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Venture Capital and Growth of Small and Medium- Sized Enterprises in Kiambu County, Kenya

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Abstract

Purpose: The goal of the study was to look into the impact of Venture Capital financing on the growth of SMEs in Kenya's Kiambu County. The specific objectives included to assess the influence of Venture Capital financial support, Venture Capital managerial support, Venture Capital technical support and attracting other sources of Venture Capital financing on growth of SMEs in Kiambu County.

Methodology: To achieve the goals, the study used a descriptive research approach. The target demographic included all 889SMEs in Kiambu County that are listed in the Kiambu Business Directory-(2021). The study used questionnaires and secondary data sheet as the data collection tools. The data collected was coded, quantified, processed and synthesized quantitatively and qualitatively.

Findings: The study found that financial support, managerial support, technical support and Venture Capital monitoring affects the growth of SMEs in Kiambu County. The study found that in overall Venture Capital affects the growth of SMEs in Kiambu County to a great extent. The study concludes that financial support offers essential paths for increasing the pool of trained labor, increasing the output of goods and services, creating jobs and providing opportunity to develop entrepreneurial and management abilities. Through Venture Capital managerial support, creative skills, research skills, and strategic technologies are provided which are positively associated with firm growth. Venture Capital monitoring frameworks are responsible for observation of business operations, standard of measurements are crucial in preventing business failures, and vibrant transparency and accountability measures are important in directing enterprises development endeavors. From the inferential analysis, an increase in the Venture Capital financing aspects leads to growth of SMEs in Kiambu County.

Unique Contribution to theory, practice and policy: The study recommends the SMEs in the County to partner with Venture Capitalists to benefit from financial support for greater successes. Venture Capital firms and SMEs to work together to form a friendly relationship through multi-party cooperation which will pave way for monitoring of the inputs and outputs of the Venture Capital.

Key Words: *Venture Capital Financial Support, Venture Capital Managerial Support, Venture Capital Technical Support, Venture Capital Monitoring, Growth of SMEs*

Background of the Study

Growth is regarded as an indication of continued entrepreneurship. As per Lexan (2018) growth refers to a growth in income, sales, or the number of workers registered by Venture Capital -backed firms during a one-year period that may result in the transformation of an organization from a small business to a large corporation. As such growth is the advancement of firm as associated with increment of personnel, production or service delivery, as a result of pursuing tactics (Taouab & Issor, 2019). According to Suweiba and Haibo (2019) Venture Capital is a form of investment that involves making equity investments in startups with the goal of gaining capital appreciation primarily through equity transfers once the startups have reached maturity or are near maturity. According to Matisone and Lace (2021), Venture Capital refers to the money given by financiers to small enterprises or startups with long-term development prospects. Venture Capital, according to Zhang (2021), is a subcategory of equity funding made for the startup, early development, or expansion of a firm. Venture Capitalism an important source of finance for startups that cannot have access to capital markets. According to Kato and Tsoka (2020), the majority of Venture Capitalism founded on a new and disruptive concept to apply a heuristic-based business model, which makes them appealing to Venture Capital investors. Giving up a portion of the company's stock, entering into a revenue-share arrangement, taking on debt, or having convertible debt are all examples of this Venture Capital emerges helpful to assist them get through the first setbacks and pitfalls of establishing and speeding up their reach-to-market operations.

Venture Capitals are typically interested in SMEs that have a lot of room for expansion. OECD (2018) defines SMEs as the formal or informal businesses which are characterized by few employees, ranging from 1 to 50. SMEs utilize local resources and concentrates little on limited foreign currency reserves. As per the study by the World Bank (2021), SMEs account for over

90% of firms and more than 50% of worldwide employment. Funding of SMEs as well as start-up firms subject the investor into a high risk but also it has great potential for above-average returns (Sansa, 2019). As Tehseen, Muneeb, Mahmoud, Hack-Polay, Yan and Nawaz (2020) pointed, creation and development of SMEs mainly depends on the available and accessible sources of finance (Sansa, 2019). In addition to financial backing, investors give management and technical assistance to new businesses. The principal contributors of seed funding, according to Michael, Gorbenko, and Korteweg (2020), are groups of rich investors, financial institutions that aggregate such contributions, collaborations and investment banks. OECD (2018) reported that a few of the prominent variables for the expansion of SMEs has been the use of Venture Capital financing for start-up firms. Venture Capitalism based on their capacity to assist and invest in enterprises that have a high chance of succeeding in an aggressive marketplace. Suweiba and Haibo (2019) indicated that Venture Capital in spite of being a little financial middleman Venture Capital helps a vast number of people find work all around the world. By financing the promising entrepreneur who in turn create job opportunity.

Poor cost management and business decisions can lead to Semi a profit negative cycle that could cause a decline in development. According to Taouab and Issor (2019), SMEs contribute significantly to the Economic Output of most nations, which has a significant effect on economic growth, resulting in increased income, poverty reduction, and employment generation. According to Musa (2022), there were the reported Venture Capital deals in Africa in 2021 showed a 104% increment from the Venture Capital deals reported in 2020. 75% of investors active in Africa's Venture Capital landscape in 2021 were International Investors while 25% were African Investors. The total value of reported Venture Capital deals in Africa between 2014 – 2021 amounted to US$10.2bn out of which US$5.2bn represented year 2021 only. These Venture Capital investments benefited 24% of the start-up companies. Nigeria recorded the highest inflow Venture Capital at 23% followed by South Africa with 17%, then Egypt at 15% and Kenya came fourth with 13%.

Kenya Economic Survey (2022) reported that in Kenya 23% of the Venture Capital financing was directed to financial sector, followed by consumer discretionary (18%) and information technology (15%). Other sectors that benefited from Venture Capital financing included industrial sector (14%) and communication services (9%). some of the enterprises that have benefited from Venture Capital financing in Kenya include Twiga Foods, Victory Farms, M-Kopa, NopeaRide (Kenya Economic Survey, 2022). The major financiers of these companies include TLcom Capital, Fanisi, Savannah Fund, Adullam Investors, African Technology Ventures, AFZA Capital, Angumi Global Capital, East Africa Capital Partners, Cornerstone Enterprises, Enza Capital, FSD Africa, Investeq Capital, Kenya Feed the Innovation Engine, Saviu Ventures, Sunu Capital, TBL Mirror Funds, and White Rhino Ventures.

Statement of the Problem

SMEs were highlighted as critical development catalysts for emerging markets, as well as a key source of labor and a revenue-generating engine in several underdeveloped countries. Small and medium-sized companies (SME) development, according to Arouri (2018), has an impact on the world economy and adds value to boosting the economy. Yet, many SMEs suffer funding issues since most financial institutions, particularly banks, see SMEs as high-risk debtors since the most of them seem to be new to company. Despite having access to angel investors' finance, these funding issues appear to have endured and stifled SMEs' progress. According to a Deloitte (2018) poll, micro businesses are developing interest in East Africa and choose to venture in Kenya because of the country's thriving private market and market liberalization. Otieno (2019) investigated the impact of venture funding on the profitability of innovation upstart enterprises in Nairobi County, and discovered that better Venture Capitalist boosts business progress. The study also found that supervision promote judgement, entrepreneurship knowledge, personnel management, and growth of a company, all of which have a positive effect on startup growth. Apuoyo (2019) investigated the association between venture funding and SMEs' return on assets in Nairobi City County, finding that external financing was associated with better SMEs' growth. Githae (2019) conducted study in Nairobi on the impact of Venture Capital on SMEs' profitability and found that Venture Capital has a favorable impact on SMEs' earnings through their investment.

SMEs in Kiambu County, like those in other counties across the country, play a key role in the growth of the economy by facilitating trade and creating jobs. Aside from these contributions, the sector continues to fight for survival, with a high number of people dying off. Due to contextual gaps, conceptual gaps, methodological gaps and general lack of consistent research the present investigation attempted to fill this vacuum by concentrating on the impact of Venture Capital on the growth of SMEs within Kiambu County.

Objectives of the Study

i. To assess the influence of financial support on growth of SMEs in Kiambu County.
ii. To determine the influence of managerial support on growth of SMEs in Kiambu County.
iii. To establish the influence of technical support on the growth of SMEs in Kiambu County.
iv. To examine the influence of monitoring on growth of SMEs in Kiambu County.

Literature Review

Theoretical Review

Financial Liberalization Theory

The financial liberalization theory was developed independently by McKinnon (1979) and Shaw (1973). They looked at the consequences of government engagement in the administration of specific institutions for profit and their contributions to economic growth in their major articles. The relevance of financial deregulation in connection to economic growth was established by McKinnon and Shaw. Numerous studies have been conducted since then to examine the consequences of financial liberalization on economic development, financing limitations, structural reforms, capital mobility, and financial leverage, among other things. Economic reform, according to Auerbach and Siddiki (2004), is the removal of a series of obstacles in the financial sector in order to bring it in line with those of developed countries. Liberalization is an important source of finance for startups that cannot have access to capital markets potential for above-average returns. Trade development is clearly intended to enhance economic growth by allowing free markets to play a key part in a country's economic development. The proponents of this idea thought that financial development and economic progress are inextricably linked. The importance of the economic reform hypothesis in this study is premised on the reality that international angel investors fund managers' account for the majority of seed funding investment firms in Kenya. As per Venture Capital (2016), over 70% of seed capital businesses are foreign-owned, with Mauritius capitalists going head to head in liberalization venture funding. Financial liberty proponents say that deregulation markets produce higher incomes (IMF, 2018). As argued by Macharia (2018), economic reform aided Venture Capital endorsement in Kenya, where private sector asset managers took precedence over state projects in the execution of stimulus measures that backed SMEs (Macharia, 2018). The Financial Sector Deepening (FSD) program was created as a result of the collaboration and partnership. It recorded the characteristics of investment firms in Kenya (Njuguna, 2019). The market for seed finance for budding innovative businesses was investigated by FSD. Today, Kenya has become the third world's leading Venture Capital market in Sub-Saharan Africa, after South Africa and Nigeria (EA Venture Capital A, 2018). Following intermediation, SMEs that are financed by Venture Capital have better performance as compared to non-venture Capital financed SMEs. This theory thus is essential in assessing the influence of Venture Capital financial support on growth of SMEs in Kiambu County.

Agency Theory

This was developed by Meckling and Jensen (1976). This is the connection between a company's owners (the main) and its administration (the agent). The hypothesis, as per Smith (2005), presupposes that the entrepreneur and the shareholder behave rationally, that the results of their transactions can be foreseen, that they act to their benefit, and that the shareholder has knowledge advantage that are expense. The theory stresses monetary incentives for including persons in the Agent-Principal relationship for maximal economic reward or revenue (Kim & Mahoney, 2018).

Furthermore, finance, business strategy, public administration, economics, commerce, and entrepreneurship have all used this idea. This theory is exhibited in the instance of Venture Capital investments, according to Dai and Liang (2022), with the Principal being the investors (limited partners) and the Agent being the Venture Capital business. As agents for investors, Venture Capitalists are actively involved in the monitoring and appraisal of investments. They even go ahead and take over managerial positions at the investee company. Due to information asymmetry, conflict of interest may occur as a result of the businessman having and canceling knowledge from the investment elite's total transparency, leading in a phenomena known as agency costs (Barry, 1994). Furthermore, the entrepreneurs may participate in additional high-risk ventures that the Venture Capitalism unaware of. The axioms of the agency theoretical foundation, as per Dai and Liang (2022), give insights into the symbiosis connection that occurs between the investor (Venture Capital) and the investee (Startup). Venture Capital is based on their capacity to assist and invest in enterprises that have a high chance of succeeding in an aggressive marketplace. Venture Capitalism an important source of finance for startups that cannot have access to capital markets. Suweiba and Haibo (2019) indicated that in spite of being a little financial middleman Venture Capital helps a vast number of people find work all around the world. By financing the promising entrepreneur who in turn create job opportunity.

Dynamic Capabilities Theory

Teece (1997) advanced the dynamic competencies principle which makes a specialty of the integrating, constructing, and reconfiguring the resources to completely utilize them. The dynamic skills idea fills the gap of resource mobilization and the changing enterprise surroundings. Helfat et al, (2007) explained the concept as the capacity of an company to create, expand and adjust its useful resource base via aware decision in the dynamic and changing business surroundings, assets cannot be assumed to exist ready to be exploited for aggressive benefit (Treece, 1997).Okangi (2019) argued that the dynamic talents concept resonates well with the access of cellular credit score by means of SMEs. At the same time as credit is available in the marketplace from distinctive assets, organizations should make conscious decision of identifying and applying for the finances for usage of meeting commercial enterprise desires the appropriate, well timed and sufficient financing is essential to reap competitive benefit. Venture Capital ikurt (2018) sees the environment that firms operate in presently to be unexpectedly fluctuating. This requires corporations no longer to recognition on market orientation by myself however to carefully remember abilities via which they be triumphant. SMEs can simplest hope to carry out properly if they adopt to new methods of doing things within the dynamic environment. Cellular credit is a brand new fashion whose accessibility at friendly phrases can be exploited for aggressive benefit.

Barney (1991) criticized the DCT as an extension of RBV and as a result does now not deal with the performance of SMEs. He argues that the principle emphasis of on an agencies potential to create, regulate and amplify assets can't practice to small commercial enterprise which have now not yet created such unique resources. Tahseen (2021) supports this argument indicating that the concept locations the management capability on the center of accomplishing the competitive advantage. This benefit won't be achieved with the aid of SMEs which in most instances depend the proprietor-based totally manipulate. While this complaint is important, the theory can't be ignored mainly while explaining the quick adoption to the converting surroundings which substantially favors SMEs compared to their opposite numbers in larger organizations. The theory might be relevant in establishing the effect of undertaking capital technical support at the growth of SMEs in Kiambu County.

Venture Capital Hypothesis

Access to inexpensive finance is a critical driver of SMEs' growth. According to Watson (2018), Witter introduced Venture Capital as a hypothesis in 1939. Witter coined the phrase " Venture Capital " in a speech to the Investment Bankers Association of America in which he defined it as "cheap credit finance to promote start-ups" (Peters, 2018). An inexpensive credit, according to Zhou, Park, and Ungson (2018), focuses on the important topic of entrepreneurship development and firm growth. Giving SMEs stock stakes, agreeing on share of profits, taking out loans, or having convertible debt are all examples of these frameworks. To fulfill their allocation, redistribution, and stability goals, Venture Capital -based firms rely on a variety of mechanisms in the Venture Capital framework. Venture Capital Hypothesis postulates that Venture Capital firms offer leadership abilities and a lifts signaling pathway participation that enhances the advancement of a run (Lin & Chen, 2018). The relevance and participations of the angel investors' proposition has been observed to have tremendous impact on the developing of enterprises provided that disparity advancement also depends heavily on indicating consequences reasoning (Smith, 2018). The majority of Venture Capital is founded on a new and disruptive concept to apply a heuristic-based business model, which makes them appealing to Venture Capital investors. Giving up a portion of the company's stock, entering into a revenue-share arrangement, taking on debt, or having convertible debt are all examples of this. Venture Capital emerges helpful to assist them get through the first setbacks and pitfalls of establishing and speeding up their reach-to-market operations. Creation and development of SMEs mainly depends on the available and accessible sources of finance (Sansa, 2019). According to Smith (2018), most emerging nations have an economic conundrum in allocating these revenue and spending duties among various levels and departments of government. Many SMEs suffer funding issues since most financial institutions, particularly banks, see SMEs as high-risk debtors since the most of them seem to be new to company. Despite having access to angel investors' finance, these funding issues appear to have endured and stifled SMEs' progress. According to a Deloitte (2018) poll, micro businesses are growing interested in East Africa and choose to venture in Kenya because of the country's thriving private market and market liberalization. As a result, the Venture Capital hypothesis provides contemporary business assistance for the growth of SMEs. This hypothesis aided in the investigation of the impact of Venture Capital monitoring on SMEs' growth in Kiambu County.

Trade off Theory

The notion of trade-offs was created by (Modigliani & Miller, 1958). According to the idea, debt is desirable since debt-tax-shields assist lower predicted tax liabilities while also maximizing after-tax cash flows. By balancing the costs and profits, the trade-off capital structure theory determines what and where share capital a company will utilize. According to the trade-off hypothesis, debt financing has a limit, and the target debt varies from one SME to the next. This shift is influenced by profitability, as well as other microfinance-related issues. Profitable SMEs with a big number of physical assets that may be used as loan collateral can have a significantly greater debt ratio as a result. The 'pecking order' hypothesis is a different investment formation theory based on asymmetric knowledge, in which management knows much about a company's prospects than outside investors. The idea, according to Hao and Guo (2021), is based primarily on the notion that effective organizations with no debt, high and continuous revenue rarely employ financial leverage. According to the hypothesis, in order to avoid criticism, managers may seek to fund projects with internal funds, such as internal funds. As a result, the funding sequence is retained earnings first, debt second, and equity third when loan capability is exhausted, which illustrates why prosperous enterprises utilize minimal borrowing.Shareholders, as per Gompers et al., (2020), do not clearly organize their finances in order to achieve an efficient capital structure, preferring instead financing solutions that secure and retain their control over the company. Fama and French both critiqued trade-off theory in distinct ways. Welch further stated that, as indicated by the trade-off theory, corporations cannot erase the impact of stock price shocks and, as a result, the mechanistic change in asset values that leads to variance in capital structure. Despite its flaws, the trade-off theory is still the most widely taught theory of company capital structure in corporate finance textbooks. This will be the main hypothesis used to guide the research on the impact of Venture Capital on the growth of SMEs in Kiambu.

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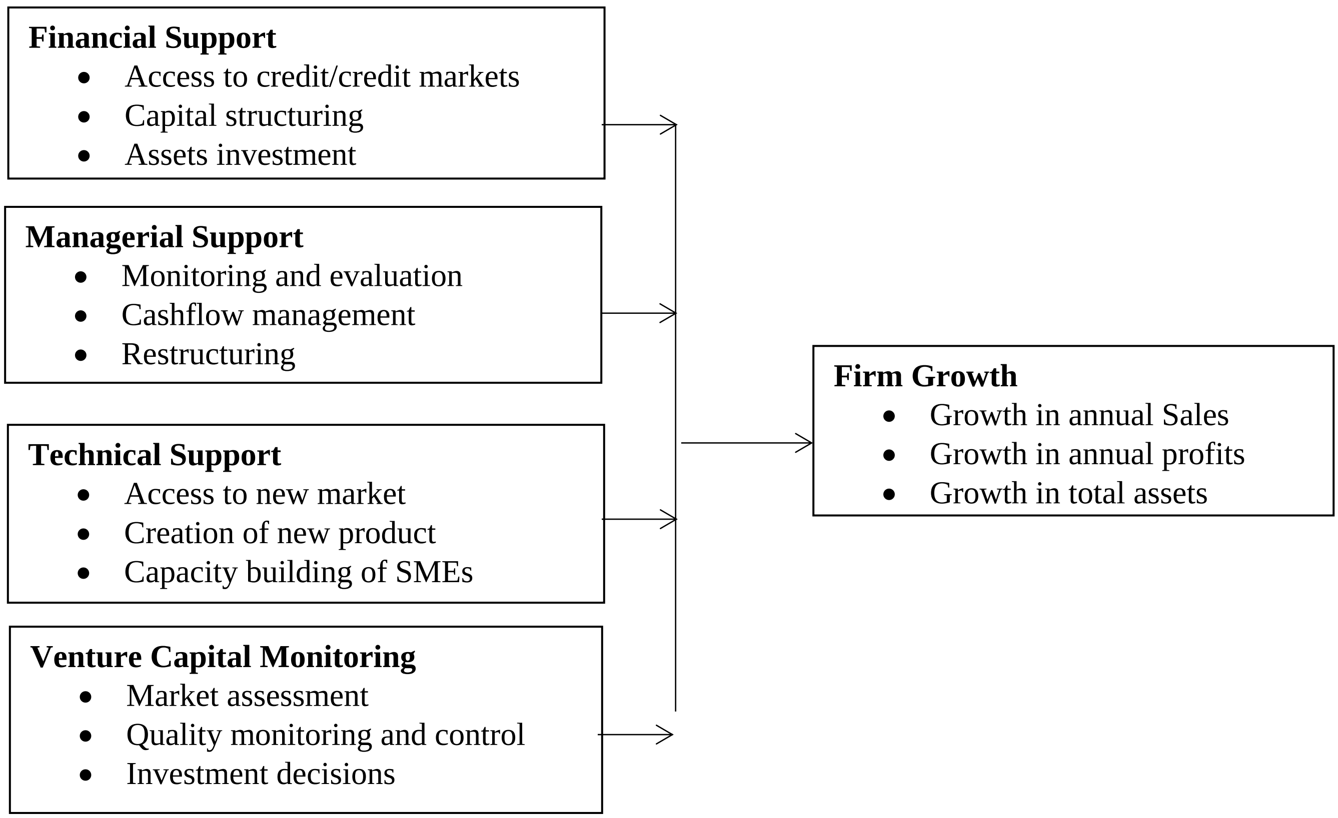
Conceptual Framework



Independent variables **Dependent Variable**

Figure 1: Conceptual Framework

Research Methodology

This study adopted a descriptive design since it sought to answer the why, how and when. The target population composed the 56 SMEs in Kiambu County which had benefited from Venture Capital within the previous five (5) years period. According to Kenya Economic Survey (2022), approximately 373 SMEs in Kenya had benefited from Venture Capital funding through various financiers. 56 of these SMEs were located in Kiambu. In 2021, 56 SMEs in Kiambu County were funded by 22 financiers. The census method was applied to select all the SMEs financed by Venture Capitalists in Kiambu County as well as the Venture Capital Financiers. For the purposes of collecting primary data, the study adopted questionnaire. The information gathered was synthesized both descriptively and inferentially. The processed data was obtained in forms of, graph, table and pie charts. Mugenda and Mugenda (2018) assert that data obtained from the field in raw form is difficult to interpret unless it is cleaned, coded and analyzed. SPSS was used in analysis of quantitative data. The study used the following regression model:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

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Y = Represents Growth of SMEs (Dependent Variable), X_1 = Venture Capital financing in growth of SMEs, X_2 = Venture Capital Management Support in growth of SMEs, X_3 = Venture Capital Technical Support in growth of SMEs, X_4 = Represents Venture Capital Monitoring, β_0 Represents constant, β_1, β_2, β_3 and β_4 are the coefficient of the variables and and ε =error term.

Results

Out of 78 questionnaires that were distributed, 72 respondents successfully filled and returned their questionnaires. These included 52 responses received from SMEs funded by Venture Capital firms and 20 responses obtained from the Venture Capital firms which resulted to a 92.3% response rate. The response rate was considered satisfactory to evaluate the influence of Venture Capital financing on the growth of SMEs in Kenya's Kiambu County. According to Mugenda and Mugenda (2013) a response rate greater than or equal to 50 percent is considered adequate to conduct a research.

Descriptive findings and analysis

Descriptive analysis seeks to describe the findings as observed during the analysis. The study adopted descriptive statistics aimed at describing the distribution of measures obtained from responses from items contained in each of the variable in the questionnaire. This descriptive statistics section focuses on synthesizing the results on influence of Venture Capital financing on the growth of SMEs in Kenya's Kiambu County. Frequencies, percentages, mean scores and standard deviations have been generated in an attempt to analyze the relationship between Venture Capital financing and growth of SMEs. The results have been captured systematically based on the specific objectives of the study.

Venture Capital Financial Support and Growth of SMEs in Kiambu County

The respondents were asked to rate the extent to which they agreed with various statements on the effect of financial support on growth of SMEs in Kiambu County. According to the results in Table 1, majority of the respondents largely agreed that use of Venture Capital has increased the value added income increased with. A mean of 3.64 backed these sentiments. The respondents also affirmed that V.C increased return on assets as evidenced by a mean of 3.61. A mean of 3.56 indicated that most of the respondents also generally agreed that Venture Capital financial support enabled their firms to expansion of business operation. The respondents also generally agreed that the interest rate charged by Venture Capitalists is lower and the payback period is spread over reasonable time backed with a mean of 3.56. Additionally, as evidenced by a mean of 3.53 the respondents concurred that V.C financial support increased the sales revenue. The respondents also moderately agreed that terms and conditions of the financing are done through private placement according to the resulting mean of 3.42 and that the repayment conditions are less favorable relative to commercial banks as shown by a mean score of 3.31. These results imply that V.C financial support increases the sales revenue, enabled the firms to expansion of business

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operation, and increase the value added income. These finding are consistent with earlier research by Suweiba and Haibo (2019) who found that financial support ensures availability of financial resources cost management, and implementation of efficient business financial decisions resulting in increased income, earnings, enhancement of better credit ratings, assist in making investments and financial improvement. The results obtained are summarized in Table 1.

Table 1: Agreements on Effects of financial support on SMEs' Growth

Statements	No Extent	Little Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
V.C financial support increased the sales revenue	0.0	8.3	38.9	44.4	8.3	3.53	2.02
VentureCapital financial support enabled this firm to expansion of business operation	0.0	8.3	38.9	41.7	11.1	3.56	1.90
Use of Venture Capital has increase the value added income increased with	0.0	11.1	30.6	41.7	16.7	3.64	1.64
V.C increased return on assets	0.0	5.6	41.7	38.9	13.9	3.61	1.92
Terms and conditions of the financing are done through private placement	0.0	11.1	44.4	36.1	8.3	3.42	1.92
The interest rate charged is lower and the payback period is spread over reasonable time	0.0	11.1	36.1	38.9	13.9	3.56	1.68
The repayment conditions are less favorable relative to commercial banks	2.8	8.3	47.2	38.9	2.8	3.31	2.14

Venture Capital Management Support and Growth of SMEs in Kiambu County

The respondents were further asked to indicate their levels of agreement with the various statements regarding the influence of Venture Capital managerial support on the growth of small businesses in Kiambu County. The responses on the statements were measured on a 5-point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized as neutral, 4 symbolized agree and 5 symbolized strongly agree. As per the results shown in Table 2 there was a general agreement that whenever capacity building is offered by Venture Capitalists it enhances managerial capabilities of the SMEs employees. This was in accordance with the mean score of 3.58 corresponding with the responses. According to majority of the respondents, its agreeable that capacity building training is usually offered to the SMEs staff annually as shown by a mean of 3.53. According to most of the responses gathered, there's improvement in business efficiency as evidenced by a mean score of 3.50. The respondents however indicated neutrality on that reduction of cost and increase in returns as shown by a mean of 3.42, better management structures as shown by a mean of 3.39 and that enhanced understanding and implementation of total quality management as shown by a mean of 3.33. This is an implication that managerial support enhances understanding of total quality management, better management structures, reduction of operating costs, improvement in business efficiency and capacity building are instrumental for growth of SMEs. These findings conform to Biney (2018) arguments that Venture Capital managerial support has had a substantial influence on growth rate of new businesses growth in consumer acquisition/numbers and capacity to compete in the marketplace effectively.

Table 2: Agreements on Influence of Managerial Support on SMEs' Growth

Statements on managerial support	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev.
Enhanced understanding and implementation of Total quality management	0.0	22.2	36.1	27.8	13.9	3.33	1.38
Better management structures	0.0	19.4	38.9	25.0	16.7	3.39	1.41
Reduction of cost and increase in returns	0.0	19.4	36.1	27.8	16.7	3.42	1.35
There's improvement in business efficiency	0.0	13.9	33.3	41.7	11.1	3.50	1.71
Capacity building training is usually offered to the SMEs staff annually	0.0	11.1	38.9	36.1	13.9	3.53	1.68
Whenever capacity building is offered by Venture Capitalists it enhances managerial capabilities of the SMEs employees	0.0	11.1	33.3	41.7	13.9	3.58	1.71

Venture Capital Technical Support and Growth of SMEs in Kiambu County

The study further sought to establish the respondents' level of agreement with the various statements provided regarding Venture Capital technical support and growth of SMEs in the County. A-five-points Likert's scale was used where 1 was strongly disagree, 2 was disagree, 3 was neutral (neither agree nor disagree), 4 was agree and 5 stood for strongly agree. As the results in Table 3 portray, majority of the respondents agreed that use of improved technology has led to improved products and services as shown by a mean of 3.61. They further agreed that training have increased human capacity development as shown by a mean of 3.58 and that technical forums have provided rapid prototyping and marketing strategies as shown by a mean of 3.50. Majority of the respondents however remained neutral on that technical support has been essential in expansion of business networks and that capacity building is offered by Venture Capitalists it enhances technical capabilities of the SMEs employees as shown by mean scores of 3.47 and 3.36 respectively. These results indicate that the Venture Capitalists have enhanced use of technology, facilitated training among SMEs and created technical forums all which have contributed to improved products and services, increased human capacity development as well as rapid prototyping and marketing strategies among other benefits. The same sentiments were echoed by Zhang (2021) who found that capacity building, knowledge of using improved technology, entrepreneurial training and technical forums are offered by Venture Capitalists which promote business judgements, entrepreneurship skills, personnel management, and growth of enterprises.

Table 3: Agreements on Technical Support and Growth of SMEs

Technical Support and SMEs' Growth	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev.
Use of improved technology has led to improved products and services	0.0	13.9	27.8	41.7	16.7	3.61	1.56
Technical support has been essential in expansion of business networks	0.0	16.7	33.3	36.1	13.9	3.47	1.49
Training have increased human capacity development	0.0	13.9	30.6	38.9	16.7	3.58	1.51
Capacity building is offeredbyVentureCapitalists it enhances technical capabilities of the SMEs employees	0.0	22.2	27.8	41.7	8.3	3.36	1.64
Technical forums have provided rapid prototyping and marketing strategies	0.0	16.7	30.6	38.9	13.9	3.50	1.51

Venture Capital Monitoring and Growth of SMEs in Kiambu County

The respondents were required to rate their levels of agreement with various statements regarding Venture Capital monitoring and the growth of SMEs. A key with a scale ranging from one to five was provided. From the study, majority of the respondents opined that quality monitoring and control requirements enhance growth in sales volumes to a great extent as shown by a mean of 3.53 and that market assessment by Venture Capitalists lead to speedy growth of enterprise operations to a great extent as shown by a mean of 3.50. This notwithstanding, the respondents alluded that investment decisions are crucial in establishing successful operations of enterprises to a moderate extent as shown by a mean of 3.47. From these results its evident that market assessment, quality monitoring and control as well as investment decisions lead to speedy growth of enterprises, enhance growth in sales volumes and affect the establishment of successful operations of SMEs. Previously, Payne (2019) established that continuous monitoring seeks to verify the validity and accuracy of the enterprises operations in the dynamic environment and thorough process of operations tracking techniques, industrial trends monitoring and environmental scanning keeps organizations on a growth record. The responses were summarized as shown in Table 4.

Table 4: Agreement with Statements on Venture Capital Monitoring and Growth of SMEs

Statements on Venture Capital monitoring	No Extent	Little Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
Market assessment by Venture Capitalists lead to speedy growth of enterprise operations	0.0	16.7	30.6	38.9	13.9	3.50	1.51
Quality monitoring and control requirements enhance growth in sales volumes	0.0	8.3	41.7	38.9	11.1	3.53	1.90
Investment decisions are crucial in establishing successful operations of enterprises	0.0	11.1	36.1	47.2	5.6	3.47	2.05

Growth of SMEs

The study also sought to establish the overall effect of Venture Capital finance on the growth of SMEs in Kiambu County. According to the results tabulated in 4.30, Venture Capital finance affects the growth of SMEs in Kiambu County to a moderate extent according to 52.8% of the respondents. 22.2% of the responses pointed that Venture Capital finance affects the growth of SMEs in Kiambu County to a great extent, 15.3% of them indicated to a very great extent while 9.7% of the respondents reiterated that Venture Capital finance affects the growth of SMEs in Kiambu County to a little extent. These insights imply that Venture Capital finance plays a great role in the growth of SMEs in Kiambu County. This is in accordance with Matisone and Lace (2021) who reported that Venture Capital contributes in assisting enterprises get through the setbacks and pitfalls encountered during establishment and speeding up their operations. The responses obtained are summarized in Table 5.

Table 5: Overall effect of Venture Capital Finance on the Growth of SMEs

Extents	Frequency	Percent
Very great extent	11	15.3
Great extent	16	22.2
Moderate extent	38	52.8
Little extent	7	9.7
No extent	0	0.0
Total	72	100.0

The study was also interested in establishing the extent to which Venture Capital affects various aspects of growth in SMEs. Table 6 shows that Venture Capital financing affects growth in profits to a great extent as shown by a mean score of 3.56 as well as growth in assets as indicated by a mean of 3.56. On the other hand, most of the responses culminated to that Venture Capital financing affects growth in equity to a moderate extent as shown by a mean score of 3.47 and growth in sales to a moderate extent as shown by a mean of 3.42. These responses indicate that Venture Capital financing is essential for growth of SMEs in various ways including growth in sales, profits, assets and equity among others. These findings concur with Sansa (2019) who revealed that Venture Capitalism an important source of finance for creation and development of SMEs which can lead to increment in sales volumes, income, profits, firm assets and shareholders' equity. Table 4.31 depicts the results obtained.

Table 6: Extents to which Aspects of Firm Growth are affected by Venture Capital

Aspects of Growth affected by Venture Capital	No Extent	Little Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
Growth in sales	0.0	16.7	33.3	41.7	8.3	3.42	1.73
Growth in profits	0.0	11.1	36.1	38.9	13.9	3.56	1.68
Growth in assets	2.8	13.9	27.8	36.1	19.4	3.56	1.28
Growth in equity	0.0	11.1	41.7	36.1	11.1	3.47	1.79

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The study also gathered secondary data on the growth of SMEs. The data gathered was analyzed using descriptive analysis. According to Table 7, the mean annual sales was KShs. 29.876 millions. The minimum average annual sales was KShs. 26.72millions corresponding to year 2020 and the maximum was KShs. 32.461millions reported in year 2022. The mean score of the average annual net income was KShs. 19.460millions. The minimum average annual net income was KShs.14.90millions posted in year 2020 while the maximum was KShs.23.830millions recorded in year 2022. With regard to the average total assets, the mean was KShs.161.366millions, the minimum was KShs.127.31 coinciding with year 2018 and the maximum was KShs. 202.1millions reported in year 2022. On average return on assets, the mean score was 12.295%, the minimum was 9.8% and the maximum was 15.44%. With respect to average market share growth the mean score was 1.06%, the minimum was -0.4% in 2020 and the maximum was 2.3% in 2022. On the average number of customers, the mean score was 129,200, the minimum was 67,000 and the maximum was 161,700. These results imply that the SMEs showed a steady growth in all financial aspects over the last five years. This is line with Arouri (2018) who established that there has been a positive relationship between growth in world economy and the growth of SMEs through value addition and consequential economic boosting. The study results are presented in Table 7.

Table 7: Secondary Data Analysis

Indicator of Firm Growth	2018	2019	2020	2021	2022	Min	Max	Mean
Av. Annual sales (Kshs. Mn)	28.463	30.189	26.723	31.542	32.461	26.72	32.461	29.876
Av. Annual net income (Kshs. Mn)	19.28	18.54	14.9	20.75	23.83	14.90	23.830	19.460
Av. Total assets	127.308	132.762	152.02	192.64	202.1	127.31	202.100	161.366
Av. ROA (%)	15.14	13.96	9.80	10.77	11.79	9.80	15.144	12.295
Av. Market size growth (%)	1.2	1.1	-0.4	2.3	1.1	-0.40	2.300	1.060
Av. Number of customers ('0000')	1.234	1.389	0.672	1.548	1.617	0.67	1.617	1.292

Inferential Statistics

Model Summary

The model summary was a representation of the coefficient of determination as obtained. The model summary shows the R, R-Squared and adjusted R-Squared statistics. The *R* statistic is the multiple correlation coefficients that shows quality of the prediction of the dependent variable by the independent variable. The R-squared statistic measures the proportion of the variation in the dependent variable (Y) explained by the study independent variables (X) in the linear regression model. Therefore, R-Squared statistic accounts for the cumulative effect of the independent variables together with the related errors to the dependent variable. On the other hand, the adjusted R-Squared disintegrates the effect of the error (external) factors from influencing the dependent variable hence leaving out the effect if error terms. This is the aspect that distinguishes R-Squared and adjusted R-Squared. From the results depicted in Table 8, the *R* value was 0.947, the R-Square was 0.8974 and the adjusted R-Square was 0.768. The R-Square value of 0.8974 implies that the independent variables (Venture Capital financing) would contribute to 89.74% of the dependent variables (firm growth) when the external factors are not eliminated from the model. In addition, the adjusted *R-square* of 0.768 indicated that when the external effects are eliminated, the independent variables would provide a 76.8% of the prediction of the dependent variable. The values of the Adjusted *R-Squared* showed that after the model is adjusted for inefficiencies the independent variables would explain 76.8 percent of growth of SMEs in Kiambu County. From these statistics point that there was a strong correlation between the independent and dependent variables.

Table 8: Regression Model Summary

Model	R	R-Square	Adjusted R- Square	Std. Error of the Estimate
1	0.850	0.72327044	0.693	0.0958

Analysis of Variance

The Analysis of variance (ANOVA) was employed in this study to help establish if there was a regression relationship between the variables in the study. A significant F statistic indicated in ANOVA simply demonstrated that the model was fit for the estimation. The model was tested at 5 percent significance level with a 2 tailed test. As per Table 9, the F value estimated at a 5 percent significance level was 3.228, with a significance value of 0.010, which was less than the crucial value produced from a 2-tailed test at the same significance level. This model's computed F was higher than the F critical (at 4 67, F critical= 2.41). This was an indication of the model's overall importance. As a result, the study established that there was a substantial link between Venture Capital financing and growth of SMEs in Kiambu County. The importance of the regression model, which was determined to be statistically significant, was demonstrated by these findings. Any fluctuation in the variables was negligible, and any adjustment would not result in a substantial difference. The model was therefore relied upon to explain the effect of financial support, managerial support, technical support and Venture Capital monitoring on growth of SMEs in Kiambu County.

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Table 9: Anova Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.61	4	0.4025	3.228	.010(a)
Residual	0.616	67	0.00919		
Total	2.226	71			

Regression Coefficients

To answer the proposed model for the relationship between Venture Capital financing and growth of SMEs in Kiambu County, the multiple regression coefficients were calculated and presented in Table 10. These with their significance values measures the effect of each independent variable on growth of SMEs (dependent variable). The effect that would occur to growth of SMEs in Kiambu County to changing (increasing/ decreasing) these variables. Based on the coefficients shown in Table 4.40, the regression model ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$) therefore becomes.

$Y=1.378 +0.756X_1+ 0.964X_2+0.853X_3+0.794\ X_4$……………………………Equation 2

Substituting the dummy variables with the study variables culminates to the following equation:

Growth of SMEs =1.378 + 0.756 Financial Support + 0.964 Managerial Support + 0.853 Technical Support + 0.794 Venture Capital Monitoring………………………………………………………Equation 3

The model indicates that, holding the predictor variables constant, the growth of SMEs in Kiambu County would be 1.378. The results from the regression analysis revealed that there were beta coefficients of 0.756, 0.964, 0.853 and 0.794 for financial support, managerial support, technical support and venture capital monitoring respectively. The corresponding t and p values for financial support (t=2.0377 p=0.034), managerial support (t=2.1048 p=0.018), Technical support (t= 2.0654 p=0.024) and venture capital monitoring (t= 2.0464; p= 0.029) which are statistically significant, because p values were less than 0.05. From the results it can be concluded that a one unit increase in the studied Venture Capital financing aspects the growth of SMEs in Kiambu County improved as a result. This demonstrates that each Venture Capital financing aspect has a positive and significant effect on the growth of SMEs in Kiambu (Equations 2 and 3). These results conform with those of Tehseen, Muneeb, Mahmoud, Hack-Polay, Yan and Nawaz (2020) who demonstrated that financial support, managerial support, technical support and Venture Capital monitoring enhance investment in SMEs with a view to obtain capital appreciation mainly through

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equity transfer after the enterprises become relatively efficient in their operations hence contributing significantly to the SMEs growth.

Table 101: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.378	0.623		2.2119	0.012
Financial support	0.756	0.371	0.274	2.0377	0.034
Managerial support	0.964	0.458	0.396	2.1048	0.018
Technical support	0.853	0.413	0.361	2.0654	0.024
VC monitoring	0.794	0.388	0.358	2.0464	0.029

Conclusion

Venture Capital Financial Support and Growth of SMEs

The study concludes that financial support offered by Venture Capitalists plays a major role in shaping the growth of the SMEs in Kiambu County. Financial support promotes SMEs' growth by financing the entrepreneurs by assisting in financial decisions and investing in aggressive marketplace segments. From the findings, financial support was utilized for various purposes geared towards enhancing growth in the SMEs. As such, financial support offers essential paths for increasing the pool of trained labor, increasing the output of goods and services, creating jobs and providing opportunity to develop entrepreneurial and management abilities. As such, Venture Capital’s financial support is instrumental for the growth of SMEs which makes them appealing to various stakeholders. Venture Capital financial support offers financial capabilities to assist the enterprises get through the various setbacks and pitfalls of establishing and speeding up their market operations.

Venture Capital Management Support and Growth of SMEs

The study concluded that Venture Capital managerial support offered by Venture Capitalists leads to a major outcome on the growth of SMEs in Kiambu County. Accordingly, Venture Capital managerial support and recommendations are fundamental to assist SMEs gather the efficiency, operational abilities and competences in their activities. Through Venture Capital managerial support, creative skills, research skills, and strategic technologies are provided which are positively associated with firm growth. The study deduces that management support cash-flow management, restructuring, monitoring and evaluation contribute significantly to the growth of firms. From the findings, managerial support enhances understanding of total quality management, better management structures, reduction of operating costs, improvement in business efficiency and capacity building are instrumental for growth of SMEs. It is evident that Venture Capital managerial support has a substantial influence on growth rate of enterprises.

Venture Capital Technical Support and Growth of SMEs

The study further deduces that Venture Capital technical support is greatly influential in the growth of SMEs in Kiambu County. Accordingly, technical support has a favorable influence on job creation, profitability, productivity, and business growth of SMEs. From the study findings, entrepreneurial training, conferences, business symposiums and business continuity forums have been instrumental in the growth of SMEs. As such, Venture Capital technical support provides guidelines, strategies, policies and overall plans necessary for development and overall growth of SMEs. Technical support is useful for directing the flow of funds for investment projects that would yield the highest returns. Venture Capitalists have enhanced use of technology, facilitated training among SMEs and created technical forums all which have contributed to improved products and services, increased human capacity development as well as rapid prototyping and marketing strategies among other benefits. Capacity building, knowledge of using improved technology, entrepreneurial training and technical forums are offered by Venture Capitalists which promote business judgements, entrepreneurship skills, personnel management, and growth of enterprises.

Venture Capital Monitoring and Growth of SMEs

The study also concludes that Venture Capital monitoring fairly contributes to the growth of SMEs in Kiambu County. In this regard, Venture Capitalists monitor and screen potential investments by gathering information about businesses on their market approach, entrenching and sustaining nascent businesses through value-creating funding behaviours. The growth of SMEs can be attributed partly to Venture Capital monitoring through market assessments, quality monitoring and control and investment decisions. From the findings Venture Capital monitoring frameworks are responsible for observation of business operations, standard of measurements are crucial in preventing business failures, and vibrant transparency and accountability measures are important in directing enterprises development endeavors. Accordingly, market assessment, quality monitoring and control as well as investment decisions lead to speedy growth of enterprises, enhance growth in sales volumes and affect the establishment of successful operations of SMEs.

In addition, continuous monitoring seeks to verify the validity and accuracy of the enterprises operations in the dynamic environment and thorough process of operations tracking techniques, industrial trends monitoring and environmental scanning keeps organizations on a growth record.

Growth of SMEs

The study concludes that Venture Capital contributes in assisting enterprises get through the setbacks and pitfalls encountered during establishment and speeding up their operations. As such Venture Capital financing is essential for growth of SMEs in various ways including growth in sales, profits, assets and equity among others. Additionally, Venture Capitalism an important source of finance for creation and development of SMEs which can lead to increment in sales volumes, income, profits, firm assets and shareholders' equity. From the inferential analysis, the study deduces that an increase in the Venture Capital financing aspects leads to growth of SMEs in Kiambu County. As such, financial support, managerial support, technical support and Venture Capital monitoring enhance investment in SMEs with a view to obtain capital appreciation mainly through equity transfer after the enterprises become relatively efficient in their operations hence contributing significantly to the SMEs growth.

Recommendations of the Study

The study established that financial support offered by Venture Capitalists plays a major role in shaping the growth of the SMEs and that financial support promotes SMEs' growth by financing the entrepreneurs by assisting in financial decisions and investing in aggressive marketplace segments. Accordingly, SMEs in the County are encouraged to partner with Venture Capitalists to benefit from financial support in terms of startup capital, expansion funds, acquisition finance and turn around financing among others (reengineering, marketing, purchasing assets) for greater successes. Venture Capital financial support will be essential to small businesses which are often disadvantaged when it comes to accessing finance or lobbing the government to incorporate their views. This financial support will provide opportunities for enhancing production processes, output of goods and services, financial/capital structuring, investment, access to credit markets and development of crucial capabilities for better financial and entrepreneurial performance. Since managerial support was found to affect growth of SMEs significantly, the study recommends that the SMEs should have the necessary frameworks to enable acquisition ad absorption of managerial skills required for marketing operations, managing Venture Capital finances and ensuring that they reinvest from the sales of the business and realize the targeted growth of the business. In line with study findings, it is also recommended that the Venture Capitalists come up with policies that compel SMEs funded by Venture Capital to engage in managerial training to enhance consistency in application of the skills for business growth. This would enable them to have good business practices and management. Additionally, the management of Venture Capital firms should also collaborate with the proprietors of the enterprises who have adopted the spirit of capacity building that would enable them to embrace all the needed management skills in their business. The study established that technical support is fundamental for growth of SMEs. As such, Venture Capitalists and other concerned agencies should set a common goal of imparting technical support aimed at making SMEs stronger and bigger. In this way, Venture Capital technical support will enhance technical skills through entrepreneurial training, conferences, business symposiums, business continuity forums, Venture Capital spending and innovation forums. These efforts will increase understanding of investment returns, development returns, and equity spreads among other essential aspects that affect the growth of SMEs.Since Venture Capital monitoring was an essential aspect of growth in SMEs, the study recommends the Venture Capital firms and SMEs to work together to form a friendly relationship through multi-party cooperation which will pave way for monitoring of the inputs and outputs of the Venture Capital. The relevant authorities in the county and national government should also enhance such cooperative policies to safeguard both the Venture Capitalists and SMEs from exploitative measures that could rob the firms their chances of realizing their intended growth.

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