

# Influence of Network actors on Entrepreneurship Development among Uwezo Funded Youth Groups in Kitui County, Kenya

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**Abstract:** The Kenyan government, in line with the Medium-Term Plan (MTP) of Vision 2030, chose to support start-ups and growth of youth enterprises by providing an enabling environment and facilitating support programmes that develop the business sector. This study examines the influence of business network actors on entrepreneurship development among Uwezo funded youth groups in Kitui County, Kenya. The findings are useful to the government of Kenya, agencies involved in the management of youth funds as they can be guided on what to capture while reviewing or developing policies related to the role of business networking factors on entrepreneurship development. This study adopted a descriptive research design. The target population was 336 youth group leaders from the Uwezo Funded youth-owned SMEs in Kitui County. Stratified random sampling technique was used in selecting a sample size of 102 respondents. The study used both primary and secondary data. Primary data was collected by use of semi-structured questionnaires; the questionnaires included structured and unstructured questions. The questionnaires were administered by use of a drop off and pick up later method while secondary data was obtained from Uwezo Fund reports and group financial statements. Statistical Package for Social Sciences was used to analyze the quantitative data. Further, quantitative data was analyzed by use of descriptive and inferential statistics. Qualitative data was analyzed using textual analysis and the results were presented using narrations (in prose form). The study found out that, network actors influenced entrepreneurship development of Uwezo funded youth groups. From the findings, it was recommended that Uwezo fund management should consider organizing sensitization meetings for group leaders on how to identify and work with network actors. Further research should be undertaken to examine other contributors to entrepreneurship development and in other Kenya Counties as well.

**Keywords—** Entrepreneurship, Network Actors, Network Mechanisms, Uwezo Fund

## I. INTRODUCTION

In today's competitive and demanding worldwide economic environment, a robust and active small and medium business (SMEs) sector is critical to a country's economic growth and development. Small and medium-sized businesses are regarded as the growth engine and play an important role in economic development (Abbas *et al.*). Opportunities for an entrepreneur could be the introduction of new goods or

services in the market through new means or ideas. One of the ways an entrepreneur can access these opportunities is through networking. Networking refers to relationships of an organization with other organizations within a region or outside the region. The entrepreneurial business network is a type of business social networking that allows entrepreneurs and managers to connect and interact with one another in order to extend their company interests by creating mutually beneficial business partnerships. An entrepreneurial business network is a means of utilizing your professional and personal networks and relationships to help you find new business possibilities on a regular basis (Hedvall, Jagstedt & Dubois, 2019). Networking involves maintaining relationships with customers, suppliers, financial institutions, and even competitors, as networking may provide a competitive edge to an organization (Lama *et al.*, 2019). The elements of business networks include network actors, network links, network flows and network mechanism. Network actors include market actors and community networkers (Purbasari *et al.*, 2019). This study explores network actors.

Many young individuals feel that if they are given adequate resources, they would be able to easily start and operate a business. As a result, they believe that a key impediment to their entrepreneurial activities is lack of capital. Despite the fact that a lack of collateral prohibits many young people from beginning their own firms, the experience demonstrates that this is only part of the issue (Hearn, 2012). It is impossible to overestimate the value of entrepreneurial development. Entrepreneurship not only provides much-needed job opportunities for individuals in need, but it also helps to revitalize economies. Developing youth's entrepreneurial potential can assist develop alternatives to government employment while instilling in them the qualities of self-reliance and initiative. Development organizations, governments, and non-profits all throughout the globe encourage young entrepreneurship for the following reasons: to combat rising young unemployment and promote economic growth (International Labour Organization, 2020).

The United States was the first nation to embrace entrepreneurial initiatives while rejecting managerial capitalism in the late 1970s. The origins of American

entrepreneurship may be traced back to settlers trading and bartering with Native Americans, which benefited both parties. For decades, the United States has been a hotbed of entrepreneurship. American inventors and creators have harnessed the spirit of entrepreneurship to generate opportunities for increased security, stability, and riches, from Thomas Edison to Oprah Winfrey, despite the existence of a large number of tiny incubators and accelerators in the United States (Bosma & Kelley, 2018). The Global Entrepreneurship and Development Institute (GEDI) has gathered and distributed entrepreneurship and business information on a country's entrepreneurial environment through the Global Entrepreneurship Index (GEI). The 'ecosystem' of entrepreneurship is a collection of attitudes, resources, and infrastructure. The Global Entrepreneurial Index (GEI) is an annual index that evaluates the status of 137 countries' entrepreneurial ecosystems. These are then compared to one another in terms of performance. The United States of America is the world's most entrepreneurial country, according to the global entrepreneurship index. In the United States of America, the global entrepreneurship index was 86.8 in 2019. The top 5 countries also include Switzerland (80.4), Canada (79.2), Denmark (74.3), and the United Kingdom (77.8) (Global Entrepreneurship and Development Institute (GEDI), 2019).

The developing countries in Africa have very low GEI levels. For instance, Ghana is at 21.2%, Nigeria (19.7), Zambia (19.6), Senegal (19.2), and Côte d'Ivoire (18.9). Kenya has a low GEI rank of 18.4%. When compared to poor countries, developed countries have a higher GEI (GEDI, 2019). According to Bloomberg, Ethiopia, Uganda, Ivory Coast, Egypt, Ghana, Rwanda, and Kenya are among the world's top ten fastest expanding economies in 2020, although entrepreneurial development remains low (Wazir, 2021). With fewer employment opportunities available in Sub-Saharan Africa and potential employees lacking the skills that businesses want, one solution is for young people to become entrepreneurs and create their own opportunities (Kasemsap, 2017).

The Kenyan government recognizes the importance of youth and women-owned businesses in the economy and has made initiatives to build a legislative and regulatory framework to guide and accelerate their growth. The Sessional Paper No. 2 of 2005 is Kenya's formal policy framework for youth and women-owned businesses. Key concerns like the legal and regulatory framework, markets and marketing, business connections, the tax regime, skills and technology, and financial services are all addressed by this Act (Sykei & Opijah, 2012). The government has gone a step further to set up funds that actualize policies and support these enterprises. These funds include: Women Enterprise Fund (WEF), Uwezo Fund (UF) and Youth Enterprise Development Fund (YEDF).

The term "networking" in the context of entrepreneurship refers to the process of establishing and maintaining social connections that might assist firms in meeting their objectives

(Ghalumyan, 2020). The practice of forming a mutually advantageous relationship with other business people and future clients or consumers is known as business networking. Actors, linkages, fluxes, and mechanisms are all part of the networking concept (Conway *et al.*, 2001; Conway and Jones 2006). Individuals and entities that make up the network are referred to as actors. The arches that connect persons and show the interaction between actors are known as links or ties. Referrals obtained through networking are often industry specialists and, in many circumstances, pre-qualified. Networking secures and develops a strong foundation of contacts, and it undoubtedly allows you to connect with very significant individuals who would be impossible to locate or communicate with otherwise (Karunanidhi, 2017).

Individuals with a lot of clout can also be network actors. For example, Mark Zuckerberg, the Chief Executive Officer of Facebook and a worldwide philanthropist, is a powerful IR player who relies on programming and switching methods to establish his authority in a networked environment (Samah, 2019). According to Nyangarika (2016), networks are seen as a way for SMEs to have access to a variety of knowledge, resources, and complementary assets. Furthermore, organizations that focus on developing business networks boost flexibility and efficiency, get access to network resources at low transaction costs, operate with lower business risks, and, as a result, achieve high performance.

## II. LITERATURE REVIEW

### *Network Actors*

Purbasari *et al.* (2019) investigated the interplay of players and variables in the Indonesian Creative Industries entrepreneurial ecosystem. According to the findings, market and community network players play a significant role in knowledge transfer processes connected to the advancement of creative industries. Market actors, who are the main impetuses for business actors to productively (productive entrepreneurship) innovate products assisted by community actors (surrounding communities) through the demand for their products, are another important leverage factor in knowledge transfer processes to support innovation in creative industries (market conditions). On the other hand, government, banking, and professional actors in the East Priangan region's entrepreneurial ecosystem have extremely little engagement and interaction with business actors in the knowledge transfer process. However, because this was a research performed in Indonesia, there is a geographical gap between it and the current study.

Flores *et al.* (2017) investigated entrepreneurial ecosystems in the transfer of information to and within the tourist industry. The study used a descriptive survey approach to obtain data from tourist industry personnel using questionnaires. The findings revealed that the majority of business actors shared their expertise with others. As a result, knowledge transfer from business actors to other actors has occurred in the East Priangan creative sector entrepreneurial ecosystem. The

majority of the performers shared a lot of information. As a result, business actors shared the majority of their expertise with other actors, whereas the rest of the actors did not. Based on the findings of the interviews, business actors were able to impart information in order to build entrepreneurial abilities, transform the community's perspective in terms of product creation, and strengthen the creative industries.

Endeavor Insight (2018) studied entrepreneurial communities all throughout the world, including Puerto Rico, New York, Cape Town, and a recent comparison of Bangalore and Nairobi. The outcomes of these researches all demonstrate essential network science principles with substantial policy implications for entrepreneurs and decision-makers. Bangalore, for example, has a large number of "boomerang" founders who studied or worked overseas before returning to India to start businesses. They are more likely to connect with other "boomerangs" and attract more of them to the community as they become more influential.

In order to evaluate the research premise, Ignacio (2014) conducted a study to identify significant actors in inter-organizational networks. Five inter-organizational networks containing 32 cultural organizations were studied: (a) primary actors; (b) intermediate actors; (c) disseminators; and (d) brokers are the four sorts of significant players recognized. Each kind can impact network architecture in a different way. In order to determine the features that characterize each type of important player, the structural social capital (SSC) in networks is investigated. In order to do so, structural hole measurements are assessed. To figure out what factors impact SSC, two multiple regression models were created. The findings reveal that centrality and brokerage have a good influence on SSC, but density and constraint have a negative impact. Finally, the potential of each set of important players for applying inter-organizational network optimization solutions is examined. Actors have some control over the network's general structure.

Abdelhaey (2019) investigated the role of private entrepreneurs as players, concentrating on Mark Zuckerberg's actions. The article focused on private persons as new players in international relations, using new ideas of analyzing the human agent in international relations (IR). Working as a switcher across various networks is Zuckerberg's plan. The most visible is the Facebook network, which allows him to wield worldwide power. Private persons have become powerful actors in international affairs as a result of technological advancements (IR). However, the research appeared to focus mostly on international relations rather than business growth.

Ameh *et al.* (2016) looked at the link between the size of a student entrepreneur's social network and their risk aversion. The study used a descriptive approach. The data was analyzed using Analysis of Variance (ANOVA). The data demonstrated that there was a strong association between the size of social networks and risk inclination among Nigerian university

student entrepreneurs. If Nigerian university students do not embrace the change embodied by the Network of African Student Entrepreneurs, they risk being left without entrepreneurial ideas.

### *Entrepreneurship Development*

According to the Business Daily (2016), entrepreneurship is the capacity and willingness to design, develop, organize and manage a business venture along with the accompanying risks. Entrepreneurship is crucial to the growth of a country's economy. The world's largest economies have mainly grown as a result of a national entrepreneurial culture. Kenya's Gross Domestic Product (GDP) per capita at independence was around USD 104 and today is USD 1,587, compounded annual growth of 5.2%. Had Kenya's economic growth been similar to Singapore since independence, our GDP per capita would today be USD 10,690. A higher GDP leads to a higher standard of living. A stronger entrepreneurial culture has a direct impact in our lives, our ability to pay our bills, put food on the table, send our children to school and secure our retirement. Successful entrepreneurs have different and very unique stories but there are certain shared factors that generally affect entrepreneurs.

In a research conducted by Tashakova (2018) in the United Arab Emirates (UAE), it was discovered that greater commercial prospects, increased status, expanded knowledge, positive impacts, developing confidence, and personal happiness are all impacted by networks. According to the study, networking increases your knowledge strength, and not simply by receiving insider information on the newest big transaction. Having a group of like-minded company owners and entrepreneurs with whom you can confer allows you to learn and get advice on any issue connected to your business and achieving that crucial work-life balance. Entrepreneurs' knowledge strength grows by networking, and not simply by acquiring insider information on the newest big deal.

According to research conducted by the European Commission (2016), network members provide business support services, particularly to SMEs, by providing information, feedback, and partnership services, as well as innovation, technology, and knowledge transfer. Companies and researchers are network members' clientele. Clients are assisted in locating commercial partners, technology transfer partners, and collaborative research partners who meet their needs and expectations in terms of innovation.

According to Shobhit (2021), entrepreneurship is vital since it has the potential to raise living standards and produce money, not just for entrepreneurs but also for connected firms. Entrepreneurs also contribute to change through innovation, as new and improved goods enable the creation of new markets. On a local and national level, great entrepreneurs have the capacity to revolutionize the way we live and work. If successful, their discoveries may raise living standards, and in addition to earning income through entrepreneurial endeavors, they may also contribute to a developing economy

by providing jobs.

According to Nigro and Abbate (2011), network topologies provide flexibility and increased profit as a result, as well as the chance to share company risk. These two aspects (profit and risk) are inextricably linked and must be considered together in order to depict a complete scenario; this means that risk assessment and management in a network environment cannot ignore profit sharing, or, to put it in another way, profit sharing mechanisms should use risk as a driving force. In this context, our research proposes a methodology for measuring risk while taking into account network characteristics; risk estimation is a fundamental step in determining the opportunity cost of capital required to compute the network Net Present Value (NPV), which is used as the basis for the profit sharing process.

Njau, Wachira, and Mwenda (2019) investigated the impact of business incubators' network assistance on the formation of technology-based new ventures in Kenya. The research was conducted using a descriptive research approach. In Nairobi Metropolitan, the research included 9 business incubator managers and 384 incubatees. For the incubator managers, a census was employed, and stratified random sampling was used to provide a sample size of 185 incubatees. Access to network assistance has a positive substantial influence on the formation of technology-based new ventures, according to the study.

On the negative side, we also praise things like tenderpreneurship and get-rich-quick scams, which encourage many young smart people to look for shortcuts. The government has enormous power to encourage or discourage entrepreneurial development. A flourishing entrepreneurial climate requires a stable government, appropriate taxes, decreased corruption, ease of doing business, rule of law, and an independent judiciary. The environment is supportive of entrepreneurial development thanks to organizations and initiatives such as Kenya Invest, Chamber of Commerce, and Vision 2030, but we still need to address corruption in government agencies and ministries, improve the ease of doing business, and improve the judicial process (GoK, 2017).

### III. METHODOLOGY

#### *Research Design*

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project (Cooper, 2011). The study employed a descriptive research design. According to Cooper & Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. The design was preferred because the researcher was dealing with descriptive data and it involved observing and describing the behavior of a subject without influencing it in any way. Another reason was that this design allowed the collection of data using questionnaires.

#### *Target Population, Sampling Size and Sampling Procedures*

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics (Mugenda & Mugenda, 2003). The population for this study was leaders of youth groups which were being funded by Uwezo Fund in Kitui County, Kenya. There were 168 youth groups that benefited from Uwezo Fund since its inception (Uwezo Fund, 2017). The study took two leaders who were the chair and treasurer from each group. Therefore, total target population for the study was 336 leaders of youth groups in Kitui County. Leaders of youth groups were preferred because they were in a strategic position to provide information sought by the study. The groups were spread across the 8 sub-counties of Kitui County as indicated below.

Sampling techniques provide a range of methods that facilitate to reduce the amount of data needed to collect by considering only data from a sub-group rather than all possible cases or elements. The study took 30% of all the 168 groups registered within the 8 sub-counties in Kitui County. The respondents included the chair and treasurer in each of the target groups. Therefore, a sample of 51 groups was taken while the sample size for the study was 102 respondents where each group produced two. According to Mugenda and Mugenda (2003), a sample of 30% of the target population is significant and representative of the entire population. Therefore, a sample of youth groups funded by Uwezo fund was obtained through stratified random sampling technique to find respondents from each of the sub-counties, so that each segment of the location was represented in the study. The sample was selected using purposive sampling technique, given that the focus was on the chairman and treasurer of each participating group. A sample size of 30% of the 336 youth leaders gave forth a total of 102 youth leaders evenly spread across the county.

#### *Data Collection, Procedures, Instruments and Data Analysis*

With regard to the influence of business networking factors on entrepreneurship development in Kenya, the study used both primary and secondary data. Primary data was collected by use of open and closed ended questionnaires. Secondary data was collected from the groups and Uwezo Fund financial statements. Secondary data is the data gathered for other purposes and used in the recent project. Usually, the secondary data are found inside the fund, group records, libraries, research centers, internet, etc. Secondary data involves the collection and analysis of published material and information from other sources such as annual reports, published data. Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 25) and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of tables and graphs. This was done by tallying up findings as obtained, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS (Version 25) to communicate research findings. The

qualitative data captured from the open-ended questions under each of the questionnaire sub sections, was analyzed using textual analysis and presented using narrations (prose). Secondary data collected was analyzed using descriptive summaries and reported using narrations. Content analysis was used to test data that was qualitative in nature or aspect of the data collected from the open ended questions. In addition, the study conducted a multiple regression analysis.

#### IV. RESULTS AND DISCUSSION

The study established that majority of the respondents' network was made up of friends who met regularly to discuss business development matters. Majority of the youth leaders agreed that members of their groups participated individually in building relationships with other groups within and outside the county. The study found out that, majority of youth leaders agreed that their groups were keen in building relationships with other groups, government entities and other development partners. The results indicate that majority of the youth leaders agreed that various organizations have contacts and good working relationships with their groups. Majority of the youth leaders agreed that they had brought government agencies on board in improving their entrepreneurship skills and networks. There was a positive Pearson correlation between network actors and entrepreneurship development as follows: ( $r = 0.434$ ,  $p = 0.000$ ). Given that, the  $p$  value ( $0.000$ ), was less than the test significance level ( $p < 0.05$ ), this association is considered to be statistically significant.

#### *Areas of Further Research*

The study methodology has targeted Uwezo Fund youth leaders who expressed their opinions on the extent to which they formed business networks. As a future avenue of research, there is need to carry out similar research on examining the influence of business network actors on entrepreneurship development among Uwezo funded youth groups in other Counties of Kenya in order to establish whether the two findings would agree for generalization.

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