

### The main role of investment for the entrepreneurship

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**Abstract:** These needs can be attained from the interest obtained by investing the principle amount of the enterprise. This helps the entrepreneur run their personal and professional life simultaneously with ease.

**Keywords:** Investment, Investor, Entrepreneurship, Business, Organization.

**Introduction.** Entrepreneurship is the capacity and willingness to develop and participate in a business venture with the intention of making a profit regardless of the financial risks involved. The role of entrepreneurship in any economy is critical, as it contributes to the socio-economic development of societies in various ways, including

- Identifying existing opportunities in the market - Through production and distribution of goods and services, entrepreneurial ventures seek to satisfy client needs and improve livelihoods. Constant market research provides insights into existing customer needs that inform decisions to provide goods and services. An example is Jumia Kenya which noticed a gap in the distribution of goods through online platforms and exploited this opportunity, giving rise to a very vibrant online business platform.
- Creating employment opportunities – The World Bank 2016 Kenya Economic update placed employment uptake by the private sector at 67% in 2014. This figure is likely to have increased with the improved performance of Kenya in the ease of doing business ranking. Entrepreneurship helps bridge the unemployment gap through formal and informal business ventures that employ millions of Kenyans.
- Contributing to national income – Through payment of taxes, businesses contribute to government revenue that consequently facilitates development. Entrepreneurial ventures further contribute to the GDP, an indication of their importance in raising revenue and financing government projects, as well as contributing to economic growth.
- Infrastructural Development – Entrepreneurial ventures open up infrastructural development in their localities. Starting up businesses often leads to the development of transport and communication networks, driven by the need for infrastructure created by these businesses. Companies like Keroche and Dominion farms opened up their localities, enabling thriving businesses to take root, taking advantage of the good transport and communication channels available.
- Contributing to Community Development – Through participation in Corporate Social Responsibility, entrepreneurs contribute to and support the development of infrastructure for education, healthcare, business training & mentorship and other social needs. In Kenya, initiatives and organizations such as the Mater Heart Run, the KCB Lion's Den, Blaze by Safaricom and Equity's Wings to Fly are but a few initiatives by entrepreneurs that are contributing towards improving access to health services and education and providing financial support and mentorship to other young entrepreneurs.

Entrepreneurship is vital for any country's economy as it supports the contribution of the government in the provision of goods and services. It is therefore important that Kenya, currently at position 92 in the global ranking for ease of doing business, puts in place measures that support establishment and development of business ventures so as to improve the contribution of entrepreneurship to the economy.

Entrepreneurship drives the growth and diversification of the economy and contributes to the creation of wealth. Before we get into the specifics of the role of entrepreneurship in economic development, let's briefly encapsulate its significance. Entrepreneurship's importance lies in the following:

- Drives economic growth and creates new job
- Encourages innovation by bringing new ideas, products, and services to the market
- Contributes to social change by developing products or services that reduce people's dependence on outdated technologies
- Addresses social and economic problems by creating solutions that meet the needs of society
- Enables competition which improves business efficiency and lowers prices for consumers

Entrepreneurship can be a path to economic independence for both the country and the entrepreneur. It reduces the nation's dependence on imported goods and services and promotes self-reliance. The manufactured goods and services can also be exported to foreign markets, leading to expansion, self-reliance, currency inflow, and economic independence. Similarly, entrepreneurs get complete control over their financial future. Through their hard work and innovation, they generate income and create wealth, allowing them to achieve economic independence and financial security.

A significant role of entrepreneurship in economic development is that it can greatly enhance the standard of living for individuals and communities by setting up industries and creating wealth and new positions. Entrepreneurship not only provides large-scale employment and ways to generate income, it also has the potential to improve the quality of individual life by developing products and services that are affordable, safe to use, and add value to their lives. Entrepreneurship also introduces new products and services that remove the scarcity of essential commodities.

Capital formation is the process of accumulating resources, such as savings and investments, to fund new business ventures and support economic growth. Entrepreneurship can encourage capital formation by attracting investment. In addition, the creation of new businesses and the growth of existing firms can also contribute to the development of a more diverse and dynamic economy that encourages capital formation and opens the door to a wide range of investment opportunities. Entrepreneurship promotes economic growth, provides access to goods and services, and improves the overall standard of living. Many entrepreneurs also make a positive impact on their communities and improve their well-being by catering to underserved areas and developing environment-friendly products. Their work can help build stronger, more vibrant communities and promote social and economic development. Entrepreneurship can help identify market opportunities and allocate resources in the most effective way possible. Entrepreneurs also play a key role in developing innovative products and services that meet the needs of customers while optimizing the use of available resources.

There are many different types of investors, each with their own unique approach and objectives. Here are some of the most common types of investors and their approaches:

**Angel Investors:** Angel investors are typically high net worth individuals who invest their own personal funds into early-stage startups. They usually have a strong interest in the startup's industry or

product and are willing to take on more risk for the potential for a high return.

**Venture Capitalists:** Venture capitalists are professional investors who manage funds from limited partners and invest in early- and growth-stage startups. They tend to focus on startups with high growth potential and are willing to invest significant sums of money in exchange for a significant stake in the company.

**Strategic Investors:** Strategic investors are typically companies or individuals who invest in startups to further their own business interests. For example, a company in a related industry may invest in a startup to acquire their technology or to enter a new market.

**Crowdfunding:** Crowdfunding allows startups to raise funds from a large number of people, typically via an online platform. Investors may receive perks, such as early access to the product or service, in exchange for their investment.

**Private Equity Firms:** Private equity firms invest in established businesses, typically with a focus on turning around underperforming companies or acquiring companies for financial gain.

Each type of investor has their own approach and goals, and it's important for startup founders to understand the motivations and expectations of each type of investor when seeking investment. It's also important to find investors that align with the goals and vision of the startup, as this can lead to a more successful and mutually beneficial relationship.

**Conclusion.** The role of investors in a startup is multifaceted and can vary depending on the type of investor and the stage of the business. At its core, however, the role of investors is to provide funding for the startup in exchange for a stake in the company. This funding allows the startup to develop its product or service, hire employees, and grow the business. In addition to financial support, investors can also bring valuable resources and expertise to the table. They may have connections in the industry, experience in scaling businesses, or a deep understanding of the market that can help the startup succeed. Some investors may also serve as mentors, providing guidance and support to the startup's founders as they navigate the ups and downs of building a business. Overall, the role of investors in a startup is to support the growth and success of the business. They provide the resources and expertise that startups need to thrive, and in return, they receive a share of the business's future profits. Understanding the role of investors is essential for startup founders, as choosing the right investors and building strong relationships with them can be a key factor in the success of their business.

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