

**EFFECT OF GROWTH OF SMALL AND MEDIUM ENTERPRISES ON  
ECONOMIC DEVELOPMENT IN KAJIADO COUNTY, KENYA**

**BY**

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## DECLARATION

I, June Nduku Kivinda, declare that this proposal is my original work and has not been previously published or submitted elsewhere for award of degree. I also declare that this proposal contains no material written or published by other people except where due reference is made and author duly acknowledged.

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## ABSTRACT

Small and Medium Enterprises (SMEs) are notably the engines that drive economic development. It is assumed that the growth of SMEs will improve the lifestyle of Kenyans, reduce unemployment and lower poverty levels yet many of them do not have longevity. SMEs contribution to economic development is considerable through avenues like cultivating innovation, improving competition, providing services and goods and economic dynamism. This study investigated the effect of growth of SMEs on economic development in Kenya as it is assumed that failure to focus on economic development is an essential reason as to why most SMEs decline and ultimately some die. The inspiration for starting an SME was worth examining. It was therefore essential to be investigate whether SMEs are established to enhance the welfare of the proprietor for the long term or whether SMEs are established to merely provide families with meagre extra incomes to enable them meet their immediate individual obligations on a day to day basis. Economic Development does not only consist of boosting the Gross National Product of a country but it also addresses a decline in individual poverty level, eradication of illiteracy and enhancing the standard of living for the individual. There are many theories on economic development but the selected theories that bear the greatest relevance to this study were the Neoclassical Theory, the Dependency Theory and the Entrepreneurship and Innovation Theory. This study adopted a descriptive survey research design. The population was updated from 134 contractors to 60 contractors. The sample size was 45 contractors giving a response rate of 75 per cent. A five-point structured Likert scale questionnaire was used to collect primary data. Qualitative analysis consisting of recombining, tabulating, categorizing and examining evidences was used to answer the research questions. The Statistics Package for Social Sciences (SPSS) Statistics version 23 was used in entry, coding and analysis of quantitative data collected through the questionnaire. Multiple linear regression analysis was used to assess the effect of the predictor variables on the dependent variable. This study sensitized the entrepreneur on the real reason as to why he or she is establishing an SME. The study findings were useful to the Kenya Government to guide in formulation of relevant policies that will ensure SMEs are created to impact economic development and not just economic growth. The study also contributed significantly to new knowledge and provoked researchers to evaluate a multidimensional theory that embraces all possible aspects of SME growth rather than focusing on individual factors. It also provoked researchers to come up with theories that effectively describe why some SMEs grow and others fail in contributing to economic development.

**Keywords:** Small and medium enterprises, economic development

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## ACRONYMS AND ABBREVIATIONS

<b>SMEs</b>	Small and Medium Enterprises
<b>GDP</b>	Gross Domestic Product
<b>MSME</b>	Micro, Small and Medium Establishments
<b>GNP</b>	Gross National Product
<b>ICT</b>	Information, Communication and Technology
<b>Kshs</b>	Kenya Shillings
<b>OECD</b>	The Organization for Economic Development and Cooperation
<b>EL</b>	Entrepreneurial Leadership
<b>SPSS</b>	Statistical Package for Social Sciences
<b>NCA</b>	National Construction Authority
<b>VAT</b>	Value Added Tax
<b>WHT</b>	Withholding Tax
<b>PAYE</b>	Pay As You Earn
<b>TOT</b>	Turnover Tax

## OPERATIONAL DEFINITION OF TERMS

**Growth of Small and Medium Enterprises:** the growth of an SME must include growing its reputation, expanding its products and services, its target markets or a combination of both (Akerley, 2017).

**Economic Development:** Economic development is typically specified to consist of enhancements in material welfare particularly for persons with the most affordable incomes, the eradication of illiteracy and mass poverty (Kindleberger & Herrick, 1958). Does not only consist of a boost in the GNP of a country but rather a decline in individual poverty level (Vocalist & Ansari, 1977).

**Small and Medium Enterprise:** having utmost 10 staff members indicates a micro business; an enterprise with 11-50 staff members is a small business, a business with between 51 to 100 employees is a medium enterprise while firms with more than 100 employees are large businesses (Bunyasi, Bwisa & Namusonge, 2014).

**Revenue or Receipts:** It is the amount of cash that an establishment really receives during a particular period, including reductions for returned products and discount rates. This consists of other services rendered consisting of sales tax and import tax duty but not including discount rate, rebate, receipts and revenue from sales, interest, fees and commission (Micro, Small and Medium Establishments Basic Report (MSME), 2016).

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background study**

Lacking an adequate number of entrepreneurs is amongst Africa's greatest limitations to economic development. Acs and Armington (2004) posits that the ratio of business owners to employees in Africa is roughly one to fifty two, while the ratio in a lot of developed countries is approximately one to ten. In addition, the research by Acs and Armington provides troubling findings which reveal that young Africans believe substantially less in themselves as organization beginners, compared with comparable developing countries such as Mexico, India, Argentina and Brazil.

Hall (2002) observes that during the last few decades, significance of Small and Medium Enterprises (SMEs) in the international economy has grown immensely. They are thought about as the primary enabler of economic development and noted as vital for continual development in virtually all economies (Mephokee, 2004). Moreover, Garikai (2011) notes that Small and Medium Enterprise importance is especially obvious in their capability to supply earnings, work to a number of people and reasonably priced products and services. Kamunge, Njeru and Tirimba (2014) argue that this makes them extensively recognized for their role in the economic, political and social advancement.

In addressing economic development, the pivotal role played by SMEs is in economic growth and development, creating employment and creating wealth in developing and industrialized nations (Robson & Bennett, 2000). Instilling entrepreneurial habits in the population is critical for the economy (Gray, 2006). Moreover, Mephokee (2004) notes that SMEs continue to be key in creating considerable export and domestic incomes, a key employment creator and enhancer of

general welfare and health of economies, and also function as crucial instruments in reduction of poverty.

The SME sector in Kenya has been acknowledged over the years for its function in cultivating innovation, improving competition, providing services and goods, providing employment and in effect, poverty reduction. This in turn fosters Kenya's economic development. The Vision 2030 is the advancement plan that endeavors to change Kenya into a middle-income industrialized nation that provides a high living standard to all its residents by 2030 and in it, the vital function of SMEs is underscored (Micro, Small and Medium Establishments (MSME) Basic Report, 2016).

SMEs in European Union (EU) constitute 99 percent of all businesses while in United States (US), they constitute 99.7 percent of all companies (Ngugi, 2012). The SMEs sector in Kenya contributes over 18 percent of the country's gross domestic product (GDP) and uses 74 percent of the labour force. The development of SMEs is a significant driver of the economy since SMEs contribute to development in job creation at a higher rate than larger companies. European Statistical Data Support (2008) note that this is plainly shown by the reality that about 99.8 percent of the businesses in the EU are SMEs, which utilize 67 percent of the European workforce and produce 57 percent of the revenue.

According to the (MSME) Basic Report (2016), employment refers to the variety of individuals who participate in the MSME organizations and consists of apprentices, part-time workers, full time paid staff members, unpaid family employees and working owners. A survey was performed, and the findings suggested that overall, micro sized businesses accounted for 81.1 percent of employment while the greatest percentage of employment in certified MSMEs was recorded in Nairobi, which represented 27.8 percent. The total variety of individuals engaged in

MSMEs was roughly 14.9 million with the informal businesses contributing 57.8 percent. There were 4.0 million paid employees in formally registered businesses.

The worldwide economy gets a considerable contribution from Small and Medium Enterprises (SMEs) with respect to business development and brand-new job creation. Another crucial role is that SMEs progressively add to economic development and technological development specifically in those developing nations where globalization and liberalization of the economy is happening (Christopher & Erik, 2003). The pivotal function played by Small and Medium Enterprises remains in developing earnings, economic advancement and sustaining employment (Lange, Ottens & Taylor, 2000). Distinct challenges that SMEs deal with, which impact their development and profitability and for this reason decrease their ability to contribute efficiently to sustainable development, are typically recognized. Previous data suggest that three out of five small businesses stop working within the very first few months of operation regardless of the huge role SMEs play in the economy (Kenya National Bureau of Statistics (KNBS), 2007). Restricted market access, minimal access to information, technology and favorable policy and regulatory environment and limited financial resources are a few of the reasons for this failure (Republic of Kenya (ROK), 2005). National governments around the world are endeavoring to provide increased resources to support this focus and to put increasing significance upon the success of small company entrepreneurs (Burgess, 2001).

According to the (MSME) Basic Report (2016), numerous efforts are being carried out to improve the performance of SMEs. Companies presently utilize their ability to adapt and use Information, Communication and Technology (ICT) innovatively to promote their entrepreneurial efficiency. Reports reveal that 78.6 per cent of the MSME owners have a smart phone. Of the business owners, nevertheless, about 20 percent did not own any ICT gadget.

Reports further revealed that five percent of business owners owned digital cameras, phablets and tablets. The indicator from the reports therefore is that a high percentage of MSMEs were not accessing service specifics with ease as would be allowed through ownership of ICT devices. As Mobile loan platforms are preferred, about half of all the MSMEs utilize mobile money platforms for receipts and payments of cash. Being a current development in Kenya, the use and uptake of mobile money is on an upward trend. Product development was manifest in small establishments engaged in health activities, financial, ICT and manufacturing. Relocation and change of government policies has added to the challenges facing MSMEs though in small scale. The main reason behind the change of company activity is the search for more lucrative activities. A combination of low financial investment in research study and development to spur company innovation, quality of facilities and access to contemporary technology triggers an empowering environment. The MSME study exposed that a favorable and enabling environment is a more important restraint impending growth of MSMEs in Kenya. As the development and advancement of the MSME sector is essential, the function of government is to resolve issues ranging from regulative to policy formulation where particular areas incorporating factors such as policy development, capability structure, business incubation and access to markets and funds need to be addressed.

### **1.1.1 Growth of Small and Medium Enterprises**

Enterprise growth is defined using factors beyond revenue and profitability to include reputation, expertise and perspective. Growth, as defined by the Oxford English Dictionary, is the development or increasing in size; the process of increasing in value of importance; amount, value increase or the increase in economic activity (Oxford University Press, 2017). An SME has

assets and when assets are stripped away; for example, inventory and intellectual capital, all an SME has left is its reputation. For this reason, the growth of an SME must include growing its reputation. In addition, growth of SMEs includes expanding its products and services, its target markets or a combination of both. This requires expertise and experience which is about quality and creating more value. However, growth and perspective is more about the entrepreneur than it is about the enterprise. It is about learning. The entrepreneur can learn by; for example, attending seminars and workshops, enrolling in college courses and joining master mind groups (Akerley, 2017).

Growth can be measured either subjectively or objectively and this makes growth itself difficult to measure. Subjective measures that are more seldom used include having the owners assess their efficiency relative to their perception of development, to their objectives, and the market. The most typical objective techniques are based on the analysis of manpower, sales and revenue figures. It is therefore observed that the lack of total and accepted growth measures is not the only issue in research into growth (Delmar, 1996). It is further observed that even though approximately one million small enterprises are established each year, a minimum of 40 percent of them close within one year and 80 percent of them will be out of business within five years and 96 percent will not survive up to their 10th year (Gerber, 2001). The (MSME) Basic Report (2016) notifies on the longevity of companies. On average, businesses were closed at the age of 3.8 years. Enterprises that accounted for 61.3 percent of the overall organizations closed were purchased or started within the last two years. These were more susceptible to closures. The study investigated the primary reason that entrepreneurs close their organizations. The study concluded that there are business closures due to shortage of operating funds occasioned by increased operating expenses, declining income and loss occurrences. They were reported as

being 29.6 per cent of the businesses. When diversion of operating capital and returns from the business took place, this further resulted in enterprise closures. Other enterprises were closed due to personal issues. Concerns varied from biological and social obligations; for instance, postnatal and prenatal care of children specifically for women entrepreneurs.

Growth is considered as the second essential objective of a company, the most crucial one being firm survival. Failure to focus on development is an essential reason why most SMEs decline and ultimately, some die. Many other research studies have actually been done (Umar 2008; Okpara & Wynn, 2007) regarding elements impacting the growth of SMEs. The majority of the aspects researched on in other countries include the access to markets, operational and administrative constraints, infrastructure and government regulations, level of education and corruption. In Kenya some of these factors have not been studied exhaustively.

Despite the fact that researches on factors that determine the growth of SMEs still have some gaps that need to be filled in, the factors that determine the growth of large corporations are fully researched and developed. To measure the advancement and development of SMEs different signs are utilized. Common indications used in the measurement are sales or turnover development and increase of work over an amount of time. Other signs - though not extremely common compared to sales and employment indicators - used to measure development of SMEs are asset worth, market share, revenues and output. The level of production and market share indicators vary extensively depending upon the industry and as a result it is very hard to utilize them for comparisons, while profit is not pertinent unless utilized in trend analysis over an amount of time. For this reason, both sales and employment stay as significant signs for determining the growth and advancement of enterprises. On the one hand, information on the number of workers is generally simpler to gather as they are much more crucial for the

government while on the other hand sales might be affected by inflation. It is for that reason that it is significant to use a number of signs together to study the growth and development of enterprises (Davidsson, Delmar & Wiklund, 2006). Some of the variables that researchers use a lot more are increase of work, sales and revenues for a particular duration of time, since the collection of those information and their measurement is simple and easy (Delmar, 2003).

In a case study on the Hometown Investment Trust Fund Approach, it was highlighted that SMEs play a significant role in developing work in Indonesia, which in turn promotes Indonesia's financial development. In the past SMEs played a major function in sustaining the household earnings and, at the same time, steadily reducing the poverty rate throughout the financial crisis (Mourougane, 2012). As the MSME Basic Report of 2016 acknowledges provision of products and services, boosting competitors, promoting innovation, producing employment and in effect, relief of poverty as major contributors to economic development, this study will use increase of sales and revenues and provision of products and services to measure the growth of enterprises. It will also use increase of employment.

### **1.1.2 The Concept of Economic Development**

As a source of innovation, economic dynamism, employment and development, the contribution of SME's to the country's economic development is considerable. They are established in a larger geographical area than large business, even in the rural areas (Madanchian, Hussien, Noordin & Taherdoost, 2016). In Malaysia, the New Economic Policy (NEP) in 1971 dedicated the government into development of SMEs (Saad, 2012; Aman & Tahir, 2011). According to Jamak and Salleh (2012) the value was offered on civilizing Bumiputera Ownership efficiently to contribute to poverty eradication, enhance incomes, and regulate income against the various

ethnic groups. With the National Development Policy (NDP) in 1992 the NEP was changed. The Ministry of Entrepreneurship Development was developed in 1995 because of the federal government's interest of efforts relating to entrepreneurship development and business owners (Othman & Sulaiman, 2008). As stated by Ariff and Abubakar (2003) the significance offered by the government for the entrepreneurship advancement and to the contribution of SMEs to the Economic Development of the nation is revealed by this.

SMEs have traditionally played an important role in contributing to economic advancement of numerous countries all over the world. Naturally all organizations begin as small organizations or even start of small companies started by families or individuals. The function of SMEs in developing skills, increase, enhance and support financial advancement in South Africa (Kongolo, 2010). SMEs add to economic development in various methods: by producing work for the rural and urban growing manpower, offering preferable sustainability and development in the economy as a whole. Additionally, dependence on the small and medium business directly or indirectly is played upon by a great deal of individuals (Fida, 2008). The method to accelerate the achievement of larger socio-economic objectives, including poverty relief, is viewed as to be achievable through the advancement of SMEs (Cook & Nixon, 2000). The function of economics in the advancement procedure of any nation is very important. The main issue of any advancement process is the increase in the living requirements and/or standards of individuals. The ability to provide standard needs for all at reasonable costs is called life sustainability. Life for everybody would not be possible without particular standard needs. When use of the benefits of economic progress is readily available just to a small number of people while the bulk are being omitted, then there is no advancement (Todaro & Smith, 2003). The socio-economic conditions of lots of people worldwide have actually seriously been affected by the negative

recent financial slumps. It is obligatory that small, medium and big business owners react to these unfavorable conditions by boosting their job development capabilities (Barakat, 2001). A well supported and enhanced small company sector is likely to continue contributing to the economic development procedure in the same method as large organization (Abraham, 2003). A lot of difficulties facing numerous bad individuals in establishing countries is the decline in living standards and joblessness due to economic slumps. DTI (2004) and Abraham (2003) observe that this has worsened due to the reality that the formal economy has actually been constantly shedding tasks and at the exact same time retrenchments and downsizing have become commonplace. In other countries such as US, UK, Japan, Korea, and various other developed economies, the vital function of SMEs is well acknowledged in terms of creating jobs, alleviating poverty and increasing wealth of the society (Pang, 2008; Horn, 1995).

From the viewpoint of growth of the economy, Edmiston (2007) posits that small companies create more than 50 percent of new employment opportunities and it is documented that some of the jobs are stable. Successful businesses continuously introduce new/improved varieties of products proving themselves to be based on “small is smart”. Changing market conditions see better adaptation and flexibility from small business. Production of an environment that contributes for small companies to run, innovate and create employment opportunities as a technique to better economic advancement is therefore important (Edmiston, 2004). SME's are brought down to essentially absolutely nothing or naught because of wars; for instance, in countries such as Liberia, Sudan, and Democratic Republic of Congo (DRC) among many others. Advanced nations such as Ireland, UK, Japan, South Korea, USA and China have made great development in this regard by offering continued assistance to economic development efforts, while most establishing countries of Africa, Asia, and Latin America battle to develop

and support feasible SME's (Mbendi Business, 2003). Political leaders in these countries have often persuasively revealed their support for entrepreneurship creation and small businesses time and once again; nevertheless, they have not yet understood this dream. All around the world the employer, the client and provider of services and products to the local market have actually been known to be small companies, including the provision of most of innovation in the economy (Barakat, 2001).

In this study, the concept of economic development will be measured using contribution to national tax revenue and increase to family incomes to improve leisure time, access to health and education

### **1.1.3 Small and Medium Enterprises in Kajiado County**

SMEs are considered as those business which have less than 250 staff members. In identifying in between small and medium sized enterprises, the small business is defined as an enterprise which has not more than 50 staff members. These enterprises are frequently referred to as SMEs and are connected with proprietors or owners (Schaper & Volery 2004; Meredith 2001). SMEs are usually specified by the variety of employees used, worth of properties and sales turnover. (Garikai, 2011)

According to a survey conducted on Micro, Small and Medium Establishment (MSME) by Kenya National Bureau of Statistics in September 2016, classification of MSMEs according to employee numbers has the micro (1-9 staff members), small (10-49 staff members) and medium (50-99 employees). The survey developed that about 1.56 million MSMEs are certified by the county governments and 5.85 million were informal enterprises run by individuals and families.

The study further suggested that micro sized businesses constituted more than 90 percent of all formal businesses in all counties with the exception of Nairobi. With 14.8 percent, Nairobi County recorded the largest percentage of SMES.

Kenya's Vision 2030 determines unemployment and poverty as key issues to be addressed under the Economic Pillar. In this regard, SMEs have a substantial function to play in hardship reduction, wealth creation, and promote participation by the less fortunate in society. In order to build a globally competitive and thriving economy as imagined by Vision 2030, federal government is putting in location strategies focused on reinforcing SMEs to play an essential function in commercial change by improving their performance and innovation. SMEs are universally acknowledged as reliable instruments for economic advancement and employment generation (Republic of Kenya, 2007).

The Vision 2030 shows that SMEs in Kenya play an essential function in the socio-economic development of the nation; for example, employment production, poverty decrease and advancement of an industrial base. Regardless of this vital role, 90% of SMEs do not see their 3rd birthday. Mullei and Bokea, as mentioned in Wambugu (2005), stated that in Kenya very few business have actually turned into large official organizations; an unfavorable situation that is obviously common among enterprises owned by the youth..

According to the Kenya National Bureau of Statistics Micro, Small and Medium Establishment (MSME) study of September 2016, big firms are matched by SMEs as ancillary units since they effectively satisfy market requirements due to their versatility. The sector's contribution to the nationwide economy was found to be 33.8 percent in 2015. This fact underscores the role played by SMEs towards financial development. To increase this contribution, the Kenyan government has the task to attend to concerns ranging from regulatory to policy formulation where particular

locations encompassing the very same consist of capability building, policy advancement, business incubation and access to finance and markets.

Having no more than 10 workers defines a micro enterprise; a small business has 11-50 staff members; while a medium business is specified as having 50 to 100 staff members and big business have more than 100 staff members. Censuses indicate that micro-enterprises consist of the lion's share of enterprises in Kenya, while there are a few medium enterprises (Bunyasi, Bwisa & Namusonge, 2014). In Kenya, according to the MSME bill of 2009, 2 legal requirements are utilized to specify SMEs in general: Number of people/employees and the company's yearly turnover. However, investment in plant and machinery as well as the registered capital is considered when defining business in Kenya's manufacturing sector (Kenya Association of Manufacturers (KAM), 2010). This definition of SMEs is as shown in Table 1.1 below.

**Table 1.1: Definition of SMEs**

Entity (Trade, Service, Industry Or Business Activity)	Number Of Employees/People	Annual Turnover Limit	Investment In Plant And Machinery Plus Registered Capital	Equipment Investment Plus Registered Capital
Micro enterprise	Less than 10 people	Not exceeding Kshs 500,000	Not exceeding Kshs 10 million	Not exceeding Kshs 5 million
Small enterprise	More than 10 but less than 50	Between Kshs 500,000 to Kshs 5 million	More than Kshs 10 million but less than Kshs 50 million	More than Kshs 5 million but less than Kshs 20 million
Medium enterprise	More than 50 but less than 100	Between Kshs 5 million and Kshs 800 million	Not specified in the draft bill	Not specified in the draft bill

*Source: Kenya Association of Manufacturers pp. 1-2. 2010*

For this study the definitions of Small and Medium Enterprises sector in Kenya are based on annual turnover limit and number of employees.

## **1.2 Statement of Research Problem**

SMEs presented in economic surveys have a considerable function to play in economic advancement of the country. The 2016 National MSME study discovered that "the MSME sector engaged about 14.9 million individuals in 2015 and for that reason, perhaps provides the greatest job opportunity in Kenya. It further showed that MSMEs are complementary to large companies as supplementary systems; they are typically flexible therefore they successfully fulfill the marketplace's requirements. The MSME sector contribution to the national economy was discovered to be 33.8 percent in 2015. This highlights the basic role played by the MSMEs towards economic advancement and growth". With this data, the inspiration for starting an SME is worth examining. Despite the role played by SMEs, research reveals that SMEs encounter a range of issues and although near one million small business are started each year, of the small enterprises developed in a year, at least 40 percent of them close within one year and 80 percent of them will be out of operations within five years and 96 percent will be not attain the 10th year (Gerber, 2001). According to the report of European Community, the contribution of SMEs to the financial system were of a commercial and industrial nature due to the fact that they are numerous. They had results over all sectors including trade, manufacturing and services. They also made contributions to employment and level of welfare (European Community, 2003). It ought to be noted that amongst the drawbacks of SMEs, one was when they display a lower level of profitability than do their larger counterparts. However this lower level of profitability

followed at least two of the numerous functions (Carree & Thurik, 2003) SMEs play in the economy: the competition and seedbed roles (Beesley & Hamilton, 1984) which created financial growth and advancement at the cost of survival rates and success of those SMEs included in these functions (Fritsch & Mueller, 2008) and engaging with their bigger counterparts as a provider while big companies outsource their less lucrative non-core activities (Baumol, 2002). This did not support the idea that growth in SMEs will instantly affect economic development in an industrialized country.

There was proof that the SME sector was performing a historical role in the advancement of economy. Nevertheless, on the other hand, the failure ratio of SMEs was alarming for developing countries (Hodges & Kuratko, 2004). It was determined by previous studies that a great deal of freshly established SMEs cease operations within the first five years of their inception (Zimmerer, Searborough & Wilson 2008). Most of the studies from England, USA and Australia provided evidence that practically 80-90 percent of the SMEs cease to exist within 5-10 years (Zimmerer et al. 2008; Hodges et al., 2004)

As far as Pakistan was concerned, the SME sector was the backbone of the economy. According to current estimation, there were approximately 3.2 million service jobs in Pakistan. It was reported by the Pakistan Economic Survey (2008) that more than 93 percent of the 3.2 million entities fell in the category of SMEs. Additionally, this sector of economy provided a major share of overall industrial work and creation of value in about every part of the economy. Its participation in the industrial growth and development stayed incontrovertible (Kureshi, Mann, Khan & Qureshi, 2009). Pakistan's SMEs owners'/ supervisors' and employees' decisions to broaden the export sub-sector, provide employment and engage in alleviation of poverty was not devoid of issues. These issues then overrode the effect that the development of SMEs might have

on economic development. According to the Organization for Economic Co-operation and Development, SMEs were especially hard hit by the global financial crisis. It was very important to note that SMEs were usually vulnerable in times of crisis for lots of reasons; for example, it was harder for them to scale down as they were already small; they were heavily based on credit and they had fewer funding options; they had a weaker financial structure (i.e. lower capitalization); they were separately less diversified in their economic activities; they had a lower or no credit score (Organization for Economic Cooperation Development (OECD), 2009). This being the case, the development of SMEs did not have a dynamic effect on advancement of the economy.

In Kenya, the SMEs sector employed 74 percent of the manpower and contributed over 18 percent of the country's GDP (Ngugi, 2012). Yet, according to the Kenya National Bureau of Statistics, Micro, Small and Medium Establishment (MSME) Survey of September, 2016, the standard report notified that typically, organizations were closed at the age of 3.8 years and that enterprises that started or were acquired within the last two years were more vulnerable to closures and they accounted for 61.3 percent of the overall companies closed. This contradiction did not support the concept that growth in SMEs had an impact on Kenya's economic development. Although the growth of SMEs was a popular topic in theoretical research studies, there were still some research gaps that needed to be filled. There was no single multidimensional theory that would embrace all possible methods; most research studies on SMEs' growth examined the elements of growth individually (Wasilczuk, 2000). The evidence of the problem, regardless of the significant attention paid to SME development, was that to date no theories had actually been able to effectively describe why some SMEs grow and others fail in contributing to economic advancement. There has been various studies in this area since the late

1990's (Achtenhagen & Naldi, 2009) due to the intricacy of the problem, the multidisciplinary nature of the related variables and the trouble in producing a generic model that fits the various kinds of SMEs, as noted by Gibb and Davis (1990). The researcher observed that in recent years, the Kenyan business environment had seen the burgeoning of Small and Medium Enterprises. There was the assumption that the growth of SMEs improved the lifestyle of Kenyans, reduced unemployment and lowered poverty levels yet many of them did not have longevity. It was also assumed that SMEs contributed towards taxes collected by the government. The question, therefore, that arose was are SMEs established to enhance the welfare of the proprietor for the long run or are they established to merely provide families with meagre extra incomes to enable them meet their immediate individual obligations on a day to day basis? In view of the ongoing discussion these observations, assumptions and question constituted the statement of the problem for this research.

### **1.3 Research Objectives**

The general objective of this study was to establish the effect of growth of SMEs on economic development in Kajiado. The specific research objectives were

- i. To determine the effect of increase in SME revenues on the economic development of Kajiado
- ii. To establish the effect of provision of products and services by SMEs on the economic development of Kajiado.
- iii. To access the influence of innovation by SMEs on the economic development of Kajiado.
- iv. To find out the moderating effect of entrepreneurial leadership on the relationship between growth of SMEs and economic development

## 1.4 Research Questions

- i. What was the effect of increase in SME revenues on the economic development of Kajiado?
- ii. What was the effect of provision of products and services by SMEs on the economic development of Kajiado?
- iii. What was the influence of innovation by SMEs on the economic development of Kajiado?
- iv. What was the moderating effect of entrepreneurial leadership on the relationship between growth of SMEs and economic development?

### 1.4.1 Research Hypotheses

To examine how each of the variables in the study influence Economic Development, the following hypotheses were tested:-

*H<sub>01</sub>: Increase in SME revenues has no significant influence on the economic development of Kajiado*

*H<sub>02</sub>: Provision of products and services by SMEs has no significant influence on the economic development of Kajiado*

*H<sub>03</sub>: Innovation by SMEs has no significant influence on the economic development of Kajiado*

*H<sub>04</sub>: Entrepreneurial Leadership has no effect on growth of SMEs and economic development of Kajiado*

## **1.5 Significance of the Study**

This study is significant to the entrepreneur because it sensitizes the entrepreneur on the real reason as to why he or she is establishing an SME. If an SME is established to impact economic development, then the entrepreneur clearly witnesses how the business impacts economic development in Kenya in terms of removal of mass poverty, illiteracy, disease and early death; improvements in material and general welfare especially for persons with the lowest incomes and creation of employment for the rural and urban labor force. If an SME is established to merely help the entrepreneur have some meagre extra income to address immediate obligations on a day to day basis; then that is not economic development.

The study findings are useful to the Kenya Government. They enable the government appreciate the characteristics, operations, dynamics and evolving nature of small and medium-scale enterprises in Kenya so as to formulate relevant policies that ensure SMEs are created to impact economic development and not just economic growth.

The study also contributes significantly to new knowledge and provokes researchers to evaluate a multidimensional theory that will accept all possible techniques because many studies on SMEs' growth take a look at the development aspects one by one. There is a plateau in this research study for the late 1990's (Achtenhagen & Naldi, 2009) due to the intricacy of the problem, the multidisciplinary nature of the related variables and the trouble in generating a generic design that fitted the numerous kinds of SMEs.

The study is useful to Kenya Revenue Authority (KRA) because it will show the ability SMEs have to contributing to government tax revenue which propels economic development by enabling the government to provide services; for example health care, education, infrastructure and much more to its citizens. KRA can also reach out to this group of income earners who may not know that they have an obligation to pay tax as per the laws of Kenya.

### **1.6 Scope of the Study**

This study focused on the effect of growth of SMEs on economic development in Kajiado County in the construction sector.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the major theoretical and empirical arguments regarding the effect of growth of SMEs on economic development in Kajiado. It begins with Theoretical Review and then moves on to Empirical Review where it focuses on studies on increase in SME revenues, provision of products and services by SMEs and innovation by SMEs and their effect on economic development. The chapter then ends by showing the knowledge gap that exists since in general the other researchers never covered everything, followed by a conceptual framework and the operationalization of this study.

#### **2.2 Theoretical Review**

There are many theories on economic development but the selected theories that bear the greatest relevance to this study are Neoclassical Theory, the Dependency Theory and Entrepreneurship and Innovation Theory. Timeline does not necessarily imply loss of significance of a particular theory

##### **2.2.1 Neoclassical Theory**

Neoclassical theory, built under the foundations laid down by Adam Smith (1723 – 1790) and David Ricardo (1772-1823), is a popular theory required in meaningful discussions related to economics. Words such as supply, demand, profit and satisfaction are highlighted. That human nature characteristically determines economic outcomes, is the concept at which neoclassical theory lies. According to this concept, human beings have abilities to produce maximum wealth in the society they live in. An individual's well-being is defined in terms of his or her consumption of goods and services whereby maximum consumption equals maximum well-being. Writings from both early classical economists and the later neoclassical economists stressed the ideas of reaching maximum technically feasible wealth and consumption and achieving social congruence. Different times present different pressures and demands arise for governments to formulate new policies to deal with new economic problems. Early neoclassical writers focused themselves to answering questions like was free trade preferable to restricted trade between countries? Were monopolies granted by governments to merchant companies hindering economic growth and development? Should guild restrictions on craft production be abolished in favor of placing no restrictions on individuals producing and selling whatever the market would accept? Neoclassical theory endeavours to demonstrate how capitalism could realize its potential if all hurdles and obstacles to private wealth maximization were removed. Socialism arose to challenge capitalism. In response to this, classical economics was transformed in the 1870s. Classical economics concentrated on national levels of wealth creation while neoclassical school of thought focused more on the economic mannerisms of the individual elements of modern economics; that is, workers, consumers and enterprises. Neoclassical economics after the 1870s continued to generate remarkable theoretical tradition whose concerns

grew to encompass topics like income distribution, market structures, foreign trade, growth and economic development (Wolff & Resnick, 2012)

According to Wolff and Resnick (2012), Adam Smith's "Invisible Hand" shows that an efficient allocation of both consumption outputs and resource inputs can arise when a fully competitive society acts rationally in his or her own self-interest by having consumers maximizing utility and producers maximizing profits. The insight of Adam Smith is retained in neoclassical economics as follows – each person having the power (liberty) to act in his or her own self-interest will be led as if by an "invisible hand" (the totally competitive market) to actions that produce the maximum wealth (productivity) for a society of individuals.

Companies are attracted to some sort of perfect size. This is one of the assumptions of the neoclassical theory perspectives (Coad, 2009). This perfect size is the profit making the most of level of production, where economies of large-scale production is traded off against the overall expenses of harmonizing big administrative organizations (Coad, 2009). The perfect size theory assumes that companies grow till they get to an ideal size and once they have achieved it, they cease to grow.

The Neoclassical Theory was used in this study as it describes the relationship between profit maximizing level of production (increase in SME revenue) and economic development.

### **2.2.2 The Dependency Theory**

Dependency theory attempts to identify today's underdeveloped state of many countries on the planet by analyzing the patterns of interactions among countries and by highlighting that inequality among nations around the world is surely an intrinsic part of those interactions.

Dependency principle was established back in the 1954s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch. He strove to offer an initial explanation to this theory in a simple way: bad nations around the world exported main commodities to the abundant countries who then produced items from these products and sold them back to the poorer nations. The particular phenomenon "Value Added" took place where it is mentioned that by manufacturing a functional product, it constantly costs more than the primary products utilized to develop those products. As a result, the earnings made by poorer nations from exports are never ever enough to pay for their imports. Prebisch's solution was in the same way uncomplicated: programs of import alternative must be embarked upon by poorer nations so that they do not require to acquire the produced items from the richer nations. The foreign exchange reserves of poorer nations would not be utilized to buy their products and services from abroad although they continue to offer their primary items on the world market. Nevertheless, three issues made this theory challenging to follow. The very first was while the richer countries kept their costs low because of the assistance of their economies of scale, the poorer nations did not have internal markets that were large enough to support the economies of scale so as to keep their rates low also (Ferraro, 1996). For that reason as SMEs in Kenya face difficulties when looking for internal markets, it ends up being difficult for them to keep prices low. The political will of the poorer nations is the second concern. This would cause absence of interest in diving into a conversation regarding whether an improvement from being primary items producers was possible or preferable. The last problem revolved around the area of selling items abroad and whether the poorer countries in fact had control of their main products. These issues to the import alternative policy led others to believe a little bit more innovatively and factually at the relationship between rich and bad nations. At this moment reliance theory was

seen as a possible way of informing on the consistent hardship of the poorer nations (Ferraro, 1996).

Developed nations can exploit nationwide resources of developing countries through getting cheap supply of food and basic materials. The control of the distribution of the worth contributed to the products traded between poor nations and the industrialized countries, cannot be competently set by the poor nations. On the other hand, during the 1970s and 1980s, the experience of the newly industrialized economies of East Asia, namely South Korea, Taiwan, Singapore and Hong Kong revealed that their success had been the outcome of emphasizing trade with the innovative industrial countries. The worldwide reliance models pursued a blinkered design of development that promoted state-run production (Dang & Pheng, 2015).

The Dependency Theory was hence applied to this study to inform the routes through which SMEs can provide their products and services and impact economic development. These products and services from SMEs need to undergo value addition.

### **2.2.3 Entrepreneurship and Innovation Theory**

The entrepreneurship and innovation theory was introduced and developed by Joseph Schumpeter (1838-1950). The original approach concentrated on the function of development on entrepreneurship, economy and social modification. Schumpeter argued that, the overall economy focused on the circulation of resources provided through diverse means. Economic development was viewed by Schumpeter's as a procedure of qualitative modification driven simply by innovation occurring in historic time. Giving examples of innovation, Schumpeter

mentioned new techniques regarding production and new technologies applied that were associated with supply. This man specified innovation as a fresh blend of existing assets. Through these combinations, this man identified entrepreneurial purposes. For effective innovations, Schumpeter noted the important purpose played by business masters. This purpose was the frequency of inertia or resistance to new ways that business owners needed to combat so as to be effective in their aims.

Concepts of innovation and entrepreneurship to economics are distinctive contributions from Schumpeter's. Most common themes in his writings show the role of innovation (new techniques) and entrepreneurship in economic growth. However Schumpeter's view changed over time. He was highlighting the function of entrepreneurs carrying out new techniques. He viewed the happenings of discontinuous and "revolutionary" change as the center of economic development that breaks the economy out of its stagnant manner and sets it on a dynamic path of fits and starts. Then thirty years later Schumpeter took another view. He was of the view that dynamic capitalism was implemented to fail as the very efficiency of capitalist enterprise would have monopolistic structures emerge and the entrepreneur would disappear. The interesting occurrence in recent times is that modern capitalism is going through a serious crises and has lost its strength during subprime and euro-debt crises. Anyone seeking profits must innovate was Schumpeter's argument. To him, innovation is a "course of industrial mutation that persistently revolutionizes the economic structure from within, incessantly destroying the old one, continuously creating the new one". Macroeconomic effects of any basic innovation show no impact in the first few years. However economic development propels when the diffusion of basic innovation, which is the period when imitators begin to realize the profitable potential of the new process applied and start to invest heavily in that technology, is applied as opposed to

discovery of basic innovation. As discovery and execution are two completely things, a pure new idea must be taken up by a strong character (entrepreneur) and be implemented through his or her influence. It is not the power of ideas but the power that gets things done. According to Schumpeter the entrepreneur is the chief innovator and innovations are vital to explaining economic development. Therefore the key role for an entrepreneur is to apportion existing resources to new techniques. Finally Schumpeter emphasized that entrepreneurship is innovation and the actualization of innovation (Sledzik, 2013)

Rafinejad (2007) explains the Schumpeter's theory as the one which stresses innovation-ignoring risk associated with a business owner. The theory of entrepreneurship and development is essential to this study as it describes the relationship between innovation by SMEs and economic development. Development as seen in the theory produces social and economic change.

## **2.3 Empirical Review**

This section presents empirical studies on SME growth and the effect on economic development guided by the research objectives.

### **2.3.1 Small and Medium Enterprise Revenue and Economic Development**

According to Ayyagari, Beck and Demirguc-kunt (2005), on conducting a study using regression-based ANOVA approach and linear and instrumental variable regressions on SMEs in 76 countries, the contribution of SMEs correlates strongly with a country's Gross Domestic Product (GDP). They also established that a share of formal SMEs is making boosts as countries grow richer, while the casual sector loses importance. However, this relationship has not fully

been identified in establishing nations (Kamunge, Njeru & Tirimba, 2014) although it can be derived that for having a hard time economy, as found in Africa, there are high levels of unemployment which activate a great deal of informal SMEs that may insignificantly contribute to the GDP of many economies.

The existence of SMEs in all sectors of the economy would signify their critical function in guiding advancement. Nevertheless, according to Fjose, Grunfeld and Green (2010), there is very little detail from literature on particular roles and contributions of SMEs toward economic development.

The realization of economic development can only be realized if the right business environment is created. According to Tasesse, Executive Vice President of the Development Bank of Southern Africa (in Fjose et al., 2010), for most African countries, SMEs from the informal sector only contribute 20% to GDP compared to 60% contribution in developed countries, an argument supported by Arinaitwe (2002).

Kenya's Vision 2030 emphasizes the requirement to handle the informal economy through measures intended at raising owner's earnings and public revenues, increasing efficiency and generation of jobs. The 2016 MSME study was aimed to supply approximations at national and county levels and it was cross-sectional. A representative likelihood sample style was utilized. Stratified random sampling approach was adopted for the business/establishment-based sample in which a systematic random sample of businesses/establishments was drawn applying equal probability selection approach. The MSME Basic Report (2016) informed that a new competitive and revolutionary MSME sector holds out massive potential particularly for building countries like Kenya with regards to higher revenue growth. The salient observation, typically from the findings, is the predominant portion of wholesale and retail trade compared typically to the other

markets like creation and building, signaling/indicating that the MSMEs in Kenya are more into the service market. In general, MSMEs reported gross proceeds of KSh 784. 2 billion in the 30 days just before time of the particular study. The profits were majorly produced by small businesses/establishments in Wholesale plus Retail trade activities. Medium enterprises engaged inside production activities recorded highest quantity of income primarily due to production ability and level of innovation utilized in production processes. The MSME Survey came to the conclusion that MSMEs play the crucial function in offering substantial wealth creation possibilities thus contributing immensely toward the socio-economic development in addition to transformation of the region.

### **2.3.2 Provision of Product and Services by SMEs and Economic Development**

Provision of products and services looks at the change in number of products/services, markets/customers and suppliers over a period of time. According to Harvie (2008), whereas the dynamic roles that SMEs play differ commonly between the numerous nations, SMEs are important across East Asian economies. In Singapore, SMEs are very important since they offer a flexible, knowledgeable production foundation that brings in larger international corporations (MNCs) in addition to generating a boost for markets, consumers and vendors. In addition, the influence of SMEs to exports also differs commonly. SMEs in Taiwan, Korea plus China are relatively even more export oriented than those in Singapore, Malaysia, Thailand and Japan. A small however substantial proportion of SMEs in Japan, Korea and Taiwan have actually broadened procedures in foreign countries with Japan's output from manufacturing now being sourced abroad at about 13 percent. Running through borders is becoming simpler for SMEs. This is partially because of initiatives to lower trade in addition to non-trade impediments by the

ASEAN, APEC and WTO. Customer-satisfaction and customer-orientation are highly associated with success inside smaller firms (Blythe, 2001), where substantial focus is put on personal human relationships in developing a consumer base (Stokes, 2000) and in addition the significance associated with customer happiness to competitive success (Siu, 2000). SMEs can be successful by using the opportunities bigger organizations have overlooked and actually not used due to be existing governmental structures. Such ability gives SMEs their competitive advantage, an essential element in enhancing market accomplishment and competitiveness among firms (Mole & Worrall, 2001).

A study by Dwyer, Gilmore and Carson (2009) investigated the client orientation of SMEs. "The perceptions SME owner/managers had of the importance of their customers to real marketing practice were identified in the literature. The empirical findings that supported this perception where 7 of the case companies (SMEs 1, 2, 3, 5, 6, 7 and 8) who kept in mind the centrality of customers to their ingenious marketing activities and practices. SME 8 discovered that consumer relationships and promo material are very significant. All of the SMEs altered their approaches of conducting trade in anticipation of their clients' changing needs and service environment. SME 2 which operates in a rough market discovered that its consumers stopped to acquire in negative market conditions. Realizing that this was a new short-term reaction to a bad external ecological stimulus, SME 2 re-doubled its customer focus, engaged in active client relationship management which led to increased sales. Each of the SMEs in this research strongly emphasized the significance of image to their own impressive marketing activities in addition to practices, with companies such as SME 1 recognizing that its image of being a world class sub-supplier had been necessary to its marketing activities and practice. Product high quality was noted by almost all SMEs as a basic pre-requisite of these ingenious marketing and advertising.

Nevertheless, having actually achieved (and surpassed) the necessary quality several of the SMEs recognized a trouble articulated by SME 5 - "in offering to the German market we found out that typically the point of view of quality for Irish goods was actually low, so goods now offered to German companies are produced inside Ireland however ended up inside the Swedish subsidiary which will keep the Germans happy. This specific innovative technique towards high quality was reflected by other case SMEs who managed the same issue in other methods: for example, engaging clients inside their top-quality assurance processes, promotional item (two case SMEs), orientation that is strategic (one case SMEs) and personalization (one circumstance SME). Based on this specific proof this research study shows the innate recognition of SMEs regarding their particular customers, their markets and own capabilities with regards to provision of products and services".

### **2.3.3 Innovation by Small and Medium Enterprises and Economic Development**

Chughtai (2014) investigated the effect of SMEs on economic advancement in Pakistan. Secondary information associated with the period from 1981 to 2013 was gathered. High innovation exports and high technology exports, as a portion of making exports, were the primary financial variables included in this research study. Two log direct regression formulas were constructed. Particular variables were discovered to be positively considerable on development regarding SMEs share in GDP: that is, the quantity of exports as portion of GDP showed improvement and the contributing considerable effect on SME industry with the t-value of a 5.96 was the typical effect. What this means is, if Pakistan focused on exports, then there is an alteration regarding repair of the economy that is typically aided by the development of SMEs. The high innovation exports explained a beneficial connection between SMEs and gross

domestic product which means that high exports may possibly cause development in the nation by means of the enhancement of SMEs development. High innovation export products, having a t-value of 0.10 as the result, were discovered to become favorably significant on gross domestic product development. The particular outcomes showed that efficiency associated with SMEs has an important impact on economic development. However, volume of exports as percentage of gross domestic product has been affecting the progress regarding SMEs adversely and so economic development too has been becoming afflicted negatively.

SME internationalization is much more global plus it is not restricted to certain locations such as Far East parts of Asia. Continuous innovation in technology or techniques in anticipation of dynamic consumer needs, rivals and analysis of supply, is the focus of SME growth and survival. For this reason, the fundamental globalization with regards to business using improved marketing communications (especially web commerce and the web), as well as other technological plus social adjustments is crucial (Chesbrough, 2003; Mostafa, 2005; Nieto, 2005;; Salavou, 2004; Senge & Carstedt, 2001). Such innovation originates from the flexibility and readiness of little companies to try fresh methods (Stokes, 1998), in order to seize possibility (Hulbert and Brown, 1998) and also apply competitive advantage (Knight, 1995). SME developments (or adaptations) of marketing promote capitalization of their strengths permitting them to individualize their products and services from homogenous offerings of greater firms inside a specific niche industry (Cummins, 2000).

A study to determine the influence of innovativeness on the growth of SMEs in Kenya by Ngugi, McOrege and Muriu (2013) revealed that the propensity of owner/manager to take part in and support experimentation, novelty, originalities and innovative procedures leads to new

technological procedures and techniques that have a fantastic impact on the efficiency of SME and subsequently economic development.

Research points out that most SMEs in Kenya are not innovative, and this affects negatively on their growth. The Kenyan Business system has actually not fully incorporated development to improve competitiveness. As a result, crucial sectors have not been able to become competitive (Mwangi & Namusonge, 2014). Mwangi et al (2014) argue that innovation is the best method for motivating development in a firm. The most innovative firms realize higher turnover of items and services introduced within an amount of time. It being crucial for firms to grow, then they have to uphold an ingenious method that will enable them acquire a competitive edge in the dominating sectorial environment. A study to establish the impact of innovativeness on the development of SMEs by Mwangi et al (2014) showed that 40 percent of the participants concurred that innovating new techniques or technology employed was an important component to allow the company realize greater sales income and therefore development. Thirteen percent of the respondents agreed that innovation increased level of sales and this can help the SMEs accomplish more revenues and 15 percent highly disagreed that development of new techniques or technology employed held any bearing on profit margins of the company. Only 4 percent of the respondents did not think that innovation would influence the level of sales revenue created. They believed that new techniques or technology employed were costly and dangerous and they could affect development negatively. Innovation describes the entrepreneur as an individual who presents brand-new procedures, brand-new approaches of communication, brand-new innovations including equipment and infotech. As small firms grow, they must present brand-new procedures and management modifications and obtain brand-new systems, all of which can be deemed ingenious (Bunyasi, 2015). SMEs generation of the technical development relevant in

/the economy is another important truth. Lots of tasks come from development and brand-new discoveries are the result of new entrepreneurial experiences. In the United States throughout a ten-year period (1994-- 2004), Almeida (2004) performed an empirical research study on the Avant Garde industries. The research study discovered that SMEs play a vital, active and unique function in the development procedure through their capacity to improve high technology information networks and invent new technological spaces.

#### **2.3.4 Moderating Effect of Entrepreneurial Leadership**

Current literatures recommend that companies should be more entrepreneurial to complement their capacity for long-term survival in the complex and explosive environments with rising competition regarding important resources (Gupta, MacMillan & Surie, 2004). Consequently, scientists have begun to be able to examine "how to market pioneering up-and-coming habits in organizations with the idea of entrepreneurial supervision as one of the methods introduced inside the literature" (Renko, El Tarabishy, Carsrud & Brannback, 2015). Studies on pioneering up-and-coming leadership have evidently been stuck over time. This is due to the undeniable fact that gauging leaders' entrepreneurial attributes and practices lacks the proper tools plus conceptual development (Renko et al., 2015). This specific research therefore seeks to deal with these essential gaps by simply evaluating the active analysis on entrepreneurial leadership (EL) in addition to the essential aspects of this specific management design. The functions, behaviors and actions that differentiate entrepreneurial command from the other management styles, concentrate on recognition of opportunities and exploitation as the objectives for such command. Leaders' capacity to admit and take advantage of brand-new possibilities in a company would be the outcome of opportunity focused steps. Observing leaders behave entrepreneurially produces

fan's commitment which is often necessary. Leaders motivate and impact their followers by persuading them to follow entrepreneurial goals (Renko et al., 2015; Churchill et al., 2013). Prosperity will depend not only on the conduct of the particular head, but likewise on the characteristics of their followers in demonstrating visionary actions (Renko et al., 2015). This research study therefore intends to take a look at the moderating function of entrepreneurial leadership.

Associations between variables are frequently more intricate than easy bivariate relations between a response variable and a predictor. Rather these relations may be informed by, or modified by, the addition of a third variable in the research style. Examples of third variables include mediators, moderators, covariates, confounders and suppressors (MacKinnon, Krull & Lockwood, 2000).

The primary concern of leaders is to nourish innovation among workers in the view of ingenious results (Jaiswal & Dhar, 2015). Mwangi et al (2013) did a research study in Kenya and Uganda looking to reveal paradigms of management that represent effective SMEs in East Africa and to typically highlight the contribution of aspects such as drive (a broad term, that includes accomplishment, motivation, ambition, energy, determination, and initiative); leadership motivation (the desire to lead on the other hand not to look for power as an finish within itself); honesty and ethics; self-confidence (which is related to emotional stability); cognitive ability; and knowledge of enterprise towards the success and durability of these business. The results acknowledged eight management paradigms normal of successful SME leaders in Kenya and Uganda. These were organized into developing dedication, visioning, entrepreneurial orientation, resourcefulness, social capital, anticipation and strength, personal worth and responsiveness. Apart from having the ability to recognize and exploit market likelihoods, the study results

showed that SMEs leaders' ability to inspire and impact people is significant. To spur support for the entrepreneurial vision, such ability is necessary and requires excellent communication, social intelligence and inspiration.

EL is a distinctive leadership design that can be used in any company (Gupta et al., 2004). The attributes, routines and actions that differentiate EL from other leadership designs, concentrates on acknowledgment and exploitation of opportunities as entrepreneurial goals for such leaders (Renko et al., 2015). In accordance with Gupta et al. (2004), EL has some parallels with transformational management in a manner that both leaders evoke the performance of their supporters and consider their higher requirements. Nevertheless, the capacity of entrepreneurial leaders to stimulate followers' efficiency is based on the company's requirement to adapt the altering environment and the principle obstacle is to create the desire in followers and companies to do impressive entrepreneurial actions as opposed to presenting conservative activities. Chen (2007) described EL as a combined construct of innovativeness, pro-activeness and risk-taking. This point of view was in line with Gupta et al. (2004) concept of entrepreneurial management. Innovativeness is cultivating creativeness and innovation among employees, pro-activeness is about stimulating entrepreneurial initiatives and risk-taking is considered to be the perseverance to take in doubt. In conclusion, therefore, the convergence of management and entrepreneurship has actually combined some characteristics for entrepreneurial management. Motivating, impacting and inspiring others, concentrating on chances, vision, risk-taking, imagination and development are some of the characteristics mentioned earlier. Compared to previous research, Renko et al. (2015) dealt with EL as a management style and not as a strategic management construct. They suggested innovativeness, imagination, enthusiasm, vision and risk-taking as the aspects of entrepreneurial leadership which jeopardized both leader characteristics and habits.

## 2.4 Knowledge Gap

The review of literature above shows that although the growth of SMEs is a widely known topic in theoretical research, there are still some research study gaps that require to be filled. There is no single multidimensional theory which would welcome all possible approaches; most research studies on SMEs' growth take a look at the development aspects one by one (Wasilczuk, 2000). Despite the significant attention paid to SME growth, to date no theories have actually had the ability to effectively establish a clear and unanimous relationship between growth of SMEs and economic development.

There has been a lot of concerns on SMEs and growth. Many scholars have come up with studies and theories about why SMEs have failed to achieve growth. Numerous scholars have investigated the hindrances to the growth of small enterprises across different emerging economies (Aidis & Estrin, 2006; Pissarides et al., 2003; Hoshi et al., 2003; Smallbone, 2002; Aidis, 2002; Hashi, 2001; Bartlett & Bukvič, 2001; Hallberg, 2000; Bartlett & Prašinkar, 1995)

Similarly, many studies that have been done have been addressing large firms and others focusing on other factors influencing growth of SMEs and not exhausting or giving a direct correlation between the various factors and the growth of SMEs in specific measurable terms. Those which were looking at innovation in SMEs were concentrating on innovation activities and barriers. Most studies were also focusing on specific sectors like manufacturing, but this study takes a different angle and looks at the construction sector. The studies also examine growth in general and not the specific graduation from one stage of growth to another. The study sought to contribute to the discourse by looking at entrepreneurial leadership factors that affect the growth of firms from one level to another. Past studies have indicated various factors

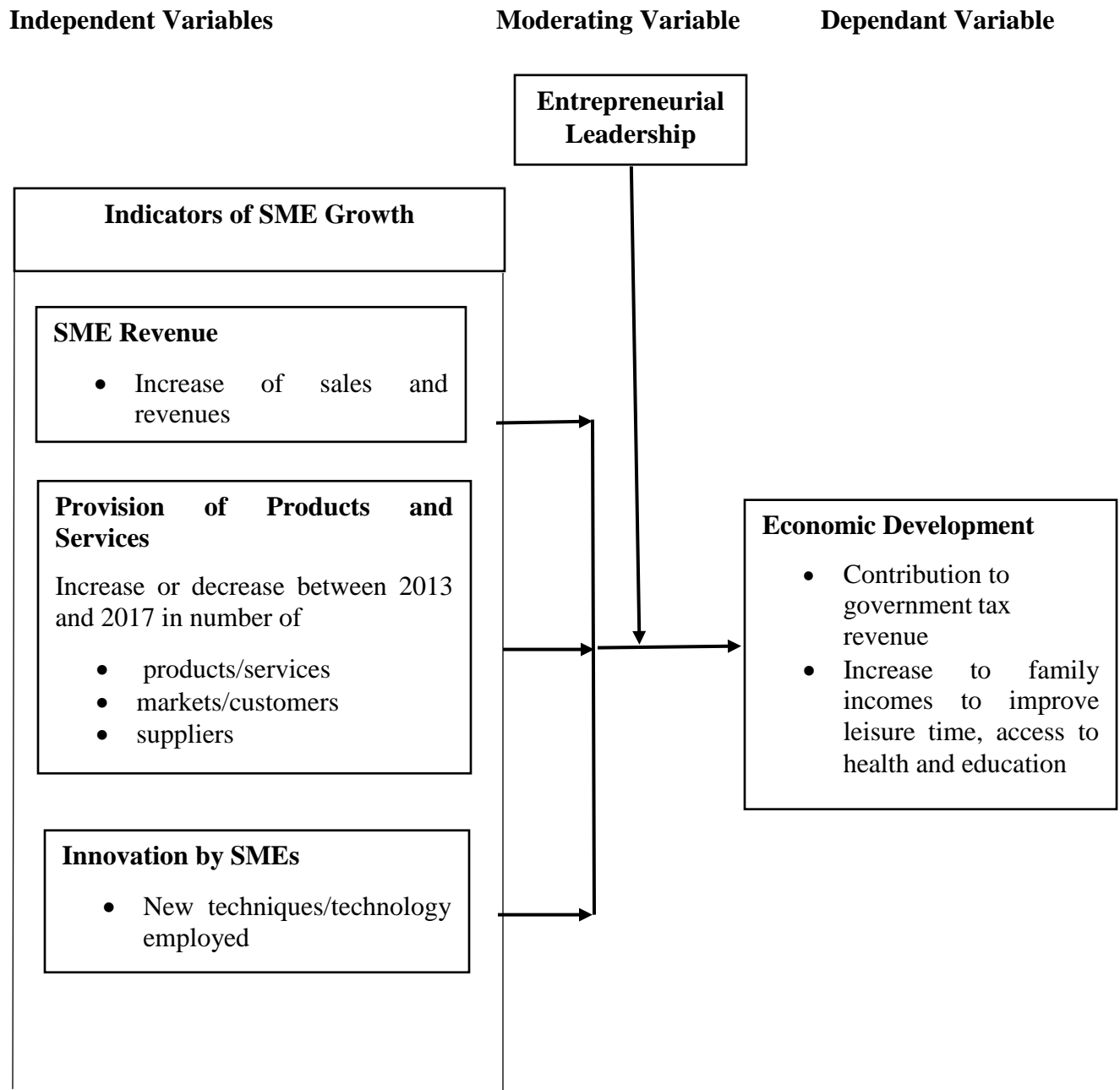
affecting growth of SMEs without stating which factors are ideal or key for SMEs growth. This study investigated the entrepreneurial leadership factors that can enable owners of SMEs in Kajiado County achieve growth by ranking the key entrepreneurial leadership factors in order of significant influence. As a result of a dearth of conceptual development and the insufficient comprehension of entrepreneurial leadership (Renko et al., 2015), this document aimed to evaluate the existing perspectives on EL as well as interaction with the fans to boost the need of advancement in the company. This particular research enhances the body of understanding through establishing a conceptual framework to investigate the moderating effect of entrepreneurial leadership on the association between growth of SMEs and economic development, to bring more insight into this relationship. Finally most studies have been done in the world and even Kenya but there is none that has looked at the factors influencing growth of SMEs in a similar combination as in this study: that is, SME revenue, provision of products and services and innovation by SMEs in Kajiado County which is very populous with high levels of unemployment. Hence this study sought to address these gaps.

## **2.5 Conceptual Framework**

The figure 2.1 below explains the hypothesized relationship between growth of SMEs and their effect on economic development in Kajiado. A concept is an idea. A conceptual framework is the researcher's idea of the effect of the independent variable on the dependent variable. In the model, the various components of SME growth are the independent variables SME revenue, provision of products and services and innovation by SMEs. Economic Development components in the model relate to the dependent variable's contribution to government tax

revenue and increase to family incomes to improve leisure time, access to health and education. Entrepreneurial Leadership is included as a moderating variable.

**Figure 2.1: Conceptual framework.**



## 2.6 Operationalization of the Variables

In this section, the researcher identifies the specific concepts that contribute to the key variables in the study. The researcher seeks to identify what defines the independent variable and what defines the dependent variable. The table 2.1 below gives a summary of the key items in the operationalization process.

**Table 2.1: Operationalization of Variables**

<b>Variables Type / Variable</b>	<b>Specific Measure</b>	<b>Scale</b>	<b>Question in Questionnaire</b>
<b>Independent Variable</b> SME Revenue	<ul style="list-style-type: none"> <li>• Increase of sales and revenues in Kshs</li> </ul>	Ordinal or Interval	Section A and B
<b>Independent Variable</b> Provision of Products and Services	<ul style="list-style-type: none"> <li>• Increase or decrease between 2013 and 2017 in number of products/services, markets/customers, suppliers</li> </ul>	Ordinal or Interval	Section A and C
<b>Independent Variable</b> Innovation by SMEs	<ul style="list-style-type: none"> <li>• New techniques/technology employed</li> </ul>	Ordinal or Interval	Section A and D
<b>Moderating Variable</b> Leadership	<ul style="list-style-type: none"> <li>• Drive, Leadership motivation, Vision, Creativity, Risk taking, Cognitive ability, Knowledge of business</li> </ul>	Ordinal or Interval	Section A and E
<b>Dependent variable</b> Economic Development	<ul style="list-style-type: none"> <li>• Increase to family incomes to improve leisure time, access to health and education</li> <li>• Contribution to government tax revenue</li> </ul>	Ordinal or Interval	Section A and F

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presented the research design to be employed in this study. In addition, the targeted population and sample size was determined. The data collection instruments were specified and their validity and reliability assured. Finally, the data analysis techniques were elaborated.

#### **3.2 Research Design**

This study adopted a descriptive survey research design. A descriptive study was done so as to be able to give a rundown of the attributes of the study's variables and answer the research questions. According to Best and Khan (2009) a descriptive survey involved presentation of an issue highlighting its state, operations, associations and directions. It involved collecting information about existing circumstances or situations with the objective of explanation and exposition. Mugenda and Mugenda (2003) designated descriptive research design as a methodical, empirical exploration where the researcher does not have a direct control of the independent variables considering that they essentially cannot be manipulated or their exhibition has already happened. The design has been used in previous studies for instance by Bunyasi (2015) who recommended that descriptive studies were appropriate when determining the relationship between variables.

Consistent with the explanation about the meaning of descriptive research design, the purpose of this study was to analyze and identify the relationship between growth of SMEs and economic

development. This justified the choice of design. A descriptive survey method was used to collect data from SMEs in the construction sector registered with National Construction Authority and subsequently the same was analyzed to make sense of the relationships.

### **3.3 Target Population**

A population is a group of entities, items, individuals, people or units, from which samples are taken for measurement (Kombo & Tromp, 2006). Further, Mugenda and Mugenda (2003) indicate that it describes a whole group of events or objects having typical characteristics for observation, the aggregate of which complies with certain specifications. The target population for this study comprised of registered SMEs in the construction sector as captured in the National Construction Authority (NCA) data base. Currently there are 13,152 registered contractors with NCA. They were classified according to the county where they operate, their category and class. The SMEs in the construction sector in Kajiado County were selected.

The target population is shown in Appendix 1 and 2

### **3.4 Sample size and Sampling Procedure**

The sample was drawn from the target population by utilizing simple stratified sampling techniques. Stratified sampling according to Cooper and Schindler (2008), is a procedure used where the population is not standardized. The respondents should be as closely representative of the total population as possible (Kothari, 2009). The SMEs were stratified according to counties where they operated followed by the class and categories under which they fell as highlighted in Appendix 1 and 2. According to NCA Website, Kajiado County that has 134 registered

contractors. NCA Regional office in Kajiado explained that the list of contractors is continuously updated and this further lead to generation of an alternative list (Appendix 3) which aided in development of an updated sampling frame. Census was carried out. A census happens when the whole population is very small or it is affordable to include the whole population in the study. It is called a census since information is gathered on every member of the population.

### **3.5 Research Instrument**

The study used questionnaire survey to gather primary data. Gall and Borg (1996) have the viewpoint that surveys are fitting for studies because they gather information that is not observable as they ask about feelings, motivations, achievements, experiences along with mindsets of individuals.

A five-point structured Likert scale questionnaire was used for purposes of data collection. The point of scale indicated the degree of agreement level of the respondent to the statement indicating the growth of SMEs and their effect on economic development in Kenya (Appendix 5).

The questionnaire measured the following demographic aspects: gender of the owner, classification of the business, age of business, number of employees, type of employees and whether the business had ventured into international markets. In addition, the questionnaire had further questions related to SME revenue, product and service provision and innovation and how these affected economic development.

### **3.6 Validity and Reliability of the Instrument**

Validity or credibility is based on the adequacy with which the instrument items determine the qualities of the research study (Newman, 2006). In guaranteeing credibility of the research instruments, skilled viewpoint from supervisors, other researchers and peers was obtained and included in the instrument. Credibility check ensures the specifics of the collection approaches developed produce info that determines the set objectives. Bunyasi (2015) states that validity and reliability are two factors which any qualitative investigator need to be concerned about while designing a study, examining outcomes and evaluating the quality of the research study. Pilot testing supplies a chance to detect and correct a large range of potential issues with an instrument. It likewise establishes precision and appropriateness of the research study style and instrumentation and offers information for choice of a likelihood sample. These problems might include questions that respondents do not understand or unclear questions. It also offers details on how long information collection can be anticipated to take and a sneak peek of how tough matters will finalized. Typically, the instrument in Appendix 3 was pilot checked to measure for its face reliability. Coopers and Schindler (2003) know that a credibility test reveals the degree to which a step or a set of actions effectively represents the idea in the research. Face credibility was important in ascertaining weaknesses in the questionnaire's clearness and structure of concerns and the significance of the questions. The pre-test was administered on a sample of three specialists. After pre-testing, a marked improvement on the customer survey was done based on the received feedback.

Following the field survey, reliability was ascertained by subjecting the instrument to a scale test. Reliability indicates the extent of internal consistency or dependency of a tool over time. It shows the exactness and meticulousness of the measurement procedure (Kothari, 2004). The Cronbach's alpha ( $\alpha$ ) test was adopted in testing the reliability of the instrument. The cut-off

point for making a conclusion about the reliability of a tool is when the alpha coefficient is  $\geq 0.70$ .

### **3.7 Data Collection Procedure**

The research study incorporated self-completion information collection method where all the recognized respondents were provided a survey instrument to address and follow-up was made to make sure that there was an appropriate conclusion rate. The instrument was a semi-structured questionnaire having both open and close-ended concerns. The respondents were notified that the instruments being administered were for research study and the reactions from the participants would be kept in confidence. The researcher got an initial letter from the university to collect information from the SMEs and with the help of a research study assistant, provided the questionnaires to the participants and had them filled and collected later using the drop-and-pick-later on approach.

### **3.8 Data Analysis**

The first step was to examine for completeness of the questionnaire. Mugenda and Mugenda (2003) asserts that raw information acquired from the field is challenging to analyze unless it is examined, cleaned and coded. Statistical methods such as histograms, pie charts, bar charts, arithmetic means, frequency distributions and tabulations to reveal distinctions in frequencies were used to perform quantitative analysis. Ordinary least squares regression was utilized to examine the results of a moderating variable. For the moderating variable, the study tests applied checked whether the prediction of a reliant variable, Y, from an independent variable, X, differs throughout levels of a third variable, Z. Moderator variables impacted the strength and/or instructions of the relation between a predictor (independent variable) and an outcome

(dependent variable): enhancing, decreasing, or changing the impact of the predictor. An effect was (a) Enhancing, where increasing the moderator would increase the result of the predictor on the response variable; (b) Buffering, where increasing the moderator would reduce the result of the predictor on the dependent variable; or (c) Antagonistic, where increasing the mediator would reverse the result of the independent variable on the response variable. Moderation results were checked with multiple regression analysis, where all predictor variables and their interaction term were addressed prior to model estimate to improve analysis of regression coefficients. Presumptions of the moderation tests consisted of Ordinary Least Square regression presumptions and homogeneity of the error variance. The latter assumption required that the residual variance in the outcome that remained after forecasting Y from X was comparable across values of the moderating variable. The Statistics Package for Social Sciences (SPSS) Statistics variation 23 was used to assist in coding, entry and analysis of quantitative data gotten from the research study instrument. The study utilized multiple linear regression to develop relationship between the independent variables and the dependent variable.

The regression model used was of the form:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon \dots\dots\dots\text{Model 1 (to address the direct effect of independent variables)}$$

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon \dots\dots\dots\text{Model 2 (to bring in the moderating variable leadership)}$$

Where; Y = Economic Development (Dependent Variable)

X<sub>1</sub> – X<sub>3</sub> – Independent Variables

X<sub>4</sub> – Moderating Variable

$X_1$  = SME revenue

$X_2$  = Provision of Products and Services by SMEs

$X_3$  = Innovation by SMEs

$X_4$  = Leadership (Moderating Variable)

$\beta_0$  = Co-efficient of the model

$\beta_1 - \beta_5$  = Beta Co-efficients of Determination

$\epsilon$  = Stochastic Error Term

The model hypothesis:

*H<sub>01</sub>: Increase in SME revenues has no significant influence on the economic development of Kajiado*

*H<sub>02</sub>: Provision of products and services by SMEs has no significant influence on the economic development of Kajiado*

*H<sub>03</sub>: Innovation by SMEs has no significant influence on the economic development of Kajiado*

*H<sub>04</sub>: Entrepreneurial Leadership has no effect on growth of SMEs and economic development of Kajiado*

### **3.9 Diagnostic Tests**

Regression diagnostics play a vital role in finding and validating a good predictive relationship between the dependent, independent and moderating variables. Since this was a cross sectional study, diagnostic tests were performed namely normality, multicollinearity, linearity, homoscedasticity and testing for outliers.

Normality means the difference between the forecasted and obtained response variable values need to be generally distributed about the predicted DV scores. The residuals need to be typically distributed about the forecasted DV scores. This presumption can be checked from the residuals scatterplots which are produced as part of a regression procedure. Residuals are the difference between the gotten and the predicted reliant (DV) ratings.

Multicollinearity describes the relationship amongst independent variables. Multicollinearity exist when the independent variables are highly correlated ( $r \geq 0.9$ ). The Variance Inflation Factor (VIF) and Pearson correlation coefficient ( $r$ ) were used as two collinearity diagnostic factors that helped identify multicollinearity. It was imperative to exclude possible multicollinearity from a study (Keller, 2005). Walker and Maddan (2009) stated that if the VIF is above 10, it indicated that there are problems of multicollinearity in the model. Multicollinearity would need the researcher to drop one objective in the research.

Linearity is the test of existence of a linear relationship between the dependent variable and each of the independent variables. Linearity tests that the residuals have a straight-line relationship with the predicted DV. It can be done using correlation analysis and better by interpreting the residual output of a regression analysis.

Homoscedasticity refers to the supposition that the DV exhibits similar amounts of variance across the array of values for an IV. The error term ( $\epsilon$ ) is normally and identically independently distributed with mean zero and constant variance (homoscedasticity). One can use graphical method to check for homoscedasticity. If the error term is not constant, the data suffers from heteroscedasticity.

An outlier may indicate a data entry error, a sample peculiarity or other problem. Regression analysis is very sensitive to outliers (very high or very low scores). Outliers can either be deleted from the data at the cleaning stage or replaced by a mean score. Outliers affect the normality of a situation and make the analytical model insignificant. A high standard deviation in one of the measures of the independent variable may suggest an outlier. Variables with substantial outliers can distort relationships and significance tests.

### **3.10 Ethics in Research**

The key ethical consideration of the study was to obtain informed consent to carry out the study on the respondents. The researcher upheld other considerations for the respondents during the study such as ensuring that information given by the respondent remained private and confidential and that it was not used in any manner that might be prejudicial. Before the administration of the questionnaires, the researcher obtained a letter authorizing the study from KCA University.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the pre-estimation test, the analysis and also the post analysis tests. The validity and reliability of the research instrument was done. The analysis includes quantitative analysis and multiple regression to assess the effects of the moderating variable (entrepreneurial leadership). Since this is a cross sectional study, where the questionnaire is released once, diagnostic tests namely normality, multicollinearity, linearity, homoscedasticity and testing for outliers were performed. The results from the analysis are presented in tables and figures and then interpreted. The findings are discussed in relation to the theories in the study and also to the prior empirical studies.

#### **4.2 Response rate**

As the study utilized primary data, Table 4.1 shows the response rate. Out of the 60 questionnaires administered, 45 were filled and returned hence a 75 % response rate. Mugenda and Mugenda (2003) indicated that a response rate of 50% is adequate for analysis with 70% being very good. Therefore 75 % is very good response rate to use.

**Table 4.1: Contractors Population, Sample Size and Respondent Rate**

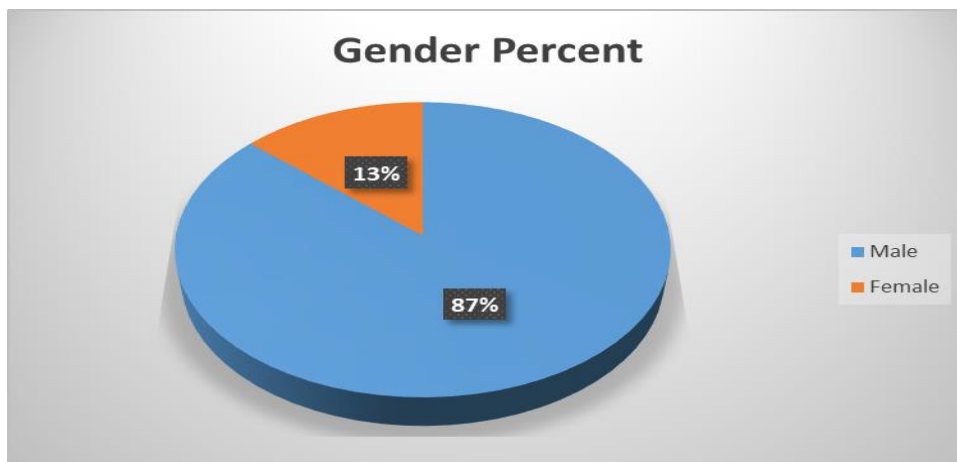
List	Population	Sample size	% of total sample	Response	% of respondent
NCA Website	134	134	100%	0	0%
Kenya Gazette	130	130	100%	0	0%
NCA Kajiado Office	60	60	100%	45	75%

### 4.3 Demographic Information

This section describes the results of the demographic queries that were included in the instrument.

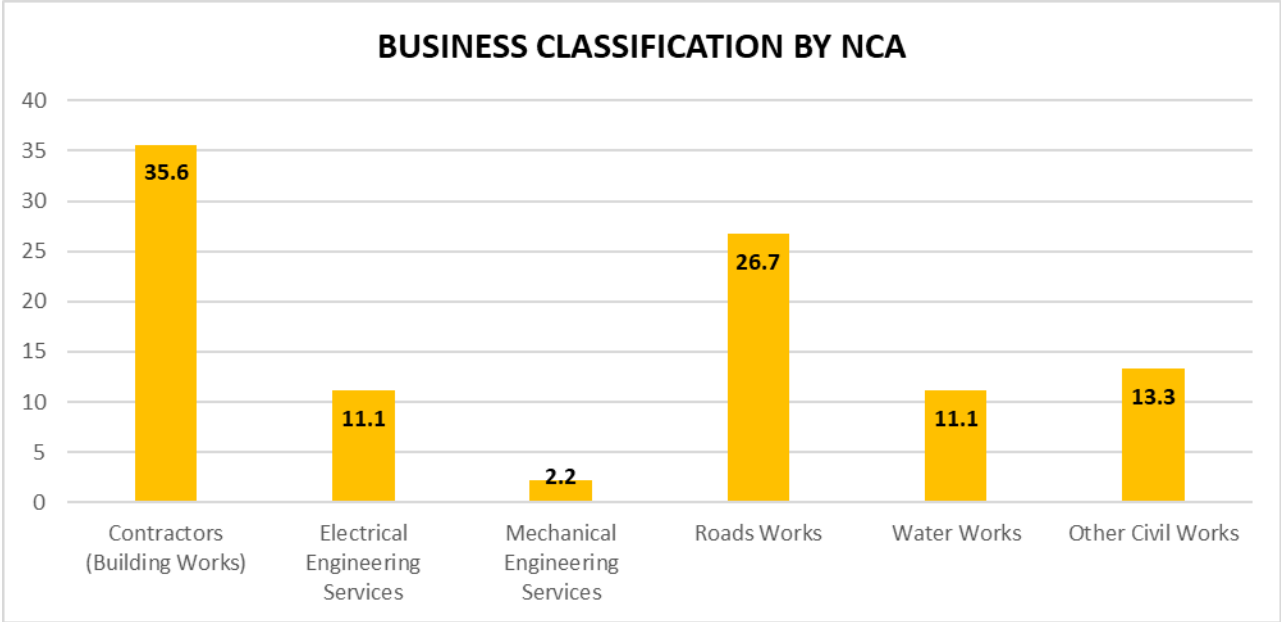
In Figure 4.1, the study shows that majority of the respondents are male at 86.7 % while the females are at 13.3 %. This therefore implies that SMEs engaged in the construction sector are mainly run by male contractors

**Figure 4.1: Gender**



As shown in Figure 4.2, in regard to the classes of work undertaken by the contractors, it is noted that the majority of contractors (35.6%) undertake Building Works, the next large group of contractors engage in Road Works (26.7%) followed by 13.3 % in Other Civil Works. Electrical Engineering Services and Water Works tie at 11.1%. The lowest engagement by contractors is in Mechanical Engineering Works at 2.2%. This indicates that, according to NCA Categories of registration, most SMEs in the construction sector target projects related to Building Works

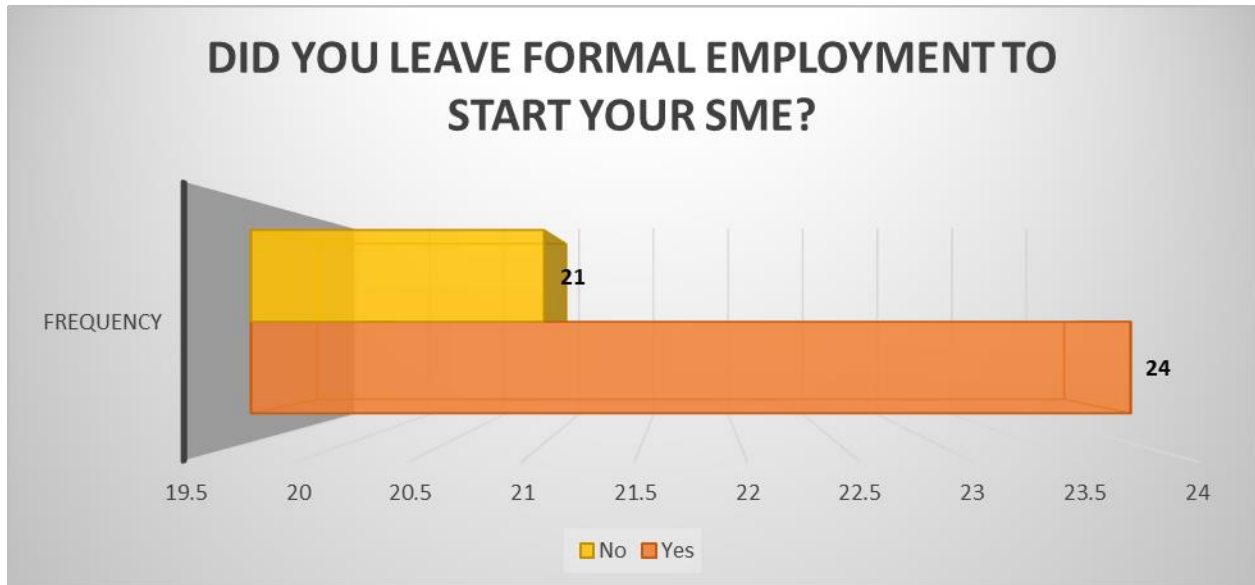
**Figure 4.2: Business Classification by NCA**



One of Africa’s greatest limitations to economic development can be ascribed to its lack of entrepreneurs (Acs & Armington, 2004). This study shows there are contractors who began their careers in formal employment working for organizations before venturing into running their own SMEs (24 contractors) and others, from the onset, started as proprietors in running their SMEs (21 contractors). This implies that being employed first in a construction company or

otherwise is not a pertinent factor to start up an SME in the construction sector. What is important is to increase the number of entrepreneurs so as to bring forth economic development.

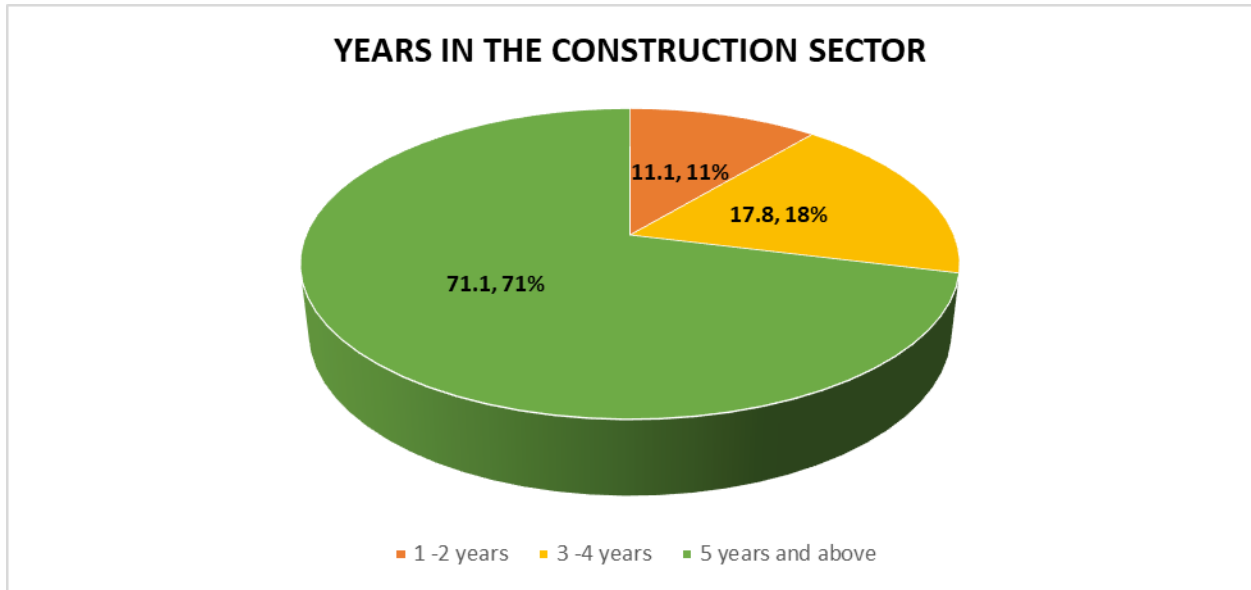
**Figure 4.3: SME Owner Employment Patterns**



Typically, Vision 2030 shows that SMEs in Kenya play an important role in the socio-economic development of the country; for example, employment creation, poverty reduction and development of a manufacturing base. Despite this critical role, 90% of SMEs do not survive up to their third birthday. Gerber (2001) observes that within one year a minimum of 40 percent of the approximately one million small enterprises established annually close down and 80 percent of the same million will be out of business within five years. The (MSME) Basic Report (2016) notifies that on average businesses were closed at the age of 3.8 years. However a contradiction to these theories arises in Figure 4.4 which shows that 71% of the SMEs in the construction sector have been in business for 5 years and above, while those in business for 3 to 4 years are 18% and those between 1 and 2 years are 11%. This implies that SMEs in the construction sector

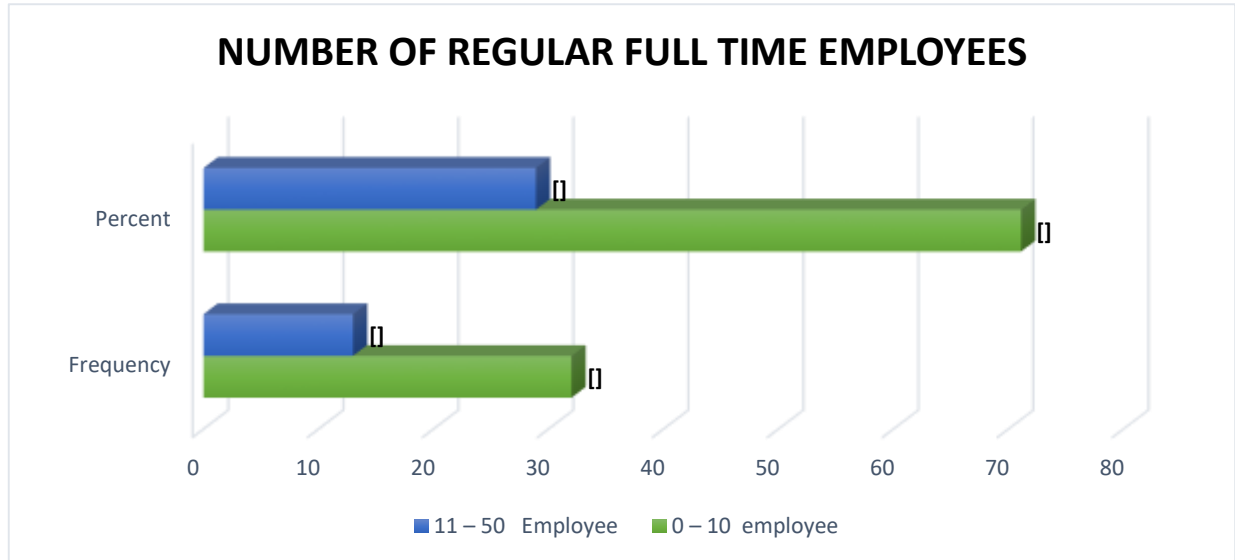
are beginning to see their third birthday and are therefore playing their important role in the socio economic development of the Kenya.

**Figure 4.4: Years in the Construction Sector**



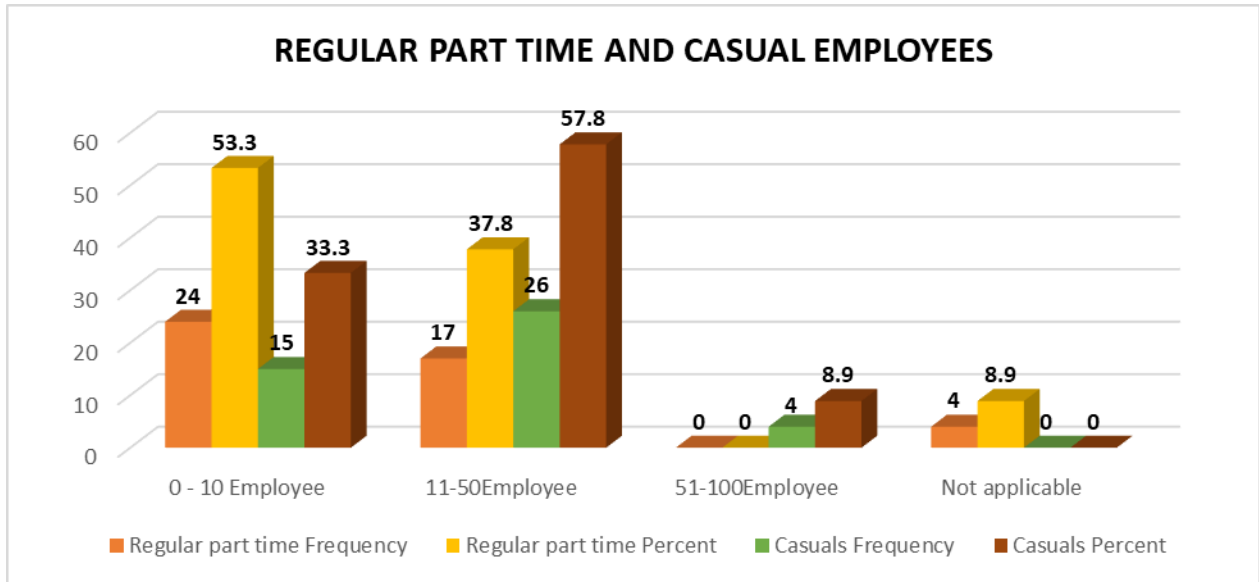
Mullei and Bokea, as cited in Wambugu (2005), mentioned that in Kenya very few enterprises have grown into large conventional organizations, a great adverse scenario that is apparently common among youth owned commercial enterprises. This is supported by Figure 4.5 that shows 71.1% of the SMEs in the construction sector are micro enterprises with no more than 10 full time employees and 28.9 % are small enterprises with 11 to 50 full time employees. None of the contractors interviewed had medium enterprises that comprise of 50 to 100 full time employees or large companies with more than 100 employees.

**Figure 4.5: Number of Regular Full Time Employees**



Casuals are also employed with 33.3% SMEs hiring not more than 10 casuals, 57.8% hiring between 11 and 50 casuals and 8.9% hiring 51 to 100 casuals. This implies that despite 28.9% of SMEs in the construction sector being small enterprises based on number of regular full-time employees, 8.9 % hire 51 to 100 casuals. This would shift such SMEs from small enterprises to large enterprises having over 100 employees. Therefore, it is prudent to categorize employees so as to determine if and SME is a micro, small or medium enterprise using number of regular full-time employees. Whether employees are on casual or par time basis, employment is being created. In countries like US, UK, Japan, Korea and various developed economies, the salient function of SMEs is well known in terms of creating jobs (Pang, 2008; Horn, 1995). This is supported by the information in Figure 4.6

**Figure 4.6: Regular Part Time and Casual Employees**



#### 4.4 Validity and Reliability of the Instrument

Coopers and Schindler (2003) note that a validity test shows the extent to which a measure or a set of measures appropriately represents the concept in the study. The instrument in Appendix 5 was pilot tested to check for its face quality. Modifications were made in the instrument as follows: the section on SME Revenue had questions addressing annual turnover increased from 4 to 7 and the section on Brand Expansion had the questions increased from 9 to 13 to address the increase or decrease in number of products and services between 2013 and 2017. The Cronbach's alpha ( $\alpha$ ) test was adopted in testing the reliability of the instrument. The cut-off point for making a conclusion about the reliability of a tool is when the alpha coefficient is  $\geq 0.70$ . Table 4.2 shows the alpha coefficient for the instrument in this study was 0.874. Therefore, the instrument was considered reliable.

**Table 4.2: The Cronbach's alpha ( $\alpha$ ) test results**

<b>RELIABILITY STATISTICS</b>		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
.874	.874	85

## **4.5 Regression Analysis**

The study was subjected to assumptions of regression diagnostics resulting in the tests/analysis below.

### **4.5.1 Normality test**

This study tested for normality of the five variables where normality of data was confirmed when a superimposed curve covering the bar graphs is bell shaped. The normality test results are presented in Appendix 6.

### **4.5.2 VIF test for Multicollinearity**

Multicollinearity denotes the connection among independent variables. Multicollinearity exists when the predictor variables are really correlated.

When the VIF value is in between 1 to 10, then there is no multicollinearity. In the event the VIF  $<1$  or  $> 10$ , then there exists multicollinearity. Walker and Maddan (2009) stated that if the VIF is above 10, it indicates that there are problems of multicollinearity in the model. The results obtained and presented in Appendix 7 give a mean VIF of 1.04 which lies between 1 and 10.

This therefore confirms that there is no multicollinearity in the independent variables used in line with the pre-test done on the data.

#### 4.5.3 Linearity test

**Table 4.3: Pearson Correlation Coefficients**

	SME Revenue	Provision of products and services	Innovation by SMEs	Entrepreneurial Leadership	Economic Development
SME Revenue	1	0.202	-0.139	0.177	0.077
Provision of products and services	0.202	1	-0.114	.382**	0.101
Innovation by SMEs	-0.139	-0.114	1	.404**	.580*
Entrepreneurial Leadership	0.177	.382**	.404*	1	0.094
Economic Development	0.077	0.101	.580*	0.094	1

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

This tests of the presence of a linear association between dependent variable and each of the predictor variables as revealed in Table 4. 3. The Pearson's association tries to draw a type of finest fit through the data of two variables, and the Pearson correlation coefficient,  $r$ , shows how far each one of these information points are to this line of best fit (i. e., how well the information factors fit this new model/line of finest fit). Their worth can range from -1 for a perfect unfavorable linear relationship to +1 for a perfect favorable linear relationship. A value of 0 (no) indicates no relationship in between 2 variables. Therefore in this study there exists a positive direct relation in between SME Revenue and Economic development = 0.077; Provision of

Products and Services and Economic Development = 0.101; Innovation by SMEs and Economic Development = 0.580 and Entrepreneurial Leadership and Economic Development = 0.094.

#### **4.5.4 Homoscedasticity test**

The foundation of the Breusch–Pagan analysis is the chi-square test. In case the test statistic provides a p-value below a great appropriate threshold (e. h.  $p < 0.05$ ) then your null hypothesis of homoscedasticity is rejected and heteroscedasticity assumed. The results obtained and presented in Appendix 8 testing for heteroscedasticity posted a “p” value of 0.3862 at 95% confidence level and show that  $H_0$ : constant variance. The study indicated that the data does not suffer from heteroscedasticity (the violation of homoscedasticity) as the errors are constant. Therefore the study concluded that since  $p > 0.05$ , the data did not suffer from heteroscedasticity and thus was homoscedastic. The data was therefore appropriate for regression

#### **4.5.5 Testing for Outliers**

A high standard deviation in one of the measures of the independent variable may suggest an outlier. Variables with substantial outliers can distort relationships and significance tests.

Table 4.4 shows that the range of the standard deviation for the independent variables is between 0.31 and 0.49 No standard deviation in one of the measures of the independent variable is high. Therefore, the study has no outlier.

**Table 4.4: Testing for Outliers**

<b>Independent variables</b>	<b>N</b>	<b>Std. Deviation</b>
SME Revenue	45	0.40601
Provision of products and services	45	0.38392
Innovation by SMEs	45	0.49088
Entrepreneurial leadership	45	0.31483
Valid N (listwise)	45	

## **4.6 Data Analysis**

### **4.6.1 Quantitative Analyses**

The study subjected the following Quantitative Analyses to analysis

#### **4.6.1.1 Anova Output**

Table 4.5 reveals the ANOVA results of the 3 independent variables (predictors). The initial null hypothesis of ANOVA informs us that all these 3 variables are equivalent and the alternate hypothesis notifies us that they are not equivalent. In this table we take a look at “F” and “Sig.” A high worth of “F” indicates that there are more opportunities of the null hypothesis being turned down and the alternate being accepted, which implies the factors are different.

Here “F” is 8.41 which implies that the worth is high and the 3 variables will be different. On the other hand, the substantial shows us the self-confidence level of accepting the different hypothesis. Here the “Sig” is 0.000, which suggests that the specialist is  $(1-0.000=1)$  completely positive that the alternate hypothesis is accepted, and the 3 variables are not equivalent.

From the “F” value, 3 of the variables are indeed different from the other and they affect the Economic Development in Kajiado County in a different manner. Therefore, multiple regression will be possible in this case and the model will be significant in explaining variations in the Economic Development in Kajiado County in Kenya.

From the “Sig” value, the model predicted increase in SME revenue, Provision of Products and Services and Innovation by SMEs is significant in explaining variations in Economic Development

**Table 4.5: ANOVA output excluding the moderating variable Entrepreneurial Leadership/**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	6.853	3	2.284	8.419	.000 <sup>b</sup>	
	Residual	11.126	41	0.271			
	Total	17.979	44				
a Dependent Variable: Economic Development							
b Predictors: (Constant), Innovation by SMEs, Provision of products and services, SME Revenue							

Table 4.6 shows that including the moderating variable Entrepreneurial Leadership in the ANOVA output as a predictor, reduces the “F” value from 8.419 to 6.817 and maintains “Sig” at 0.000. From the F value the 4 variables are indeed different from each other and they affect the Economic Development in Kajiado County in a different manner to a lesser degree compared to when the moderating value is absent. From the “Sig” value, the model predicted an increase in SME revenue, Provision of Products and Services and Innovation by SMEs is still significant in

explaining variations in Economic Development. Therefore multiple regression will be possible in this case and the model will be significant in explaining variations in the Economic Development in Kajiado County in Kenya.

**Table 4.6: ANOVA output including the moderating variable Entrepreneurial Leadership**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	7.288	4	1.822	6.817	.000 <sup>b</sup>	
	Residual	10.691	40	0.267			
	Total	17.979	44				
a Dependent Variable: Economic Development							
b Predictors: (Constant), Entrepreneurial Leadership, SME Revenue, Innovation by SMEs, Provision of products and services							

#### 4.6.1.2 Coefficient of Determination (R<sup>2</sup>)

In Table 4.7, the researcher focuses on the R square value. For an R square value of 0.381, the model explains 38.1% of the variations in real life on Economic Development in Kajiado County leaving 61.9% of the variations unexplained. The model has a weak fit.

**Table 4.7: Model summary excluding the moderating variable Entrepreneurial Leadership**

Model	R	R Square	Adjusted Square R	Std. Error of the Estimate	
1	.617a	0.381	0.336	0.52092	
a Predictors: (Constant), Innovation by SMEs, Provision of products and services, SME Revenue					

The researcher includes the moderating variable Entrepreneurial Leadership in Table 4.8 and focuses on the R square value. For an R square value of 0.405, the model explains 40.5% of the

variations in real life on Economic Development in Kajiado County leaving 59.5% of the variations unexplained. There is an improvement in the  $R^2$  value. The model has a moderate good fit which is an improvement due to the moderating variable Entrepreneurial Leadership. An improvement in  $R^2$  (an increase from 38.1% to 40.5 % in explaining the variations in real life on economic development) supports the views of Gupta et al. (2004) whereby they indicate that EL has some similarities with transformational management in a manner that both leaders evoke performance of their followers and consider grater requirements. These findings also further support the views of Gupta et al. (2004) who state that EL is a distinctive leadership design that can be used in SMEs.

**Table 4.8: Model summary including the moderating variable Entrepreneurial Leadership**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.637a	0.405	0.346		0.51699
a Predictors: (Constant), Entrepreneurial Leadership, SME Revenue, Innovation by SMEs, Provision of products and services					

#### 4.6.1.3 Descriptive Statistics

Table 4.9 shows that Innovation by SMEs has the highest mean and it is the greatest contributor to Economic Development when there is lack of Entrepreneurial Leadership. This supports a study done in Kenya by Ngugi, McOrege and Muriu (2013) that revealed that the propensity of owner/manager to take part in and support innovative procedures leads to the employment of

new technology/techniques that have an impact on the efficiency of SMEs and subsequently economic development.

**Table 4.9: Mean Analysis excluding the moderating variable Entrepreneurial Leadership**

Descriptive Statistics			
	N	Mean	Std. Deviation
Economic Development	45	4.1383	0.63923
Innovation by SMEs	45	3.9556	0.49088
Provision of products and services	45	2.837	0.38392
SME Revenue	45	2.7094	0.40601
Valid N (listwise)	45		

Table 4.10 shows that Entrepreneurial Leadership has the highest mean and it has a strong positive moderating effect though it is not significant to Economic Development. Innovation by SMEs is the greatest contributor to Economic Development.

**Table 4.10: Mean Analysis including the moderating variable Entrepreneurial Leadership**

Descriptive Statistics			
	N	Mean	Std. Deviation
Entrepreneurial Leadership	45	4.3194	0.31483
Economic Development	45	4.1383	0.63923
Innovation by SMEs	45	3.9556	0.49088
Provision of products and services	45	2.837	0.38392
SME Revenue	45	2.7094	0.40601
Valid N (listwise)	45		

Appendix 9 addresses the mean analysis of the 4 variables based on descending order. Mean analysis shows which questions in each section hold more weight.

#### 4.6.2 The Regression Model

The study subjected the following regressing model to analysis

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$  .....Model 1(to address the direct effect of independent variables)

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$  .....Model 2( to bring in the moderating variable leadership)

Where; Y = Economic Development (Dependent Variable)

X1 = SME revenue, X2 = Provision of Products and Services by SMEs, X3 = Innovation by SMEs, X4 = Leadership (Moderating Variable)

$\beta_0$  = Co-efficient of the model

$\beta_1 - \beta_5$  = Beta Co-efficients of Determination

$\epsilon$  = Stochastic Error Term

The study tested the following research hypothesis in line with the model above

*H01: Increase in SME revenues has no significant influence on the economic development of Kajiado*

*H02: Provision of products and services provided by SMEs has no significant influence on the economic development of Kajiado*

*H03: Innovation by SMEs has no significant influence on the economic development of Kajiado*

*H04: Entrepreneurial Leadership has no effect on growth of SMEs and economic development of Kajiado*

**Table 4.11: Multiple Regression**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.277	1.044		-0.265	0.792
SME Revenue	0.21	0.199	0.133	1.055	0.298
Provision of products and services	0.24	0.21	0.144	1.143	0.260
Innovation by SMEs	0.801	0.162	0.615	4.936	0.000

Dependent Variable: Economic Development

From the Table 4.11, Innovation by SMEs has a P value = 0.000. The study therefore rejects

*H03: Innovation by SMEs has no significant influence on the economic development of Kajiado*

at 5% meaning that Innovation by SMEs has a significant effect on the Economic Development in Kajiado County, Kenya.

The fitted regression equation is

$$Y = -0.277 + 0.801X_3$$

-0.277 shows the levels of Economic Development in the absence of indicators of SME growth.

There is a very strong positive relationship between Innovation by SMEs and Economic

Development of 0.801 meaning that a unit change in Innovation by an SME leads to 80.1% increase in economic development.

**Table 4.12: Coefficient of the Moderating Variable Entrepreneurial Leadership on Multiple Regression**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.143	1.522		0.751	0.457
SME Revenue	0.307	0.212	0.195	1.450	0.155
Provision of products and services	0.109	0.232	0.066	0.471	0.640
Innovation by SMEs	0.903	0.180	0.694	5.018	0.000
Entrepreneurial Leadership	-0.398	0.312	-0.196	-1.275	0.210

Dependent Variable: Economic Development

From the Table 4.12, Innovation by SMEs has a P value = 0.000. The study therefore rejects

*H03: Innovation by SMEs has no significant influence on the economic development of Kajiado*

at 5% meaning that Innovation by SMEs has a significant effect on the Economic Development in Kajiado County, Kenya.

The fitted regression equation is

$$Y = 1.143 + 0.903X_3$$

1.143 shows the levels of Economic Development in the absence of indicators of SME growth has improved with the introduction of the moderating variable, Entrepreneurial Leadership.

There is a very strong positive relationship (that has improved due to the positive moderating effect of EL) between Innovation by SMEs and Economic Development of 0.903 meaning that a unit change in Innovation by an SME leads to 90.3% increase in Economic Development.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the discussion of the findings, conclusion and recommendations. The conclusions made in the study are in regard to the study findings while the recommendations are made based on the gaps noted from the study findings.

#### **5.2 Discussion of Findings**

The findings with respect to each research objective are discussed separately and the discussion culminates in presenting the output of hypothesis testing or answers to the research questions.

##### **5.2.1 Discussion of Increase in SME Revenues on Economic Development of Kajiado**

The first specific objective determines the effect of increase in SME Revenue on Economic Development in Kajiado County. From ANOVA Output, F value decreases from 8.419 to 6.817 and maintains Sig at 0.000. Therefore, increase in SME revenue affects Economic Development in a different manner from the other variables. The moderating effect of Entrepreneurial Leadership is buffering because increasing it decreases the effect of increase in SME revenue on Economic Development. The Coefficient of Determination ( $R^2$ ) increase from 0.381 to 0.405 indicates that when the moderating variable is included in the study, increase in SME revenue

moves from a weak fit to a moderate fit in the model. Therefore, when increase in SME revenue is part of the model it is able to explain 40.5% of the variations in real life on Economic Development in Kajiado County leaving 59.5% of the variations unexplained. The coefficients table perceived value has a P value  $> 0.000$ . The study therefore did not reject the null hypothesis  $H_{01}$  meaning that increase in SME revenue has no significant influence on Economic Development in Kajiado. The fitted regression model did not include increase in SME revenue. Therefore, this variable is not significant.

In descriptive statistics the mean analysis does not make any direct reference to the effect of increase in SME revenue on Economic Development. It shows that mode of setting prices in the respondent's business is based on sources of inputs and market forces and that the main use of net income from the business is for re-investment. It also shows that most SMEs have a turnover between Kshs 5 million and Kshs 20 million. That increase in SME revenue is not significant to Economic Development is supported by among the primary presumptions of the neoclassical viewpoint which guides that firms are brought in to some sort of ideal size (Coad, 2009). The ideal size theory assumes that companies grow until they come to an ideal size and once they have actually attained it, they stop to grow. In the construction sector, SMEs have no ideal value limits (Appendix 2). They continue to grow their revenues and despite this there is no link to Economic Development.

Further support comes from Ayyagari, Beck and Demircug- kunt (2005), on conducting a study using regression-based ANOVA approach and linear and instrumental variable regressions on SMEs in 76 countries. They observed that the contribution of SMEs correlates strongly with a country's Gross Domestic Product (GDP) and not Economic Development.

## **5.2.2 Discussion of Provision of Products and Services by SMEs on Economic Development of Kajiado**

The establishment of the effect of provision of products and services by SMEs on the economic development is the second objective. From ANOVA Output, provision of products and services by SMEs affects Economic Development in a different manner from the other variables. As observed with the first objective in Section 5.2.1, from ANOVA Output, F value decreases from 8.419 to 6.817 and maintains Sig at 0.000. Therefore, provision of products and services affects Economic Development in a different manner from the other variables. Also, the moderating effect of Entrepreneurial Leadership is buffering because increasing it decreases the effect of provision of products and services by SMEs on Economic Development. The Coefficient of Determination ( $R^2$ ) increase from 0.381 to 0.405 indicates that when the moderating variable is included in the study, provision of products and services moves from a weak fit to a moderate fit in the model. Again, as observed in Section 5.2.1, when provision of products and services is part of the model it is able to explain 40.5% of the variations in real life on Economic Development in Kajiado County leaving 59.5% of the variations unexplained. The coefficients table perceived value has a P value  $> 0.000$ . The study therefore did not reject the null hypothesis  $H_{02}$  meaning that provision of products and services has no significant influence on Economic Development in Kajiado. The fitted regression model did not include provision of products and services. Therefore, this variable is not significant.

In descriptive statistics the mean analysis does not make any direct reference to the effect of provision of products and services by SMEs on Economic Development. It shows that the factors with the greatest mean and that are therefore the greatest contributors to economic development

are the main buyers of SME business goods/services being individuals and that there has been an increase in the number of individuals in need of SME goods/services between 2013 and 2017. The next main buyers of SME business goods/services is government. However there has been a decrease in the number of government orders for goods/service from SMEs between 2013 and 2017.

That provision of products and services by SMEs is not significant to economic development is supported by the dependency theory. The findings indicate that government orders for goods/service have been on the decline between 2013 and 2017. According to Ferraro (1996), poorer countries did not have internal markets that were large enough to support the economies of scale so as to keep their rates low. Internal markets are created by having a government increase its orders in the local market.. However the MSME Basic Report of 2016 acknowledges provision of products and services by SMEs as a major contributor to economic development

In the descriptive analysis (Appendix 9), the mean of the main buyers of SME business goods/services as direct exports is low at 1.75. This indicates that SMEs in Kenya do not engage in international markets and supports the hypothesis that brand expansion of products and services is not significant to economic development. At this point dependency theory is viewed as a possible way of explaining the persistent poverty of the poorer countries. (Ferraro, 1996).

### **5.2.3 Discussion of Innovation by SMEs on Economic Development of Kajiado**

The third specific objective accesses the influence of innovation by SMEs on Economic Development in Kajiado County. From ANOVA Output, increase in innovation by SMEs affects Economic Development in a different manner from the other variables. The moderating effect of

Entrepreneurial Leadership is buffering because increasing it decreases the influence of innovation by SMEs on Economic Development. The Coefficient of Determination ( $R^2$ ) increase from 0.381 to 0.405 indicates that when the moderating variable is included in the study, innovation by SMEs moves from a weak fit to a moderate fit in the model. Again as observed in Section 5.2.1, when innovation by SMEs is part of the model it is able to explain 40.5% of the variations in real life on Economic Development in Kajiado County leaving 59.5% of the variations unexplained. However, the coefficients table perceived value has a P value = 0.000. The study therefore rejects the null hypothesis H03 meaning that innovation by SMEs has a significant influence on Economic Development in Kajiado. The fitted regression model includes innovation by SMEs. Therefore, this variable is significant. There is a very strong positive relationship between Innovation by SMEs and Economic Development.

In descriptive statistics, this significant strong positive relationship is seen in the factors with high mean values; that improvements in service delivery to customers led to increase in sales, introduction of improved modes of communication with customers and suppliers led to growth of the business, new technologies in form of machines and equipment led to increased sales and profits, introduction of new methods of payments like M-Pesa by customers led to an increase in sales and introduction of quality inputs and raw materials led to increase in sales and profits. Therefore, innovation by SMEs has an influence on economic development as the increases in sales and profits bring in income which can then be used to contribute to national tax revenue, improve family leisure time, access to health and education.

That innovation of SMEs is significant to economic development is supported by the entrepreneurship and innovation theory that was introduced and developed by Joseph Schumpeter (1838-1950). The original approach concentrated on the role of innovation on

economy, entrepreneurship and social modification. Schumpeter's view of financial advancement is viewed as a process of qualitative modification driven by innovation taking place in historical time. Offering examples of innovation, Schumpeter discussed brand-new methods of production and brand-new methods to organize service. He specified development as a brand-new combination of existing resources. Further support comes from a research study to develop the impact of innovativeness on the development of SMEs in Kenya by Ngugi, McOrege and Muriu (2013). It revealed that the tendency of owner/manager to take part in and support originalities, novelty, experimentation and innovative processes leads to brand-new technological procedures have an excellent impact on the performance of SME and consequently financial advancement. Another point of support states that as small firms grow, they should introduce new processes and management changes and obtain new systems, all of which can be seen as inventive (Bunyasi, 2015).

#### **5.2.4 Discussion of Entrepreneurial Leadership on the Relationship Between Growth of SMEs and Economic Development**

The study's fourth objective was to evaluate the moderating effect of entrepreneurial leadership on the relationship between development of SMEs and economical advancement. Various scholars have begun to investigate "how to promote entrepreneurial habits in organizations and the concept of entrepreneurial management is one of the strategies presented in the literature (Renko, El Tarabishy, Carsrud & Brannback, 2015). Research study on entrepreneurial leadership has been mired over past years. This is due to the fact that identifying leaders' entrepreneurial qualities and actions does not have the sufficient tools and conceptual advancement (Renko et al., 2015). For this reason, this research was executed to resolve these critical gaps by examining the existing study on entrepreneurial management and the crucial

elements of the management styles. Market leaders influence, impact and immediate their followers by functioning as function models and freely encourage followers to work in the direction of entrepreneurial goals (Renko et al., 2015; Churchill et al., 2013). For entrepreneurial management to succeed it depends not might be the conduct of the best, but likewise on the qualities of their followers in showing pioneering up-and-coming habits (Renko et al., 2015). Consequently, this research study aimed to investigate the moderating influence of entrepreneurial management entrepreneurial habits (Renko et al., 2015).

Including the moderating variable Entrepreneurial Leadership in the ANOVA output as a predictor, reduces the F value from 8.419 to 6.817 and maintains Sig at 0.000. From the F value the 4 variables are indeed different from each other and they affect the Economic Development in Kajiado County in a different manner to a lesser degree compared to when the moderating value is absent. The moderating effect of Entrepreneurial Leadership is buffering because increasing it decreases the effect of the indicators of SME growth on Economic Development. In the coefficient of determination, the model summary shows an improvement in the  $R^2$  value from 0.381 to 0.405. For an R square value of 0.405, the model explains 40.5% of the variations in real life on Economic Development in Kajiado County leaving 59.5% of the variations unexplained. The model has a moderate good fit which is an improvement due to the moderating variable Entrepreneurial Leadership. In mean analysis, Entrepreneurial Leadership has the highest mean and it is significant to Economic Development.

The descriptive analysis shows that all the factors raised in the questionnaire related to Section E (Appendix 5) have a high mean meaning that entrepreneurial leadership is important for growth in SMEs. The factors include but are not limited to the role of the entrepreneur as a leader to create an atmosphere of achieving something and taking risks, the SME using the new iTax

platform/system, the entrepreneurs employees respecting him/her without feeling fear, the entrepreneur always thinking big, planning big and always believing that everything can be done; the fact that nothing is hard when one is determined, the SME paying Value Added Tax of 16% and that the employees know what the entrepreneur believes in, his/her vision, where she/he is going, what she/he is thinking about five years from now, and ten years from now.

$Y = 1.143 + 0.903X_3$  is the fitted regression equation. 1.143 shows the levels of Economic Development in the absence of indicators of SME growth has improved with the introduction of the moderating variable, Entrepreneurial Leadership. This is supported by an empirical review by Renko et al. (2015) that the attributes, actions and habits that distinguish entrepreneurial management from other leadership styles, focus on opportunity acknowledgment and exploitation as entrepreneurial objectives for such leaders.

### **5.3 Conclusions**

In addressing economic development, the SME sector plays an essential function in producing innovation, wealth, job creation and economic advancement in developing and industrialized nations (Robson & Bennett, 2000). The motivation of entrepreneurial behavior is for that reason crucial for the economy (Gray, 2006).

Based on the topic of this study “The Effect of Growth of SMEs on Economic Development in Kajiado County”, the study concludes that the main contributor to economic development in Kajiado County is innovation of SMEs. The factors that were major contributors to innovation and economic development as demonstrated by this study were improvements in service delivery, introduction of improved modes of communication, new technologies in the form of

machines and equipment and introduction of new methods of payments like MPesa by customers. Increase in SME revenue and provision of products and services have no significant influence on economic development. It also concludes that to influence economic development in Kajiado, the area to invest in more is Entrepreneurial Leadership. Factors that would enhance EL are the role of the leader being to create an atmosphere of achieving something and taking risks, thinking and planning big, building relationships, attending and receiving trainings, having and believing in a vision and having professional heads of departments. The study also concludes that economic development is achieved as there is contribution to government tax revenue as SMEs use the new iTax platform that enhances SMEs to remit taxes to Kenya Revenue Authority in the form of VAT, PAYE, WHT, Corporate Tax and TOT. There is also increase in family income that improves leisure time, access to health and education. The spillover effect is higher productivity which boosts economic development.

#### **5.4 Recommendations**

The recommendations outlined below state suggestions for policy, academic and managerial action.

Policies need to be developed where The Kenyan Government supports local SMEs especially in the construction sector by becoming the main buyers of their products and services. When government engages with governments from other countries; for example China to undertake big projects, Kenyan SMEs get hindered from growing to become large enterprises that export their services and products and get quoted on the Nairobi Stock Exchange. The country increases its debt because of external borrowing as the existing fiscal and monetary policies become weak. When the main buyers are individuals, the lack of economies of scale makes the prices of; for

example, residential houses and gated estates high and the subsequent rental charges are high as well. The introduction of the National Housing Development Fund in Kenya by the government is a good policy and promotes innovation. If the fund is managed well, it will give opportunities to local SMEs, especially those in the construction sector. It will also be an avenue for the promotion of the procedure known as securitization.

Institutions of learning need to introduce courses in Entrepreneurial Leadership as an academic action. These courses need to be introduced from primary level through to secondary and tertiary level so as to promote and appreciate the meaning of innovation.

In Malaysia, Othman and Sulaiman (2008) reports that the Ministry of Entrepreneur Development was developed in 1995 due to the fact that of the government's interest of initiatives relating to business owners and entrepreneurship development. Kenya can learn from Malaysia and give support to the promotion of entrepreneurial style of leadership. From this, proprietors and employees in SMEs will be able to improve their managerial skills. This will encourage more SMEs to pay their various forms of taxes because the managers will be trained to understand the importance of using the iTax platform and paying for VAT.

### **5.5 Recommendations for Future Research**

Most SMEs in the construction sector do not make an annual turnover of above Kshs 20 million. Future research on how Kenya Government can enable SMEs grow to large companies that are registered as public limited companies and that have shareholders can improve on this turnover and reach the value limits guided by NCA. This in turn will avail funding to carry out innovations.

SMEs do not venture into international markets. Kenya Government is not exploiting local contractor's capabilities. Future research needs to begin to investigate how to champion entrepreneurial behaviors in organizations. Conceptual development and adequate tools to measure leaders' entrepreneurial characteristics and behaviors need to be researched upon.

The fact that researches on factors that contribute to the growth of SMEs still have some gaps that need to be filled in, the factors that determine the growth of large corporations are fully researched and developed. Future research needs to evaluate a multidimensional theory that embraces all possible approaches since most studies on SMEs' growth examine the growth factors one by one. This research can then enable SMEs realize which factors promote economic development.

## **5.6 Limitations of the Study**

The exercise is not void of shortcomings which include unclear geographical location of contractors, unwillingness of contractors to participate in the study, withdrawal of respondents upon receiving the questionnaires in soft or hard copy. The selected area was Kajiado County. Although, contractors are supposed to be registered and regulated by Registrar of Contractors in Nairobi and loaded onto the NCA website, the Kenya Gazette list relied on from Government Press to develop sampling frame was void of geographical location of contractors. Several methods were adopted which included online search of contractors, contact through phone calls, physical visit to Kenya Rural Roads Authority (KeRRA), NCA regional office at Kajiado and audience sought with procurement executive officer at Kajiado County to secure a list of prequalified contractors working in Kajiado County. These methods were not fruitful. A courtesy visit to the Executive Director of NCA at the Headquarters in Nairobi lead to the approval of an

appointment with the NCA regional office in Kajiado and this further lead to generation of an alternative list (Appendix 3) which aided in development of an updated sampling frame. NCA regional office in Kajiado explained that the list of contractors is continuously updated because contractors can be suspended from site by NCA, contractors are not restricted to counties (some counties have policies where a contractor from one county can be accommodated in another county), contractors are specialized (contractors listed in Kajiado county may have limited or no capacity in a certain category causing NCA Kajiado office to seek the services of contractors from another county) and contractors in the records of Government Press have finished a project and left the site and/or county.

From the exercise it was observed that NCA needs to have a comprehensive list (like the manufacturing sector does) that will guide future scholars in the construction sector to narrow down their research work to a single locality within a county and ease the exercise of data collection; for example, Kajiado County comprises of Kitengela, Isinya, Ngong, Ongata Rongai, Kajiado South, Kajiado North, Kajiado East, Kajiado West and Kiserian.

With the above diverse geographical locations it was a challenge for the researcher to carry out data collection due to the limitation of time and an inadequate budget.

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## APPENDICES

### Appendix 1: Summary of Registered Contractors in Various Counties

County	Number of registered contractors with NCA	County	Number of registered contractors with NCA	County	Number of registered contractors with NCA
Nairobi	5,118	Nyandarua	86	Narok	64
Busia	46	Nyeri	281	Baringo	96
Uasin Gishu	497	Lamu	55	Kericho	253
Kiambu	355	Machakos	159	Bomet	69
Kakamega	133	Wajir	80	Vihiga	45
Nakuru	489	Laikipia	180	Embu	112
Siaya	47	Marsabit	106	Mandera	103
Kajiado	134	Elgeyo Marakwet	51	Homa Bay	32
Mombasa	1,754	Tana River	55	West Pokot	75
Kitui	372	Muranga	110	Taita Taveta	65

Isiolo	92	Nyamira	47	Makueni	90
Garissa	280	Kwale	138	Migori	43
Kisumu	192	Kirinyaga	100	Samburu	38
Kilifi	208	Turkana	202	Tharaka Nithi	21
Nandi	135	Kisii	208	Bungoma	145
Meru	153	TransNzoia	80	Unclassified	42

Source: National Construction Authority <http://nca.go.ke/>

## **Appendix 2: Summary of Registered Contractors According to Class and Category**

<b>1 Contractors (Building Works)</b>		
	<b>Category</b>	<b>Value Limit (Kshs)</b>
1.	NCA1	Unlimited
2.	NCA 2	Upto 500,000,000.00
3.	NCA 3	Upto 300,000,000.00
4.	NCA 4	Upto 200,000,000.00
5.	NCA 5	Upto 100,000,000.00
6.	NCA 6	Upto 50,000,000.00
7.	NCA 7	Upto 20,000,000.00
8.	NCA8	Upto 10,000,000.00
<b>2 Electrical/Mechanical Engineering Services</b>		
	<b>Category</b>	<b>Value Limit (Kshs)</b>
1.	NCA1	Unlimited
2.	NCA 2	Upto 250,000,000.00
3.	NCA 3	Upto 150,000,000.00
4.	NCA 4	Upto 100,000,000.00
5.	NCA 5	Upto 50,000,000.00
6.	NCA 6	Upto 20,000,000.00
7.	NCA 7	Upto 10,000,000.00
8.	NCA8	Upto 5,000,000.00
<b>3 Roads , Water and other Civil Works</b>		
	<b>Category</b>	<b>Value Limit (Kshs)</b>
1.	NCA1	Unlimited
2.	NCA 2	Upto 750,000,000.00
3.	NCA 3	Upto 500,000,000.00
4.	NCA 4	Upto 300,000,000.00
5.	NCA 5	Upto 200,000,000.00
6.	NCA 6	Upto 100,000,000.00
7.	NCA 7	Upto 50,000,000.00
8.	NCA8	Upto 20,000,000.00

\* This fee is applicable to foreign contractors only

Source: National Construction Authority <http://nca.go.ke/>

**Appendix 3: NCA Regional Office updated list of SMEs in the construction sector in Kajiado**

No	Developer	Contractor
1.	Samson Gitahi	Belimark Construction Ltd
2.	Jane Naisula	Minaars Building Supplies and General Building works
3.	Josephine Wambui	Pine Tree East Africa Co Ltd
4.	David Githagui	Pine Tree East Africa Co Ltd
5.	Assumpta Njeri	Rolltech Company Limited
6.	Alphope Holdings	Jamcar Building Engineering Ltd
7.	Compact Poles	Bothexi Construction Co Ltd
8.	Abdirahim Ismail	Mwelwa Contractors Ltd
9.	Michael Logilae	Cresteston Ltd
10.	Novelrad Ltd	Bejan Holdings Ltd
11.	Francis Kanani	Gaba Investments
12.	Mohamed Abdi	Pokao Building Agency Ltd
13.	Koriyo Horse	Koriyo Horse Investment Ltd
14.	Alice Nyachomba	Thimu Contractors
15.	Ebby Afande Obel	Intrarock & Allied Construction Ltd
16.	Yvonne Tago	Peshmac Enterprises
17.	Emma Nthenya	Topfix Construction Limited
18.	Be energy Ltd	Egypro East Africa Ltd
19.	George Mwangi	Vanmax General construction Ltd
20.	Jay Patel	Copland Builders Company Ltd
21.	Susan Caroline	Amata Civil and Building Contractors
22.	Fredrick Kariuki	Ginon Builders

23.	Kosianto Kipain	Namunyaki Investment Ltd
24.	Paul Muthuri	Viparo Engineering Services Ltd
25.	Erick Obira	Alk Consultant Ltd
26.	Harvest Family Church	Pajetronics Works Ltd
27.	Christopher Mwai	Maya Building Contractors
28.	Milcent Karui	Nyabibu Merchants Ltd
29.	Verah Moraa	Masiki Construction Ltd
30.	Lemayah Saroni Sane	Kyul Engineering
31.	Arthur Mugo	Boom Contractors Ltd
32.	Lucy Kanyara	Kimora Multi-enterprise
33.	Ruth Njeri	Hut Shelter Masters Ltd
34.	Dick Omondi	Plancomax Limited
35.	Vincent Owino	Nihal construction Ltd
36.	Samson Muindi	Richen Investment
37.	Wanjiku Muhia	Belimark Construction Ltd
38.	Charles Kimtai	Zoar General contractors Ltd
40.	Dickson Kanyeki	Nolevan Building Works and General Supplies Ltd
41.	Celestine Rono	Setey Ltd
42.	Anastasia Kaburu	Hadai Africa Ltd
43.	James Nganga	Jekapawa Enterprises Ltd
44.	Muthurwa Mosque	Farhil Ltd
45.	Dakra Ltd	Gakindu Contractors
46.	Bernard	Mayian Construction Co Ltd
47.	Steminak Premier Technologies	Steminak Premier Technologies
48.	Peter Karatu	Leaste Consultants Ltd
49.	Lilian Oliech	Contower Group Ltd
50.	Fredrick Wainaina	Green Treaty Africa Ltd
51.	Ibrahim Waweru	Inventine Engineering Ltd

52.	Adamu Fatuma	Concept Kenya Engineering Ltd
53.	Impala Developers	Amagh Contractors Ltd
54.	Onshore Company Ltd	Onshore Company Ltd
55.	Hilary Kirwa	Josepmi General Agencies
56.	Stephen Ogaga	Mufam Ltd
57.	Kibandi Nganga	Awicon Builders and General Contractors
58.	Wycliffe Pere Mwati	Maga Civil Engineers and Contractors Ltd
59.	John Nganga	Aqua Meric Construction Company Ltd
60.	Steroid Brevis Ltd	Bethel Agencies Ltd

Source: National Construction Authority Kajiado Office 2018

Source: National Construction Authority <http://nca.go.ke/>

## Appendix 4A: Letter of Introduction from KCAU to Whom It May Concern



Thika Road, Ruaraka  
P.O. Box 56808-00200 Nairobi Kenya  
Pilot Line: +254 20 8070408/9

Tel: +254 20 3537842  
Fax: +254 20 8561077  
Mobile: +254 734 888022, 710 888022  
Email: [kca@kca.ac.ke](mailto:kca@kca.ac.ke)  
Website: [www.kca.ac.ke](http://www.kca.ac.ke)

*KCAU/SGS/MS/Aug.17/1*

*August 3, 2018*

To whom it may concern,

Dear Sir/Madam,

**RE: JUNE NDUKU KIVINDA REG. NO. 16/09103**

It is my distinct pleasure to introduce to you Ms. June Nduku Kivinda who is a student in our institution pursuing a Master of Science in Development Finance at the School of Business and Public Management.

June is conducting research on a topic titled: "*Effects of Growth of Small and Medium Enterprises on Economic Development In Kajiado County, Kenya*" which is part of the requirements of the program she is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to her is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

Dr. Nyaribo Misuko  
Dean, School of Graduate Studies & Research

## Appendix 4B: Letter of Introduction from KCAU to Registrar of Contractors - NCA

Nairobi



Thika Road, Ruaraka  
P.O. Box 56808-00200 Nairobi Kenya  
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*KCAU/SGS/MS/ Sep.18/3*

*September 11, 2018*

Registrar of Contractors  
National Construction Authority  
P.O. Box 21046 – 00100  
Nairobi

Dear Sir,

**RE: JUNE NDUKU KIVINYA REG. NO. 16/09103**

It is my distinct pleasure to introduce to you Ms. June Nduku who is a student in our institution pursuing a Master of Science in Development Finance Degree at the School of Business and Public Management.

June is conducting research on a topic titled: “*Effect of Growth of Small and Medium Enterprises on Economic Development in Kajiado county, Kenya*” which is part of the requirements of the program she is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

We request you to kindly assist the student with Email address, physical address, office location, Managing Directors of companies and sub county where they operate from for the contractors working currently in Kajiado county.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

Dr. Nyaribo Misuko  
Dean, School of Graduate Studies & Research

**Appendix 5: Questionnaire**

**GROWTH OF SMEs AND THEIR EFFECT ON ECONOMIC DEVELOPMENT IN KAJIADO COUNTY, KENYA.**

**SECTION A – BACKGROUND INFORMATION**

1. Respondent to questionnaire is (a) Male  (b) Female
2. Is your business classified by National Construction Authority as **(Please tick one)**
  - (a) Contractors (Building Works)
  - (b) Electrical Engineering Services
  - (c) Mechanical Engineering Services
  - (d) Roads Works
  - (e) Water Works
  - (f) Other Civil Works
3. My business has: **(Please tick ONE unit range for products, services, markets, customers AND suppliers where applicable) Address EACH year 2013 to 2017.**

	Year/ Range in Units	1			2			3			4			5		
		Number of products			Number of services			Number of markets			Number of customers			Number of suppliers		
		1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
		1-3	4-6	Above 6	1-3	5-6	Above 6	1-3	4-6	Above 6	1-3	4-6	Above 6	1-3	4-6	Above 6
<b>A</b>	2013															
<b>B</b>	2014															
<b>C</b>	2015															
<b>D</b>	2016															
<b>E</b>	2017															

5. Did you leave formal employment to start this business? **(Please tick one)**
  - (a) Yes
  - (b) No
6. How many years have you been running your business? **(Please tick one)**
  - (a) 1 -2 years
  - (b) 3 -4 years
  - (c) 5 years and above
7. How many employees do you have in your SME? **(Please tick one)**

- (a) 0 – 10
- (b) 11 – 50
- (c) 51 – 100

8. How many employees are **(Please tick ONE for EACH employee type)**

	1	2	3
<b>Employee type</b>	<b>0 - 10</b>	<b>11 - 50</b>	<b>51 - 100</b>
( a) Regular full time			
( b) Regular part time			
( c) Casual			

9. Do you venture into international markets? **(Please tick one)**

- (a) Yes  (b) No

**SECTION B- SME REVENUE AND ECONOMIC DEVELOPMENT** (that is the increase of sales and revenues)

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
(1) Is your <b>annual turnover</b> between Kshs 5 million and Kshs 20 million					
(2) Is your <b>annual turnover</b> between Kshs 21 million and Kshs 50 million					
(3) Is your <b>annual turnover</b> between Kshs 51 million and Kshs 100 million					
(4) Is your <b>annual turnover</b> between Kshs 101 million and Kshs 200 million					
(5) Is your <b>annual turnover</b> between Kshs 201 million and Kshs 300 million					
(6) Is your <b>annual turnover</b> between Kshs 301 million and Kshs 500 million					
(7) Is your <b>annual turnover</b> above Kshs 501 million					
(8) Mode of setting prices in my business is independent.					
(9) Mode of setting prices in my business is after bargaining with customers					
(10) Mode of setting prices in my business is based on sources of inputs and market forces					
(11) Main use of net income from my business is for re-investment					
(12) Main use of net income from my business is household/family needs					
(13) Main use of net income from my					

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
business is savings					

- SECTION C – PROVISION OF PRODUCTS AND SERVICES BY SMEs AND ECONOMIC DEVELOPMENT** (that is, change in number of products/services, markets/customers and suppliers between 2013 and 2017)

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
(1) The main buyers of my business goods/services is direct exports					
(2) There has been a decrease in number of direct exports between 2013 and 2017					
(3) There has been an increase in number of direct exports between 2013 and 2017					
(4) The main buyers of my business goods/services is government					
(5) There has been a decrease in the number of government orders for goods/service between 2013 and 2017					
(6) There has been an increase in the number of government orders for goods/service between 2013 and 2017					
(7) The main buyers of my business goods/services is individuals					
(8) There has been a decrease in the number of individuals in need of our goods/services between 2013 and 2017					
(9) There has been an increase in the number of individuals in need of our goods/services between 2013 and 2017					
(10) The main buyers of my business goods/services is other SMEs					
(11) There has been a decrease in the number of SMEs in need of our goods/services between 2013 and 2017					
(12) There has been an increase in the number of SMEs in need of our goods/services between 2013 and 2017					

**SECTION D – INNOVATION BY SMEs AND ECONOMIC DEVELOPMENT** (that is new techniques/technology employed)

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
(1) Introduction of Quality Inputs and raw materials has led to increase in sales and profits					
(2) Introduction of new methods of payments like M-Pesa by customers has led to an increase in sales					
(3) New improved methods of production has improved quality of products and increased sales and profits					
(4) Introduction of improved modes of communication with customers and suppliers has led to growth of the business					
(5) Improvements in service delivery to customers has led to increase in sales					
(6) New technologies in form of machines and equipment has led to increased sales and profits					
(7) During the period 2013 to 2017, I introduced new or significantly improved methods of manufacturing or producing goods or services					
(8) During the period 2013 to 2017, I implemented a new marketing method involving significant changes in pricing					
(9) During the period 2013 to 2017 did the introduction of improved methods of manufacturing and marketing methods increase your import substitution					

- **SECTION E – ENTREPRENEURIAL LEADERSHIP AND GROWTH OF SMEs** (that is having drive (a broad term, which includes achievement, motivation, ambition, energy, tenacity, and initiative); leadership motivation (the desire to lead but not to seek power as an end in itself): vision; creativity; risk taking; cognitive ability; and knowledge of the business).

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
(1) My role as a leader is to create an atmosphere of achieving something and taking risks					

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
(2) In my business all workers and myself are on first name basis. I encourage everybody to be called by their first name.					
(3) In my business we work and build relationships. We are like family. Our relationship is not just here, even outside they are free to come and share with me their experiences					
(4) Every head of a department is a professional and he/she is left to perform his or her duty professionally					
(5) My employees respect me, without fearing me.					
(6) I always think big, plan big and always believe that everything can be done; the fact that nothing is hard when you are determined.					
(7) I attribute my business success to the trainings I have received or attended					
(8) My employees know what I believe in, my vision, where I am going, what am thinking about five years from now, and ten years from now					

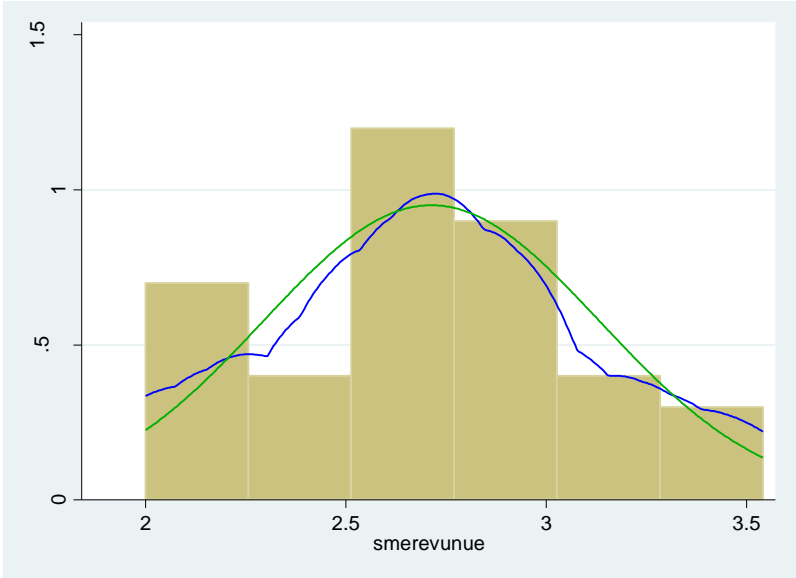
- SECTION F – ECONOMIC DEVELOPMENT** (that is contribution to government tax revenue; number of persons employed and increase to family incomes to improve leisure time, access to health and education)

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
(1) Did you start your business to get better income					
(2) Does your business contribute to family income					
(3) Does the increase to family incomes improve your leisure time, access to health and education					
(4) Does your SME use the new iTax platform/system					
(5) Do you pay corporation tax of 30% on your taxable profit					
(6) Do you pay Value Added Tax of 16%					

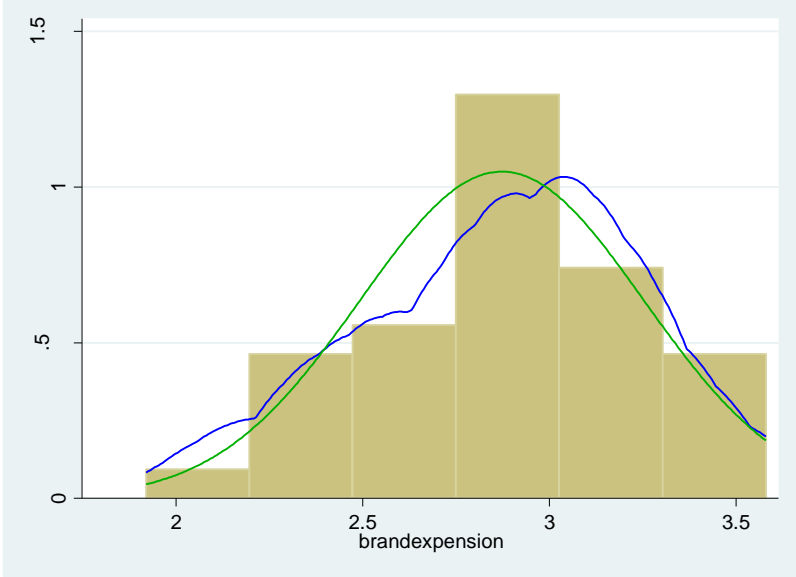
	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
(7) Do you pay Withholding Tax at 5% on your income					
(8) Do you deduct Pay As You Earn using the graduated rates for your employees					
(9) Do you pay Turn Over Tax					

**Appendix 6: Normality Test (Graphs for the variables)**

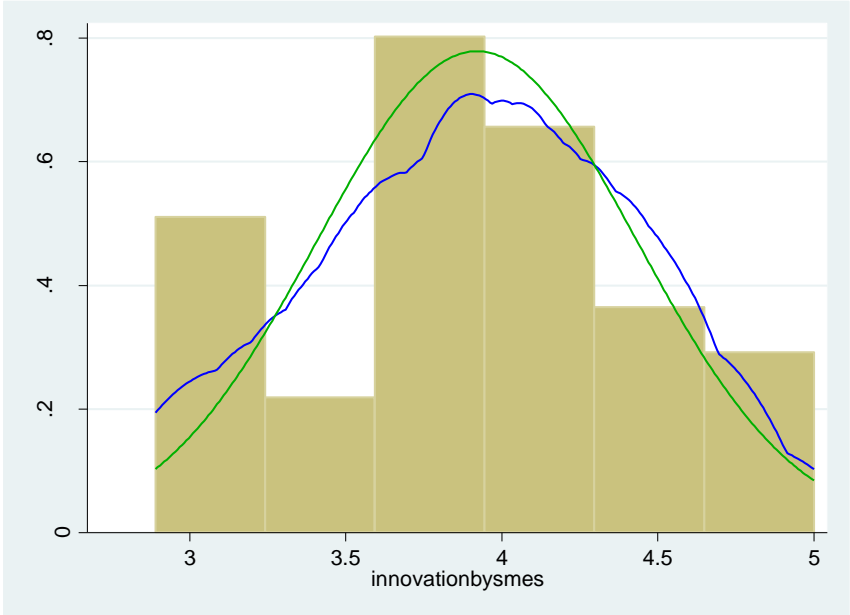
**SME Revenue**



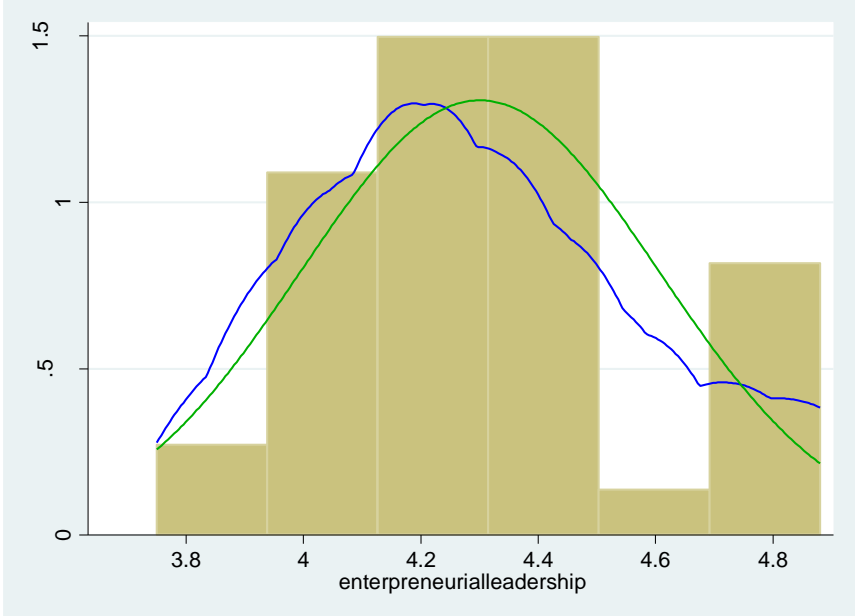
**Provision of Products and Services**

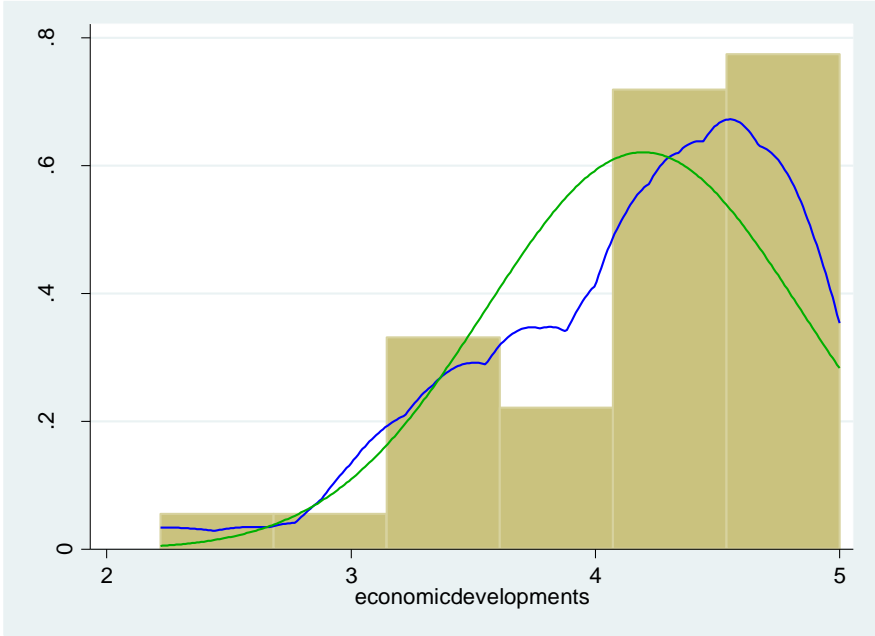


**Innovation by SMEs**



**Entrepreneurial leadership**





## Appendix 7: Multicollinearity test using Variable Inflation Factor (VIF)

. vif

Variable	VIF	1/VIF
smerevunue	1.04	0.959012
innovation~s	1.04	0.962452
brandexpen~n	1.03	0.973284
Mean VIF	1.04	

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.277	1.044		-.265	.792	
	SME revenue	.210	.199	.133	1.055	.298	.945 1.058
	Provision of products and services	.240	.210	.144	1.143	.260	.952 1.051
	Innovation by SMEs	.801	.162	.615	4.936	.000	.973 1.028

a. Dependent Variable: Economic Development

## Appendix 8: Breusch-Pagan Test for Heteroskedasticity

```
. estat hettest
```

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
```

```
Ho: Constant variance
```

```
Variables: fitted values of economicdevelopments
```

```
chi2(1) = 0.75
```

```
Prob > chi2 = 0.3862
```

**Appendix 9: Mean Analysis of the 4 objectives in descending order**

<b>Descriptive Statistics (SME Revenue and Economic Development)</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Mode of setting prices in my business is based on sources of inputs and market forces	45	3.00	5.00	4.2000	.58775
Main use of net income from my business is for re-investment	45	2.00	5.00	4.0444	.87790
Is your annual turnover between Kshs 5 million and Kshs 20 million	45	1.00	5.00	3.6444	1.24600
Mode of setting prices in my business is after bargaining with customers	45	1.00	5.00	3.5778	1.40598
Mode of setting prices in my business is independent.	45	1.00	5.00	3.3556	1.40058
Main use of net income from my business is savings	45	1.00	4.00	3.1556	1.12726
Main use of net income from my business is household/family needs	45	2.00	4.00	2.9333	.96295
Is your annual turnover between Kshs 21 million and Kshs 50 million	45	1.00	5.00	2.3111	1.27604
Is your annual turnover between Kshs 51 million and Kshs 100 million	45	1.00	4.00	1.7778	.95081
Is your annual turnover between Kshs 101 million and Kshs 200 million	45	1.00	5.00	1.7111	1.05792
Is your annual turnover above Kshs 501 million	45	1.00	3.00	1.5333	.84208
Is your annual turnover between Kshs 301 million and Kshs 500 million	45	1.00	3.00	1.4889	.78689
Is your annual turnover between Kshs 201 million and Kshs 300 million	45	1.00	3.00	1.4889	.78689
Valid N (listwise)	45				

<b>Descriptive Statistics ( Provision of Products and Services and Economic Development)</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
The main buyers of my business goods/services is individuals	45	1.00	5.00	3.6667	1.16775
There has been an increase in the number of individuals in need of our goods/services between 2013 and 2017	45	2.00	5.00	3.5778	1.01105
The main buyers of my business goods/services is government	45	1.00	5.00	3.2000	1.28982
There has been a decrease in the number of government orders for goods/service between 2013 and 2017	45	1.00	4.00	3.1778	1.00654
There has been an increase in the number of government orders for goods/service between 2013 and 2017	45	1.00	5.00	3.0667	1.19469
There has been an increase in the number of SMEs in need of our goods/services between 2013 and 2017	45	1.00	5.00	2.8889	1.02740
The main buyers of my business goods/services is other SMEs	45	1.00	5.00	2.7111	1.05792
There has been a decrease in the number of individuals in need of our goods/services between 2013 and 2017	45	1.00	5.00	2.6222	1.19257
There has been an increase in number of direct exports between 2013 and 2017	45	1.00	4.00	2.6000	.98627
There has been a decrease in the number of SMEs in need of our goods/services between 2013 and 2017	45	1.00	5.00	2.5333	.96766
There has been a decrease in number of direct exports between 2013 and 2017	45	1.00	3.00	2.2444	.85694
The main buyers of my business goods/services is direct exports	45	1.00	3.00	1.7556	.80214

Valid N (listwise)	45				
<b>Descriptive Statistics (Innovation by SMEs and Economic Development)</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Improvements in service delivery to customers has led to increase in sales	45	3.00	5.00	4.3778	.61381
Introduction of improved modes of communication with customers and suppliers has led to growth of the business	45	3.00	5.00	4.3556	.52896
New technologies in form of machines and equipment has led to increased sales and profits	45	2.00	5.00	4.2222	.73512
Introduction of new methods of payments like M-Pesa by customers has led to an increase in sales	45	3.00	5.00	4.1556	.67270
Introduction of Quality Inputs and raw materials has led to increase in sales and profits	45	3.00	5.00	4.1333	.66058
New improved methods of production has improved quality of products and increased sales and profits	45	2.00	5.00	3.9111	.59628
During the period 2013 to 2017, I introduced new or significantly improved methods of manufacturing or producing goods or services	45	2.00	5.00	3.7111	.99138
During the period 2013 to 2017, I implemented a new marketing method involving significant changes in pricing	45	2.00	5.00	3.6222	1.02888
During the period 2013 to 2017 did the introduction of improved methods of manufacturing and marketing methods increase your import substitution	45	1.00	5.00	3.1111	1.13262
Valid N (listwise)	45				

<b>Descriptive Statistics (Entrepreneurial Leadership, Growth of SMEs and Economic Development)</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
My role as a leader is to create an atmosphere of achieving something and taking risks	45	4.00	5.00	4.7333	.44721
Does your SME use the new iTax platform/system	45	2.00	5.00	4.6667	.60302
My employees respect me, without fearing me.	45	4.00	5.00	4.6222	.49031
Did you start your business to get better income	45	4.00	5.00	4.5778	.49949
I always think big, plan big and always believe that everything can be done; the fact that nothing is hard when you are determined	45	4.00	5.00	4.5333	.50452
Do you pay Value Added Tax of 16%	45	1.00	5.00	4.4000	1.00905
In my business we work and build relationships. We are like family. Our relationship is not just here, even outside they are free to come and share with me their experiences	45	3.00	5.00	4.3778	.57560
I attribute my business success to the trainings I have received or attended	45	2.00	5.00	4.3333	.82572
Does your business contribute to family income	45	2.00	5.00	4.3111	.87444
My employees know what I believe in, my vision, where I am going, what am thinking about five years from now, and ten years from now	45	3.00	5.00	4.1778	.68387
Every head of a department is a professional and he/she is left to perform his or her duty professionally	45	2.00	5.00	4.1778	.74739
Does the increase to family incomes improve your leisure time, access to health and education	45	2.00	5.00	4.0444	.90342
Do you deduct Pay As You Earn using the	45	1.00	5.00	4.0222	1.35661

graduated rates for your employees					
Do you pay Withholding Tax at 5% on your income	45	1.00	5.00	3.8889	1.54069
Do you pay corporation tax of 30% on your taxable profit	45	1.00	5.00	3.8667	1.32459
In my business all workers and myself are on first name basis. I encourage everybody to be called by their first name	45	2.00	5.00	3.6000	1.03133
Do you pay Turn Over Tax	45	1.00	5.00	3.4667	1.58974
Valid N (listwise)	45				