

ROLE OF ENTREPRENEURSHIP DIVERSITY IN ACHIEVEMENT OF ECONOMIC PILLAR OF THE KENYA VISION 2030

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ABSTRACT

The purpose of the research was to examine and establish the importance of entrepreneurship in development of Kenyan economy in line with vision 2030. Basically, the research analyzed previous studies in the field of entrepreneurship and economics in a bid to establish a comprehensive knowledge about the dynamics of self-employment. The study offered a broad understanding of entrepreneurship as explained by different schools of thoughts from the field of economics. Entrepreneurship can be described as an initiative to creatively establish and put into practice new ideas with an aim of creating wealth for the betterment of the society. Furthermore, the research explored theoretical background of entrepreneurship and traditional perception of entrepreneurial activities. Based on the studies carried out in the past, the research established a positive correlation between entrepreneurial activities and economic growth. The findings further indicated that government plays an important role in enhancing entrepreneurship in any given country. Various conclusions were drawn regarding the effects of entrepreneurship on the economy and issues that are associated with success of the process. Lastly, the researcher made recommendations to the government of Kenya, academic institutions and financial organizations, to consider creating a more suitable environment for entrepreneurship.

Key words: Entrepreneurship, economic growth, government.

INTRODUCTION

In an effort to achieve desired economic development goals, a country employs various strategies which are geared towards establishing a continuous growth of the economy. Countries differ in the manner in which they develop their strategies but basically areas of focus are universal. One of the major sectors that contribute to economic growth of any country is entrepreneurship, which is the main focus of the study (Mwangi & Ngugi). Entrepreneurship can be described as the initiative to establish and put into practice new ideas with an aim of creating wealth for the betterment of the society. Essentially, the

attempt could be by one person, a group or an organization to establish new business, projects or expanding an existing enterprise.

From global perspective, entrepreneurship has been given high priority since it is one of the major factors that determine the growth of an economy. For instance, in the United States of America, a regular assessment of the rate of self-employment is done in order to establish facts that help in policy making. One of the areas that are being assessed is the agricultural based self-employment. Evidently, the level of agricultural self-employment is low compared to non-agricultural self-employment (Acs & Szerb, 2010). The rates vary when different countries are compared.

In Africa, most countries have recorded a positive economic growth in the last three decades. However, the number of unemployed graduates is still rising and therefore, many African countries have now started paying close attention to the issue. As such, the governments are coming up with development schemes aimed at empowering citizens so that they can start their own businesses. According to research conducted by Atiase, Mahmood, Wang & Botchie (2018), there is significant level of political stability and the governments in Africa have done well in providing electricity.

Following the problems of poverty and unemployment in Kenya, entrepreneurship offers Kenyans an alternative option for raising income (Mwangi & Ngugi, 2014). Kenyan government has put in place various schemes that aim at helping the society develop their own projects. A case in point is the Uwezo Fund program which provides financial resources to the youth, women and physically challenged persons. The Kenyan government also introduced the interest rate capping law which was aimed at helping small and medium enterprises afford financial credit.

RESEARCH OBJECTIVES

The overall objective of the research was to examine the relationship between entrepreneurial activities and economic growth in Kenya. To achieve this, the study narrowed down its objective into the following areas of focus:

- i. To examine the ways in which entrepreneurship benefits the society.
- ii. To examine major factors that affect entrepreneurship.
- iii. To investigate the influence of the government on entrepreneurship.

STATEMENT OF THE PROBLEM

Considering that Kenya is experiencing the problem of unemployment, it is important for the government to develop appropriate policies that will provide alternative means of generating income for individuals who have not secured jobs. Entrepreneurship has been identified as one of the major factors that lead to economic growth of a country. As such, it provides an opportunity for self-employment and creation of job opportunities for others. However, there are issues that affect entrepreneurship in Kenya and therefore making it difficult for individuals to put their business ideas into practice. Lack of capital, practical education and appropriate technology has been limiting factors to individuals with brilliant business ideas.

Additionally, in some parts of Kenya, road network is poor and therefore transportation of goods from one place to another has become difficult. By exploring various past studies, the research investigates how entrepreneurship can be enhanced in order to contribute to the growth of Kenyan economy. The leading objective is to establish the degree in which entrepreneurship has contributed to the economic growth in Kenya and what can be done different to improve the situation.

LITERATURE REVIEW

Theoretical Literature Review

There are three major schools that summarize the concept of entrepreneurship. It is worth noting that the understanding of entrepreneurship is centered on the thoughts of Richard Cantillon, the great Irish economist (Mwangi and Ngugi, 2014). They include: the German school of Vone Thunen, Baumoi and Schumpeter; the neoclassical school of Marshal, Schultz and Knight; and the school of Australian managerial school of Von Krizer and Mises. Basically, these schoolshad a common description of entrepreneurship except that they shared different ideologiesregarding the performance of an entrepreneur. Neoclassics

mainly describe the role of a businessperson as establishment of market balance via entrepreneurial activities. On the other hand, Australians focus on the capacity of an entrepreneur to discover new economically viable opportunities after certain external motivational factors. Entrepreneurs apply resources in a manner that gets rid of recent unfulfilled market conditions so as to achieve their goals.

German school of thought brought forward by Schumpeter; concentrate on an entrepreneur as an innovator (Mwangi and Ngugi, 2014). Schumpeter's theory focuses on innovation, entrepreneurship and the related institutions. Essentially, Schumpeter holds the opinion that for entrepreneurship to exist there has to be some level of innovation and creativity when establishing new company product or service. As such, an individual who develops a new business firm by replacing an existing business does not qualify to be called an entrepreneur.

Schumpeter gave his opinion regarding the innovation ability of an entrepreneur. An individual is innovative if they establish a fresh market, come up with a unique production process, develop new product or new property of commodity, discover a new source of raw material or create new enterprise in a given industry (Cobb-Douglas, Wong Ho and Autio, 2005). As such, creativity is the main determinant of entrepreneurship. For that reason, the future of entrepreneurship depends on technological advancement due to the fact that it creates opportunities for exploring new ideas. Through technology, entrepreneurs can make some modification of a given commodity or create a new product.

The German school also explained that economic growth entails both recession and development. This is due to the fact that effective entrepreneurs create and invest in mega business projects which rely on credit (Nwachukwu, 2012). When businesses acquire credit they improve their productivity, therefore more goods will be available at a cheaper price. Thereafter, the economy is likely to experience a recession due to poor management of financial mechanism. In his theory, the ultimate determinant of the economic growth rate is supplying entrepreneurship. It is worth mentioning that growth of entrepreneurship is dependent on factors such as political stability, attitude and other social practices. The

conditions include: aspects such as education system, social values regarding the business, ranking system and other social rewards.

WAYS IN WHICH ENTREPRENEURSHIP BENEFITS THE SOCIETY

Schumpeter insisted that innovation is the most important factor when it comes to measuring entrepreneurship. Innovation is the process of developing new things that add value to the society. The process may benefit an individual, business organization, a group of people, or the society at large (Afghah, Raoofi & Hoshyar, 2014). It is worth noting, that businesses aim at providing solutions to the problems within the society. To accomplish that, they need to develop new products or features that improve the current status. Therefore, creativity is vital as it enables individuals to invent new approaches in regard to the existing challenges. Furthermore, competition is high and the only way to remain relevant in the market is to embrace innovative skills.

In traditional system, determination of economic growth was based on the idea that accumulating capital and progress of scientific innovations were the only factors worth considering (Afghah, Raoofi & Hoshyar, 2014). The model did not appreciate the important influence of entrepreneurship on economy but that has changed in recent models. In endogenous growth models, technology has been identified as a long-term factor of economic growth. However, the models pay attention to the need to invest on entrepreneurial education and training, an effort geared toward improving the innovative skills (Van Stel, Carree and Thurik, 2005).

It can be said that technology is interconnected to entrepreneurship since the idea behind both aspects is creativity and the motivation to provide better conditions to the society. However, the idea does not warrant negative creativity. What this means is that the government has to keep close tabs on upcoming innovations in order to safeguard the welfare of the society against any possible dangerous of technology. For that reason, countries have special boards or departments that deal with inspection of quality of products. The main idea is to stop malicious individuals that may creatively develop new businesses within an economy with a goal of creating wealth for themselves without caring about the effects of their action on the society.

Entrepreneurship cycle begins with small business settings at the starting point. The business will then advance to the level as it grows until it reaches full growth. A study conducted by Nazari (2010), explored the cycles at the point when an entrepreneur is developing the business plan. At this point, entrepreneurs analyze the opportunity, gather necessary resources, launch a pragmatic plan and estimate the resulting amount of work and perform it for a given duration. A successful entrepreneur should start by identifying and analyzing an opportunity. This entails a critical analysis of a business idea that aims at exploring all possible ways of making the plan the best in the market.

After identification of the opportunity, an entrepreneur will then focus on it. What this means is that they have to channel all their efforts on the opportunity. At this point, resource gathering is done in preparation for business establishment. Commitment is also an important factor that helps in the process of actualizing a business idea (Nazari, 2010). After all the resources have been acquired, the business is launched and the entrepreneur enters the market. The business starts at a small-scale level then the entrepreneur implements their growth strategies systematically until the company grows. It is worth noting that business growth is a continuous process that depends on the business goals. For that reason, an entrepreneur will continue to develop their business as they add value to the society.

GOVERNMENT AND ENTREPRENEURSHIP

Government plays a very important role as far as economic growth is concerned. In Kenya, the government has put in place various policies that aim at improving the economy of the country. For instant, the vision 2030 is a vital plan that is geared towards making Kenya a middle class economy. By so doing, Kenyans are expected to afford a good life, where acquiring basic needs is possible regardless of the location. The relationship between the government and the entrepreneurship is very important since the two factors have a mutual connection (Afghah, Raofii & Hoshyar, 2014). For the government to achieve its goals it requires funds and that partly depends on State's revenue collection. More tax can be collected if the number of businesses increases. It is worth noting that the government has

the ability to influence growth of entrepreneurship, through implementation of supportive policies and regulations that encourage development of new enterprises.

The government is responsible for providing strong macroeconomic environment that allows private business to achieve long term goals. By so doing, organizations can expand and create more jobs for graduates who prefer formal employment (Mwangi and Ngugi, 2014). Also, the government is in the position to establish and improve infrastructures. For example, the government of Kenya can establish good roads, railways and airlines within the country in a bid to enhance transportation. By so doing, entrepreneurs will exploit possible opportunities like transport business, hotels and manufacturing companies. There is connection between the government policies and entrepreneurship due to the fact that entrepreneurial activities depend on the economic conditions that are determined by the state strategies and decisions.

MAJOR FACTORS THAT INFLUENCE ENTREPRENEURSHIP

Majority of the newly formed businesses in Africa experience serious financial challenges. Small and medium-sized enterprises are the most affected. Financial institutions have developed strict and unrealistic credit requirements that a starting business can hardly meet. According to Nwachukwu (2012), lack of financial resources is the main challenge that faces most small and medium-sized businesses in Africa. Kenyan government needs to check how supportive its fiscal policies are in regard to credit accessibility.

Another factor that affects entrepreneurship is the level of technology. Countries that have not invested heavily on scientific innovations experience a lower rate of entrepreneur activities. This is due to the fact that technology gives room for improvement of processes and invention of new products. Government has a key role to play in enhancing the level of technology of a country (Cobb-Douglas, Wong Ho & Autio, 2005). It provides a foundation for information technology by providing a practical computer education scheme and necessary innovations. However, the government needs to provide practical aspects of the computer knowledge. This includes ensuring that students have access to computer devices and internet access across the country.

Entrepreneurial education also plays an important role in enhancing entrepreneurship because it enhances innovative skills. According to Dickson, Solomon & Weaver (2008), there is a strong positive relationship between education and entrepreneurship growth rate. As such, the government has the responsibility to make sure that courses offered by institutions of higher education take into consideration the creativity and innovation skills required in entrepreneurship. By so doing, graduates can develop new processes, organizations or new feature of a product and therefore generate income without having to depend on formal employment.

APPLICATION OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Despite the efforts by Schumpeter to illustrate the contribution entrepreneurship has on economic growth, the integration of entrepreneurial based concepts in explaining main procedures in economics have been minimal. However, in the recent past, policy makers and scholars have developed an improved perspective of analyzing the relevance of entrepreneurship in industrial and economic growth (Braunerhjelm, 2008). Also, there is a trend in development of economic model that has seen the inclusion entrepreneurial concept as a way of indicating their importance in any economy.

Acs and Armington (2002) explain the connection between entrepreneurship and growth at higher levels. It is worth noting that the influence of entrepreneurship extends to the regional level. The study illustrated the contributions of entrepreneurs in the economy using three crucial approaches. The first aspect that made their study very important is the collection of data from private sector as a whole instead of focusing on a single industry (Armington & Acs, 2002). Second, the study's unit of analysis included all local economic components. Third, the study applied direct index to measure activities related to entrepreneurship. They examined the hypothesis stating that an increment in entrepreneurial activities results to higher economic growth rate. The results indicated that the higher the level of entrepreneurial activities the higher the growth rates even under controlled business size and accumulation effects. This implies that there was a strong positive correlation between the two variables.

Van Stel, Carree and Thurik (2005) used entrepreneur activities' rate, output per capita and the world competition index variables to explain economic development of a country. The result of their data analysis indicated that rate of entrepreneurship has a positive influence on economic growth. It is therefore important to note that there is a consistent finding regarding the effects of the entrepreneurship on the economy of a given country. Salgado-Banda (2005) carried out an analysis which evaluated the effects of self-employment on growth of an economy. The study included an analysis of 22 OECD nations and established that there was a negative correlation between self-employment and economic expansion. The findings were supported by series of econometric conditions and methods. However, using data from the World Bank, there is a positive correlation between self-employment and economic growth. Cobb-Douglas, Wong Ho and Autio (2005) found that in developing countries, entrepreneurial activities and technological inventions are important factors in as far as economic growth is concerned.

SUMMARY OF THE FINDINGS

The study established that entrepreneurship is a key factor in economic growth. This follows the argument that entrepreneurship is the formation of new ideas for the betterment of the society. Further, the study found that there is a close association between entrepreneurship and innovation. Therefore, creativity that is required in development and implementation of economic strategic mechanisms depends on entrepreneurial activities. It is worth noting that entrepreneurship also entails establishment of new product features. Several studies analyzed the effects of entrepreneurial activities' rate and economic growth rate and they concluded that there is a positive correlation between the two variables.

Major factors that affect entrepreneurship were found to be financial resources, education and technology. The availability of these factors enhances the rate of entrepreneurship. In the event that there is quality education, easy access to financial resources and the appropriate technology, individuals are likely to produce more new products and processes that improve the effectiveness of production system. As a result, the availability of quality and affordable commodities provides opportunities to tap into foreign markets and therefore improving the economic growth of a given country.

Kenya being a developing country, the findings are important since the government can put more effort on the earlier mentioned factors in order to enhance entrepreneurship which has a strong positive correlation with the economic pillar of vision 2030. Government was identified as the main influencer of the entrepreneurship. Evidently, the government's policies and decisions regarding the economic and political stability of a country, determine the rate of entrepreneurship. Since entrepreneurs require capital for their businesses, the government has to develop strategic policies that ensure financial institutions consider as many individuals as possible for credit. Furthermore, monitoring of practicality of education approaches is vital in enhancing further innovations. Kenyan should consider evaluating the effectiveness of its policies regarding the entrepreneurial activities in the country. This is in line with development of infrastructures and stable macroeconomic environment.

CONCLUSION

In an attempt to achieve the economic goals of the vision 2030, Kenya needs to focus on the entrepreneurial activities since the research established a strong positive correlation between the entrepreneurship and development of economy. Improvement on technology results to more opportunities and therefore, higher level of entrepreneurial activities. Investing in technology in Kenya can open new avenues for individuals to come up with new processes or services that enhance the welfare of the society. Technology is not only going to help entrepreneurs raise income but also makes it possible to create new jobs. Enhancing technical skills of learners is important since it allows them to be practical. Kenyan system of education needs to take into consideration the need to have a creative society. This implies that the learning system should be able to convert the theoretical nature of education into a practical activity that enhances entrepreneurship. Lastly, provision of financial support and suitable economic conditions favors entrepreneurial activities. As such, for Kenya to witness development of new businesses and products external factors of enterprise has to be taken care of.

RECOMMENDATIONS

To begin with, in an effort to improve the economic growth rate, the government needs to give more attention to entrepreneurship. Clearly, by increasing entrepreneurial activities, Kenya will make a step forward in the effort put toward reducing unemployment. Further, the total amount of government revenue collected in form of tax will increase upon establishment of new products or businesses. Moving forward, concerning the current state of technology, the government needs to invest more on projects geared towards provision of stable and affordable technologies across the nation. The government needs to liaise with developed nations in search for an effective alternative approach to the same. At the same time, regarding the internet accessibility, the government can work closely with mobile network service providers like Safaricom and Airtel to ensure full coverage countrywide and at reasonable cost.

Regarding the nature of education, the government of Kenya and academic institutions need to implement an appropriate strategy that will give more emphasis on innovative and entrepreneurial aspect of studies. The effort should ensure courses offered in local universities and colleges appreciate the importance of entrepreneurship in developing our economy. To conclude, majority of newly established businesses in Kenya face financial challenges that causes most of them to either stagnate or collapse. The government needs to evaluate the effectiveness of the current policies concerning financial services industry, with an aim of reviewing them so that entrepreneurs can have more access to credit.

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