Introduction

This Chapter presents findings of the data collected from sampled respondents. The data was collected from enterprise owners in the service sector, traders, transport, agro-based sector, textile and clothing sector. Out of the 62 respondents, that the study targeted, 54 respondents participated in the study. This was 87% response rate of the target group.

Response Rate

TYPE OF INDUSTRY	TOTAL POPULATION	SAMPLE SIZE	RESPONSE RATE
Trade	108	34	28
Transport	14	4	3
Agro-Based	20	6	5
Services	26	7	7
Clothing and Textile	38	11	11
Grand Total	206	62	54

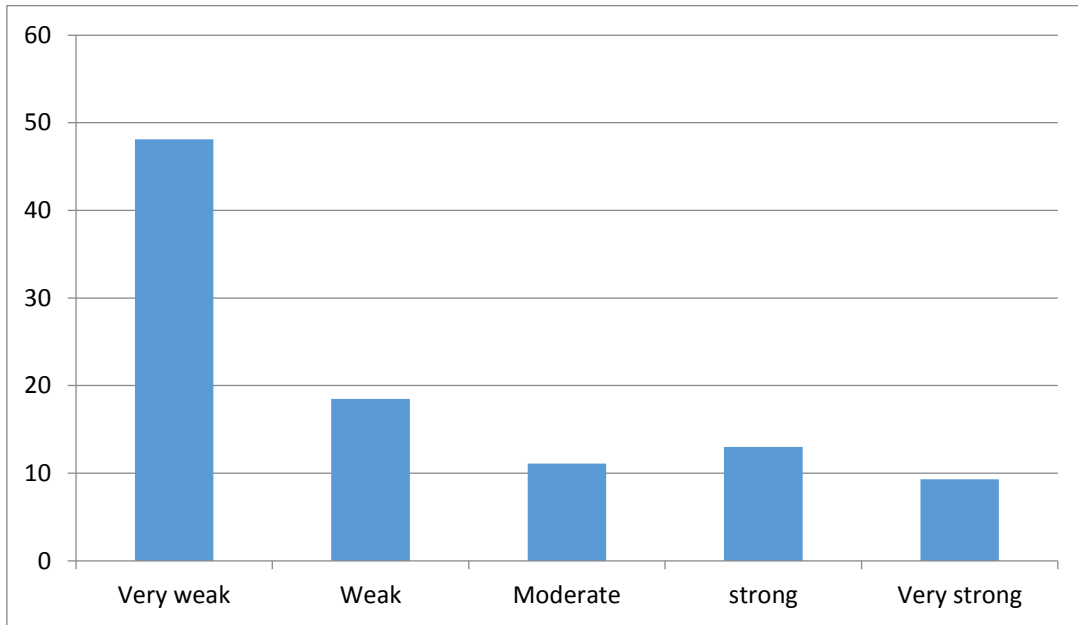
The data was interpreted according to the research questions. The analysis was done through inferential statistics and the findings of the study were presented in form of tables, Bar-charts and pie-charts. The discussion was based on the output from SPSS. In order to get full results from the data base, inferential statistics have been used. The inferential statistics used is the Pearson's Correlation analysis. It has been used to establish the existence of the relationship between the variables and to establish the extent of the relationship.

Descriptive Results

This section provides the results of the findings and the data analysis of the study. The information was mainly from different enterprise operators. The discussion was linked to the research objectives and the questions of the study in helping to identify dynamic factors that influence entrepreneurial propensity for community development.

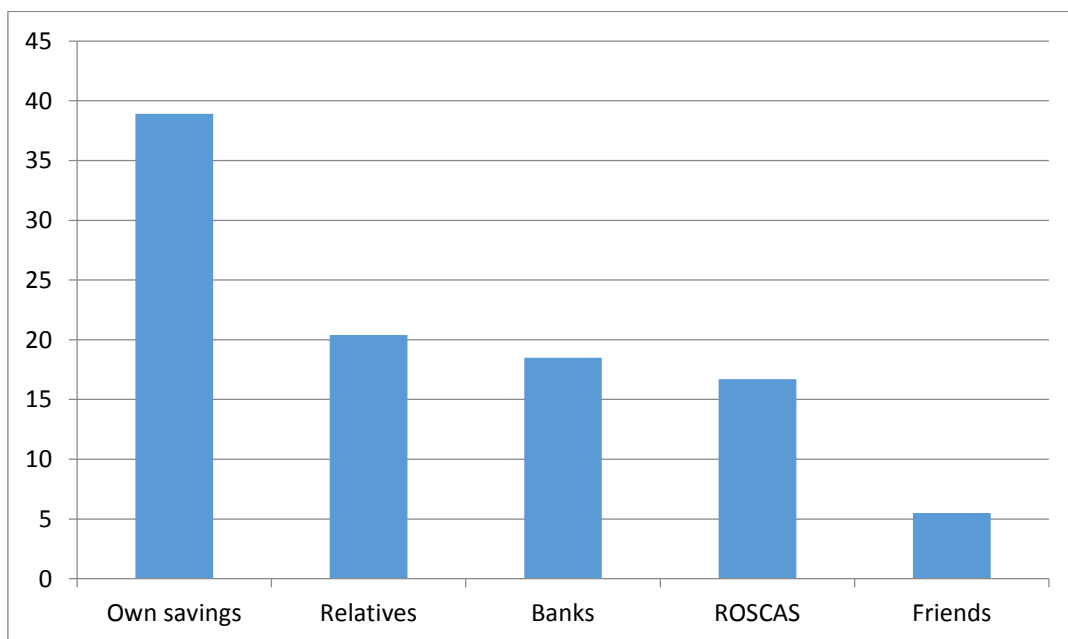
Rating the Performance of Business owners in the Last Five Years

The respondents were asked to rate the performance of the enterprise owners during the last five years. 48.1% were of the opinion that the performance has been very weak. 18.5 felt the business performed poorly, 11.1% said it was moderately weak, 13% felt it was strong while 9.3% said it was very strong. The results are explained in the figure below.



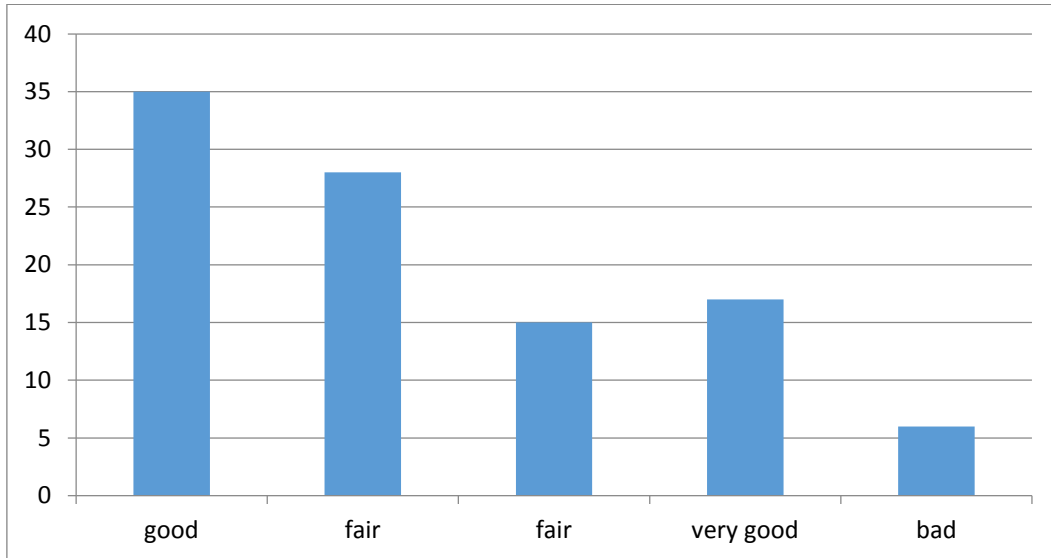
Financial Accessibility

The respondents were asked where they got their start up or initial capital to start their business. Their response indicates that majority got it from personal savings as indicated in the figure below. 38.9% of those targeted started their enterprises with from their own savings, 24% from their relatives, 18.5% from the Banks 16.7% from ROSCAS and 5.6% from friends. A number of respondents explained the challenges they encountered as they tried to access funds from the formal lending institutions as they demanded collateral which a majority of them did not have.



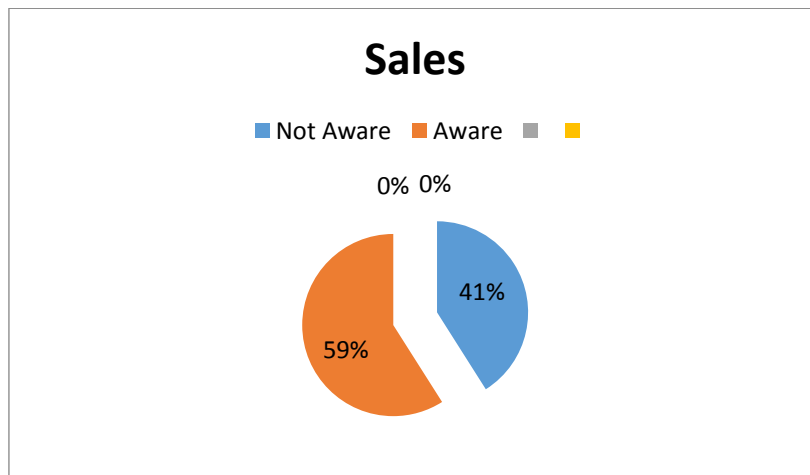
Loan Repayment Pattern

The study tested the ability to repay their loans, 35.2% indicated to be good at their repayment loans, 28% indicated they can describe their repayment as fair, 15% said very fair, 17% indicated their repayment was very good and only 6% were bad in their loan repayment as indicated in the figure below.



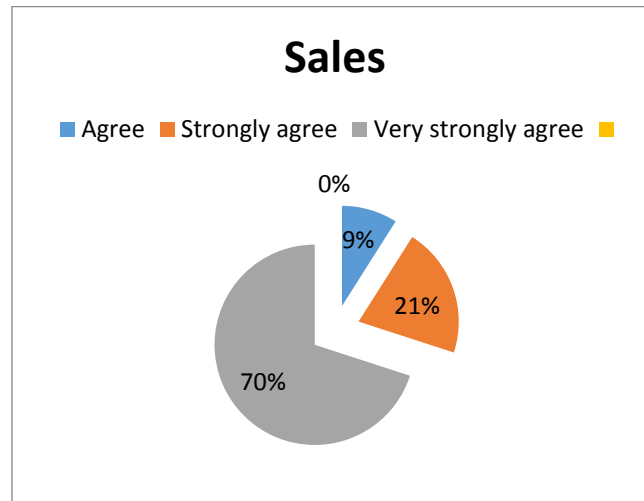
Women Enterprise Fund

The respondents were asked whether they were aware of the women enterprise fund, 59% indicated they were aware of it 41% indicated that they were not aware as indicated in the figure below. However, the study found out that even those that have heard about the funds are not beneficiaries of the same.



Influence of Financial Accessibility

The respondents were asked how they thought financial accessibility influenced the performance of their enterprise. 70.37% very strongly agreed that financial accessibility affects their performance, 20.37% strongly agreed, 9.26% agreed to the influence of financial accessibility to the graduation of their enterprises. The results are as indicated in the figure below.



Loan Repayment pattern

DATA ANALYSIS

The correlation between financial accessibility as a dynamism for entrepreneurial propensity for entrepreneurial propensity

		Financial accessibility for entrepreneurial propensity
Loan repayment pattern	Pearson Correlation Sig. (2-tailed) N	.250* .069 54
Accessibility of funds	Pearson Correlation Sig. (2-tailed) N	.656* .088 54
Influence of financial accessibility for entrepreneurial dynamisms	Pearson Correlation Sig. (2-tailed) N	.504 .000 54
Contribution of finances towards community development	Pearson Correlation Sig. (2-tailed) N	1 .000 54

The research investigated financial access as a dynamism for entrepreneurial propensity.

The results indicated a low positive correlation of 0.250(r). The correlation of determination (r²) was 0.0625. This indicates that financial access can be explained by 6.25% of the variations in their loan repayment pattern and that the rest can be explained by other factors in the error term.

VII. Conclusion

The chapter summarizes the findings from the research, the conclusion made and the recommendations given by the researcher are based on the major findings. Financial accessibility as a dynamism for entrepreneurial propensity.

Financial Accessibility

The study indicated that business owners started their enterprises using funds from their personal savings as opposed to funds borrowed from financial lending institutions. This is explained by the fact that financial Institutions attach collaterals to any form of funding. Few who had loans were good at loan repayment, nevertheless, this has not influenced the Banks into lending without collateral. 59% were aware of women-

enterprise fund although not many have benefited from the funding. The study indicated that financial accessibility influences the dynamisms of entrepreneurial propensity towards community development.

Recommendations

On the basis of the foregoing findings and conclusion, the following was the recommendation of the study

Financial Accessibilities

Since financial accessibility seems to be a great hindrance, the government should consider coming up with a start –up capital. The government and the private sector should consider investing in the existing business to help them become more productive and maximize their financial income.

The study would also recommend a promotion of partnership and collaborations between the Government and the private sector. Collaborations between the Government and the private sector can result in affordable program to financial dynamisms.

Business owners should be made to realize the importance of networking in accessing capital, loans and information.

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