EFFECT OF ENTREPRENEURIAL MANAGEMENT ON ACCESS TO VENTURE 
FINANCING OF SMALL AND MEDIUM ENTERPRISES IN STAREHE SUB-COUNTY

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ABSTRACT

SMEs play a significant role in the economic development by creating employment, wealth creation, poverty eradication and creation of new firms. However, this sector is characterized by low access to credit. This study therefore sought to examine the effect of entrepreneurial management on access to venture financing of small and medium enterprises in Starehe sub-county. This research study used a descriptive research design. The target population was all the 1016 SME's operating in Starehe Sub-County that have been licensed by Nairobi County government licensing department. Stratified random sampling was used to select 10 percent of the target population. The study found that resource gap identification was influencing access to venture financing of small and medium enterprises most, followed by growth orientation, opportunity commitment and innovativeness. The study also found that the identification of knowledge gap, physical assets required and working capital required had a significant influence on access to venture financing. The study further established that number of opportunities in the past, presence of a vision and number of market opportunities influence access to venture financing of small and medium enterprises. The study revealed that number of new products/services, number new technologies and number of products added value influence access to venture financing of small and medium enterprises. The study also established that number of employees, sales volume and development stage of SMEs influence their access to venture finance. Business owners should frequently conduct gaps analysis in their organizations so as to identify, knowledge gaps, working capital required and physical assets required. Also, SME owners should show commitment to their businesses by developing strategic plans with mission vision and objectives and should also identify other opportunities in the market, develop a business plan and present it to financial institutions for financing. Also, SMEs should develop business plans for the products and services they have introduced as well as the products they had added value to, and use them to seek for venture financing from financial institutions.

Key Words: Entrepreneurial Management, Venture Financing, Access to Venture Financing, Small and Medium Enterprises, Starehe Sub-County
1. INTRODUCTION

1.1 Background of the Study

Worldwide SMEs are recognized as engines of growth and development and they are the backbone of the economy in many successful developed nations all over the world (Kehinde, 2011). They have emerged as a vibrant and dynamic component of the economy by virtue of their significant contribution to GDP, industrial production and exports. Huiyuan (2009) indicates that SMEs are recognized as one of the most important sources of employment, wealth creation, poverty reduction and contributing to competition with other large businesses. SMEs have such a crucial significance in the development of an economy that they cannot be ignored hence their development should form one of the objectives of any country (Fatoki & Asah, 2011).

The capital needs of small and medium-size enterprises (SMEs) can be either satisfied by its own internal funds or by debt capital. The lack of access to credit remains a major constraint for the entrepreneurs in developing countries (Hameed & Ali, 2011). Unlike larger firms, SMEs rarely have access to public equity markets in most countries and therefore do not have access to the public debt. Instead, they turn to banks and the credit market (trade credit, money lenders, informal lending from family/friends, and rural finance) for both short and long term credit (Prabhakar, 2015).

1.1.1 Global Perspective of Venture Financing of Small and Medium Enterprises

SMEs access to venture financing is a global problem in both developed and developing countries. In the United States (US), Organisation for Economic Co-operation and Development (2015) indicate that seven years after the global financial crisis, lending to US small businesses is still below the pre-crisis levels and credit conditions remain tight for many of these firms. Demand and supply-side factors, along with heightened regulatory oversight and increased reserve
requirements in the banking sector, including entrepreneurial management skills, explain the sluggish recovery of SME lending.

According to the European Commission (2014) report, bank loans constitute the main source of external funding for business in the majority of Member States. However, the difficulties of accessing bank loans are particularly affecting smaller and younger companies. The reject rates in most of the banks remain high in some euro area countries such as the Netherlands (23.5%), Greece (21.5%) and Ireland (18.7%) (Afrifa & Padachi, 2016). In addition to the problem of loan applications being rejected, some businesses receive less financing than requested or decline loan offers due to their high costs and/or tight conditions (Richard & Neema, 2012). As a result, over a quarter of SMEs do not get most of the financing they ask for from their banks. Some of the reasons given for rejection of loan applications include lack of entrepreneurial management skills, poor financial management, and lack of business plans among others.

1.1.2 African Perspective of Venture Financing of Small and Medium Enterprises

In Africa, close to 83% of the formal SMEs already have a banking relationship via deposit/checking accounts, while only about 35% of SMEs have access to credit (International Finance Co-operation, 2015). In sub-Saharan Africa, 45% of firms cite access to finance as a major constraint. Nkuah, Tanyeh and Gaeten (2013) indicate a similar disadvantage for small enterprises in North Africa with only 16% of small and medium-sized businesses having a loan or line of credit.

The World Bank (2014) survey results show that banks in Tanzania, Rwanda and Kenya currently account for between five to 20 percent share of SME lending in their overall loan portfolios and notes several contribution factors to poor bank financing of the SMEs as lack of record management, entrepreneurial and financial management skills. In Tanzania, Richard and
Neema (2012) found that only 21% of SMEs had access to credit from formal financial institutions and hence majority of the SMEs were obtaining loans from friends and family, money lenders, relatives, rotating savings and credit groups to finance their businesses.

1.1.3 Local Perspective of Venture Financing of Small and Medium Enterprises

SMEs have become important players in the Kenyan economy, but at the same time they continue to face constraints that limit their development and financial performance. Lack of access to financial services is one of the main constraints, and a number of factors have been identified to explain this problem (Makena, 2011).

1.1.4 SMEs in Kenya

It is estimated that there are 7.5 million SMEs in Kenya, providing employment and income generation opportunities to low income sectors of the economy. The Sector has continued to play an important role in the economy of this country (Kenya National Bureau of Statistics, 2015). The Small Enterprise Sector or Informal Sector provided approximately 82.7% of total employment and contributed over 92% of the new jobs created in 2014 (Economic survey, 2015).

The sector therefore plays a key role in employment creation, income generation and is the bedrock for industrializing the Country (Mayabi, 2013). Due to their characteristics, SMEs in Kenya suffer from constraints that lower their resilience to risk and prevent them from growing and attaining economies of scale. The challenges are not only in the areas of financing investment and working capital, but also in human resource development, market access, and access to modern technology and information. Access to financial resources is constrained by both internal and external factors (Economic survey, 2015).
1.2 Statement of the Problem

SMEs play a significant role in the economic development by creating employment, wealth creation, poverty eradication and creation of new firms. This sector had the largest share of employment accounting for 82.7 per cent of the total jobs (Economic survey, 2015). In the global economy, SMEs are largely recognized as engines of growth and development and are the backbone of economy in many developed nations (Sharu & Guyo, 2013). SMEs have emerged as a vibrant and dynamic component of the economy by virtue of their significant contribution to GDP, industrial production and exports (Mayabi, 2013).

SMEs require access to credit for them to grow. However, one of the main challenges facing SMEs in Kenya is poor access to credit. According to International Finance Corporation (2015), about 65% of SMEs in Kenya did not receive any financial assistance from financial institutions in the year 2015. Osano and Languitone (2016) contend that small firms tend to face greater financial constraints than do larger firms. In Malaysia, Al-Dhaafri, Al-Swidi and Yusoff (2015) found that entrepreneurs who had entrepreneurial management skills had access to venture financing. However, these findings cannot be generalized to Kenya due to economic and legal differences between the two countries. Due to lack of entrepreneurial skills, poor financial management, failure to identify business opportunities and resource gaps, SMEs are considered by financial institutions as high risk groups and hence the high rate of loan request rejection. In addition, despite having SMEs start up on a very high note, there is a high rate of collapse and most enterprises are short lived and barely survive third anniversary due to lack of venture financing to survive and expand. They eventually stagnate and lack continuity. According to Sharu and Guyo (2013), 3 out of 5 businesses fail within the first few months of operation and those that continue 80 per cent fail before the fifth.
Various studies conducted on access to venture financing of small and medium enterprises have shown mixed findings on the role of entrepreneurial management. For instance, Fatoki and Asah (2011) found that entrepreneurial management was one of the main factors influencing SMEs access to finance in commercial banks in South Africa. In addition, Hameed and Ali (2011) found that entrepreneurial skills influence SMEs access to finance. On the contrary, Aminu and Shariff (2015) found that entrepreneurial management skills were not significant determinants of SMEs access to finance in Nigeria. It is therefore not clear whether entrepreneurial management affects access to venture financing of small and medium enterprises. SMEs play a major role in the economy of the country and hence their performance is of paramount importance. In addition, the performance of SMEs as indicated by Afrifa and Padachi (2016) depends on access to credit. This study therefore sought to examine the effect of entrepreneurial management on access to venture financing of small and medium enterprises in Starehe sub-county.

1.3 Research Questions

This study sought to answer the following questions: -

i. What is the effect of resource gap identification on access to venture financing of small and medium enterprises in Starehe sub-county?

ii. How does opportunity commitment affect access to venture financing of small and medium enterprises in Starehe sub-county?

iii. What is the effect of innovativeness on access to venture financing of small and medium enterprises in Starehe sub-county?

iv. How does growth orientation affect access to venture financing of small and medium enterprises in Starehe sub-county?

2. LITERATURE REVIEW
2.1 Theoretical Review

2.2.1 Resource Based View Theory

Resource based view theory was developed by Birger Wernerfelt in his article known as ‘a Resource-Based View of the Firm’ in 1984. The resource-based view (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Hitt, Carnes & Xu, 2016). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the bundle of resources can sustain the firm's above average returns. According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance. There are two types of resources: tangible and intangible. Tangible assets are physical things (Colbert, 2004).

The resource based view theory is used to explain the resource gap identification in SMEs. As indicated in the theory, a firms resources and capabilities are key to achieving a competitive advantage (Ruivo, Oliveira & Neto, 2015). Resources and capabilities in SMEs include knowledge, physical assets and working capital. SMEs must be in a position to identify the resource gaps in operations such as working capital, knowledge and physical assets that may be needed to improve its products or services. Identification of resource gaps in an organization helps the management to take another step to seek for funds (Hitt, Carnes & Xu, 2016).
2.2.2 Theory of Pattern Identification

The theory of pattern identification was formed in 1972 by Ulf Grenander (Agu, 2014). The theory of pattern identification suggests that cognitive frameworks serve as templates (patterns or guides), assisting specific persons to recognize connections between apparently independent events and trends and to detect meaningful patterns in these connections (Li, Yang, Cai & Xie, 2004). This aspect of pattern identification theory suggests an intriguing explanation of the fact that particular business opportunities are recognized by specific persons but not by others. Briefly the persons who recognize specific opportunities may do so because they possess relevant cognitive framework that help them accomplish this task frameworks that enable them to perceive the emergent patterns (technological, economic, social, cultural) that underlie many new business opportunities (Richards et al., 2014).

The theory of pattern identification is used to explain entrepreneurial opportunity commitment in SMEs. An entrepreneur who is committed to market opportunities is opportunity driven and vision driven. For an entrepreneur to develop a product or service, they must first of all identify a gap and see it as an opportunity to do business (Li, Yang, Cai & Xie, 2004). However, some entrepreneurs may not be committed to filling the gap or to the business opportunity as they are not opportunity driven or vision driven. For those who show commitment to the business opportunity they can access finances for financial institutions by developing a business plan.

2.2.3 Schumpeter’s innovation theory

Schumpeter’s innovation theory was developed by Joseph Alois Schumpeter in the year 1943. Although since the late 1880s there have been reports of the use of the term “innovation” to mean something unusual, none of first precursors of innovation have been as influential as the Schumpeter (Laumas, 2013). According to him, consumer preferences are already given and do
not undergo spontaneously. It means that they cannot be cause of the economic change. Moreover, consumers in the process of economic development play a passive role.

Based on the study, the theory is used to explain entrepreneurial innovativeness of the entrepreneurs. Entrepreneurship goes hand-in-hand with innovation the ability to produce new ideas, new technologies, value addition, better solutions; and pioneer new products. The most successful entrepreneurs are not simply the hardest working, they are the most innovative by developing new technologies, new products and services and working towards value addition (Waari & Mwangi, 2015). When innovative entrepreneurs present their ideas to financial institutions, there are more likely to receive financing for their ideas as compared to non-innovative entrepreneurs.

2.2.4 Enterprise Life cycle Theory

The enterprise life cycle theory was developed by Hanks in the year 1990 using data from 133 manufacturing SMEs from ‘high technology’ industries in the United States (Hui-Hong & Kim, 2012). The theory indicates the four development stages: Start-up; Expansion; Maturity; and Diversification. They describe growth stage as a unique configuration of variables related to organisation context or structure. Contextual dimensions considered include enterprise size and age, growth rate, and challenges faced. Structural dimensions include structural form, formalisation, centralisation, vertical differentiation, and number of organisational levels (Huiyuan, 2009).

2.3 Conceptual Framework
Independent Variable | Dependent variable

Figure 2. 1: Conceptual Framework

2.4 Empirical Review

2.4.1 Resource gap identification

Resource gap identification is usually conducted using a resource gap analysis. A gap analysis is a broad-based business tool that helps organizations assess their target market, products, services or resources in light of their ideals and objectives (Moreno, Monieiro-Pinheiro & Joia, 2012). A resource gap analysis is particularly useful, as it helps business owners and managers examine how their current resource levels including time, money and human resources are helping it meet its goals. Every organization needs a solid mix of tools and resources to meet its objectives and to fulfil its sales and marketing strategies. These resources can help leverage its brand name and strategic capabilities (Cook, Pandit & Milman, 2012). Identifying which of the company's tools and resources are hurting its image or perceived value gives the company a list of things to fix. A gap analysis can also help identify areas where more people or human resources are needed to help
increase productivity. Most, resource gap analysis involves physical assets, working capital and knowledge.

Kehinde (2011) carried out a study on effective working capital management in small and medium scale enterprises and found that most SMES do not care about their working capital position, most have only little regard for their working capital position and most do not even have standard credit policy. The results also indicate that the firms selected show signs of overtrading and illiquidity, concerns was on profit maximization without taken cognizance of payment of creditors. The firms exhibit low debt recovery over credit payment. Despite experiencing challenges in their liquidity, most entrepreneurs to not identify working capital as a resource gap that needs to be filled.

2.4.2 Opportunity commitment

The essence of Israel Kirzner’s approach to entrepreneurship is alertness to entrepreneurial opportunities. Entrepreneurial opportunities are essentially arbitrage opportunities that exist because of the undervaluation of resources in the market (Aminu & Shariff, 2015). The entrepreneur sees a way to combine these resources in order to produce a product whose market value will exceed the market value of this combination and hence earn a profit. In this way, entrepreneurship provides a systemic coordinating function in facilitating the deployment of resources to their most highly-valued uses (Barnes et al., 2016).

2.4.3 Innovativeness

Innovation is recognised as an essential component of the economic growth process, where it can be broadly defined as the development, deployment and economic utilisation of new products, processes and services (Wikhamn, Wikhamn & Styhre, 2016). As world economies become more integrated and interdependent, the ability of entrepreneurs and firms to seize upon global business
opportunities by commercialising new products and processes faster than their competitors is critical in raising the economic wealth of a nation (Antonioli & Della-Torre, 2016). SMEs are a very heterogeneous group which includes a wide variation of firms such as grocery stores, restaurants, small machine shops and computer software firms.

2.4.4 Growth orientation

Growth orientation refers to the entrepreneur’s desire to achieve growth. Most firms, of course, desire growth to prosper and survive (Moreno & Casillas, 2008). High-growth orientation means that rapid growth is the top priority, while low-growth orientation means safe, slow, and steady growth are priorities for management. However, not all firms are targeting to grow and maximise their returns.

2.4.5 Access to venture financing of small and medium enterprise

According to Waari and Mwangi (2015), access to financial resources refers to the availability of financial capital and other financial services to SMEs. Similarly, Olawale and Asah (2011) define access to finance as the availability of financial resources (internal, debt and equity) for SMEs. Matshekg (2012) indicates that most SMEs in developing economies are restricted in accessing finances, though the opaqueness nature of the firms may results in this serious constraints of accessing external financing and consequently affect their performance. Several studies indicate that productivity of small businesses depends largely on its access to capital (Zarook, Rahman & Khanam, 2013; Lewin, 2013).

2.5 Critique of Existing Literature relevant to the study

Various studies have been conducted both globally and locally on the entrepreneurial management and access to finance. In Libya, Zarook, Rahman and Khanam (2013) conducted a study on
management skills and accessing to finance among SMEs and found that management experiences and education levels had significant positive effects on access to finance; in contrast, business planning, and political connection have no significant effect in regard to access to finance. Besides being conducted in a different country with different business environment, legal framework and socio-economic factors, the independent variable in this study was management skills and hence it did not show how entrepreneurial management affects access to finance.

In Kenya, Waari and Mwangi (2015) conducted a study on the factors influencing access to finance by Micro, Small and Medium Enterprises in Meru County and established that information asymmetry, business risks and transactional costs influence access to finance. However, the study did not show the effect of entrepreneurial management on access to finance. In addition, the study was limited to Meru County and hence it cannot be generalized to other Counties in Kenya. Gichuki, Njeru and Tirimba (2014) conducted a study on the challenges facing micro and small enterprises in accessing credit facilities in Kangemi Harambee Market in Nairobi City County and established that key challenges include high cost of repayment, strict collateral requirements, unwillingness of people to act as guarantors, high credit facilities’ processing fees and short repayment period. However, the study did not focus on entrepreneurial management.

2.6 Research Gaps

Although there are several studies conducted on access to finance among small and medium enterprises, these studies were limited in terms of regions, country and scoped. For instance, the findings of studies conducted in other countries (Zarook, Rahman & Khanam, 2013; Matshekga, 2012; Olawale & Asah (2011) cannot be generalized to Kenya due to differences in economic conditions, legal framework governing SMEs and financial institutions and business environment
in which the SMEs operate. In addition, the studies conducted in Kenya on access to finance among SMEs (Waari & Mwangi, 2015; Gichuki, Njeru & Tirimba, 2014) do not show the influence of entrepreneurial management on access to finance among SMEs. Further, the studies do not outline the effect of resource gap identification, opportunity commitment, innovativeness and growth orientation on access to finance among SMEs.

3. METHODOLOGY

3.1 Research Design

Research design refers to the method used to carry out a research. This research study used a descriptive research design. This design involves gathering data that describes events and then organizing, tabulating, depicting, and describing the data. The reasons of using the descriptive research design in this study is that it provides an opportunity to use both quantitative and qualitative data, in order to find data and characteristics about the population or phenomenon that is being studied.

3.2 Target Population

Target population in statistics is the specific population about which information is desired. According to Creswell (2006), a population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated. The target population of this study consisted of all the SME's operating in the Starehe Sub-County. The Starehe Sub-County is
chosen because it has SME’s from all sectors. According to Nairobi City County government (2015) there were 21,372 registered SMEs in the year 2014 in Starehe Sub-County.

Table 3. 1: Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>98</td>
</tr>
<tr>
<td>Trade</td>
<td>508</td>
</tr>
<tr>
<td>Services</td>
<td>410</td>
</tr>
<tr>
<td>Total</td>
<td>1,016</td>
</tr>
</tbody>
</table>

3.5 Sampling Technique and Sample Size

The study used stratified random sampling to select 10% of the target population. According to Mugenda and Mugenda (2003), a sample size of between 10 and 30% is a good representation of the target population. In stratified random sampling, a population is stratified first and then random sampling is done. Stratification is done when members of a target population are divided into homogeneous groups before sampling. After the members have been put into homogenous groups, they are randomly picked using the simple random sampling. This process is preferred because no element of the population is left out. The strata are collectively exhaustive. Sampling error is reduced if the procedure is used. The sample size of this study was therefore 102 business owners and managers.

Table 3. 2: Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>98</td>
<td>10</td>
</tr>
<tr>
<td>Trade</td>
<td>508</td>
<td>51</td>
</tr>
</tbody>
</table>
3.6 Data Collection Instrument

The two types of data include primary data and secondary data. This study made use of primary data. The main advantage of using primary data is that data is collected specifically for the purpose of this particular study (Bryman, 2005). This research study used semi structured questionnaires to collect data primary data. Questionnaires were preferred in this study because they are very economical in terms of time, energy and finances. The structured questions were used as they conserve energy, money and time and facilitate an easier analysis as they are in immediate usable form. On the other hand, the unstructured questions were used as they encourage the respondent to provide an in-depth response without feeling held back in revealing of any information.

3.6 Data Analysis and Presentation

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it. Tables, charts, percentages and textual write-ups of the data gathered among others were used in the case of the quantitative technique, while descriptions and pictures were used in the case of the qualitative analysis.

Since there are four independent variables in this study the multiple regression model were as follows:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \]

Whereby;

\[ Y = \text{Access to venture financing} \]
B_0 = Constant
β_1 - β_4 = Coefficients of determination
X_1 = Resource gap identification
X_2 = Opportunity commitment
X_3 = Innovativeness
X_4 = Growth orientation
ε = Error term

4. FINDINGS AND DISCUSSIONS

4.1 Reliability

Table 4.1: Cronbach’s Alpha Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource gap identification</td>
<td>0.789</td>
</tr>
<tr>
<td>Opportunity commitment</td>
<td>0.767</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.732</td>
</tr>
<tr>
<td>Growth orientation</td>
<td>0.743</td>
</tr>
<tr>
<td>Access to venture financing</td>
<td>0.767</td>
</tr>
</tbody>
</table>

According to the findings resource gap identification was found to have a Cronbach’s alpha value of 0.789, opportunity commitment was found to have a Cronbach’s alpha value of 0.767, innovativeness was found to have an Cronbach’s alpha value of 0.732, growth orientation was found to have a Cronbach’s alpha value of 0.743 and access to venture financing was found to
have a Cronbach’s alpha value of 0.767. These findings clearly show that the research instrument used in the study was reliable.

4.2 Resource gap identification

Figure 4.1: Area Lacking Knowledge in the Businesses

From the findings, 52% of the respondents indicated that their businesses were lacking knowledge in marketing, 30.4% indicated in information technology, 9.8% indicated customer service, 6.9% indicated book keeping and 1% indicated in business management. These findings concur with Moreno et al. (2012) argument that entrepreneurs behind these SMEs are passionate, but more often than not lack basic business skills and experience. The findings also agree with Njoroge and Gathungu (2013) findings that due to lack of knowledge entrepreneurs were able to market their products within the district but not around the country. This shows that most of the SMEs in Starehe Sub County were lacking knowledge in marketing and information technology, which affected their ability to market their products outside their districts.
4.3 Opportunity Commitment

Table 4.2: Business Opportunities Identified in the past

<table>
<thead>
<tr>
<th>Number of business opportunities</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>67</td>
<td>65.7</td>
</tr>
<tr>
<td>Two</td>
<td>20</td>
<td>19.6</td>
</tr>
<tr>
<td>Three</td>
<td>7</td>
<td>6.9</td>
</tr>
<tr>
<td>Four</td>
<td>8</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>102</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

According to the findings, 65.75% of the respondents indicated that they had identified and utilized one business opportunity in the past, 19.6% indicated two business opportunities, 7.8% indicated four business opportunities and 6.9% indicated three business opportunities. These findings agree with Chava, Nanda and Xiao (2013) argument that Kirzner is surely correct by indicating that exploiting an entrepreneurial opportunity involves combining (organizing) productive resources in a novel way to produce something whose value exceeds the total cost of production namely, the cost of paying for the labour services needed (wages), plus the cost of paying for the services of the diverse types of physical capital used plus any interest cost. It can be inferred that most of the SME owners in Starehe Sub County had identified one business opportunity in the past.
4.4 Innovativeness

**Figure 4.2: Products developed or introduced in the Last five years**

From the findings, the number of products the SME owners in Starehe sub-county had introduced in the market in the last five years had been increasing with years. In the year 2012, the respondents introduced an average of 4 products and services, in the year 2013 they introduced an average of 4 products and services and in the year 2014 they introduced an average of 5 products and services. In the year 2015, the respondents introduced an average of 6 products and services and in the year 2016 they introduced an average of 7 products and services. According to Wikhamn et al. (2016) most SMEs rely more heavily on insider finance and start-up funds provided by relatives, friends and private investors. Once a firm’s growth potential is reflected by cash flows, external financing sources including bank loans and venture capital become available. It can be deduced that the number of products the SME owners in Starehe sub-county had introduced in the market in the last five years had been increasing with years.
4.5 Growth Orientation

![Graph showing number of employees](image)

Figure 4.3: Number of Employees in the Last Five Years

According to the findings, the number of employees in the SMEs in Starehe Sub County has been increasing for the last five years. In the year 2012, the SMEs had an average of 12 employees, in 2013 they had an average of 13 employees, in 2014 they had an average of 14 employees, in the year 2015 they had an average of 14 employees and in the year 2016 they had an average 15 employees. These findings imply that the number of employees in the SMEs in Starehe Sub County has been increasing for the last five years. These findings concur with Cowling and Liu (2013) argument that as firms grow in years, their number of employees increases and so does their access to venture financing. It can be deduced that the number of employees in the SMEs in Starehe Sub County has been increasing for the last five years.
4.6 Access to venture financing of SMES

![Bar chart showing the number of times of loan access](chart.png)

**Figure 4.4: Number of Times of Loan Access**

From the findings, 34.3% of the respondents indicated that they had not accessed financing for their business in the last five years, 28.4% indicated once, 22.5% indicated twice and 14.7% indicated thrice. These findings agree with Pescod (2014) findings that only 10% of SMEs tried to raise finances in the year 2014 to raise their working capital in the United Kingdom. This implies that more than one third of the SMEs in Starehe Sub County had not accessed financing for their business in the last five years.

**Table 4.3: Correlation Coefficient**

<table>
<thead>
<tr>
<th></th>
<th>Access to venture financing</th>
<th>Resource gap identification</th>
<th>Opportunity commitment</th>
<th>Innovativeness</th>
<th>Growth orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to venture financing</td>
<td>Pearson Correlation 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource gap identification</td>
<td>Pearson Correlation .602**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
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</table>

Sig. (2-tailed)
From the correlation analysis, the study found that there is a positive relationship between resource gap identification and access to venture financing of small and medium enterprises, where the correlation coefficients was 0.602 and a p-value of 0.000. The study also found that opportunity commitment and access to venture financing of small and medium enterprises correlate positively with correlation coefficient of 0.550 and p-value of 0.000. The study further established that there is a positive relationship between Innovativeness and access to venture financing of small and medium enterprises with a correlation coefficient of 0.577 and p-value of 0.000. Finally, the study found that there is a positive relationship between Growth orientation and access to venture financing of small and medium enterprises with a correlation coefficient of 0.609 and a p-value of 0.000.

**4.7 Regression Analysis**

A multivariate regression analysis was used to determine the relationship between the dependent and the independent variables. The multivariate regression model was:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \]

Where \( Y \) is access to venture financing, \( \beta_0 \) is Constant, \( \beta_1- \beta_4 \) are coefficients of determination, \( X_1 \) is resource gap identification, \( X_2 \) is opportunity commitment, \( X_3 \) is innovativeness, \( X_4 \) is growth orientation and \( \varepsilon \) is Error term.
Table 4.4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.7905</td>
<td>0.62489</td>
<td>0.60479</td>
<td>0.30137</td>
</tr>
</tbody>
</table>

The R-Squared is the proportion of variance in the dependent variable which can be explained by the independent variables. The R-squared in this study was 0.624, which shows that the four independent variables (resource gap identification, opportunity commitment, innovativeness and growth orientation) can explain 62.4% of the dependent variable,
Table 4.5: Analysis of Variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>8.686</td>
<td>4</td>
<td>2.171</td>
<td>23.907</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>8.810</td>
<td>97</td>
<td>.091</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.496</td>
<td>101</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The analysis of variance in this study was used to determine whether the model is a good fit for the data. From the findings, the p-value was 0.000 which is less than 0.05 and hence the model is good in predicting how the four independent variables (resource gap identification, opportunity commitment, innovativeness and growth orientation) influence access to venture financing of small and medium enterprises. Further, the F-calculated (23.907) was more than the F-critical (2.47) which shows that the models was fit in predicting the influence of the independent variables on the dependent variable.

Table 4.6: Regression Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.649</td>
<td>0.261</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource gap identification</td>
<td>0.354</td>
<td>0.07</td>
<td>0.263</td>
<td>5.057</td>
</tr>
<tr>
<td>Opportunity commitment</td>
<td>0.231</td>
<td>0.058</td>
<td>0.140</td>
<td>3.983</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.214</td>
<td>0.075</td>
<td>0.123</td>
<td>2.853</td>
</tr>
<tr>
<td>Growth orientation</td>
<td>0.268</td>
<td>0.07</td>
<td>0.177</td>
<td>3.829</td>
</tr>
</tbody>
</table>

Based on this table, the equation for the regression line is:
Y = 1.649 + 0.354X_1 + 0.231X_2 + 0.214X_3 + 0.268X_4

According to the intercept ($\beta_0$), when the four independent variables are held constant, access to venture financing of small and medium enterprises will have an index of 1.649.

The study found that there is a positive and significant relationship between resource gap identification and access to venture financing of small and medium enterprises. A unit increase in resource gap identification would lead to a 0.354 improvement in access to venture financing of small and medium enterprises. The relationship was significant as shown by a p-value of 0.000., which is less than the significance level (0.05).

The study also found that there is a positive and significant relationship between opportunity commitment and access to venture financing of small and medium enterprises. A unit increase in opportunity commitment would lead to a 0.231 improvement in access to venture financing of small and medium enterprises. The relationship was significant as shown by a p-value of 0.017., which is less than the significance level (0.05).

The study further established that innovativeness and access to venture financing of small and medium enterprises. A unit increase in innovativeness would lead to a 0.214 improvement in access to venture financing of small and medium enterprises. The relationship was significant as shown by a p-value of 0.032., which is less than the significance level (0.05).

Lastly, the study found that there is a positive and significant association between growth orientation and access to venture financing of small and medium enterprises. A unit increase in growth orientation would lead to a 0.268 improvement in access to venture financing of small and medium enterprises. The relationship was significant as shown by a p-value of 0.000., which is less than the significance level (0.05).
From these findings we can infer that resource gap identification was influencing access to venture financing of small and medium enterprises most, followed by growth orientation, opportunity commitment and innovativeness.

**CONCLUSION**

The study concludes that entrepreneurial management influences access to venture financing of small and medium enterprises in Starehe sub-county. The study found that the four independent variables (resource gap identification, opportunity commitment, innovativeness and growth orientation) explain 62.4% of access to venture financing of small and medium enterprises in Starehe sub-county.

This study concludes resource gap identification has a positive and significant influence on access to venture financing of small and medium enterprises in Starehe sub-county. The study found that the identification of knowledge gap, physical assets required and working capital required had a significant influence on access to venture financing.

The study also concludes that opportunity commitment has a positive and significant influence access to venture financing of small and medium enterprises in Starehe sub-county. The study established that number of opportunities in the past, presence of a vision and number of market opportunities influence access to venture financing of small and medium enterprises.

The study further concludes that innovativeness has a positive and significant influence on access to venture financing of small and medium enterprises in Starehe sub-county. The study revealed that number of new products/services, number new technologies and number of products added value influence access to venture financing of small and medium enterprises.
Lastly, the study concludes that growth orientation has a positive and significant influence on access to venture financing of small and medium enterprises Starehe sub-county. The study found that number of employees, sales volume and development stage of SMEs influence their access to venture finance.

**RECOMMENDATIONS**

The study found that resource gap identification influences access to venture financing. This study recommends that business owners should frequently conduct gaps analysis in their organizations so as to identify, knowledge gaps, working capital required and physical assets required.

The study also found that opportunity commitment influences access to finance among SMEs. The study therefore recommends that SME owners should show commitment to their businesses by developing strategic plans with mission vision and objectives and should also identify other opportunities in the market, develop a business plan and present it to financial institutions for financing.

The study also found that SMEs had in the last five years been introducing new products and services and technologies. The study also found that innovativeness influences access to finance. The study therefore recommends that SMEs should develop business plans for the products and services they have introduced as well as the products they had added value to, and use them to seek for venture financing from financial institutions.

The study found that the growth of SMEs was influencing their access to venture financing. This study therefore recommends that SMEs should reinvest their profits in their businesses so as to increase growth in terms of sales revenue, which would give increase their credit score and hence access to finance.
REFERENCES


