



**STRATHMORE INSTITUTE
DIPLOMA IN ENTREPRENEURSHIP
END OF SEMESTER EXAMINATION
DE 1101: INTRODUCTION TO ENTREPRENEURSHIP**

DATE: April 21st 2020

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

QUESTION ONE (1) (30 MARKS)

Nalaka Crew is an informal transport business made up of seven young men from the Nubian community. The organization is based in Kibera but has operations that cover the whole of Nairobi. Four of its members fabricate the Pull Cart “Mukokoteni” using metal and recycled wood. They also offer repair services and Pull cart rentals. Three of its members provide transport services using the Pull karts. The idea of having diversified services is to make sure that there is always money coming into the business.

Nalaka Crew has a workshop that includes manual and electricity operated tools that enable it to make the Pull karts. The tools the group uses were purchased from the second hand tools market and some from businesses that were upgrading their equipment. Its members have skills in wood work, metal fabrication and painting; skills they acquired by working as apprentices for other businesses. They lack financial management and marketing skills which they think are important to growing their business. One of the challenges the group faces in running the workshop is the high cost of electricity. There is also a frequent interruption of electricity in Kibera. Due to the high cost of getting an electricity connect from Kenya Power (KPLC), most businesses and household choose to pay those with existing connections for sub-connections. This practice is illegal and often results to overloading the transformers, hence the interruption in power supply. .

The seven young men have a story that is common to other young men in Kibra; due to financial constraints, they were not able to pursue education post high school. Initially, all seven earning a living Pulling carts; however, working individually, they were harassed by employees from city council who enforced where the Carts could be used and parked. Then there are cartels that demanded money to allow them to work in certain areas.

The seven decided to come together so as to overcome the challenges they faced. As a group it is cheaper for them to pay rates to the County Government of Nairobi that allows them to operate. It is also easier for them to negotiate with the cartels as a group.

A challenge that is unique to Nalaka Crew is that they are from a minority group that the government does not recognize as Kenyan. This means that they face extortion from rogue law enforcers who know that some of them don't have National Identification Cards. Without National Identification Cards, the members cannot access formal employment or even open bank accounts. The members of Nalaka Crew have no option but to create employment for themselves. People from the Nubian community are frequently mistaken for foreigners due to their distinct way of life. This results in discrimination from the society in general.

Required:

- a) Identify three challenges the Nalaka Crew group is facing **(3 Marks)**
- b) Explain what is meant by the "Informal Sector" in the passage above. **(2 Marks)**
- c) Discuss the main motivation for businesses working in the informal sector to join the formal sector. **(1 mark)**
- d) Identify one barrier businesses in the informal sector face when trying to become formal **(1 Mark)**
- e) Based on the case study, discuss three business regulations the group is likely to encounter as it operates **(6 Marks)**
- f) Based on the case study, explain the importance of the government policy towards cost and availability of power. **(2 Marks)**
- g) Explain how the government policy on education and training is likely to help the group **(2 Marks)**
- h) Giving examples for each from the case study, discuss Baumol's three type of entrepreneurship **(9 Marks)**
- i) Discuss the two types of displacement demonstrated in the case study **(4 Marks)**

QUESTION TWO (2) (15 MARKS)

- a) Explain the importance of any three traits associated with entrepreneurs **(3 Marks)**
- b) The dark side of entrepreneurship examines the destructive source that exists within the energetic drive of successful entrepreneurs. Explain the four types of risks an entrepreneur faces **(8 Marks)**
- c) Suggest four specific ways in which entrepreneurs can deal with stress as discussed in class **(4 Marks)**

QUESTION THREE (3) (15 MARKS)

- a) The sociological approach to the study of entrepreneurship deals with social and cultural factors responsible for the nature and growth of entrepreneurship development in a society. Discuss the four social contexts that relate to entrepreneurship under this theory. **(8 Marks)**

- b) Entrepreneurship also occurs within the corporate firms. Identify one reason why corporate firms need to be entrepreneurial (**1 Mark**)
- c) Firms can practice entrepreneurship through the identification and acquisition of shares in innovative start-ups. Give two advantages and two disadvantages of this practice (**4 Marks**)
- d) Explain the financial school of thought of entrepreneurship (**2 Marks**)

QUESTION FOUR (4) (15 MARKS)

The Micro, Small and Medium Enterprise (MSME) survey is conducted regularly by the government in order to understand what the sector looks like. Based on the 2018 survey,

- a) Explain one impact of education to the MSME sector (**1 Mark**)
- b) Identify three reasons given for starting a business (**3 Marks**)
- c) Identify the main source of financing for the MSMEs (**1 Marks**)
- d) Identify the two main challenges cited the MSME owners (**2 Marks**)
- e) Discuss four factors that have positively influenced the growth of entrepreneurship (**8 Marks**)

QUESTION FIVE (5) (15 MARKS)

- a) Joseph Schumpeter, an Austrian economist reviewed the concept of entrepreneurship and described it as “Creative Destruction”. List the five types of entrepreneurial activities identified by Schumpeter (**5 Marks**)
- b) Explain any four myths associated with entrepreneurship (**8 Marks**)
- c) Identify two definitions of entrepreneurship based on economic theories (**2 Marks**)