



The Strategic
**JOURNAL of Business & Change
MANAGEMENT**

ISSN 2312-9492 (Online), ISSN 2414-8970 (Print)

www.strategicjournals.com

Volume 4 Issue 3, Article 19

FACTORS AFFECTING GROWTH OF AGRIBUSINESS MICRO AND SMALL ENTERPRISES IN EMBU COUNTY

DANIEL CHEGE NG'ANG'A, PROF. ROBERT GICHIRA PHD

FACTORS AFFECTING GROWTH OF AGRIBUSINESS MICRO AND SMALL ENTERPRISES IN EMBU COUNTY

Daniel Chege Ng'ang'a^{*1}, Prof. Robert Gichira PhD²

^{*1}Msc Candidate, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Nairobi, Kenya

²Jomo Kenyatta University of Agriculture & Technology [JKUAT], Nairobi, Kenya

Accepted: August 8, 2017

ABSTRACT

In Kenya, Micro and Small Enterprises (MSEs) provide one of the most prolific sources of employment and also the breeding ground for medium and large industries, which are critical for industrialization. The main purpose of this study was to determine the factors that affect the growth of Agribusiness Micro and Small Enterprises in Embu County. Quantitative research design was employed. Quantitative design approach involved collection of the numerical data and verified to reinforce cause-effect relationship in the study. Data collected was used to explain growth phenomenon for Agribusiness Micro and Small Enterprises in Embu County. The study attempted to describe the factors that exist in terms of technology access and adoption and Human resource capacities. Study population comprised of entire Agribusiness Micro and Small Enterprises in Embu County. There were two hundred and fifty four (254) Agribusiness Micro and Small Enterprises which formed the accessible population of the study. Seventy seven Agribusiness Micro and Small Enterprises out of 254 Agribusiness MSE constituted the sample for the study. A questionnaire was used during the study to collect quantitative data as the only convenient means for data collection. Both closed and open ended questions were used to gather the responses from the respondents. Further data analysis was done with the help of use of SPSS software. The study revealed that both factors under study which were technological capacities and human resource capacities affected growth of Agribusiness Micro and Small Enterprises in Embu County. The research recommended Medium and Small Enterprises Authority to enhance its collaboration with Embu County Government so as to improve growth of Agribusiness Micro and Small Enterprises in the county. Furthermore, Agribusiness entrepreneurs should seek for more training to upscale their knowledge and skills in agribusiness Micro and Small Enterprises

Key Words: Technological Capacities, Human Resource Capacities, Agribusiness, Micro and Small Enterprises

INTRODUCTION

There is no clear and universally acceptable definition of Micro and Small Enterprises (MSE) hence, MSE has no standard definition (Asma, Shang, Diabate and Othman, 2015). They noted that MSE have been identified differently by various individuals and organizations, such that an enterprise that is considered Micro and small in one country is viewed differently in another country. Some common indicators employed in the various definitions include total assets, size of the labour force employed, annual turnover and capital investments. The number of employees engaged by the enterprises is the more commonly used unit of measurement of the size of a business than the turnover, the degree of formality, or legitimacy of the enterprise; capital investment; and degree of skills per worker (GoK, 2005). This paper by the Kenyan Government adopted MSE definition used during the 1999 National Micro and Small Enterprise Baseline survey of which MSE were defined as enterprises in both formal and informal sectors employing 1-50 workers.

Over the last two decades MSE growth has received considerable attention from researchers and policy makers around the world. Economic experts, scholars, practitioners, and policy makers have showed interest in MSE as they are considered to be the backbone of any economy and the engine for economic and employment growth (Li and Rama, 2015; Love and Roper, 2015; Zucchella and Siano, 2014). Micro and Small enterprises are the key engines of employment, alleviating poverty and improving equality (Gomez, 2008). MSE by number, dominate the world business stage. More than 95% of enterprises across the world are MSEs, accounting for approximately 60% of private sector employment (BIS, 2012).

In Kenya, Micro and Small Enterprises provide one of the most prolific sources of employment, not to

mention the breeding ground for medium and large industries, which are critical for industrialization (GoK, 2005). This Sessional paper underscores MSE as businesses in both formal and informal sectors and is classified into farm and non-farm categories employing 1 to 50 workers. These enterprises cut across all sectors of the Kenyan economy and provide one of the most prolific sources of employment creation, income generation and poverty reduction. Further, the paper indicates that employment within the MSE sector account for 74.2% of the total persons engaged in employment. The sector contributes up to 18.4% of the country's Gross Domestic Product (GDP).

The MSE sector is therefore, not only a provider of goods and services, but also a driver in promoting competition and innovation while enhancing the enterprise culture which is necessary for private sector development and industrialization.. However, the MSEs are characterized by high failure rates (GoK, 2005). GOK (2012) identified Agribusiness processing and value addition by the MSE as the starting point for export-led industrialization. However, in Kenya, despite the Agribusiness sub sector being a key vehicle for economic growth, having the potential to provide employment opportunities to the locals and having the capacity to contribute to Gross Domestic Product (GPD) as well as poverty reduction, the sector is still dogged by non-growth of its micro and small enterprises. James, Susan, Magdaline, Joash and Jane (2013) observed that instead of these enterprises growing in size they have been growing numerically. There is a great danger of remaining small. According to Asma *et al* (2015), enterprises size and failure are inversely related, with smaller enterprises facing higher risks of failure than larger ones.

Micro and Small Enterprises growth and performance need to be increased if it is to effectively respond to the challenges of creating productive and sustainable employment

opportunities, promoting economic growth, and poverty reduction in the country (GoK, 2012). However, several problems particularly related to MSE growth and successes are there. Other than their high failure rates, the majority of the MSE are also not growth prone as most start small and remain small. Further, according to Pearce and Robinson (2011), small enterprise operations are still predominantly local or a regional market rather than a national or international market, and they tend to have a very limited share of a given market. In its effort to promote MSE, government of Kenya has been encouraging Agribusiness MSE in the Agribusiness sector. As per Agriculture Annual report 2015, Embu County had 254 existing Agribusiness MSE which are operational and are either owner(s)' funded or donor funded. This study will examine those factors that affect growth of Agribusiness MSE in the Embu County. The major factors being lack of access to finance, competition and poor market access, low access and investment in technology, laws and regulations, lack of skilled labour and low human resource capacities. The study will help the policy makers and other stakeholders in propelling MSE growth agenda for a better economic growth.

Statement of the Problem

More than 74.2 percent of employment in Kenya comes from agriculture (GOK, 2012). Juma (2011) argued that agriculture and economy are synonymous in Africa and in other developing countries in the world. In effect, you cannot modernize the economy in Africa without starting with agriculture. One of the catalysts to an Agribusiness revolution in Africa will be a new focus on AMSE (Joseph and Jonathan, 2013). Previous policies by the Kenyan government on MSE had not recognized AMSE sector and more so with respect to small-scale agriculture (GoK, 2005). This downplays the role of these sub-sectors in promoting economic growth and development, especially in the rural areas.

Moreover, data from developed countries shows that high performing MSE may be the primary generators of new jobs ((Joseph *et al* 2013). Given the agriculture and MSE sectors' large share of employment, this information suggests that enabling high performing AMSE could unlock tremendous employment generation potential in Kenya. However, despite the importance of these AMSE, studies reveal that most AMSE have no growth incentive and majority remain at their initial level, or choose to expand horizontally by starting other similar ventures or change to other unrelated activities (James *et al*, 2013). They found that in general, MSE in general at their early stages of activity are subject to bankruptcy risks. Similarly, Survival rates of Agribusiness MSE are not high particularly after the first year due to a number of factors where sometimes they result to borrowing so as to obtain sufficient finance to facilitate their early stages of growth. Asma *et al* (2015) noted that MSE are hampered by several factors, which may differ from region to region within the country, between rural and urban areas, between sectors, or between individual enterprises within a sector. High failure to grow and be sustained of AMSE in Kenya has become an increasing concern to the government and stakeholders. It is against this background of growth of Agribusiness MSE that the project in this field was considered important. Within this study, emphasis was placed on suppliers of inputs for farming and agri-business, Trader of farm produce in its original or partly transformed state, Processing of farm produce into intermediate or finished products and Retailing of farm produce for consumption.

Research Objectives

The general objective of the study was to determine factors affecting growth of Agribusiness Micro and Small Enterprises in Embu County. The specific objectives were:-

- To establish whether technological capacities affect growth of Agribusiness MSE in Embu County.
- To determine whether human resource capacities affect growth of Agribusiness MSE in Embu County.

LITERATURE REVIEW

Theoretical Framework

Resource-Based Theory on the Growth of Small Firms

Penrose (1959) Resource-based theory was developed to understand the factors affecting the growth of small firms. The resource-based theory highlights the importance of internal resources in firm growth. It focuses on the sustained competitive advantage of the firm as a result of its unique resources and capabilities. The resource-based view was used to highlight the importance of technology as a source of competitive advantage which facilitates growth of small firms. It is an influential theoretical framework for explaining why firms perform differently (Belay *et al*, 2015). It highlights the importance of technology and innovation as a source of a long term competitive advantage for sustained firms' growth in the markets. It indicates that the competitive advantage resulted from the firm's strategic resources which, is related to firm-specific assets, such as technological, organisational and human capital, that will affect the market share of the firm. Therefore, the MSE growth in market share and stock turnover comes from their resources and capabilities (Rasha and Hassan, 2016). This Resource-based theory on the growth of the Firms offered some strong principles governing the growth of small firms and the rate at which firms can grow successfully. According to Penrose, the external factors include the legal and regulatory framework, access to financing and human resources capacities. The internal factors comprise entrepreneurial

characteristics, management capacities, marketing skills, and technological capacities. Kessy and Temu (2010) examined the impact of training on entrepreneurs in Tanzania and concluded that recipients of business training have higher levels of assets and revenue compared to enterprise owned by non recipients of training.

Jovanovic's Learning Effect Model

Jovanovic work (1982) learning theory highlights the importance of technological efficiencies emanating from use of appropriate technology and human resource capabilities in growth of small firms. The theory asserts that firms learn about their efficiency overtime. Morse *et al* (2007) noted that new technologies improve efficiency, enable greater production, and are a source of profit for MSE. According to Morse *et al* (2007), technological capabilities benefit MSE in several ways: they enhance MSE efficiency, reduce costs, and broaden market share, both locally and globally. As noted Asma *et al* (2015), a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. They argued that new firms entering the market are unaware of their true efficiencies immediately but as they mature, they are able to uncover their productive efficiencies. The model emphasized that young firms have accumulated less information than older ones about their managerial abilities (James *et al*, 2013).

Those firms that are efficient will grow while those who are inefficient will fail regardless their size. Gibrat (1931) developed a theoretical model to measure the relationship between firm growth and its initial size. The "Law of Proportionate Effect," states that firm growth is independent on initial size and efficiencies are important for firm growth. Pasanen (2007) noted that small firms grow relatively fast since they have to achieve a minimum efficient size. Diaz-Hermelo and Vassolo

(2007) totally or in part support the law of Gibrat. Yasuda (2005) also argued on the negative relationship between size/age and growth. He found a negative effect of firm size on firm growth in the case of Japanese manufacturing firms. Kladiola (2014) in his analysis found out that employment growth (as a measure for firm growth) was found to have negative correlation between size and firm's growth, and the same ambiguity on the age as a growth firm's factor. A study by Calvo (2006) also indicated a negative effect of size on firm growth. Furthermore, researchers who studied firm growth in different size groups suggest that Gibrat's law of size independence only holds for firms above a certain size threshold, for instance a relatively large size with over 400 employees (Bigsten and Gebreeyesus, 2007). Therefore, we can conclude

Empirical Review

Technology capacities

Technology is dynamic and the rapid changes in technology should be responded by the Agribusiness Micro and Small Enterprises to find alternative ways to sustain their competitive advantage by deploying new production processes and new growth methods. Agribusiness Micro and Small Enterprises tend to have low productivity and they are weak in terms of competition which is the result of using inefficient technology, not maximizing machinery utility and not improving in technology due to the limitation of funding and most MSE are mainly users of technology, not adaptors of technology (OSMEP, 2007). The World Bank (2010) argued that investments in technology are required in order to build up existing capacity and to improve the quality and productivity of production which will generate in higher value-added products that will improve the competitiveness for small firms.

Pasanen (2007) in his studies confirm that smaller and younger firms grow faster than larger firm. He noted that small firms grow relatively fast since

that there exists a negative relationship between firm size and growth especially for firms with less than 400 employees.

Conceptual Framework

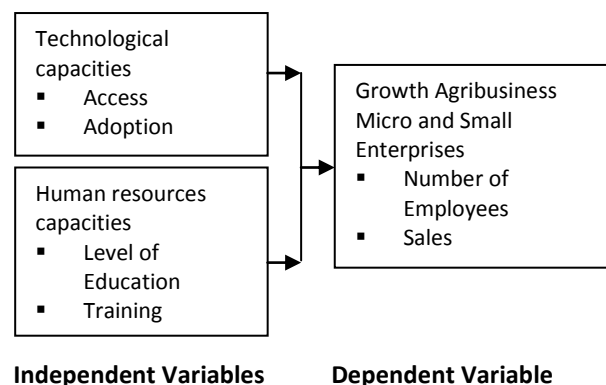


Figure 1: Conceptual Framework

they have to achieve a minimum efficient size emanating from technological advancement. Kladiola (2014) in his analysis found out that employment growth (as a measure for firm growth) was found to have negative correlation between size and firm's growth, and the same ambiguity on the age as a growth firm's factor. A study by Calvo (2006) also indicated a negative effect of size on firm growth. According to Coad (2007), the growth of small firms is a particularly erratic phenomenon. Entry rates of new firms are high; however, a large number of these entrants can be expected to go bankrupt within a few years. Bartelsman *et al* (2005) analyzed the post-entry performance of new firms in seven OECD countries, they results reveal that about 20-40 percent of entering firms fail within the first two years, while only about 40-50 percent survive beyond the seventh year. One of the reasons they do not survive is that they face several obstacles over time. Empirical studies on factors affecting the growth of SMEs can be roughly divided into two groups: internal factors of the firm and external factors that are beyond the SMEs' control. Recently, Asma *et al* (2015) argued that business climate, competition, corruption, inadequate infrastructure (especially an

insufficient or unreliable power supply) and lack of access to external financing were also considered to have highly accounted for high rates of failure among those SMEs.

Human resources capacities

Armstrong (2010) referred human resource capacities as competencies (knowledge, attitudes, values and skills) to perform tasks. He argued that without the required competencies in people, a firm is not likely to achieve its goals and they make a major contribution to the growth and success of a firm. He noted that Human resource development should always be growth and performance related in that it is designed to achieve specified improvements in corporate, functional, team and individual performance, and make a major contribution to bottom-line. According to Hisrich *et al* (2010), Human resource capacities enable the manager to understand the business environment, both internal and external. He or she does not only understand, but is prepared, equipped and ready to handle any turbulence that emanates from the environment. These include competitors, suppliers, customers, government agencies, labour organizations, and financial institutions. Hisrich *et al* (2010) argued that the human resource capacity include managerial competencies which are sets of facts, skills, attitudes that contribute to individual usefulness. Managerial competencies are very significant to the continued existence and enlargement of an MSE. lack of education and training was noted to be one of reasons for the low level of entrepreneurial formation and the high collapse rate of new business enterprises in South Africa (Olawale, 2010) .A firm's growth is dependent on the managerial knowledge (Macpherson and Holt 2007). It is characteristic of small business that power decision are centralized at the level of owner- manager, so his or her personality, skills, responsibilities, attitude and behaviour will have decisive influence on business strategy (Hisrich *et al* 2010). They found that

other than experience, the skills acquired at work are important factors that contribute to business success and growth. In order to meet the demands of the fast changing work environment which is typically associated with MSE, it is essential that smaller firms ensure that they are able to attract, retain and motivate high quality employees with effective transferable skills through the existence of a strategic training plan and a specific budget for training (Eveliina and Labinot, 2011). Ahmad *et al* (2011) noted that those more successful business owners have good management skills by offering a special service and paid attention to quality and design of their products or services. They further noted that cooperation with similar companies, a flat organizational structure, delegating responsibility and nurturing management capabilities are also management skills that determine business growth and success.

Human resources capacities form one of the most significant factors for the development of small firms. According to Kessy and Temu (2010), firms with a skilled and well-educated workforce are probably to be more efficient. As noted Siobhan (2013), human resource capacities form one of the most significant areas for the success of MSE. Kessy and Temu (2010) noted that a well-educated and skilled workforce has more learning and innovative abilities. Success and failure of MSE is not only related to business environment aspect but also depends on the firm internal factors which includes characteristics of Entrepreneurs such age, gender, motivation, experience, educational background, risk-taking propensity, and preference for innovation (Pasanan, 2007 and Sidika, 2012), management capacities of the top management team such as knowledge, skills and competencies (Olawale and Garwe, 2010) and Marketing skills (Van Scheers, 2012). Pandya, (2012) noted that marketing limitations of an MSE resemble other limited resources such as financial and human resources. Drucker (1985) noted that new technologies

improve efficiency, enable greater production, and are a source of profit for SMEs. According to Morse *et al* (2007), technological capabilities benefit MSE in several ways including enhancing MSE efficiency, reduce costs, and broaden market share, both locally and globally.

Recent studies highlighted the importance of the relationship between growth; entrepreneurial leaderships, capabilities and growth (Lockett, 2013); entrepreneurial characteristics and innovation (Robson, Akuettech, Westhead and Wright, 2012.); human capital, innovation and growth (McGuirk, Lenihan and Hart, 2015); entrepreneurship and growth (Wright and Stigliani, 2012); experience and age (Love *et al*, 2015); human capital and exporting (Robson *et al*, 2011). However, upon close review most of previous studies tend to focus on developed countries disregarding the importance of growth for developing economies and traditional industries (Veglio and Zucchella, 2015; Zucchella *et al.*, 2014). GOK (2012) indentified the need to strengthen human resource capacities within Micro and Small Enterprises in Kenya as one of the means to promote MSE growth. The paper noted that large number of Micro and Small Enterprises will need human resource development to meet their needs. This will be done through specialized training at different levels community polytechnics, and the technical, industrial, vocational and entrepreneurship (TIVET) institutions.

Growth of Agribusiness Micro and Small Enterprises

The word enterprise has been used in a range of contexts and meanings but in this concept it will be used as the one that produce the outputs being the products and the services where the operational performance and the financial performance are changed (Chuthamas *et al*, 2011).According to Chuthamas *et al* (2011), firm growth refers to the firms' success in the market, which may have different outcome and has and

multidimensional approach. They argue that growth and success of an MSE is characterized by the ability of the firm to create acceptable outcomes and actions which, in general, relates to the achievement of goals and objectives in whatever sector of human life. In business life, growth and success is a key term. In business studies, the concept of growth and success is often used to refer to a firm's financial performance. However, Chuthamas *et al* (2011) noted that there is no universally accepted definition of growth and therefore enterprise growth can be interpreted in many ways. Huka *et al* (2013) argued that growth of MSE can be measured using various parameters. According to Akwalu (2014), measuring sales growth and relative employment growth during a specific time period is the most common indicators used. Indicators such as assets, market share, profits and output are also commonly used, however not as commonly as sales and employment (Huka *et al*, 2013) .Output and market share vary greatly within industries and is therefore hard to compare. Total assets also depends on the industry's capital intensity and changes over time and profits is not that relevant unless measuring size over a long period of time (Odhiambo, 2013). Kladiola (2014) argued that the growth of the firm can be measured in terms of sales, employment or assets and economic state that are a result of exploring opportunities. Therefore sales and employment are the two most important indicators measuring firm's size and growth (Abor *et al*, 2010).

METHODOLOGY

Quantitative research design was employed. The target population of this study was more than 1200 (both formal and informal) Agribusiness Micro and Small enterprises in the Agribusiness sector in Embu County (Agriculture Report, 2015). The report further noted that there were only 254 formal Agribusiness MSE in Embu County. This formed the accessible population for the study. A

pilot study to test the reliability of the questionnaire was undertaken before the main study using seven Questionnaires which were drawn from the AMSE in the Agribusiness sector in Embu County (Bryman *et al* (2007). Statistical package for social sciences (SPSS) were be used data analysis.

RESEARCH FINDINGS AND DISCUSSION

Out of the 77 sampled enterprises, 75 were returned and completed satisfactorily. This gave a 97.4% successful response rate. In order to obtain a comprehensive understanding of the population structure from which the data was taken, a preliminary analysis was carried. The results showed that the sample was male dominated. The male consisted of 57.6 % of the population as compared to 42.4% female. All the respondents who were less aged between 18 years to 25 years were employees. 22% of those aged between 25 years and 35 years were also employees. Majority of AMSE sampled with respondents aged between 35 years and 45 years were owner managed and only 13% had at least one employee. Majority of the AMSE sampled were aged between 35 years to 45 years and above. The lowest level of education of the sample was secondary school with 46% while the majority had a college education 36% .Only 18 % had university education.

92% of the AMSE sampled had been in operation for more than 5 years with only 8% which have been in operation for at least 3 years. Also 44% of AMSE are in supplying inputs for farming and

agribusiness.23 % were in retailing of farm produce for consumption.12% were in trading of farm produce in its original or partly transformed state(wholesale).9% were providing services for farming and agri-business. 7% were in storing and transport of agribusiness produce in originally, partly or fully transformed state.5 % were in processing of farm produce into intermediate or finished products.

Only 10% of the sample had part time employees at the start of enterprise. 3% of sampled AMSE had fulltime and there rest were owner managed being self employed. 34% of sampled AMSE had part time employees and 66% have full time employees. Majority of the AMSE (46%) made sales between Kshs 10,000 to Kshs 20,000 per week. There was a slight change among AMSE on sales within a period of one year with those making sales above Kshs 20,000 reducing in number (17%).

Majority of the AMSE (45%) made an average profit of below Kshs 5,000 which decreased slightly to 42% in a period of one year. Only 20% of AMSE made an average profit above Kshs 20,000 which increased slightly to 24% within one year. The results also found out that 92.4% of AMSE have been continuously in business since they started with only 7.6% of the AMSE sampled having had a break for a period ranging between 10 days to 4 months. Major reasons cited being social issues including family affairs, sickness, seminars trainings, financial difficulties, non-compliance with the existing laws and regulations and holiday breaks.

Technological Capacities

Table 1: Technological capacities

S/No.	Indicator	Level in percentage (%)	
		Yes	No
1.	Sources of Technologies	34%	66%

2.	Technology that can improve the enterprise development	54%	46%
3.	Using the technology	23%	77%
4.	Investing in a technology with 50-50 chances of success	65%	35%

Table 1 above showed that 34% of the respondents were aware of the sources of technology that could be used to improve growth of their enterprises. Majority whom made 66% of the respondents were not aware of the sources of technology that can be used to improve on growth of their enterprises. 54% of the respondents knew of technologies that could be used to develop their enterprise while 46% did not know. 77% of the respondents were not using the technology to develop their enterprise and the major reasons given were lack of awareness/information, not knowing the source, lack of finance, fear of unknown and costly regulatory framework by the government. Only 23% were using the technology to improve develop their enterprise. 65% of the respondents would be willing to invest in a technology with a 50-50 chance of success while 35% would no invest in it. The main reasons given that hindered them from investing in appropriate technology that can contribute to growth of their enterprise was lack of information.

Human resource Capacities

Majority of the respondents (84%) lacked basic training on the agribusiness activity they were undertaking. Majority of the employees (58%) had had secondary education with 30% having had college education .12% had primary education and not a single employee was found to have university education. 56% of the respondents had not attended any business related course in their business life time while 44% attended. The organisations that had trained those who were trained were Ministry of Agriculture, Farm concern International, FCI(NGO),Equity Bank, AGMARK, Techno serve and Catholic Diocese of

Embu. The main topics that were covered were Business planning, Book and record keeping, marketing, safe use and Government regulatory framework.

On usefulness of the training to business growth the study indicated that majority of the respondents(44%) rated the training as being very helpful in relation to their business growth. 37% rated the training as fairly helpful while 18% rated the training as helpful. Only 1% rated the training as somehow helpful. Therefore all the respondents rated the training as helpful in one way or the other since no respondent rated the training as being not helpful.

Growth of Enterprise

The study indicated that the two important factors quoted by the respondents were important for growth of their enterprise were Good technological capacities and Good human resources capacities. Respondents also indicated that other factors that were important for growth of the enterprise were Good infrastructure like water, electricity, roads ,telephone, Favourable Government Policies and High product Quality.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Technological capacity was considered as the most significant factor that affected growth of agribusiness Micro and Small Enterprises. This was followed by human resource capacities. Other factors that were shown during the study to also affect the growth of AMSE were Good infrastructure like water, electricity, roads,

telephone, Favourable Government Policies and High product Quality.

The study depicted that 65% of the respondents agreed that technological capacities affected growth of Agribusiness Micro and Small Enterprises. It was quoted as the most important factor that affected growth of AMSE in Embu County. The study found there was a positive significant relationship between the technological capacities as a variable of AMSE growth.

The study depicted that majority 84% had no basic training on entrepreneurial activity that they were involved in. Those who happened to have attended a business related training i.e. 46% in the course of their business, 99 % indicated that the training was helpful for the growth their Enterprise. Training is a key component in human resource capacity. Human resource capacity was ranked as the second most important factor that affected growth of AMSE. Therefore human resource capacity was revealed as an important factor that affected growth of AMSE in Embu County. The study found there was a positive significant relationship between the human resource capacities as a variable of AMSE growth.

Conclusions

The study revealed that both factors under study which were technological capacities and human resource capacities affected growth of Agribusiness Micro and Small Enterprises in Embu County.

REFERENCES

Abor, J. & Quartey, P. (2010). *Issues in SME Development in Ghana and South Africa*. International Research Journal of Finance and Ethics, 7(12), 45-52

Africa Development Bank (ADB),2010.

Aceleanu, M., Trasca, D. & Serban, A., (2014). *The role of small and medium enterprises in improving employment and in the post-crisis resumption of economic growth in Romania*. Theoretical and Applied Economics, 21(590), 87-102.

Recommendations

Micro and Small Enterprises Authority (MSEA) should enhance its collaboration with Embu County Government in their efforts to improve entrepreneurial activities in the agribusiness sector. Also MSEA to upscale their collaboration with other AMSE supporting institutions like Financial institutions, on governmental Organisations(NGOs), Community Based organisations (CBOs) and Faith Based organisations(FBOs) . Besides, entrepreneurs should seek for more trainings and exchange tours to upscale their knowledge and skills an agribusiness Micro and Small Enterprises so as to be able to differentiate themselves from other competitors in the market.

Suggested Areas for Further Research

To get a more explanation of growth of these enterprises, other variables and growth indices should be identified and included in future research.

Ahmad Z. Y., Choong K.F., Abdullah S.O., Ishak A.R., & Jumaat M. (2011): *Management skills and entrepreneurial success of small and medium enterprises (SMEs) in the services sector*; African Journal of Business Management 5(26),10410-10418, 28 October, 2011 Available online at <http://www.academicjournals.org/AJBM> DOI: 10.5897/1993-8233 ©2011 Academic Journals

Akwalu, P. (2014). *Factors influencing performance of youth owned small and medium enterprises. A case of Maara sub-county; Tharaka-nithi county; Kenya*. Retrieved from <http://hdl.handle.net/11295/73951>

Alvarez, R., 2004. *Sources of export Success in Small-and Medium-Sized Enterprises: the impact of Public Programs*. International Business Review, 13(3), 383-99.

Annual report (2015): *Department of Agriculture, livestock, fisheries and irrigation , Agriculture section, 2015, Embu County*

Armstrong, M. (2010). *Human Resource Management Practice*, (11th ed) London

Asma B. B.,Shang B.S.,Diabate A.& Othman A.,(2015) :*Establishing the Factors Affecting the Growth of Small and Medium-sized Enterprises in Algeria* Shanghai University 20044 ,China

Ayyagari., Meghana., Asli Demirgüç-Kunt & Vojislav Maksimovic (2006), "How Important Are Financing Constraints? The Role of Finance in the Business Environment", World Bank Policy Research Working Paper, No. 3820.

Bartelsman, E, Scarpetta, S & Schivardi, F. (2005). 'Comparative analysis of firm demographics and survival: evidence from micro-level sources in OECD countries', Industrial and Corporate Change, 14 365-391.

Belay K.D., Asmera T., Tekalign M. (2015): *Factors Affecting Developments of Micro and Small Enterprises (Case of Mettu, Hurumu, Bedelle and Gore Towns of Ilu Aba Bora Administrative Zone)* International Journal of Scientific and Research Publications, V5,2250-3153 www.ijsrp.org Management Department, Business and Economics Faculty, Mettu University, Ethiopia

Bigsten, A., & Gebreeyesus, M. 2007. *The small, the young, and the productive: determinants of manufacturing firm growth in Ethiopia*. Economic Development and Cultural Change , 55(4): 813-840.

BIS(2012):*Business population Estimates 2010 to 2012*; <https://www.gov.uk/government/statistics/bis-business-population-estimates>

Blanchflower, D.G. (2006). 'Self-Employment: more may not be better,' Swedish Economic. Policy Review, 11(2), 15-74.

Brush, G, Blackburn, A., & Blank, M., (2009): *Understanding the Challenges to Growth in Entrepreneurial Firms: Cases from UK and USA*. Paper presented at the new Rent Conference. Entrepreneurial Growth of the Firm, Volume Budapest

Bryman, A. & Bell, E., 2007. *Business Research Methods*, 2nd ed., Oxford: Oxford University Press.

Calvo, J. L. 2006. *Testing Gibrat's laws for small, young and innovating firm*. *Small Business Economics* , 26: 117-123.

Coad, A. (2007). *Firm Growth: A Survey*. *Papers on Economics and Evolution*.430-716.

Chuthamas C., Aminul I., Thiyada K. ,Dayang H. M.Y.. (2011): *Factors Affecting Business Success of Small & Medium Enterprises (SMEs) in Thailand*.Malaysia Perlis www.ccsenet.org/ass.Asian Social Science V. 7, No. 5; May 2011 .911-1017.

Davidsson, P. (1989). *Entrepreneurship—and after? A study of growth willingness in small firms*. *Journal of Business Venturing*, 4, 211–226.

Dodge, Robert & Rabbins, John(1992): “*An Empirical Investigation of the Organizational Life Cycle Model for Small Business Development and Survival*”, in: *Journal of Small Business Management* 30 (1) 27-37.

Drucker, P. F. (1985), *Introduction, Innovation and Entrepreneurship*, Harper & Row Publishers, New York, 1–17.

Eveliina S. & Labinot V.(2011):*Factors Influencing SME Growth In Kosovo*, Bachelor’S Thesis, International Business Management

Fumo, N.D.G. & Jabbour, C.J.C. (2011). *Barriers faced by MSEs: evidence from Mozambique*, *Industrial Management & Data Systems*, 111(6), 849 - 868

Gideon B. & Mwangi K.(2015) :*STRENGTHENING THE FIRST MILE; Enabling small and medium Agribusinesses to unlock development in Tanzania, Uganda and Kenya* , Farm Africa by OGIVES Ltd.

Government of Kenya (GoK), 2005. Sessional paper No.2 of 2005 on Development of Micro and small Enterprises for wealth creation, Employment Generation and Poverty Reduction. Nairobi: Government Printers.

Government of Kenya (GoK), 2012. Sessional paper No. 10 of 2012 On Kenya Vision 2030. Government Printers, Nairobi. Printers, Nairobi.

Gomez GM (2008). *Do micro-enterprises promote equity or growth?* Evaluation report, Woorden Daad, Gorinchem, The Netherlands

Hakkert, R., & Kemp, R. G. M. 2006. *An Ambition to Grow: A multidisciplinary perspective on the antecedents of growth ambitions*, EIM SCALES . Zoetermeer: EIM.

Hermelo, F., Vassolo, R., (2007) ‘*The determinants of firm’s growth: an empirical analysis*’ 5

Hisrich, R.D, Peters, P.M and Shepherd, D.A (2010). *Entrepreneurship*. 6th Edt. Tata New Delhi. McGraw Hill.

Huka S. and Wario G. (2013): *Factors Influencing Growth of Youth Owned Small and Medium Enterprises in Nairobi County, Kenya*. Jomo Kenyatta University of Agriculture and Technology, Kenya *International Journal*

of Science and Research (IJSR) (Online): 2319-7064 Index Copernicus Value .www.ijsr.net Licensed Under Creative Commons Attribution

Israel Kirzner (1963). *Market Theory and the Price System*. Princeton. N.J.: D. Van Nostrand Company. 35

James K. M., Susan N. M.,Magdaline W.,Joash O. O., Jane N. K.,(2013):Factors Affecting the Growth of Micro and Small Enterprises: A Case of Tailoring and Dressmaking Enterprises in Eldoret International Journal of Business and Social Science (4) 5;

Jason A., 2014: *Agribusiness SMEs in Malawi; Assessment of Small and Medium Enterprises in the agriculture sector and improved access to finance in Malawi*. United States Agency for International Development. Kadale Consultants of Malawi, for ACDI/VOCA .USAID's Leveraging Economic Opportunity (LEO) project.

Joseph S.&Jonathan E.(2013):*The key to unlocking Africa's multi-billion dollar agriculture opportunity: Great managers*; The Africa Policy Journal, A Harvard Kennedy school student Publication

K'Obonyo, P. O. (1999). "Flexible specialization and small enterprise development in Kenya: Issues and Problems". In Kinunda-Rutashobya, L and Olomi, D. R., African Entrepreneurship and small Business Development. Dar-es-salaam.

Joseph N. N. & Henry B. (2013) *Factors Influencing Growth Of Group Owned Small And Medium Enterprises: A Case of One Village One Product Enterprise*. International Journal of Education and Research School of Human Resources Development (1) 8 August , Jomo Kenyatta University of Agriculture and Technology, Juja Campus.

Jovanovic, B., 1982. *Selection and Evolution of Industry*. Econometrics, 50(5), 649-670.

Juma, C. 2011. *A New Harvest*. New York: Oxford University Press.

Kessy, S. and Temu, S.S. (2010). The impact of training on performance of micro and small Enterprises served by Microfinance Institutions in Tanzania in Research Journal of Business Management.

Kladiola G. ,2014: *SMALL AND MEDIUM SIZED ENTREPRISES; GROWTH FACTORS*; European Scientific Journal February 2014 /SPECIAL/ edition(1) Aleksander Xhuvani', Albania

Kothari, C.R., 2004: *Research Methods; Methods & Techniques*. New Age International (P) Ltd., Publishers, India

Krasniqi, B. A., 2007: *Barriers to entrepreneurship and SME growth in transition: The case of Kosovo*. Journal of Developmental Entrepreneurship, 12(1), 71–94.

Levy, Margi – Powell, Philip (2005) strategies for growth in SMEs: The Role of Information and Information Systems

Lumpkin, T., and Dess, G. (1996). *Clarifying the entrepreneurial orientation construct and linking it to performance*. Academy of Management Review, 21(1), 135–172.

Lockett, A. 2013. *Entrepreneurial Leadership, capabilities and Growth*, Warwick Business School: Enterprise Research Centre: White Paper No.2.

Love, J. and Roper, S., 2015. *SME innovation, exporting and growth: A review of existing evidence*. *International Small Business Journal* , 33(1), 28-48

Li, Y. and Rama, M., 2015. *Firm Dynamics, Productivity Growth, and Job creation in Developing Countries: The Role of Micro-and Small Enterprises*. *World Bank Research Observer*, 30(1),3-38.

Macpherson, A. - Holt, R. (2007) *Knowledge, learning and small firm growth: A systematic review of the evidence*, *Research Policy*.

McGuirk, H., Lenihan, H. and Hart, M., 2015. *Measuring the impact of innovative human*

Morse, E.A., Fowler, S.W., and Lawrence, T.B.(2007), "*The impact of virtual embedness on new venture survival: Overcoming the liabilities of newness*", *Entrepreneurship Theory & Practice*, 139-159.

Mugenda O, & Mugenda, A. (2003).*Research Methods: Quantitative and Qualitative Approaches*. Nairobi: ACTs Press.

Mwangi K. & Gideon B.; *FARM AFRICA (2015): Strengthening the first mile report on enabling small and medium Agribusinesses to unlock development in Tanzania, Uganda and Kenya* for Farm Africa by OGIVES Ltd. ngo.media.

Namusonge, G.S., (2004), "*The Role of Development Financial Institutions in the Aquisition of Technological Capabilities by Small and Medium Enterprises in Kenya*", *ATPS Working Paper Series No. 41*, African Technology Policy Studies Network, Nairobi, Kenya.

Odhiambo, A. A. (2013). *Factors influencing performance of youth owned micro, small and medium enterprises (MSME) in Kenya*, *International Journal of Social Sciences and Entrepreneurship*, 1(3), 263-272

OECD, 2009. *The impact of the global crisis on SME and entrepreneurship financing and policy responses*. *Centre for Entrepreneurship, SMEs and Local Development*, OECD, Paris

OECD, (2004). *Promoting Entrepreneurship and innovative SMES in a global Economy: Towards a more responsible and inclusive globalization*, Instambul, Turkey 3-5 organization for Economic cooperation and Development. Paris: [Online] Available: <http://www.oecd-istanbul.sme2004.org>

O'Farrell, P. & Hitchens, D. :(1988) "*Alternative Theories of Small-Firm Growth: a Critical Review*", in: *Environment and Planning* 20, 1365-1383;

Olawale, F. & Garwe, D.(2010). *Obstacles to the growth of new SMEs in South Africa: A principle component analysis approach*. *African journal for business and management*.4 (5). 729-738.

OSMEP (2008). *Situation and Structural Indicators of SMEs in 2008 and 5-Year Changes*, White Paper on SMEs 2008 and Trends 2009.

- Pasanen, M. (2007). *SME growth strategies: organic or non-organic?*. J. Enterprising Culture, 15(317). DOI: 10.1142/S0218495807000174. Department of Business and Management, University of Kuopio, Finland.
- Pandya, V. (2012). *Comparative analysis of development of SMEs in developed and developing countries*. The 2012 International Conference on Business and Management: 6 - 7 September 2012, Phuket - Thailand.
- Pearce, JA II, & Robinson, RB Jr (2011). *Management structure: strategy formulation, implementation, and control*. R. D. Irwin, Inc., Chicago, IL
- Penrose, E. (1959). *The theory of the growth of the firm*, revised edition published 2009. Oxford University Press.
- Porter, Michael E., (2004) "*Location, Competition and Economic Development: Local Clusters in a Global Economy*," Economic Development Quarterly 14, no. 1, February 2000: 15-34. Also reprinted in *Globalization and the Location of Firms* (J. Cantwell, ed.), Cheltenham: Edward Elgar Publishing.
- Rasha S.& Hassan. H.(2016): *The determinants of small firm growth: an empirical study on Egypt*,The Business and Management Review (2)
- Rocha R., Farazi S., Khouri R., & Pearce D. (2011). *The status of bank lending to SMEs in the Middle East and North Africa Region: Results of a joint survey of the Union of Arab Banks and the World Bank*. Policy Research Working Paper 5607.
- Robson, P., Akuettech, C., Westhead, P. and Wright, M., 2012. *Innovative opportunity pursuit, human capital and business ownership experience in an emerging region: evidence from Ghana*. Small Bus Econ, (39), 603-625
- Saunders, Mark – Lewis, Philip – Thornhill, Adrian (2007) *Research Methods for Business Students* 4th edition, Prentice Hall
- Schumpeter, J. 1934. *The Theory of Economic Development*. Cambridge, MA: Harvard University Press.
- Sengupta, Jati (1998). *New Growth Theory*. Edward Elgar, Northampton, MA
- Shah, S.F.H., Nazir, T., Zaman, K., & Shabir, M. (2013). *Factors affecting the growth of enterprises: A survey of the literature from the perspective of small- and medium-sized enterprises*. Journal of Enterprise Transformation, 3, 53-75.
- Sidika, I. (2012). *Conceptual framework of factors affecting SME development: Mediating factors on the relationship of entrepreneur traits and SME performance*. Proceedings from ICSMED 2012: International Conference on Small and Medium Enterprises Development. Procedia Economics and Finance 4, 373 -383.
- Siobhan P. B.S.(2013):*Obstacles To SME Growth In Peru: An Empirical Analysis Of The Effect Of Labour Constraints on Firm Performance*; A Thesis submitted to the Faculty of the Graduate School of Arts and Sciences of Georgetown University in partial fulfillment of the requirements for the degree of Master of Public Policy,Washington, D.C. April 17 ,2013

Staines, A. (2005). "Double Trouble": The Growth of Small & Medium-Sized Enterprises in Small Island Economies. Available on line: www.maltaenterprise.com/filebank/Nisson%20-%20Lancaster%20University.pdf.

Stokes, D and Wilson, N. (2010). *Small Business Management and Entrepreneurship*. 6th Edt. United Kindom. SOUTH-WESTERN.

Tadesse, A.(2009: A perspective on SME financing in Africa. *Proparco's Magazine: Private Sector & Development*. Issue 1, May.

Vaughn, K. I. (2006). *The problem of order in Austrian economics: Kirzner vs. Lachmann*. Review of Political Economy, 4(3), 251.

Van Scheers, L. (2011). *SMEs' marketing skills challenges in South Africa*. African Journal of Business Management, 5(13), Retrieved from <http://www.academicjournals.org/AJBM> DOI: 10.5897/AJBM10.007 993-1233

Vasquez, Fernando and Doloriert, Clair.(2011) "Case-Study of Internationalization in Peruvian SMEs." Journal of CENTRUM Cathedra 4, no. 1 (2011): 77-99.

Veglio, V. and Zucchella, A., 2015. *Entrepreneurial firms in traditional industries. Does innovation matter for international growth?* Journal of International Entrepreneurship, 13 ,138-152

World Bank (2010) *Kosovo Unlocking Growth Potential: Strategies, Policies, Actions*.

Wright, M. and Marlow, S., 2011. *Entrepreneurial activity in the venture creation and development*. International Small Business Journal, 0(0), 1-8.

Wright, M. and Stigliani, I., 2012. *Entrepreneurship and Growth*. International Small Business Journal, 31(1), 3-22.

Yusuf et al (2003), *Innovative East Asia: The Future of Growth*, Washington, D. C.: The World Bank, a Co-publication of the World Bank and Oxford University Press

Zucchella, A. and Siano, A., 2014. *Internationalization and innovation as resources for SME growth in foreign markets: a focus on textile and clothing firms in the Campania Region*. International Studies of Management & Organization, 44(1), 21-41.