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Entrepreneur's Innovativeness on Access to Venture Capital by Small and Medium Enterprises in Nairobi City County, Kenya

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Abstract

Despite the effort made by the government of Kenya to support the growth of SME sector by creating enabling environment through appropriate legal and regulatory procedures, and in spite the fact that banks have recently made micro-credit accessible to MSEs (MESPT, 2011), there is no indication that the sector is growing. Empirical evidence shows that most of these enterprises fail due to poor/lack of access to finance. Access to venture capital by the small and medium enterprises could be a plausible alternative but unfortunately research has pointed out that majority of the enterprises do not access venture capital financing, which is considered an important option for small and medium enterprises trying to grow. This study therefore sought to investigate the effect of entrepreneur's innovativeness on access to venture capital by small and medium enterprises in Kenya. The study adopted the explanatory non-experimental research design and positivism philosophy guided the study. Target population of the study was 334 Small and medium size enterprises ranked by KPMG between 2008 and 2017 in their annual survey. Proportionate random sampling technique was used to select the firms. Data was collected by use of questionnaire, using drop and pick method. Both descriptive statistics and inferential statistics were used to analyze the data. Nested multinomial logit model was used. The results reveal that the influence of an entrepreneur's innovativeness on access to venture capital financing is statistically significant. From the findings, it is recommended that SMEs should continue investing in enhancing entrepreneurial innovativeness as it increases the propensity of their enterprises from accessing venture capital financing.

Key words: *Entrepreneurs, Innovativeness, Access, Venture Capital, Financing, SMEs, KPMG*

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1.1 Background of the Study

Katua, (2014) assert that small and Medium-sized enterprises play important roles in the economic growth and sustainable development of every nation. According to Abdullah, Khadijah, and Manan (2010), inaccessibility and insufficiency of funds is the major barrier to the growth and performance of SMEs in both developed and developing countries. The SME sector has not only been critical in promoting competition, in innovation and enhancement of the enterprise culture but also in provision of goods and services as indicated by the SME Baseline Survey (2009). The SME sector effectively responds to challenges of creating sustainable employment opportunities, promoting economic growth and poverty reduction in a country (Abdullah *et al*., 2010).

In many countries, SME sector is a major source of employment, and also important to national growth. In Africa, promotion of SMEs and particularly those in informal sector is a viable development. They comprise of over ninety percent of the African business operations, being the main source of employment in developed and developing countries alike, and contributing to over fifty percent of African employment and GDP (Okafor, 2012). In Kenya, for instance, SMEs output was estimated at Kes.3369.1billion against a national output of Kes.9971.4 representing a contribution of 33.79% in 2015 (Kenya National Bureau of Statistics, 2016). Despite SMEs significance, statistics indicate that 29.6 percent of the 2.2 million enterprises closed in the past 5 years; the year 2016 included, and most was as the result of shortage of operating funds.

Lemuel (2009) notes that the lack of sufficient capital and credit has often incapacitated the growth and development of SMEs especially in their formation stages. Additionally, entrepreneurial firms characterized by significant intangible assets, negative earnings in their early development, or unproven products makes it unlikely to access bank loans or other debt financing, and therefore struggle to attract equity financing (Miglo, 2016).

Venture capital is risk finance in form of equity which gives the business funds based on their potential and their interest as perceived by the investor (Mckaskill, 2009). Venture capital is generally considered to be the most appropriate financial resources for the small and Medium enterprises (Diaconu, 2012).Venture capitalists bridge the financing gap caused by information asymmetry for new and innovative firms (Burżacka & Gąsiorowska, 2016). According to Hickey (2013), Venture Capital firms invest funds on business with a professional outlook. Under a venture capital financing agreement, finances are availed by the venture capital to enable a business undertake a project and in return the venture capitalist gets an ownership stake in the business (Nunkoo & Boateng, 2010). However, venture capital firms have reputations for being highly selective in funding SMEs, so the receipt of venture capital funding often strengthens a startup's reputation among stakeholders (Graham & Sichelman, 2010). At least one of the members of a venture capitalist does sit on the board of directors, or in a similar position of control, which provides structure and management to the fledgling company (Gompers & Lerner,

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2001). This shows how important entrepreneur skills or expertise is to venture capital financiers (Hickey, 2013).

Venture capital finance is risk finance in form of equity that is available to a borrower with no obligation to repay (Smolarski & Kut, 2011). It is a financial investment for start- ups or established SMEs that are perceived to have unique ideas and excellent growth ability (Kumar & Siddharthan, 2013). Access to VC improves a nation's innovative capacity by making investments in early stage businesses that offer high growth potential (Bammi & Verma, 2014). The main sources of deals for venture capitalists are personalized networks of referrals (Berger & Schaeck, 2011). Venture capitalists mainly focus on: market attractiveness, product/service, the entrepreneur, the management team and financial considerations (Deloitte, 2009). Once the VCs are comfortable with the screening, they negotiate the terms and condition of the investment with the entrepreneur, with the aim of controlling the corporate decisions and minimizing the potential cost and risk (Ndabeni, 2014). According to Mwebi (2012) venture capitalists rarely provide funds to SMEs in full amount as applied for but instead they give certain percentage of requested funds based on the perceived potential of the SME.

VC, which is quite prevalent in developed countries, has played a big role in enhancing growth of SMEs by providing equity capital. Some of the world's largest companies, including Home Depot, Starbucks, Whole Foods, Microsoft, Apple, Google, JetBlue, eBay, and Staples were originally backed by Venture capital (Kavanaugh *et al.*, 2014). In essence, access to VC has played an important role in the economic development of the United States (Dolencic, 2010). In 2012, it was estimated that venture-backed companies which publicly traded their share accounted for 10.4 million jobs and $2.3 trillion in revenues, which represents a share of 17.6 percent in the total U.S. Gross Domestic Product (GDP) (Kavanaugh *et al.*, 2014). Accordingly, in 2014, the value of investments in Poland accounted for 19.1percent of the total value of investments in Central and Eastern Europe (RBC Wealth Management, 2017).

In Africa unlike in developed countries, VCs are few and hence they have created little impact to the SMEs. In the year 2013 for instance, there were only 176 venture capitalists in South Africa and only 26 active VC firms dedicated to East Africa (AEAVC, 2015). Kenya has continued to dominate the private equity industry in Eastern Africa, accounting for more than 60 per cent of private equity deals recorded in the East African region (KPMG, 2015). Kenya received investment deals worth Keya shillings 49.7 billion out of the Kes78.9 billion, accounting for 63 per cent of the deals for East Africa (KPMG & EAVCA 2015). VCs consider the following before funding an enterprise; the quality of the business plan, basic concept of the project, track record of entrepreneur, the management team, the characteristics of the product, market or technology among others (Memba, 2011). According to KNBS (2016), of all the sources of capital utilized by SMEs, equity financing accounts for only4.1 percent. With the availability of VC funds in Kenya, it is not clear why SMEs uptake to VC is very low yet they are still struggling to raise capital.

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Entrepreneurial innovativeness is considered in terms of new products development, new process development and new markets introduced. Entrepreneurial innovativeness have important implications in the demand for any form of finance (Keil, Maula, & Wilson, 2010). The innovativeness of the owner of small and medium enterprises are inseparable from their business. This is mainly because most of these firms are owned as sole proprietorship and partnership form of businesses where ownership is inseparable from control. Likewise in the case of limited liability companies where there exists a separate legal entity, ownership can rarely be separated from control (Nkuah, Tanyeh, & Gaeten, 2013).

1.2 Statement of the Problem

Small and Medium Enterprises are drivers of economic expansion in both developed and emerging economies, whose success is largely dependent on access to adequate financing (Njama, 2013). According to Clark and Juma, (2013), the fundamental reasons behind SMEs' poor access to finance can be found in their unique characteristics. 2.2 million SMEs on average 3.8 years old closed down in the last 5 years, 2016 inclusive. Of the 2.2 million, 29.6% attributed their closure to poor access to finance (KNBS, 2016). This is one of the scenarios that have led to loss of confidence in lending to SME by financial institutions. This therefore called for SMEs to identify alternative method of financing their business and VC becomes the best option (Musani, 2014).

Venture capital has been in existence in Kenya since 1970s, yet it has had little impact on growth of SMEs. According to Olando *et al.*, (2012), only 2% of Micro, small and medium enterprises, have had access to VC. The East Africa Venture Capital Association (2015) confirms that VCs in Kenya had raised Kes172.8 billion by 2015, but only managed to invest Kes49.7 billion (28.8%) in Kenya; this means that the VCs still have a lot of funds to invest. According to KNBS (2016), equity financing account for only 4.1 percent of all the sources of capital utilized by SMEs. With the availability of these funds in Kenya, it is not clear why SMEs uptake to VC is very low yet they are still struggling to raise capital.

1.3 Research objective

The research objective was to determine the effect of entrepreneur's innovativeness on access to venture capital by SMEs in Nairobi City County, Kenya.

1.4 Research hypothesis

The null hypothesis was stated as;

H_0: Entrepreneur's innovativeness does not have significant effect on access to venture capital by SMEs in Nairobi County, Kenya.

2.0 Literature Review

2.1 Theoretical review

Social network theory by Galaskiewicz (1978) offers a framework for entrepreneurial networking which is a vital aspect of any progressive enterprise. The theory argues that the presence or absence of social ties such as access or membership in associations plays a key role in business success. Steier and Greenwood, (2000) suggest that social endorsement takes precedence over the technical merit of a business plan in attracting venture capital financing. The organizational theorists have generally proposed that seed-stage investors rely on social relationships to identify and to select which ventures to fund (Fraser, Bhaumik & Wright, 2015).

In this perspective, Boso, Story and Cadogan (2013), found that direct and indirect ties between entrepreneurs and VCs have effects on investment decisions of investors due to the information transfer benefits that ties generate. Equally Batjargal and Liu, (2004) found that strong ties between entrepreneurs and VCs have significant direct effects on investment decisions. However Boso, Story & Cadogan (2013), Lu, Tan and Huang (2013) revealed a differences in the number of deals that come to VCs through third-parties recommendations. VCs tend to syndicate their investment with other VCs(Gitman & Zutter, 2012).They are strongly linked with each other through the joint investment and once they have invested in a company, they maintain the networks (Chiu, Hsu, & Wang, 2006). Entrepreneurs well embedded in networks can gain advantages and valuable external resources in a timely manner that can help the entrepreneur to overcome the liabilities of newness problems (Harper, 2015). According to Jennings, Greenwood, Lounsbury & Suddaby (2013), entrepreneurs can find potentially profitable opportunities through establishing ties between previously unlinked networks. Thus, sparse networks with links among contacts are important for discovering opportunities and gaining of access to resources (Astell-Burt, Feng, Mavoa, Badland & Giles-Corti, 2014). VC also use syndication mechanism in reducing the problems associated with adverse selection, through the participation of a co-investor sharing the investment risk (Smolarski & Kut, 2011).

The Social Network Theory helped this study to accurately understand the social characteristics of SMEs that leads to ease of access to the VC finance. This was based on the premises that strong ties between entrepreneurs and VCs have significant direct effects on investment decisions. In this case, the venture capitalists are able to make effective decisions concerning the funding of SMEs. This is because the strong ties enable the venture capitalist to access important information about the SMEs which might help in reducing risk of the investment. The theory also helped the research in fully understanding the behavior of the SMEs entrepreneurs based on the social interaction perspective. In this sense, the researcher was able to cleanly see the relationship between the independent and the dependent variables and how these variables affected each other in the study. The theory argues that the presence or absence of social ties such as access or membership in associations plays a key role in business success, however in some instances this may be the case.

2.2 Empirical Review

Wang (2013) studied the impact of microfinance on the development of small and medium enterprises in Ghana. The study found out that SME characteristics are very important in determining the likelihood of getting micro financing funds. The study concentrated on product innovation efforts, managerial and entrepreneurial attitudes as the main characteristics of an entrepreneur. The results indicated that the factors are key in determining the likelihood of receiving micro financing. Whereas the study concentrated on microfinance as the main source of finance in Ghana, this study considered VC as the source of finance in Kenya, and determined how both entrepreneurial and firm characteristics affect access to VC in Kenya.

In their study Fatoki and Odeyemi (2010) investigated the determinants of access to trade credit by SMEs in the Eastern Cape Province of South Africa. Managerial competency, Networking, Business information, Location, age and size were the main study variables. They used the quantitative research design and probability sampling method was used for sampling. Data analysis was through descriptive statistics and logistic regression. Managerial competency(especially higher education and related experience),business plan, relationships with banks and the location of the business were found to be the most important determinants of access to trade credit by new SMEs. Networking, Business information and age did not affect access to trade credit. Unlike this study, the current study is concerned with venture capital as a possible source of finance and firm characteristics as one of the factor that can affect access to trade credit. The current research considered both firm and entrepreneurial characteristic and access to venture capital in Kenya.

In their study Garwe and Fatoki (2012) analysed the impact of gender as an SME characteristics and access to debt finance in South Africa. Descriptive statistics and a logistic regression were used. The empirical findings of the study were that the female-owned SMEs were significantly smaller than the male-owned SMEs in terms of number of employees. Female owners were also likely to be less educated and also less likely to have collateral. The results indicated that there were gender differences in some but not all of the entrepreneurial factors. Whereas this research focused on of one characteristic of an entrepreneur; gender, and access to debt finance, the current study considered more than one entrepreneurial characteristic as well as firm characteristics on the access to VC in Kenya.

Masoud and Mwirigi (2013) explored the determinants of uptake of credit Products by SMEs in the manufacturing industry in Kariobangi Nairobi-Kenya. They analyzed the relationship between borrower's and firm characteristics and uptake of credit products by SMEs. Descriptive research design was used and analysis of the data was with the aid of the Statistical Package for Social Sciences (SPSS). The study found out that business characteristics that correlate positively with uptake of credit among SMEs were business size and age of business. Owners' characteristics have a negative correlation with the uptake of credit products. The study concentrated on the manufacturing industry. Unlike this study, the current study considered effect of entrepreneurial and firm characteristics on access to venture capital across all SMEs sectors in Kenya.

Fatoki and Asah (2011) investigated the Impact of Firm and Entrepreneurial Characteristics on Access to Debt Finance by SMEs in South Africa. Data was collected through questionnaire in a survey. Age of the firm, the size of the firm and the availability of collateral, location and insurance, industry and business information were the main firm characteristics. Data was statistically analyzed using descriptive statistics, Pearson correlation and logistic regression. The results indicate that firm and entrepreneurial characteristics impact on access to debt finance by SMEs. The study concentrated on access to debt finance. The current study extends this study by investigating if the same characteristics affect access to venture capital by SMEs in Kenya.

Brush, Ali, Kelley and Greene (2017) in their study, bridging the Gender Gap in Venture Capital examined possible reasons why less than 5percent of all SMEs receiving venture capital had women on their executive teams. They found out that, many fundable women entrepreneurs had the skills and experience to lead high-growth ventures. Nonetheless, women were consistently left out of the networks of growth capital finance and appeared to lack the contacts needed to break through. Whereas only one characteristic; gender of entrepreneur that could affect access to venture capital financing was considered, the current study will extend this study by incorporating other entrepreneurial characteristics and the firm characteristics.

Ngugi, Mcorege and Muiru (2013) investigated the Influence of Innovativeness on the Growth of SMEs in Kenya using descriptive survey and exploratory design. Descriptive statistics and inferential data analysis method was to analyze the data. The study found out that innovativeness influences the growth of SMEs in Kenya. The tendency of owner/manager to engage in and support new ideas, novelty, experimentation and creative processes results in new products, services or technological processes which has a great influence on the performance of SMEs. Whereas the study considered only one entrepreneurial characteristic (innovativeness) on growth of SMEs, the current study will address two entrepreneurial characteristics (innovativeness and managerial competency) together with those of a firm on access to venture capital.

Harvie, Narjoko, and Oum, (2013) investigated on the Small and Medium Enterprises' Access to Finance in eight Asian countries. The study collected data on firm and entrepreneurial characteristics and sources of finance. Information on the following characteristics was collected: firm's size, firm's age, firm's ownership type and firm's performance, entrepreneur's capability to innovate, and managerial/entrepreneur background. Entrepreneur's ability to innovate, firm's age, firm's ownership, and firm's performance were found to have a significant impact on access to finance. Unlike this study, the current study narrowed down to only one source of finance; Venture capital, in Kenya.

3.0 Research Methodology

Explanatory non-experimental research design was used to establish the effect of service sector of operation and non-service sector of operation on access to venture capital. The target

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population of the study comprised of 334 SMEs who appeared in the category of top 100 SMEs lists from 2008-2016 according to KPMG in Kenya. Dillman, (2011) formula of sample calculation guided the calculation of the desired sample size of 178SMEs. The study used semi-structured questionnaires with both open and closed-ended questions. The data was analyzed using both descriptive and inferential statistics.

4.0 Results and Discussion

4.1 Descriptive Statistics

Table 1: Introduction of New Products and New Processes

Between Innovation	**1-3**	**Between 4-6**	**More than 6**
Introduced new products or significantly improved product	56.90%	29.20%	13.90%
Introduced new process or significantly improved process	48.60%	38.90%	12.50%

Results in Table 1 show that 56.9% of the respondents have introduced between 1-3 new products or significantly improved product, 48.9% had introduced between 1-3 new processes or significantly improved the processes. This implies that most of the SMEs in Nairobi had at least introduced a new product or service. This meant that most SMEs were innovative. Ngugi, Mcorege and Muiru (2013) investigated the Influence of Innovativeness on the Growth of SMEs in Kenya and found out that innovativeness influences the growth of SMEs in Kenya. The tendency of owner/manager to engage in and support new ideas, novelty, experimentation and creative processes results in new products, services or technological processes which has a great influence on the performance of SMEs.

Table 2: Innovative strategies applied by the Business Enterprises

	Strongly Disagree	Disagree	Neutral	Agree	trongly Agree
New product development	2.1	13.9	25.0	34.7	24.3
New market development	6.3	11.8	9.0	20.8	52.1
New process development	1.4	8.3	14.6	38.2	37.5

The results in Table 2 shows that 24.3% strongly agreed and another34.7% Agree that they had introduced new products in the market and thus implies that most of the SMEs studied had introduced product innovations by introducing new products in the market. In addition, the results also reveal that 72.9% agreed that they had initiated new market developments while 75.7% had initiated new process developments. From the results we can deduce that most of SMEs in Nairobi County are innovative. Ngugi, Mcorege and Muiru (2013) investigated the Influence of Innovativeness on the Growth of SMEs in Kenya and found out that innovativeness influenced the growth of SMEs in Kenya. The tendency of owner/manager to engage in, and support new ideas, novelty, experimentation and creative processes, results in new products, services or technological processes which have a great influence on the performance of SMEs.

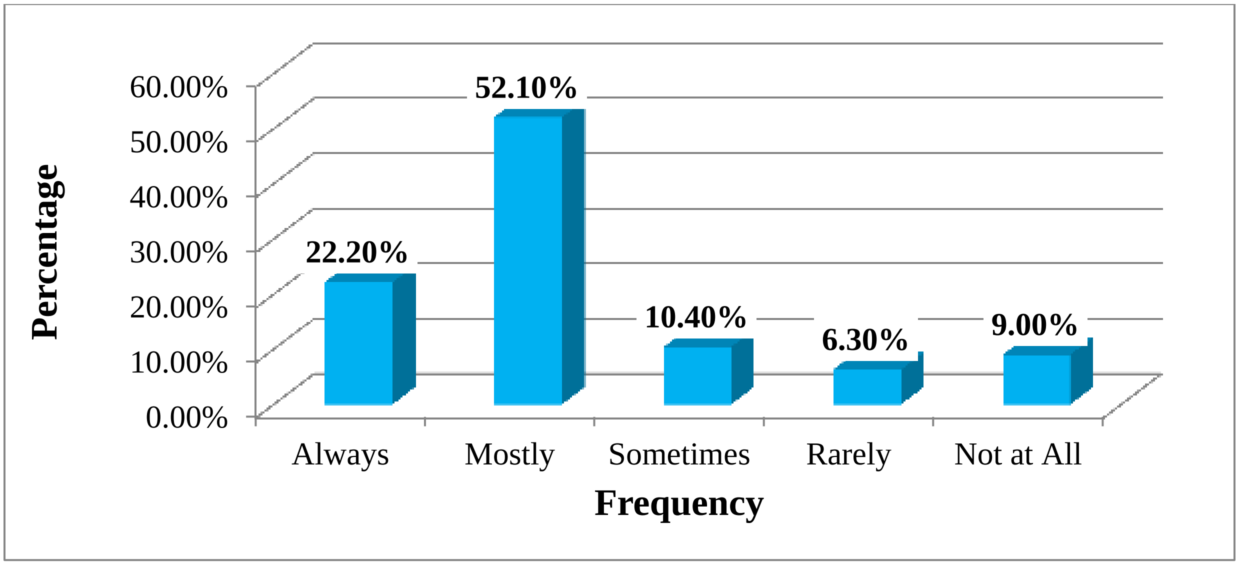

Figure 1: Applicability of the innovative strategies

Results in Figure 1 shows that 22.2% of the respondents indicated that they always applied the innovative strategies, that is, new product development, new market development and new process development, 52.1% of the respondents indicated that they mostly applied the innovative strategies, 10.4% indicated that they sometimes applied the strategies, 9% indicated that they rarely applied the innovative strategies, while only 6.3% indicated that they did not apply the innovative strategies. This implies that majority of the SMEs owners applied innovative strategies for the success of their enterprises.

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Table 3: Sources of Capital during Startup and Growth of Business

Sources of Capital	Strongly Disagree	Disagree e	Neutral al	Agree	Strongly Agree
Government sponsored program	19.70%	33.30%	27.30 %	10.60%	9.10%
Personal savings	3.00%	6.10%	8.30%	14.40%	68.20%
Friends and relatives	4.50%	7.60%	31.10 %	28.80%	28.00%
Bank loans	1.50%	15.20%	8.30%	16.70%	58.30%
Venture capital	37.10%	19.70%	12.10 %	13.60%	17.40%

Results in Table 3 show that; 53% (19.7%+33.3%) did not utilize government sponsored programs as their sources of capital, 82.6% indicated personal savings as their sources of capital, 56.8% indicated friends and relatives as their sources of capital, 75% indicated bank loans as their sources of capital while only 31% agreed that venture capital is their sources of capital. This implies that majority of the SMEs are financing their enterprises using personal savings and borrowings from friends and relatives. This may be because of lack of sufficient security to obtain formal loans. According to Goyal (2013), since most of SMEs in their start up stages have no or have limited access to formal bank credit and in most cases no retained earnings, venture capital financing which is equity finance could be the best option.

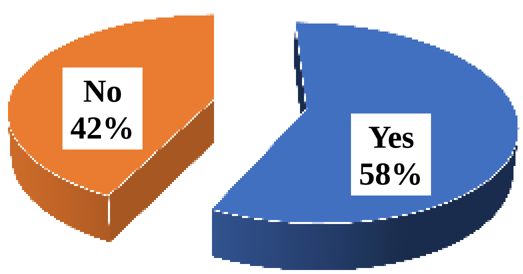

Figure 2: Venture Capital Funding in Future

Figure 2 show that 58% indicated that they hoped to be funded in future while 42% indicated that they did not see this happening in the future. This implies that majority of the SMEs in Nairobi do not have adequate capital. Small and Medium Enterprises are drivers of economic expansion in both developed and emerging economies, whose success is largely dependent on access to adequate financing (Njama, 2013). According to Clark and Juma, (2013), the fundamental reasons behind SMEs poor access to finance can be found in their unique characteristics.

Table 4: Venture Capital Access

Proportion of Venture Capital	**Percent**
Between 1% - 33%	19
Between 34% - 66%	57
Between 67% - 100 %	24
Total	100

Table 4 shows that 19% of the respondents received 1-33% of the venture capital applied, 57% of the respondents received 34-66% while 24% received 67-100%. According to Deloitte (2009), venture capitalists mainly focus on; market attractiveness, product/service, the entrepreneur, the management team and financial considerations. Once the VCs are comfortable with the screening, they negotiate the terms and condition of the investment with the entrepreneur, with the aim of controlling the corporate decisions and minimize the potential cost and risk (Ndabeni, 2014).

4.2 Inferential Statistics

Table 5: Access to Venture Capital and Entrepreneurial Innovation

Access to venture capital (1=Yes, otherwise 0)	Coefficients
Constant	0.849 (1.62)
Product/process innovation	0.138** (2.98)
pseudo R^2	0. 5

t statistics in parentheses

** p< 0.1, ** p < 0.05, *** p < 0.01*

The results suggest that variations in entrepreneurial innovations explains 50% of the variations in access to venture capital (measured by whether the firms access venture capital or not) as indicated in Table 5 and explains 60% of the variations when measured with respect to the ease of access of venture capital as indicated in Table 1.5.2. The study established that Entrepreneur's innovativeness determines whether the firm would access VC or not. In particular, the more innovative an Entrepreneur's is, the higher the probability of accessing venture capital by 0.138 which is statistically significant at 5% level of significance. This result leads to the rejection of the hypothesis that an entrepreneur's innovative do not have significant effect on access to venture capital. This is an important finding as it may suggest that for firms to be able to access venture capital they have to be innovative as venture capitalists are likely to have this as one of the criteria of deciding which firms are able to access its portfolio.

Table 6: Entrepreneurial Innovation and Ease of Access to Venture Capital

Dependent Variable: Access to venture capital	Not accessible	rarely accessible	fairly accessible	Easily accessible
Constant	-85.42	-0.469	0.876	0.349
	(-0.01)	(-0.51)	(1.41)	(0.47)
Product/process innovation	16.92	-0.331	-0.319^{*}	-0.445^{**}
	(0.01)	(-1.29)	(-1.89)	(-2.09)
pseudo R^2	0. 60			

t statistics in parentheses

** p< 0.1, ** p < 0.05, *** p < 0.01*

In particular, the results in Table 6 reveal that the most innovative entrepreneurs have a higher propensity of accessing venture capital. This can be attributed to the fact that innovative entrepreneurs are more likely to have established a strong market presence and as such is taken as a signal of a good quality firm and as a result the ease with which they can access venture capital. From the analysis it is clearly evident that venture capital flows to innovative SMEs, who are likely to have higher returns and as venture capitalists seeks places with high returns in a bid to maximize their economic gains funds flows to innovative SMEs. This is in line with the findings of a study conducted by Ngugi, Mcorege and Muiru (2013) on the influence of innovativeness on the growth of SMEs in Kenya where they also found that innovativeness influences the growth of SMEs. From the foregoing analysis we therefore infer that the supply of venture capital will tend to flow to whether viable investment opportunities exists and these are likely to be found in the most innovative firms.

5.0 Conclusion

The objective of the study was to establish the effect of entrepreneur's innovativeness on access to venture capital financing. From this objective, it was hypothesized that an entrepreneur's innovative strategies do not have significant effect on access to venture capital financing. The results showed that an entrepreneur's innovativeness has a positive and statistically significant effect on access to venture capital financing and thus it can be concluded that entrepreneur's innovativeness has a positive and statistically significant effect on access to venture capital financing.

6.0 Recommendation

SMEs should continue investing in enhancing entrepreneurial innovativeness as it increases the propensity of their enterprises from accessing venture capital financing. As such SMEs should focus on improving their business processes to increase efficiency and productivity, or to enable the business to extend the range or quality of existing products and/or services. Given the high contribution of SMEs to the economy, the government and policy makers should come up with policies regarding provision of various types of assistance such as; financial assistance, training and extension services and pre-constructed commercial shades to SMEs so as to boost their performance. Similarly, the owners of the SME's should strive hard to make use of the policies concerning the SME's development by collaborating with the government and other stake holders whenever possible especially in education and training which are essential for success of any business. From this study, it is evident that entrepreneur's innovativeness will have a major impact to SME's in Kenya.

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