INFLUENCE OF BUSINESS INCUBATION SERVICES ON GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KENYA

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ABSTRACT

The importance of SMEs in employment creation, widening of tax revenues and wealth creation is appreciated and support needs to be channeled to grow this sector. The role of business incubation services in supporting growth of SMEs has not been thoroughly examined. The objective of this study was to establish the influence of business incubation services on the growth of SMEs. The study targeted the graduates of business incubation services who were running their own SMEs. A descriptive research design was adopted and a stratified random sampling technique was used to group and identify respondents from homogenous groups. The study was guided by the research objectives which sought to establish the influence of business management skills, networks, access to sources of finance and innovation incentives provided during business incubation on growth of SMEs in Kenya. Spearman's correlation was used to analyse the results and obtained 0.78 which implies that the business incubation services strongly and positively influence the growth of SMEs in Kenya.

Key words: *Small & Medium Enterprises (SMEs), business management skills, networks, sources of finance, innovation incentives and Growth*

Introduction

The world over, SMEs are recognized as one of the most important sources of employment, wealth creation and poverty reduction, as well as promotion of more pluralistic and vibrant societies (world Bank, 2002).Today, SMEs play a significant role in nation's economic development. Small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Harris and Gibson, 2006). Within the developed and developing countries of the world, it is now generally accepted by policy-makers at local, regional and national level, that small and medium sized enterprises (SMEs) are becoming increasingly important in terms of employment, wealth creation and the development of innovation (Nieman, Hough and Nieuwenhuizen, 2003).The growth of small and medium enterprises (SMEs) is major driver of the economy because SMEs contribute to employment growth at a higher rate than larger firms. This holds particularly true for many countries in Africa where SMEs and the informal sector represent over 90% of businesses, contribute to over 50% of GDP, and account for about 63% of employment in low income countries (UNECA, 2005).

In Kenya, Small and medium enterprises (SMEs) are businesses that are in both formal and informal sector. They are categorized according to the number of employees. The small enterprises have employees ranging between 5 and 19, while the medium enterprises have between 20 and 50 employees (ROK, 2005). Sessional Paper No.2 of 1992 on small enterprise and Jua Kali development in Kenya defines a SME as any enterprise employing between 1-50 employees. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation as stated in the Kenya National Bureau of Statistics report of 2007. Various reasons have been given for this sorry state of affairs. Sessional Paper No.2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction and Wanjohi (2008) identified inadequate business skills, limited linkages with large enterprises, inadequate access to skills and technology, limited access to financial services and limited access to markets as some of challenges and key constraints hampering the growth and development of the sector.

Business Incubation Services

Business incubators have proliferated since their emergence over 50 years ago. Over this time business incubation has evolved to include a range of incubation practices. In the developed world, business incubators play a key supportive role for businesses and have continued to grow. The growth in the number of business incubators worldwide demonstrates their perceived value. The United Kingdom has a well-established network of approximately 300 business incubators supporting around 12,000 businesses (UKBI, 2009). Globally, business incubators have been shown to play a key role in business growth. In the United Kingdom, across a portfolio of incubator tenants around 23 per cent identify the incubator as important to business performance. Over 60 per cent identify the incubator as critical, while just below 17 per cent regard the incubator as unimportant to performance Centre for Strategy and Evaluation Services (2002). In 2005 alone, the National Business Incubation Association of America estimates that North American incubators assisted more than 27,000 start-up companies and generated annual revenue of more than $17 billion (Knopp, 2007)

Since the 1980s business incubators have become a popular policy instrument to foster entrepreneurship, innovation, and regional development (Centre for Strategy and Evaluation Services 2002). Incubation can be viewed as a way of addressing market failures, which limit the ability of small start-ups to overcome uncertainty and obstacles associated with the early stages of firm development (Organisation for Economic Cooperation and Development 1997; Phan, Siegel *et al*. 2005). Market failures stem from the relatively high costs and risks associated with providing support to start-up companies. Incubators can also be viewed as a catalyst to accelerate the entrepreneurial process systematically, thereby institutionalizing the support of ventures with potential for high growth (Hansen, Chesbrough *et al*. 2000). The primary incubator function has been described as increasing the chances of an incubatee firm surviving its formative years (Allen and Rahman, 1985).

Statement of the problem

Growth and profitability of small and medium sized enterprises (SMEs) enhance their ability to contribute effectively to sustainable development, employment creation and poverty alleviation (Okpara & Wynn, 2007). Policy-makers at local, regional and national levels agree that small and medium sized enterprises (SMEs) are becoming increasingly important in terms of employment, wealth creation and the development of innovation (Nieman, Hough and Nieuwenhuizen, 2003). In Kenya, the sector contributes about 18% of the country's Gross Domestic Product (GDP) (ROK 2005). Kenya's economic blueprint document, vision 2030, relies on the creative talents that can raise the country's international competitiveness through encouraging flourishing of entrepreneurship among SMEs (ROK, 2010). This is because statistics have shown the importance of SMEs in growth and growth of economies.

Despite the significant role played by SMEs in Kenya, the sector has not realized its full potential in terms of sales and profit margins (ROK 2005). Most businesses do not reach the maturity stage, if they do; they are not able to withstand business transitional challenges. It has been shown that for every 100 new enterprises started in a year, 60 percent close down within the first year, and those that survive the first year, 40% are likely to close in the second year (Kenya 1998; 1999). Inadequate business skills, limited linkages with large enterprises, inadequate access to skills and technology, limited access to financial services and limited access to markets have been identified as some of the challenges facing Small and Medium Enterprises in Kenya (Wanjohi, 2008; GoK 2005). Wanjohi (2008) goes on to recommend measures such as provision of finance, access to markets, linkages and equipping entrepreneurs with technical and business skills as a key prerequisite for growth in this sector.

Provision of these support mechanisms is very well done by Business Incubation Services. Business Incubation Services are part of the wider Business Development Services which are a wide range of non-financial services provided to small enterprises to help them operate efficiently and to grow their business with the broader purpose of contributing to economic growth, employment generation and poverty alleviation (Miehldradt and McVay 2003). The Incubator's main goal is seen as to produce successful firms that will leave the program financially viable and freestanding.

In Kenya, there have been a relatively small number of studies on business incubation and to capture the full impact of business incubation. Although there exists a number of business incubation service providers in Kenya, there is still little information available on their influence on the entrepreneurs that engage their services. And even though there is evidence of studies showing the significance of business incubation services globally; Nicola J. D et al, (2011), in United Kingdom, Hsu (2007) and Knopp, (2007) in United States, there is little information on the influence business incubation services have on the growth of the Small and Medium Enterprises in Kenya. With a view to showcasing their benefits, the purpose of this study was to examine the influence that the business incubators have on growth of SMEs whose owners access their services in Kenya.

General objective

The study sought to investigate the influence of business incubation services on growth of Small and Medium Enterprises in Kenya.

Theoretical Framework

Economic theory of Entrepreneurship

Economic theories advance that entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favorable (Saleemi, 2009). According to Say in Saleemi (2009), the role of the entrepreneur is to rationally combine forces of production in a given economic context into new producing organisation. Accordingly, the entrepreneur should have the ability of organisation and administration, ability to marshal resources, technological knowledge, and ability to identify opportunities, ability to initiate and capacity to assume risk.

According to Papanek and Harris in Saleemi (2009), economic incentives are the main drivers of economic activities. Economic incentives included access to sources of finance, taxation policy, infrastructure, the opportunity for profitable investment and adequate knowledge of technology. Economic theory fits well with this research study which looks at the economic incentives for growth which include aces to financing, innovation incentives, networking which provides opportunity for profitable investment all which are under study.

Human Capital Theory (HCT)

The term human capital was originally used by Nobel economist Gary Becker, to refer to the acquired knowledge or skills by individuals (Kyalo, Gichira, Waititu & Ragui, 2013). The human capital theory regards people as assets and proposes that investment by organizations in people will generate positive returns. It proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rivals (Barney 1991). In his human capital theory, Schultz proposes that the acquisition of knowledge and skills is akin to acquiring means of production. Investment in education and training leads to increased human productivity, improving returns and leading to growth of business.

Innovations Theory

Innovation is a specific tool of entrepreneurship by which entrepreneurs exploit changes as an opportunity for a different business or service (Zhao, 2005). In propounding the theory of entrepreneurship innovation, Joseph Schumpeter introduced the concepts of ‘new combinations’ which involve a change in product or process and that existed for as long as the introduction of new combination of inputs was underway (Deakins and Freel, 2003). The entrepreneur destroys status quo or equilibrium by innovations. The essence of entrepreneurship is realized by implementing new combinations. These combinations could be: the development of new products, new ways of production, the discovery of new markets, new resources, the creation of new business units, and the implementation of new management concepts within the organization.

Social Capital Theory

Social capital is mostly conceived as the possession of resources that are inherently associated with having a network of relationships. Entrepreneurs are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure (Clausen, 2006). Shane and Eckhardt (2003) says "an individual may have the ability to recognize that a given entrepreneurial opportunity exist, but might lack the social connections to transform the opportunity into a business startup. It is thought that access to a larger social network might help overcome this problem". Social capital thus comprises both the network and the assets that may be mobilized through that network. The literature on this theory shows that stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation. Researchers have suggested that it is important for nascent founders to have access to entrepreneurs in their social network, as the competence these people have represents a kind of cultural capital that nascent ventures can draw upon in order to detect opportunities (Aldrich & Cliff, 2003., Gartner et al, 2004., Kim, Aldrich & Keister, 2003).By sharing information individuals can create social capital to others as well (Coleman 2000).

Firm Growth Theories

The development of any enterprise, large or small, tends to follow a predictable pattern that is usually characterized by sequential progressive phases. According to Churchill and Lewis in Perenyi (2007) who examined the problems and challenges of the firm as it grows, the owner-manager needs to display different managerial talents and skills when dealing with challenges. In order for a small business to grow successfully, the owner-manager must develop the requisite competencies to enable the business to progress to the next phase. A number of organizational lifecycle models exist which serve to illustrate the change a firm progresses from initial concept to the decline stage.

This study used the Churchill and Lewis model as it is widely used model covering the most common phases of a typical life cycle model. The model developed by Churchill and Lewis has five stages existence, survival, success, and take-off and resource maturity. In the existence stage, a key focus is obtaining customers and as such, the extent of formal systems is minimal and in some cases, non-existent. In addition, the organizational structure is flat and therefore, the owner-manager adopts a management style where there is direct supervision of employees.

As a business progresses to the survival stage, it begins to employ formal systems as the organizational structure develops more levels; hence the owner-manager begins to delegate some responsibilities to employees. The success stage is characterized by the owner-manager deciding to either keep the business at its current operational level or to launch into some form of growth. The decision will be driven by the owner-manager's motivation, opportunity recognition and resources. The business begins to employ basic systems such as finance, marketing and operations. In the fourth stage, the take-off stage, key management issues confronting the owner-manager include determining the rate of growth and financing of the desired growth. The owner-manager has allowed for even greater delegation to improve organizational effectiveness. In the final stage, resource maturity, the main concern for the owner-manager includes managing the financial gains resulting from growth and maintaining the benefits associated with small business such as responsiveness to changing customer needs and entrepreneurial behaviour. The business would typically have well established organizational systems. The model was ideal for this study since it addresses needs for the owner-manager to develop requisite capacity and skills to enable the business to progress to the next phase.

Research Methodology

A descriptive research design was adopted. A stratified random sampling technique was used to group and identify respondents from homogenous groups who were graduates of the identified business incubators. For this study a sample size of 60 which is 30 per centum of the population of 199 was taken. Questionnaires were administered to the 60 SME owners who have gone through business incubation. Out of the 60 questionnaires handed out, 52 were collected representing a response rate of 86%. The research instrument was pilot tested to ensure its validity and reliability. Quantitative data was analyzed using Statistical Program for Social Scientists (SPSS) version 17 and Microsoft excel to show the correlation between independent and dependent variables and to generate quantitative reports which were presented in the form of tabulations, percentages, mean and standard deviation. Presentation of the data was in the form of pie-charts, tables and percentages.

Data Analysis and Interpretation

Demographic structure

The study found out that the gender structure comprise 36.9 % female and 63.9 % male where the dominant age bracket was between 22-44 years accounting for 67% of the respondents. While the upper limit definition of the youth in Kenya is 35 years, the entrepreneurs age brackets capturing the young people who were straight from school or colleges (below 25 years) was represented by 22%. This collaborates a study on the perspectives of young entrepreneurs in Swaziland which found out that entrepreneurship is typically not a preferred career choice of young entrepreneurs, but a last resort activity undertaken after other plans fail and therefore societal attitudes need to change, where entrepreneurship would be viewed as an activity to which society assigns a high value (UN, 2013). The findings also revealed that 34% had university education, 35.4% secondary education and 13.9 % primary level. These findings showed that the business incubators serve mainly post-secondary school leavers and those with atleast undergraduate qualification. However, as indicated, the programs also admit individuals who lack high level academic qualifications, but who have demonstrated entrepreneurial orientation.

Number of Employees

The study established that majority of the respondents employed between 1 to 5 and 6 to 10 employees. As illustrated in figure 4.3, each of these two categories had a 39% proportion. In addition, the study established that SMEs with between 11 to 50 employees represented an 8% of the total population. This is an indicator that Kenyan SMEs are small and run with a minimal number of employees.

Business Management Skills Learnt

The study aimed at establishing the management skills learnt under the business incubation periods. In this, the study specifically sought to establish the relationship between skills learnt and business growth. Consequently, the respondents were required to compare their management skills, application and business growth in both the pre and post incubation periods. Through this, impacts of learnt management skills were established.

The study established that of the skills learnt during business incubation, respondents 42% applied business plan and development skills. 30% applied people management skills, while a 22% population applied marketing skills. These findings are attributable to personality differences between respondents and differences in business requirements. Each respondent interviewed runs specific businesses. For each business, the skill needs vary and thus different respondents applied varied skills tailored for the business demands.

Extent that management skills training during Incubation influences Business Growth

The study established that a majority 86% respondents affirmed that indeed the skills acquired transformed their business management skills and this positively impacted on growth of their businesses. The study also showed that a total of 80.6 % were positive on the impact of training on growth. Among them, 30.6% stated that it strongly affected growth of their businesses, while 50% stated that it slightly impacted growth of their businesses. The lack of a great impact on businesses can be attributed to the lack of a follow up programs for the incubation graduates. Consequently, the graduates, though with the skills lack other relevant supporting services to enhance business growth.

Extent that Innovation incentives influence Business Growth

Of the innovation incentives offered during business incubation, the study established that 36% of the respondents relied on government data, while another 28% relied on the internet sources for innovation. The study revealed that 28% of the respondents were able to find venture capitalists to fund their innovations. A minimal 8% relied on patents and copyright lawyers for their innovations. A majority 83% stated that indeed innovation incentives influenced their business growth. Only 17% indicated that the innovation incentives listed did not influence the growth of their businesses. Using a lickter scale, the study revealed that 50% of the respondents stated that innovation incentives affect business to a great extent. Another 27.8% stated that it slightly affected growth. Additionally, 2.8% of the respondents attributed innovation with negative impacts on business.

Access to Financing and the extent of influence on business growth

The study established that 44.4% of the respondents relied on personal savings and ploughed back profits as a source of revenue. Moreover 25% rely on Saccos, while 19.4% rely on friends and family. Additionally, it was established that 11.1% of the SMEs relied on strategic investors support. Upon the establishment of sources of funds for the respective respondents, the study sought to establish if the respondents were introduced to these sources during the incubation program period. The study revealed that 53% of the respondents stated that they were not introduced to the sources by the business incubators. However, 47% accepted that they were introduced into the sources by the business incubators. These findings indicate that although most of the attendees of the programs already have running a business, the programs find additional sources of finances to enhance the SMEs growth. This enabled the introduction to almost half the graduates to new financial sources, thus stimulating these SMEs growth.

Of the respondents who were introduced to finance sources by the incubation program, the study sought to know the extent to which access to the new financial sources impacted on their businesses. 89% of the respondents ranged between moderate to great extent impacts. The data obtained had a mean of 2.64 and a standard deviation of .0.899. This implied that the majority of the respondent's response was to the effect that the access enhanced moderate and great extent impact on business growth. The study analysis showed that on average the correlation for the two variables is positive 0.65. This implies that the there exists a positive correlation relationship between the response on sources of finance and extent of business growth. From the correlational analysis it is deduced that the source of finance accessed positively influenced growth of the businesses.

Established Networks and the extent of influence on business growth

The study posed the question on the respondents' opinions on the nature of networks and links established during the business incubation training programs. 75% of the respondents felt that the established networks were favorable to the business growth while 25% perceived them as unfavorable. Of the respondents who perceived the established networks as favorable, the study sought to establish their opinions on the extent of their impact on businesses growth. 50% of the respondents remained neutral, while 27.8% stated that networks greatly affected business growth. Further, 16.7% were of the opinion that the effects were to a lower extent, while yet another 5.6% felt that its effects were to very low extents.

The neutral position adopted by half of the respondents, demonstrates the lack of knowledge on relevance of business networks for their business. Consequently, it emerged that incubation programs have failed to address the concept of business networks and the subsequent benefits to SME owners. The correlation value for the nature of networks established and the extent of business growth was positive but minimal at an average of 0.25. This implied that the nature and magnitude of networks established impact on business growth. However, this relationship is minimal. This can be attributed to the lack of clear business networking guidelines and a similar supporting culture in the Kenyan market. The appreciation of the value of business networks needs nurturing and supports through the business incubation programs.

General influence of Incubation Program on Business Growth

Finally, the study sought to establish the direct influence that incubation programs had on business growth. In doing this, the study evaluated the opinion of incubation programs graduates who doubled up as the SME business owners, on the differences experienced after graduation from the programs. The study revealed that 77.8% of the respondents were positive, while 16.7 % felt that the programs had no direct impacts in the growth of SMEs. To conclude the research study, the respondents were required to rate the extent of influence of the induction programs on their businesses. This was aimed at providing an overview of the program graduates' perception. In this, 63.9% of the respondents viewed the program as moderately beneficial, while 27.8% regarded it as greatly beneficial. However, a minimal, 8.3% regarded the programs as lowly beneficial. Consequently, the study established that indeed the business incubation programs are beneficial to the SME business owners who go through them. A correlation between the skills learnt and areas of improvement reveal that there exists a positive correlation between the two. In this regard, the coefficient of correlation is established to be 0.78. This implies that indeed, the acquired skills, networks and knowledge from the business incubation program have a positive impact on the growth of SMEs. Therefore, the study formed a general observation that incubation programs positively impact on business growth. In fact, the study reveals that the correlation is positive and strong. This establishes the rationale for business incubation programs in the Kenyan small and medium business enterprises.

Discussion of the Findings

Demographic structure

With regard to the general information obtained from the respondents, the research established that majority of business owners who have undergone the business incubation program were male. The male respondents represented a 63.9%. Moreover, it was established that the majority of the respondents were between the ages of 24 and 44 years. This group represented a 66.6% of the total respondents. With respect to respondents' education levels, the study established that a majority 35.4% of them were post-secondary graduates. Additionally, the study revealed that a majority of the respondents had been running businesses over the last 5 to 7 years. Out of these, the majority of the respondents were between 1 to 3 years of post-incubation program graduation experience.

Managerial Skills

The study established that most of the respondents reported to have learnt business plan development and human resource management skills. In these, the study established that the two had a 42% and 30% representation respectively. Moreover, it established that a majority 86% of the respondents were positive that indeed the learnt skills had an impact on their businesses. Moreover, all respondents who affirmed that learnt skills impact on business, attested to positive impacts with no response attributing learnt skills to negative impacts. However, the respondents were less enthusiastic with the effects of learnt skills, with 30% rating it as strongly impacting, but a 50% sample attributing it with minimal impacts on the business.

Innovation Incentives

In addition, the study sought to establish innovations contribution to business success and in particular the SMEs. In this, the study established that indeed an overwhelming majority of 83% of the respondents affirmed that innovation had an impact and influence on business success. Moreover, the study established that a majority of SME owners relied on government data, internet, and entrepreneurial publications to acquire innovation ideas. In this, the innovation incentives represented 36%, 28%, and 28% respondents' proportions respectively.

Access to Finance

In order to establish the causes and merits for the existing financial access challenges for SMEs, the study sought to establish respondents' source of capital. Moreover, it sought their opinion on the merits of availability of enough start up and expansion capital. In this, the study established that, 44% of the respondents had personal savings as a source of business start-up capital. In addition, an extra 25% quoted Banks' and micro finance institutions (MFI). In order to establish the role played by the incubation program in enhancing financial resource access to its graduates, the study sought to establish how many of the respondents had been introduced to these sources by the incubation program. In this, a split was evidenced. While as 53% of the respondents responded in the negative, 47% were positive and attributed their access of funds to the program. Upon the conduction of a critical analysis, the study revealed that of those who were introduced to the finances by the incubation program, the source of finance was MFIs.

Networks

With regard to established networks and linkages, the study sought to establish the nature and extent to which the linkages impacted on SME businesses. To this end, 75% of the respondents were positive and reported that the established networks had indeed impacted positively on their businesses. However, asked to establish the extent of influence such networks had on businesses, a majority 50% of the respondents were neutral, and only 27.8 % reported higher positive impacts on businesses. Most of the respondents argued that with the networks lacking a direct financial implication, it was hard to establish their worth.

Business Incubation

Finally, the study sought respondent's opinion on the general impacts and the merits of a business incubation program. In this, 77.8% of the respondents stated that the program had impacts and influence on an organization's success. Moreover, they identified areas such as profitability increase, sales increase, and human capital development as key among improved areas. The areas had 38.9%, 27.8%, and 19.4% respondents' proportions respectively.

Conclusions

With respect to the study findings to respondents' general information, the study concluded that majority of SME business owners are men. Consequently, a majority of the business incubation program graduates are men. The business incubation programs in Kenya target the young to middle aged businessmen for enrolment. This is because it is this age of between 22-44 years, which forms the Kenyan productive labour force. The majority of business incubation program graduates have a post program graduate experience of between 1 to 4 years. This is because the skills acquired during incubation programs increased their chances of survival. Through correlation analysis, the study revealed that there exists a relationship between the number of years after graduation and perspective on the impacts of the programs on the businesses. Individuals with more post graduate years were increasingly positive on this.

Based on the findings on managerial skills learnt and their impact on business success, the study concluded that the majority of the respondents learnt the business plan and human capital development skills. This is in congruence with the need to develop clear and concise business plans to facilitate not only funding, but also business efficiency. The skills learnt had lower impacts on businesses than expected. This is attributed to lack of program follow up. Thus, failure to facilitate the graduates on how to apply learnt skills on their businesses resulted in reduced success.Management skills play an important role in enhancing business success. Business managers who possess such skills have a competitive advantage over others in the industry. This is reflected in the reported improvements in business performance, though slight after incubation program training.

Based on the findings on the role and impact of innovation incentives to an SME's success, the study concluded that the Kenyan government supports SMEs development through provision and dissemination of relevant industry data and publications that enhance innovation in the industry. This is has led to the increased growth of SMEs in the country.The spread and growth in the use of the internet have enhanced innovations. Through online interactions, the entrepreneur is aware of what is going on in other parts of the country and the world and is able to innovate accordingly. The business incubation programs have facilitated innovation and growth of the SMEs in Kenya. The programs have facilitated exploitation of opportunities and provided training for SME business owners that have enhanced innovation.

With respect to data obtained on sources of finances for SME owners and the role of business incubation in facilitating access to finance for SME owners, the study concluded that personal savings and family support is still the main source of start-up capital for SMEs. This is the reason for the slow rate of growth of the SMEs as savings culture in Kenya is still low. Business incubation programs have enabled program graduates access business expansion capital, through recommendations to micro finance institutions (MFI) among other sources of capital. Though at a slow rate, the initiative is growing in popularity. High cost of funds has reduced the rate of growth of SMEs in Kenya. Kenyan entrepreneurs lack sufficient affordable capital to start-up and expand businesses. Correlation analysis reveals that indeed there exists a relationship between the sources of finance each graduate had access to and the extent of business growth. In this regard, graduates with access to finances from financial institutions reported increased business growth than counterparts with limited finances access.

With respect to business networks findings, the study concluded that business networking is still a new concept for the Kenyan SMEs. Consequently, its impact and merits are yet to be fully appreciated and realised. Business incubation programs provide avenues for establishment and development of business networks for SME business owners. A correlation analysis on response of nature of established networks and the extent of business growth, reveal a positive direct relationship. For the respondents who cited favourable networks, they also asserted that the relationships led to increased business performance.

Recommendations

The study established that Business incubation has significant influence on growth of SMEs whoe owners go through their training programs. The study recommends the following:-

1. With regard to gender balance in ownership of SME businesses, the study recommends that business incubation programs should offer women entrepreneurs increased opportunities for admission. In this, the study recommends that the programs should increase the gender balance representation of at least 40% of each gender. Through this, women entrepreneurs would be absorbed into the program thus enhancing economic as well as social development. Additionally, the study recommends an increase in the number of skills learnt under the incubation programs.

2. Although marketing skills are incorporated into the program, it is evident that the skill is not very well utilised thus not awarded due recognition. Through the recognition of the marketing skill, SMEs would expand their market share, thus increasing earnings and revenues.

3. Although it is established that the Kenyan government supports SMEs development, its support is not enough to inculcate an entrepreneurial culture in the society. To this effect, this study recommends that both the National and County governments should collaborate with and support business incubators. In this, the governments should facilitate incubation program success through funding with both financial and technical requirements. Through this, the incubators' availability, accessibility and capacity will be increased, which will in turn increase the number of incubation graduates in the economy.

4. In order to enhance access to financing, the study recommends that the government and incubator organizations should provide more avenues for access to affordable funds. In this regard, the incubators should work closely with the Government to introduce Government funds provided as loans for SME business owners. Moreover, incubator organizations should develop programs to train business owners on how to identify, acquire and utilise such loans.

With increased financial accesses, SMEs in the Kenyan would grow, consequently enhancing economic growth.

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