

**THE INFLUENCE OF SELECTED FACTORS ON THE GROWTH AND  
DEVELOPMENT OF YOUTH ENTREPRENEURSHIP IN NAIROBI COUNTY  
IN KENYA**

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## DECLARATION

This project is my original work and has not been presented for a degree in any other University

Signature ..... Date .....

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This project has been submitted with my authority as University of Nairobi Supervisor.

Signature ..... Date.....

**Prof Bitange Ndemo**

## **DEDICATION**

This research study is dedicated to my beloved family.

## **ACKNOWLEDGEMENT**

I would like to express my gratitude to all those who gave me the possibility to complete this Dissertation. I thank the entire University of Nairobi for giving me humble time and also allowing me to use the facilities to carry out my research. I wish to thank Prof. Bitange Ndemo for his guidance and support in my dissertation and by sacrificing his time to see through my research work.

## **ABSTRACT**

Youth entrepreneurship is an emerging area of interest in entrepreneurial study and not yet fully developed in Kenya. This is because entrepreneurship is a critical component of economic growth and business development is becoming the best alternatives for young people facing unemployment in most developing countries. The study intended to establish the influence of selected factors on the growth and development of youth entrepreneurship in Nairobi County. Descriptive analysis was used in transforming the raw data into a form that can be easily understood and interpreted such as mean, frequencies and percentages. The study used a descriptive research design. The study was conducted in the Nairobi city which is the capital city of Kenya and where the headquarters of all government offices are located. The choice of Nairobi city was also influenced by the reason that there was a high population of the youth engaging in entrepreneurship that cut across all 42 tribes in the country. In this study, the population of interest was youth aged between 18 years to 35 years who have established ventures and operate within Nairobi at the time of study. It was also the jobless youth within this age bracket who have not thought of starting any venture within the same area. The study targeted 30252 SMEs in all the 9 sub counties in Nairobi County. Based on Krejcie and Morgan model, 379 SMEs were selected from 30252 SMEs in the study area. The study combined both non probabilistic and probabilistic methods. Area cluster sampling was also used to overcome the problem of high sampling cost associated with simple random sampling. Descriptive and inferential analysis was conducted. The findings of descriptive analysis revealed that there was a slow growth among SMEs owned by the youth in Nairobi County. The study further established that youth enterprises in Nairobi County

had low credit accessibility. The findings showed that majority of the youth in Kenya failed to grow their enterprises because of the costs and tedious process associated with registration of businesses. The findings also showed that youth with technical skills were better off in growing their enterprises. The findings further implied that mentorship was important to the growth of youth enterprises. The correlation results indicated that credit accessibility was positively and significantly related to growth of youth enterprises. Government policies were found to be positively and significantly associated with growth of youth enterprises. The findings further indicated existence of a strong and significant association between Technical Skills and Growth of Youth Enterprises. In conclusion, the government should not underestimate the contribution of youth enterprises on social and economic wellbeing. The study recommended that financial institutions should develop affordable and innovative measures to secure credit in support for the youth.

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## **ABBREVIATIONS AND ACRONYMS**

<b>GOK</b>	Government of Kenya
<b>ILO</b>	International Labor organization
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>OECD</b>	Organization for Economic Co-Operation and Development
<b>SMEs</b>	Small and Medium Enterprises
<b>SPSS</b>	Statistical Package for Social Science
<b>UK</b>	United Kingdom
<b>YEDF</b>	Youth Enterprise Development Fund

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The levels of youth unemployment has been increasing in the recent past around the world (Baporikar, 2015). Research by ILO, (2011) revealed that the world has more than 1 billion young people with a global unemployment rate of 14.4%. Youth entrepreneurship is an emerging area of interest in entrepreneurial study and not yet fully developed in Kenya. Entrepreneurship has become a critical factor in economic growth and doubles up as the only solution for unemployment among young people (Thant, 2014). In Kenya, the focus dates way back in 1986 as highlighted in Kenyan law and the development Plan of 1989 and 1993. In the sixth plan, the new employment plan was targeted at 1.9 million jobs in the five years out of which 587,000 jobs were projected to create employment especially in the SME sector.

Policy makers have shifted their focus on promoting entrepreneurship among young people to curb the high rate of unemployment. Governments through various platforms have come out to encourage young people to be job creators instead of job seekers. Various ways in which government uses to encourage entrepreneurship among young people include tax incentives where they are given tax waiver for a certain period, investing in infrastructure and communication networks to encourage this job creation process. Entrepreneurship is likely to be the sure way of handling ever increasing labor force in the future.

### **1.1.1 Growth and Development of Enterprises**

Enterprises can only be of value when they grow. There are various ways in which growth and development of enterprises can be measured which include growth in sales, increase in the number of employees within a certain period of time (Akwalu, 2014). Other measures used to measure growth in enterprises include growth in assets, increase in market share, growth in profit and business efficiency but they are not used as frequently as sales and employment.

The measurement of output and market share depends on the specific industry the enterprise is in while total assets depend on whether the enterprise is capital intensive. Profit measurement is only relevant when the growth is being measured over a long period of time (Odhiambo, 2013). Increase in sales and number of employees remains the only sure way of measuring growth and development in any enterprise (Abor and Quartey, 2010). Most governments are interested in the increase in number of employees since it can easily be accessed as sales growth is subject to inflation and exchange rates and also may vary depending on the sector and industry (Karime, 2013).

To facilitate faster growth among infant enterprises, it requires the entrepreneur to be highly experienced in developing new ventures (Johnson, 2005). Enterprises in developing countries face numerous obstacles as a result of economic recession, inconsistencies in policies (Johnson, 2005). Entrepreneurs therefore must equip themselves with special skills to maneuver the challenges associated with startups if growth and survival in early years is to be achieved (Onugu, 2005).

Despite having common challenges for small and medium enterprises, there is a gap in successfulness and sustainability of youth enterprises based on the two model of entering into entrepreneurship. These are opportunity based model and necessity based model. Opportunity based model is common with developed economies where people enter into entrepreneurship to exploit the available opportunity while necessity based is common with developing economies. Necessity based could be as result of lack of employment and the need to meet personal goals in life (Blanchflower, 2006). These two models also play a significant role in the growth and sustainability of the business.

### **1.1.2 Youth Entrepreneurship**

The youth population in Africa constitutes about 37 percent of the total labor force, a social category that is projected to expand more rapidly than anywhere else in the world. The constitution in Kenya defines the youth as those aged between 18 and 35 years old. The sense of this definition is that it runs from the earliest acceptable age of leaving school and the transition to the labor market. Kenya has a unique population structure where we have a thin elderly population due to age and natural losses, then a swollen youth followed by a thin bottom due to some social challenges including drugs and late marriages. The youth unemployment rate in Kenya therefore increased to 40 percent in 2011 from 12.70 percent in 2006 (Kenya National Bureau of Standards, 2011).

As the level of unemployment continues to skyrocket, awareness on its economic and social consequences to the labor market continues to increase (Ansell, 2004). To mitigate the consequences of unemployment, most government has resorted to making an



entrepreneurship friendly environment to encourage young people to venture into entrepreneurship with the argument that self-employment and entrepreneurship could be a solution to unemployment crisis (Ajufo, 2013). We know that for entrepreneurship to succeed, we need the entrepreneur, the opportunity and the resources. In this case the youth is the entrepreneur and the question to ask ourselves is whether indeed he is an entrepreneur or he is looking for a job in entrepreneurship. Can they spot an opportunity and profit from it or is it out of necessity for a job so we replicate what a neighbor is doing? How accessible are the resources for a start up? Creating entrepreneurship friendly environment and assisting young to transform their ideas in successful enterprises have direct and indirect impacts on human development and job creation (Gough, Langevang and Owusu, 2013).

In Kenya, unemployment is among the major problems the country is facing currently which has necessitated the government to list job creation among its top agenda. Currently youth in Kenya account for the largest percentage of unemployment, about 61 percent (Kimando, Njogu and Kihoro, 2012). Based on this the government of Kenya has come up with institutional financing with an assumption that it will have greatest impact on job creation (Mbaya, 2013). One of such programmes is the establishment of youth funds in 2007, Uwezo funds in 2013 and a presidential directive that 30 percent of all government tenders should be allocated to youth and persons with disability (Mbaya, 2013).

Because of the problem of unemployment the government of Kenya has come up with a fund to assist the youth with the necessary finances needed to finance their ideas. The fund intention was to increase youth access to credit and remove some of the barriers youth faced in their quest to access the finances. Kunateh (2009) suggested that majority of small businesses have been unable to reach their full potential since they have limited access to financial support from the commercial banks and other financial institutions who demand collateral that they cannot provide.

Notably, the problem is much bigger than lack of funds. There is the challenge of the culture where all parents are pushing their children to get good grades and be employable; the curriculum too is geared towards equipping one with skills for employment such that the business studies and commerce taught equip students with knowledge and skills to be employees but not entrepreneurs. There is need to equip students with industry analysis skills, cash flow management skills, education on critical decision making process like when to borrow and importance of repaying for creation of a good track record and be able to obtain future help for expansion. Although the policies are in place and the affirmative action on youth for example in government tenders, who are the change drivers? You find that those running these institutions are civil servants whom the government has forbidden to do business so we have a good initiative being driven by people who are not entrepreneurs themselves so the success rate is low.

### **1.1.3 Selected factors that influence the Growth of Youth Entrepreneurship**

Many authors have fronted various factors that affect growth of youth entrepreneurship. For instance Fajnzylber et al. (2009) suggested that access to financial support, skills and business development and government identification and promotion are not the panacea of business growth and development. In Asia Hansen, et al (2009) suggested that sound government policy helps in expansion of youth entrepreneurship. For instance, Vietnamese government has invested in promotion of youth SMEs through establishment of sound policies. In the United Kingdom, mostly government has come up with policies to develop the SMEs sector by increasing access to financial support so that they may continue to impact positively on the economies of their respective countries. The UK government works in collaboration with large companies, credit and financial institutions to provide a business friendly environment for startups to grow and be sustainable (Maina, 2013). To follow suit, Kenya recognizes the role of the SME sector and has taken positive steps to ensure there is legal framework that guides growth of the sector (Syekai and Opijah, 2012).

Another problem that faces youth entrepreneurship in Kenya is the high risk tag that has been branded by the financial institutions. Small and medium sizes are considered high risk business which has further been worsened by lack of sufficient collateral. There could be funds available but how to avail these funds to SMEs has been the major problem (Kihimbo et al, 2012). Majority of the small and medium business owned by the youth are unable to meet the strict requirements of the commercial banks. Demand for collateral has played a significant role in deterring the growth of SMEs in Kenya

(Kihimbo et al, 2012). There is also a gap in lending patterns between the SMEs and large corporations whereas lending to SMEs relies on collateral, for large different mechanism are used. Youth that lack sufficient collaterals will either be denied access to loans or will suffer credit rationing (Ndumana, 2013).

## **1.2 Research Problem**

The strategy to empower youth entrepreneurship on the fight against poverty and unemployment is in question in most developing countries. In January 2013, the UN, Swaziland, identified youth unemployment as one of the major challenges facing the African continent which has manifested in idleness among the young people (Brasenco, 2008). Many policy makers now consider entrepreneurship as a significant factor in economic growth, innovation frontier and a way of alleviating poverty.

Kenya has a high number of youth enterprises which despite their high potential have been unable to access financing from existing institutions in the financial sector. Inability to provide collateral demanded by commercial banks and financial institutions has been the main undoing for the youth in the demand for access to credit for investment purposes. Pietro et al (2012), found since the evaluation of credit riskiness of SMEs is difficult, the collateral required for SMEs to access financial credit is usually higher compared to commercial loans.

Research on youth entrepreneurship still remains limited despite the significant role of youth entrepreneurship on socio-economic development. Steenekamp, Vander, and

Athayde, (2011) stated that on top of other challenges faced by young Africans, the chances of getting a job after school still remains minimal. The author argues that more research should be conducted to provide the young people with information regarding entrepreneurship and recommendation provided on intervention measures to mitigate the unemployment crisis. This agrees with Murphy, Liao, and Welsch (2006) suggested that the only way information is shared is through market systems therefore the entrepreneur needs to learn to come up with new products and services in order to reap benefits associated to information. Wade and Hulland,(2004) argued that access to resources necessary to run a business are essential and help entrepreneurs to identify opportunities and exploit them.

This study therefore will seek to explore the expectation that exposure to relevant entrepreneurship experience, access to adequate finance for startups, improved ecosystem of innovation and technology adoption will support the growth and development of youth entrepreneurship in Kenya. This study will focus on the problem of perceived lack of strategic youth empowering in entrepreneurship support in Kenya. Studies relating to youth entrepreneurship in Kenya are Scanty. Kilonzo (2012) further concurred that research in this field is limited which also limits intervention measures. Based on this gap in knowledge, this study aimed to address the research question what are the factors that influence growth and development of youth entrepreneurship?

### **1.3 Research Objectives**

The study sought to determine the influence of selected factors to the growth and development of youth entrepreneurship in Nairobi County in Kenya.

### **1.4 Value of the Study**

This study was justified on a number of grounds. First, in practice, the findings of this study may be useful to youths who intend to venture into entrepreneurship. The findings may provide the necessary information on the factors that influence the success of youth enterprises. The findings of this study may also be of great importance to the stakeholders in youth entrepreneurship. The youth entrepreneurship stakeholders range from government ministries concerned, NGOs, academic institutions among others. Based on the findings of this study, youth entrepreneurship stakeholders may be able to initiate programmes aimed at promoting youth entrepreneurship.

The findings of this study may also be useful to policy makers in the area of youth entrepreneurship. Based on the findings of this study the policy makers may be informed on the effects of factors such as access to credit, government policies and lack of technical skills on youth entrepreneurship hence, they may be better informed when formulating policies. Finally, the study may help in theory building. The study expounded the usage of theories adopted in this study. This study concentrated on theories that explain the framework of enterprises growth; theory of stages development, opportunity -based entrepreneurship theory and theory of enterprise growth.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section contained theoretical, literature and empirical reviews of topic related to the study. It reviewed the constraints that youth enterprises face that hinder their effective growth. The chapter aimed to present the gaps in the literature requiring investigation and the development of a research model and research questions.

#### **2.2 Theoretical Foundation**

This study will concentrate on theory of stages development, opportunity based entrepreneurship theory and theory of enterprise growth. This choice was informed by the fact that majority of SMEs die before they are 3 years old mainly because at different stages in the product life cycle or business growth, different decisions require to be made and different skills to be used as well.

##### **2.2.1 Theory of Stages Development**

The theory of stages of enterprises development postulates that firms go through various stages from the moment they created to becoming large firms. One of the early scholars that contributed to building this theory includes Churchill & Lewis (1983) who in their contribution argued that growth is natural even to organizations. According to the author firms go through five stages which include existence, survival, success, takeoff and maturity.

The authors suggested that every phase requires its own factors that are essential to the firm growth and survival whereas transition phases are characterized by growth thresholds which exist in form of obstacles from one stage to another. For the business to grow it must overcome all the obstacles in all the stages of growth and development. However, this model has been criticized since it has been argued that it puts more focus on the business internal factors while neglecting the external environment factors. The stages model also face criticism because very few have been adopted for longitudinal studies which are required for clarity regarding the stages of growth. The assumption of the model is that all enterprises grow through similar stages and sequence which is likely not to be the case in practice.

### **2.2.2 Theory of Enterprise Growth**

According to the work of Greiner (1972) on this theory, his conclusion pointed to the fact that there five distinguishable stages that enterprises go through when growing. A business is seen to be useful when its growth is consistent and has a definite trajectory in performance. Some of the performance indicators that are considered in identifying a growing business include, value addition, where a business is effective in addition of value, revenue generation which leads to capital accumulation and expansion especially in terms of the volume of the business. Other measures includes market share, customer's satisfactions and quality of their services and products among others (Kruger and Kumar, 2004).



According to Geroski (2002) businesses go through a number of similar stages. These stages include creativity stage which is the very first stage of a business where the entrepreneur must be creative to run the business. The second stage is direction which is followed by delegation and coordination respectively. The enterprise then goes through collaborations stage where managers in various departments must collaborate to ensure business sustainability. All these stages either end up with an evolution or revolution crises.

### **2.2.2 Opportunity Based Entrepreneurship Theory**

The early proponents of this theory include Peter Drucker and Howard Stevenson. They argued that entrepreneurs exploit opportunities found in the market systems and place where they intend to launch their business activities. The proponents of this theory further argued that the ability to see opportunities in the market systems depends on the differences in people and it is through these differences that one is able to recognize the opportunity available (Shane, 2003).

The theory further posits that for one to identify opportunity they must be risk taking. Risk bearing is an important aspect of the opportunity recognition in entrepreneurial process (Shane, 2003). The assumptions of the theory have led to increase research on the existence of the significant differences between entrepreneurs and non-entrepreneurs because of the variation of the ability to see and exploit business opportunities. The contribution of this theory to the study is that high mortality and low youth entrepreneurship can be explained by the differential recognition of opportunities by the

youth which is worsen by lack of funds by those have ability to see and exploit the available opportunities.

### **2.3 Growth of Youth Entrepreneurship**

Many scholars have defined entrepreneurship in various ways, for instance Baum (2007) defined entrepreneurship as the field of business that intends to find out how opportunities to come up with something new arises or is created by people who use different means to exploit it by producing various effects. On the other hand OECD (2001) view entrepreneurship as an economic activity carried by developing high risk creativity/innovation with good management either by a new organization or existing organization.

Studies have been conducted and revealed important role entrepreneurship plays among the youth across the world. Namatovu, Dawa, Mulira, Katongole and Nyongesa (2012) in the study based on youth employment argued that promoted youth entrepreneurship was right for many reasons. The authors cited creation of job opportunities for the owners and indirectly for the employees. Production of products and services was also cited as the benefit of entrepreneurship as well as creation of common sense of the community. Similarly, Okurut and Ama, (2013) affirms the same and acknowledges that youth enterprises revitalize the local community through provision of valuable goods and services to the society.

## **2.4 Factors Influencing Growth of Youth Entrepreneurship**

While youth entrepreneurship undoubtedly makes important contributions to the world's societies economics, they generally face limits in terms of growth. This is attributable to different factors. According to Murphy (2001), only 20 percent of micro enterprise actually experience growth. From the statistics provided by KNBS, (2007) it was established that SMEs collapse at a very high rate in Kenya. The survival of MSEs is not optimistic around the world. The survival rates in developed countries are high compared to developing countries.

### **2.4.1 Access to Credit**

Obtaining credit facilities on commercial terms along with competition for both funding and clients, requires on one hand, SMEs charging clients the full cost of the delivered services, while on the other hand managing cost structures to ensure sufficient returns to pay for the more expensive commercial funds. This includes effectively managing risks, having good corporate governance, and increasing the level of transparency in both individual SME and the industry as a whole. SMEs need the cooperation of all market participants to ensure the continued growth of microfinance and thus the continued impact on poverty alleviation in developing countries (Reille and Forster, 2008).

A number of studies namely Onugu (2005), Wawire and Nafukho (2010), identified lack of focus, reliance on one or two markets, improper book keeping and records, inadequate market research, poor business strategy and competition as some of the factors that place SMEs in bad position as far as credit accessibility is concerned. According to Heffernan

(2006), SMEs face a range of risks that affect their choice of financing: credit risk (counterparty risk), liquidity risk (funding risk), settlement risk (payment risk), (duration mismatch risk), capital risk (gearing risk), operational risk (risk of financial losses brought on by failure of internal systems, fraud, or loss of key employees, and so on) and sovereign and political risks.

Ochanda (2014) in his study on financial deepening and growth of SMEs found that accessibility to financial resources affected the performance measured by profitability of 92% of the SMEs that participated in the study. The SMEs cited high interest rate and collateral demand as some of the factors that hindered most SMEs from accessing the credit from formal lending institutions. The study also found that innovation played a major role in the growth of SMEs.

A similar study was conducted by Muguchu (2013) on establishing the relationship that existed between access to credit and financial performance of SMEs. The study used both inferential and descriptive analysis in conducting the study. The study sampled 40 SMEs that operated within the CBD in Nairobi. Similar to previous studies the effect of access to credit was found to be positive on performance of SMEs. On the other hand, Byaruhanga (2012) findings further revealed that credit terms and accessibility influenced the performance of agricultural cooperatives.

Kamunge, Njeru & Tirimba (2015) study concluded that increasing the access to financial support by the SMEs and having management experience are the essential social

and economic determinants that affect the growth and sustainability of small enterprises. Other importance factors included access to market information, good infrastructure and legal and regulatory framework. In addition, Odhiambo (2013) argues that entrepreneurs in developing countries do not get adequate finance from the organized banking sector. The banks insist on security and also a number of formalities and documentation.

In Kenya there have been schemes and programmes that have been initiated by micro finances and other lending institutions but the problem has been that the youth have not been underrepresented in such initiatives. Despite these initiatives being in place demand for collateral put the youth into a disadvantaged corner (Chigunta, 2002). Demand for collateral among other factors has also been recognized as the major cause of failure of micro finance schemes intended to help the youth access financial support (GOK, 2012).

#### **2.4.2 Government Policy**

A study by Sharu and Guyo (2015) established that government policy played a significant positive role in growth of enterprises. The authors highlighted administrative and regulatory framework as obstacles to growth of startups especially in developing. He argued that governments have procedures and policies that are not friendly to the youth owned enterprises.

On the other hand, Kimando, Njogu and Kihoro (2012) found that the process of business registration and licensing, acquiring the relevant certificates from different government departments, high taxation and corruption also influenced the growth of youth

enterprises. Similarly Schoof (2006) suggested five key obstacles to youth entrepreneurship which include poor cultural attitude towards entrepreneurship, lack of entrepreneurship education, and lack of financing and unsound administrative and legal framework. Similarly, Ronge, Ndirangu & Nyangito (2002) carried out a study to review government policies and how they promote SMEs. The study found that the supportive policies have been characterized with unsustainable subsidies and some policies have emanated from inadequate understanding of the relationship between the SME sector and the rest of the economy. The trade liberalization policies formulated by government have played a significant role in opening up new opportunities.

### **2.4.3 Lack of Technical Skills**

Various studies have investigated the relationship between technical skills and experience and growth of enterprises. For instance Perez and Pablos, (2003) study found that entrepreneurs experience helps in building the knowledge based, accessing market information and developing business networks. It also assists in increasing managerial capability hence diversifying the services and products. The authors also suggested that skills and experience by the entrepreneurship has been established to be essential to expansion by identifying and exploiting the opportunities (Mughan et al., 2004).

Similarly, Llisterri et al (2006) suggested that inexperience and inadequate resources result to early failures of the business while Shumba (2014) highlighted factors such as culture of uncoordinated profiteering, low standards of services and product produced and corruption in some of the registration offices and competition from well-established

and monopolistic or deep pocketed local and foreign players caused death of youth enterprises.

Studies have recognized the crucial role of having the business experience especially in aiding innovativeness among small and medium size enterprises (Strati, 2007). Business experience gained by previous involvement in business management help to organize the resources at the disposal of the entrepreneur in creative and innovative ways come with strategies to help them succeed. For instance Grant and Romanelli (2001) pointed out that prior experience of the business owner is the foundation required for business growth and sustainability. On the other hand Presutti, Onetti and Odorici (2008) pointed out that what is required is not only the past experience but the accumulated experience since the past situations are likely to differ from the current ones.

Okpara and Wayne (2002) in a study in Nigeria found that 65.6% of the firms studied depended entirely upon personal saving for capital, 10.9% had access to saving, 9.4% used commercial banks and 7.8% drew resources from partners, shareholders and other resources. While MSE owners often claim insufficient credit as their pressing obstacle, enterprises financial growth percentages may not always correspond to actual growth trends (Okpara, et al 2002) Access to finance may be necessary but is not a sufficient condition for growth. Among authors who have conducted research in this field of youth entrepreneurship include Kanyari and Namusonge, (2013) who conducted a study on the factors that influence the youth entrepreneurs towards the youth enterprise development fund.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section of the study covers mainly the methodology that was adopted to achieve the research objective. Here the study highlighted the design of the study, the population and target population of the study, the sample size and the sampling techniques. The methods the study adopted is data collection, procedures of data collection and finally the method used to analyze the data collected in the study.

#### **3.2 Research Design**

Descriptive research design was adopted in this study. The choice of this research design was due to the fact that a descriptive research design aids in identification of the type of association, defining complex associations of multiple factors that account for the outcome and forecasting an outcome from different predictor variables (Creswell, 2003).

#### **3.3 Study Area**

The location of this study was Nairobi City County. The choice of Nairobi city was also influenced by the reason that there is a high population of the youth engaging in entrepreneurship that cut across all 42 tribes in the country. Secondly, it is the fact that most of the headquarters are within Nairobi which made it easier for availability of materials on the current policies on youth entrepreneurship.



### **3.4 Target Population**

In this study, the population of interest was SMEs that operate within Nairobi at the time of study. The study did not focus on specific sector since the challenges of credit accessibility cut across all the SMEs regardless of the sectors. The target population of the study included 30252 SMEs in all the 9 sub counties in Nairobi County (Company Registrar, 2013). The unit of analysis was the SME owners, one from each SME in cases where there are more than one owner.

### **3.5 Sampling Design and Techniques**

In stratified random sampling the population of interest was classified into various strata. Random sampling was then applied in selecting respondents from each of the strata. According to a model designed by Krejcie and Morgan (1970) designed for determining sample sizes at different levels of confidence and margin error. They recommend that at 95% confidence level and 5% margin of error, a sample of 379 subjects was representative for a population of above 30,000 subjects. Based on this model, a sample size of 379 SMEs was selected from the population of 30252 SMEs in the study area.

In random sampling all the respondents have equal chances of being selected. Sampling size is the size or number of items, individual or objects chosen for research to act as representative of the population as a whole. The sample was 379 SMEs therefore; study administered a questionnaire to SMEs owners.

### **3.6 Methods of Data Collection**

The study used primary data which was largely quantitative and descriptive in nature. Primary data according to Mugenda and Mugenda (2003) refers to information that a researcher gathers from the field. The study used two methods in data collection these include structured self-administered questionnaire. The questionnaires were administered through two methods a drop and pick method and mail survey due to the busy schedules of some of the respondents.

### **3.7 Data Analysis and Presentation**

After the data was collected it was sorted and entered into SPSS version 20 which was then used to analyze. Descriptive and inferential analysis was conducted. Descriptive analysis was used in transforming the raw data into a form that can be easily understood and interpreted such as mean, frequencies and percentages. The findings from the analysis were organized, summarized and presented using tables and pie charts. The study used a regression analysis to find out which accounted for most variance among the factor that affects youth entrepreneurship in Kenya.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND DISCUSSION**

#### **4.1 Introduction**

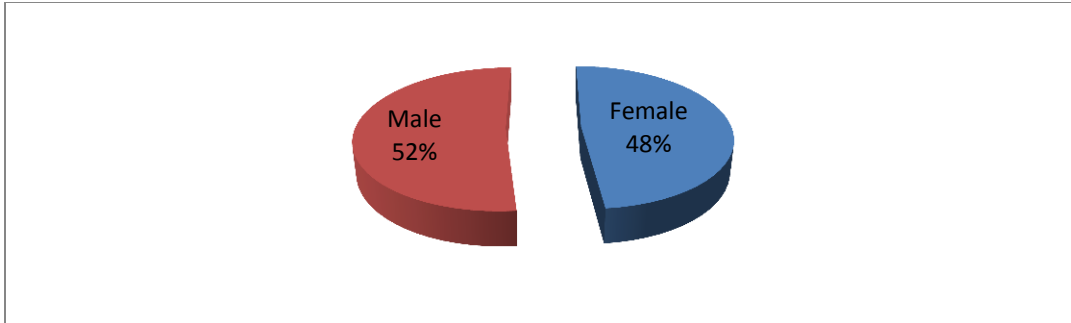
The study used descriptive analysis which include; frequencies and percentages. Inferential statistics such as correlation and regression statistics were also used to test for the relationship of the variables. The analysed data was presented in frequency and percentage tables. The data for our study was collected via questionnaires that were administered in person by the researcher. Based on our target sample size of 379, a total of 250 complete responses were received, representing a 65.9% response rate.

#### **4.2 Demographics characteristics**

The study analysed the demographic characteristics such as gender of the respondents, age group of the respondents, and education level and employment status of the respondents. Charts and figures were used to present the results demographics characteristics of the respondents.

##### **4.2.1 Gender**

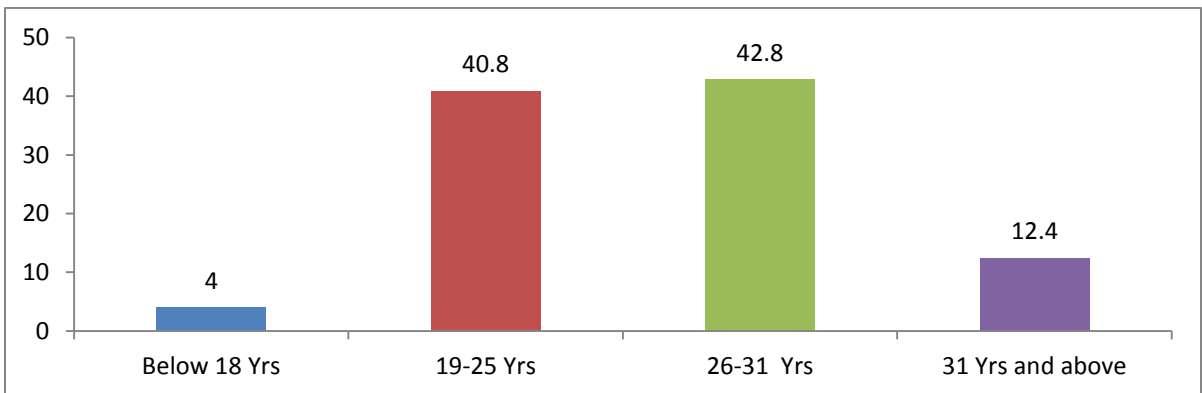
The study findings established that 52% respondents were male while 48% were female. These findings imply that majority of the SMEs owners in Nairobi county were male.



**Figure 4.1 Gender of the Respondents**

#### 4.2.2 Age Bracket

The results further revealed that 42.8% of the respondents who participated in this study were of age range of between 26-31 years while 40.8% were between 19-25 years. Respondents with over 31 years were 12.4% and finally those less than 18 years were 4% out of the total respondents. These findings similarly, imply that majority of the youth SMEs owners in Nairobi County between 19 and 30 years.

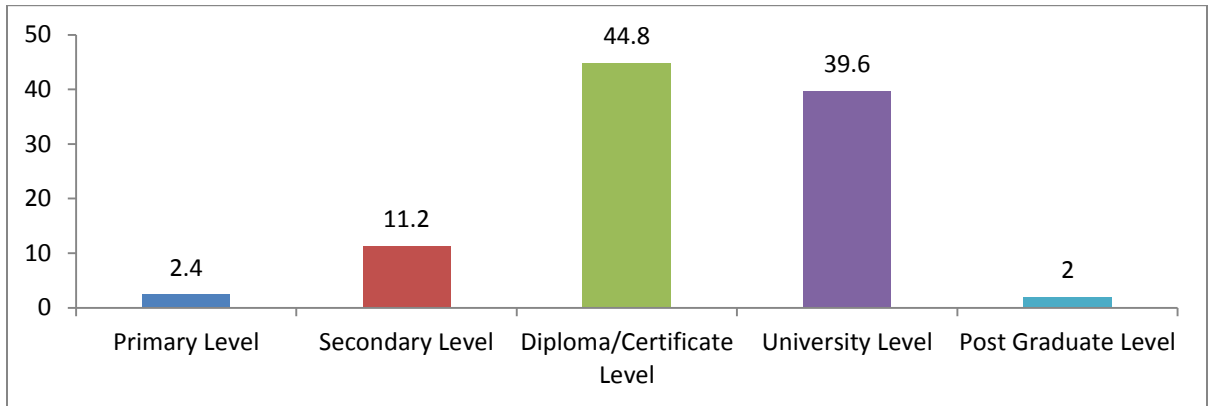


**Figure 4.2 Age Bracket**

#### 4.2.3 Academic Qualifications

The results revealed that 44.8% of the respondents had diploma/certificate level of education while those with university level of education were 39.6%, those with secondary level were 11.2%. The respondents with primary level of education were 2.4% while only 2% had post graduate level of education. The findings of this study imply that

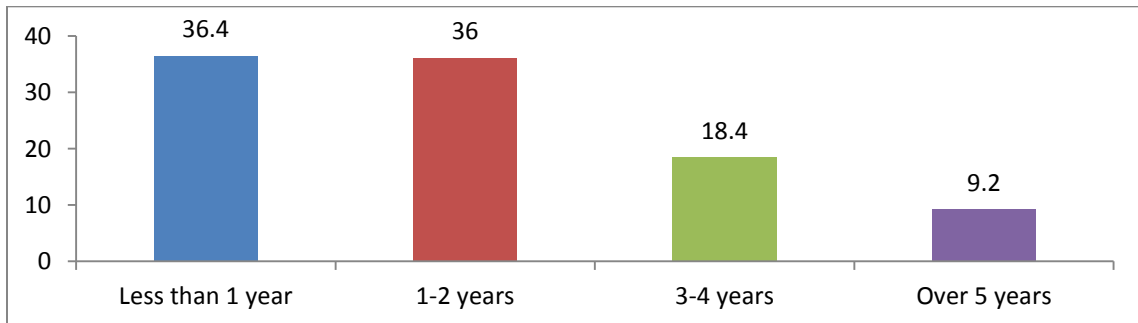
majority of the youth who operate SMEs in Nairobi County were well educated, therefore they were well placed in responding to the questions in the questionnaire.



**Figure 4.3 Highest Level of Education of the Respondents**

#### 4.2.4 Experience of SMEs owner

The study required the respondents to indicate how long they had operated their SMEs. The findings indicated that 36.4% of the SMEs were only 1 year old while 36% were in operation for between 1 and 2 years. The findings further revealed that 18% of the respondents had operated their SMEs for between 3 and 4 years. Finally the results showed that only 9.2% of the respondents had operated their SMEs for over 5 years. These findings confirmed the fact that majority of SMEs collapse before their third birthday.



**Figure 4.4 Experience of the Respondents**

### 4.3 Descriptive Analysis

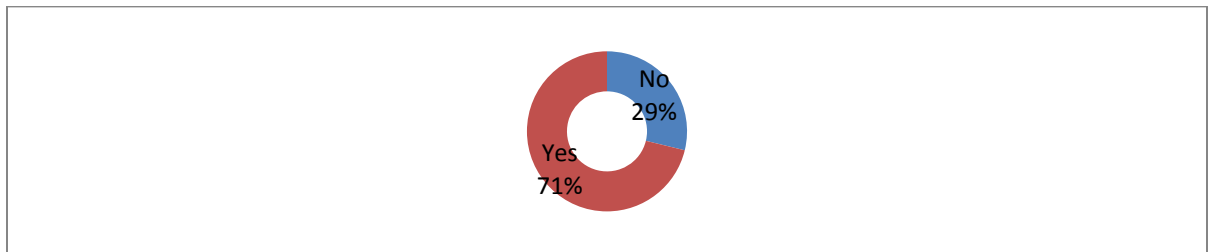
This section presented the descriptive results of the study. The study used frequencies, percentages and mean. The descriptive analysis was conducted for all the objectives and result presented below.

#### 4.4.1 Growth and Development of Youth Entrepreneurship

This section intended to establish the growth and development of the youth entrepreneurship in Nairobi County. These include growth in sales, increase in the number of employees and percentage increase in profits per month.

##### 4.4.1.1 Growth in Sales of Youth Enterprises

The respondents were expected to indicate whether their SMEs have experienced growth since they began. The results indicated that 71% of the respondents agreed that their SMEs had grown since they began while 29% indicated they had not grown.



**Figure 4.5 Growth in Sales of Youth Enterprises**

##### 4.4.1.2 Growth in Sales per Month

This study further intended to find out how much the SMEs grew in sales per month. The findings showed that 56% of the SMEs grew their sales by less than kshs 50,000. The results also showed that 20.4% of the SMEs had grown their monthly sales by between kshs 100,000 and 200,000. Those SMEs that had grown their monthly sales by between

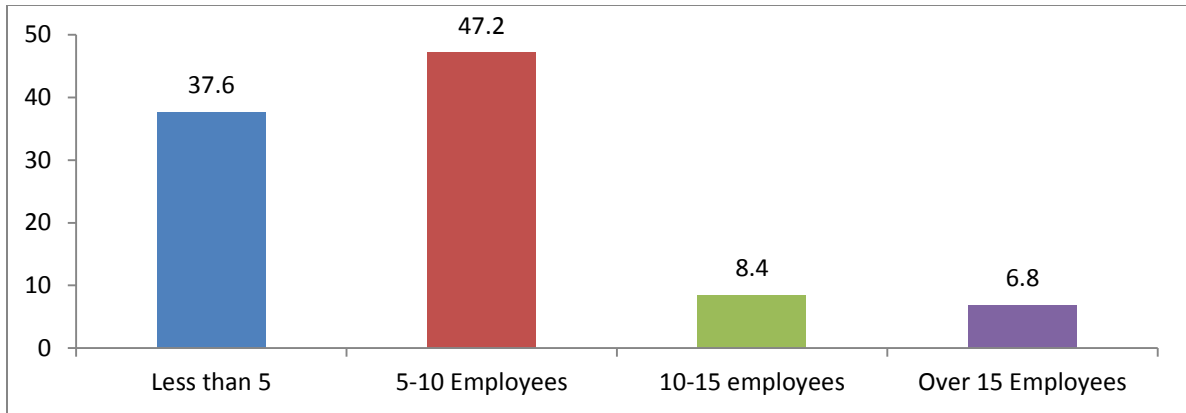
kshs 50,000 and 100,000 were 18.4%. The findings further showed that 2.8% and 2.4% of the SMEs had grown their monthly sales by between kshs 200,000 and 300,000 and over kshs 400,000 respectively. The findings revealed a slow growth among SMEs owned by the youth in Nairobi County.

**Table 4.1 Growth in Sales per Month**

<b>Growth in Sales per Month</b>	<b>Frequency</b>	<b>Percent</b>
Less than kshs 50,000	140	56
Between kshs 50,000 and 100,000	46	18.4
Between kshs 100,000 and 200,000	51	20.4
Between kshs 200,000 and 300,000	7	2.8
over kshs 400,000	6	2.4
<b>Total</b>	<b>250</b>	<b>100</b>

#### **4.4.1.3 Growth in Employment**

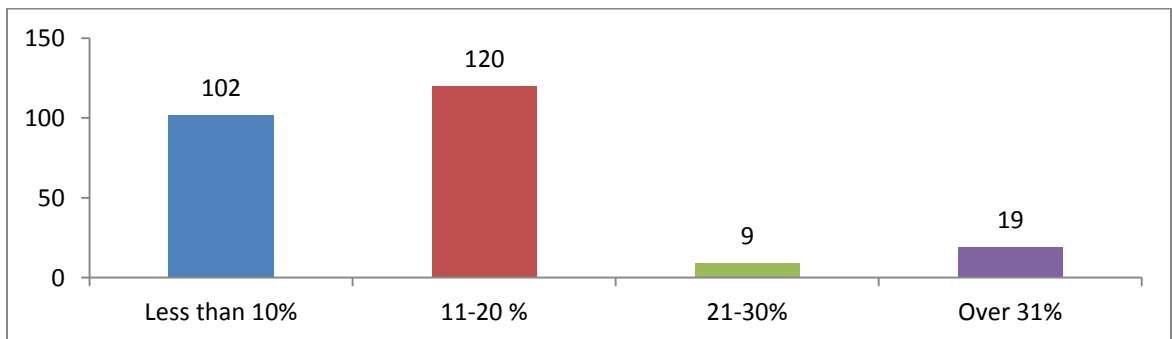
The study further intended to find out whether the SMEs had increased their number of employees since they began operations. The findings showed that 47.2% had increased their employees by between 5 and 10 employees while 37.6% indicated that business had increased their employees by less than 5. Those who indicated that they had increased the number of employees by between 10 and 15 were 8.4%. Only 6.8% indicated to have increased the number of employees by over 15. These findings imply that SMEs owned by the youth in Nairobi County have been moderately growing.



**Figure 4.6 Increase in the Number of Employees**

#### 4.4.1.4 Percentage Increase in Profits per Month

The study also sought to establish the percentage increase in profit per month by the youth owned SMEs in Nairobi County. The findings revealed that 120 of the respondents indicated that they had increased their monthly profit by between 11 and 20% while 102 increased their monthly profits by less than 10%. The result showed that 19 and 9 of the respondents indicated that their business had increased their monthly profits by over 31% and 21 and 30% respectively.



**Figure 4.7 Percentage Increase in Profits per Month**



#### 4.4.2 Role of Access to Credit on Growth of Youth Enterprises

The study sought to establish whether the respondents had ever applied and received for credit from any financial institutions. The study further intended to establish the amount the SMEs had received in credit and some of the major hindrance to accessing credit by youth entrepreneurs.

##### 4.4.2.1 Whether the Respondents Ever Applied For Credit

The results in the table below shown the findings on whether the SMEs had applied credit and the whether they had received any credit from the application. The result revealed that 74% agreed to have applied for credit from various financial institutions. Out of which only 32% agreed to have received credit from financial institutions. The findings implied that less than half of the youth enterprises that apply for credit are given credit. The result implied that credit accessibility was very low among the youth enterprises in Nairobi County.

**Table 4.2 Credit Accessibility by Youth Enterprises in Nairobi County**

	No	Yes	Total
	N %	N %	N %
Have you ever applied for credit from any financial institution	26.0%	74.0%	100.0%
Have you ever received credit from any financial institution	68.0%	32.0%	100.0%

#### 4.4.2.2 Amount Received in Credit

The study also aimed to establish the amount received in credit by the SMEs that participated in the study. The findings showed that 68% of the SMEs indicated they had never received any form of credit despite having applied for it. The results further establish that 11% of the SMEs that agreed to have received credit indicated that they received between kshs 200,000 and 300,000 while 9.2% indicated to have received less than kshs 100,000. The findings also showed that 8.8% received between kshs 100,000 and 200,000. Very few SMEs indicated to have received over kshs 300,000. The findings implied that the amount of credit received by youth owned enterprise was very low.

**Table 4.3 Amount Received in Credit in Nairobi County**

<b>Amount Received in Credit</b>	<b>Frequency</b>	<b>Percent</b>
Never Received	170	68
Less than kshs. 100,000	23	9.2
Kshs 100,000-200,000	22	8.8
Kshs 200,000-300,000	29	11.6
Kshs 300,000-400,000	2	0.8
Over kshs 400,000	4	1.6
<b>Total</b>	<b>250</b>	<b>100</b>

#### 4.4.2.3 Major Hindrance to Accessing Credit by Youth Entrepreneurs

The study was also interested in some of the major hindrance to credit accessibility by youth owned enterprises. The results showed that 36% of the respondents indicated lack of collateral, 30.4% indicated high interest rates, 21.2% indicated few institutions

offering credit to youths and 12.4% cited other factors such as organization policies, poor credit appraisals and minimum required time that the SMEs must have been in operation before being legible for credit. These findings implied that the low credit accessibility by youth enterprises was partly caused by the necessary requirement for credit eligibility

**Table 4.4 Amount Received in Credit in Nairobi County**

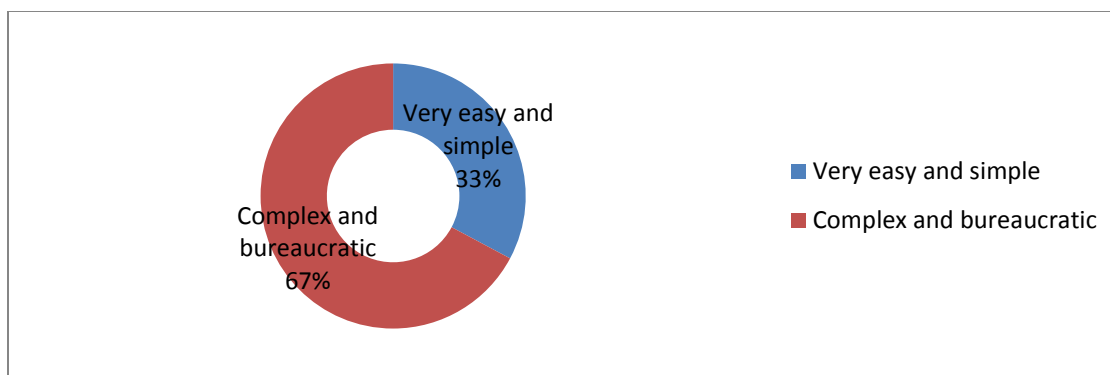
	Frequency	Percent
Lack of collateral	90	36
Few institutions offering credit to youths	53	21.2
High lending rate	76	30.4
Others (specify)→	31	12.4
Total	250	100

#### **4.4.3 Role of Government policy on Growth of Youth Enterprises**

The study sought to find out the influence of licensing and registration processes, the cost of registering a business, presence of policy to support startups and finally the influence of startups taxation policy on growth of youth enterprises.

##### **4.4.3.1 Licensing and Registration of Youth Enterprises**

The respondents were expected to indicate their opinions on the easiness of licensing and registering a business. A less complex and ease business registering process encourages many youths to start their business. The results in the figure below revealed that 67% of the respondents considered the business registration process complex and bureaucratic.



**Figure 4.8 Licensing and Registration of Youth Enterprises**

The findings further revealed that 47.6% of the respondents indicated that Licensing and Registration of Youth Enterprises was very expensive and unaffordable by the majority of the youth in Kenya. The findings could imply that majority of the youth in Kenya shy away from growing their enterprises because of the costs and tedious process associated with registration of businesses. Even though the government of Kenya has made the process easy by introduction of Huduma centers a lot need to be done to reach majority of the youths.

**Table 4.5 Licensing and Registration of Youth Enterprises**

	Frequency	Percent
Expensive and Unaffordable	119	47.6
Expensive and Affordable	96	38.4
Cheap and Affordable	35	14
Total	250	100

#### **4.4.3.3 Government Policies in Supporting Youth Start Ups**

The study also was interested in whether government had formulated enough policies to support startups especially those owned by the youths. Exactly 50% of the respondents indicated there are inadequate policies that support the youth startups while 41.6% indicated that there has been improvement in policies aimed at supporting the youth startups. Uwezo fund supported youths, disabled and disadvantaged women who were being given 30% of the government tenders quota. These were among some of the policies cited aimed at supporting youth in establishing their enterprises.

**Table 4.6 Government Policies in Supporting Youth Start Ups**

	Frequency	Percent
Adequate	21	8.4
Inadequate	125	50
Improved	104	41.6
Total	250	100

#### **4.4.3.4 Startups Taxation Policy**

All business registered in Kenya are supposed to remit their annual taxes to the government including youth enterprises regardless with whether they are stable or not. The results showed that 47.2% of the respondents found the taxation on startups to very expensive, while 38.4% indicated that taxation was not affordable to the youth enterprises.

**Table 4.7 Startups Taxation Policy**

	Frequency	Percent
Affordable to youth	36	14.4
Not affordable	96	38.4
Very expensive	118	47.2
Total	250	100

#### **4.4.4 Role of Technical Skills on Growth of Youth Enterprises**

Technical skills are key to starting and running a business therefore this study aimed at finding out whether youth who own enterprises in Nairobi had the relevant skills in business management, whether they had mentors who guide them in their entrepreneurship journey and whether having a mentorship programme in youth entrepreneurship would increase the number of youths venturing into entrepreneurship. The finding revealed that 74% agreed that they had skills in business management. The results also showed that 65.6% agreed that they had mentors who guided them in their entrepreneurship journey. On whether having mentors increased the number of youths venturing into entrepreneurship, 64.4% of the respondents agreed. The findings imply that youth with technical skills are able to operate their businesses effectively. The findings further implied that mentorship was important to the growth of youth enterprises.

**Table 4.8 Technical Skills on Growth of Youth Enterprises**

	No	Yes
Do you have any technical skills in business management	26.00%	74.00%
Do you have mentors who guide you in your entrepreneurship journey	34.40%	65.60%
Would having a mentorship programme in youth entrepreneurship increase the number of youths venturing into entrepreneurship	35.60%	64.40%

The results further showed that 26.4% of the youth had cash management skills, 24.4% had marketing skills, 24.4% had business operations skills and finally 24.8% had networking skills. The results implied that youths that operated enterprises in Nairobi County had business related skills.

**Table 4.9 Technical Skills of Youth in Entrepreneurship**

	Frequency	Percent
Marketing skills	61	24.4%
Cash management skills	66	26.4%
Business operations skills	61	24.4%
Networking skills	62	24.8%
<b>Total</b>	<b>250</b>	<b>100%</b>

#### **4.4.4.1 Business Assistance and Support Programme**

The study aimed to establish whether having business assistance and support programme also led to increased youth entrepreneurs, improved attitude in youth towards entrepreneurship and improved growth and performance of existing youth entrepreneurship. The finding showed that over 60% of the respondents agreed with the above statements. The findings implied that business assistance and support programme were viewed to be very important to growth of youth enterprises.

**Table 4.10 Business Assistance and Support Programme**

	No	Yes	Total
Increased youth entrepreneurs	35.2%	64.8%	100.0%
Improved attitude in youth towards entrepreneurship	31.2%	68.8%	100.0%
Improved growth and performance of existing youth entrepreneurship	38.0%	62.0%	100.0%

#### **4.4.5 Factors influencing Growth of Youth Enterprises**

The result showed that the statement had a mean of above 3.5 which implied that majority of the respondents indicated that credit accessibility, government policies, technical skills, entrepreneurial experience, cost of licensing and registration, and mentorship programme had great extent on the growth of youth enterprises.



**Table 4.11 Factors influencing Growth of Youth Enterprises**

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Standard Deviation
Credit accessibility	9.6%	13.2%	7.2%	34.8%	35.2%	3.73	1.32
Government policies	5.6%	6.4%	10.4%	34.8%	42.8%	4.03	1.14
Technical skills	8.4%	8.4%	8.8%	39.2%	35.2%	3.84	1.23
Entrepreneurial experience	9.6%	7.2%	7.6%	36.0%	39.6%	3.89	1.27
Cost of licensing and registration	10.4%	8.0%	5.6%	35.2%	40.8%	3.88	1.31
Mentorship programme	6.8%	8.4%	10.4%	35.6%	38.8%	3.91	1.20

## 4.5 Correlation Analysis

The study used correlation to test the association between credit accessibility, government policies, technical skills and growth of youth enterprises.

### 4.5.1 Credit Accessibility and Growth of Youth Enterprises

To ascertain the association between credit accessibility and growth of youth enterprises, the study carried out a Pearson's correlation test. The results indicated that credit accessibility had a positive and significant correlation with growth of youth enterprises ( $r=0.471$ ,  $p=0.000$ ). The findings imply that increase in credit accessibility would result

in increase in growth of youth enterprises. Kamunge, Njeru & Tirimba (2015) study also concluded that increasing the access to financial support by the SMEs and having management experience are the essential social and economic determinants that affect the growth and sustainability of small enterprises.

**Table 4.12 Credit Accessibility and Growth of Youth Enterprises**

		Growth in Youth Enterprises	Credit accessibility
Growth in Youth Enterprises	Pearson Correlation	1	.471**
	Sig. (2-tailed)		.000
	N	250	250
Credit accessibility	Pearson Correlation	.471**	1
	Sig. (2-tailed)	.000	
	N	250	250

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### **4.5.2 Government policies and Growth of Youth Enterprises**

The study also carried out a Pearson’s correlation test to ascertain the association between government policies and growth of youth enterprises. The results indicated that Government policies had a positive and significant correlation with growth of youth enterprises ( $r=0.213$ ,  $p=0.001$ ). The findings imply that improvement in Government policies would result in increase in growth of youth enterprises. On the other hand, Kimando, Njogu and Kihoro (2012) found that the process of business registration and

licensing, acquiring the relevant certificates from different government departments, high taxation and corruption also influenced the growth of youth enterprises. Similarly Schoof (2006) suggested five keys obstacles to youth entrepreneurship which include poor cultural attitude towards entrepreneurship unsound administrative and legal framework.

**Table 4.13 Government policies and Growth of Youth Enterprises**

		Growth in Youth Enterprises	Government policies
Growth in Youth Enterprises	Pearson Correlation	1	.213**
	Sig. (2-tailed)		.001
	N	250	250
Government policies	Pearson Correlation	.213**	1
	Sig. (2-tailed)	.001	
	N	250	250

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### **4.5.3 Technical Skills and Growth of Youth Enterprises**

The correlation was conducted to test the strength of the association between Technical Skills and Growth of Youth Enterprises. The findings indicated their existed a strong and significant association between Technical Skills and Growth of Youth Enterprises ( $r=0.201$ ,  $p=0.001$ ). Similarly, Llisterri et al (2006) also suggested that inexperience and inadequate resources result to early failures of the business while Shumba (2014) highlighted factors such as culture of uncoordinated profiteering, low standards of services and product produced and corruption in some of the registration offices and

competition from well-established and monopolistic or deep pocketed local and foreign players caused death of youth enterprises.

**Table 4.14 Technical Skills and Growth of Youth Enterprises**

		Growth in Youth Enterprises	Technical skills
	Pearson Correlation	1	.201**
Growth in Youth Enterprises	Sig. (2-tailed)		.001
	N	250	250
	Pearson Correlation	.201**	1
Technical skills	Sig. (2-tailed)	.001	
	N	250	250

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## 4.6 Regression Analysis Results

To further investigate the nature of relationship between credit accessibility, government policies and Technical Skills and Growth of Youth Enterprises, the study employed a linear regression analysis. According to Kothari (2014), regression is the determination of a statistical relationship between two or more variables.

### 4.6.1 Credit Accessibility and Growth of Youth Enterprises

The results showed a relationship  $R= 0.471$ , indicates a strong positive association between Credit Accessibility and Growth of Youth Enterprises.  $R\text{-squared}= 0.222$  indicated that 22.2% of variation in the Growth of Youth Enterprises can be explained by

Credit Accessibility while the remaining percentage of 83.0% was accounted for other variables captured under the error term.

**Table 4.15: Model Summary for Credit Accessibility and Growth of Youth**

**Enterprises**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.471 <sup>a</sup>	.222	.219	.741

a. Predictors: (Constant), Credit accessibility

The results of ANOVA test showed that the F value is 70.879 with a significance of p value = 0.000 which is less than 0.05, which implied that credit accessibility was a good predictor of enterprise growth and development.

**Table 4.16: ANOVA for Credit Accessibility and Growth of Youth Enterprises**

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	38.876	1	38.876	70.879	.000 <sup>b</sup>
1	Residual	136.024	248	.548		
	Total	174.900	249			

a. Dependent Variable: Growth in Youth Enterprises

b. Predictors: (Constant), Credit accessibility

The coefficient  $\beta = 0.291$  is also found to be significantly different from 0 with a p-value=0.000 which is less than 0.05. The results imply that a unit change in Credit Accessibility will result in 0.291 units change in Growth of Youth Enterprises. The findings showed that credit access and enterprise growth are directed and positively related. Kamunge, Njeru & Tirimba (2015) study also concluded that increasing the

access to financial support by the SMEs and having management experience are the essential social and economic determinants that affect the growth and sustainability of small enterprises.

**Table 4.17: Coefficient for Credit Accessibility and Growth of Youth Enterprises**

	B	Std. Error	Beta	t	Sig.
(Constant)	1.121	0.091		12.284	0
Credit accessibility	0.291	0.035	0.471	8.419	0

a. Dependent Variable: Growth in Youth Enterprises

#### 4.6.2 Government policies and Growth of Youth Enterprises

The results showed a relationship  $R = 0.213$ , indicates a strong positive association between Government policies and Growth of Youth Enterprises.  $R\text{-squared} = 0.045$  indicated that 4.5% of variation in the Growth of Youth Enterprises can be explained by Government policies while the remaining percentage was accounted for other variables captured under the error term.

**Table 4.18: Model Summary for Government policies and Youth Enterprises**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.213 <sup>a</sup>	.045	.041	.821

a. Predictors: (Constant), Government policies

The results of ANOVA test showed that the F value is 11.742 with a significance of p value = 0.001 which is less than 0.05, which implied that government policy was a good predictor of enterprise growth and development.

**Table 4.19: ANOVA for Government policies and Growth of Youth Enterprises**

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	7.906	1	7.906	11.742	.001 <sup>b</sup>
1	Residual	166.994	248	.673		
	Total	174.900	249			

a. Dependent Variable: Growth in Youth Enterprises

b. Predictors: (Constant), Government policies

The coefficient  $\beta = 0.152$  is also found to be significantly different from 0 with a p-value=0.000 which is less than 0.001. The results imply that a unit change in Government policies will result in 0.291 units change in Growth of Youth Enterprises. The findings also showed that government policies and enterprise growth are directed and positively related. On the other hand, Kimando, Njogu and Kihoro (2012) found that the process of business registration and licensing, acquiring the relevant certificates from different government departments, high taxation and corruption also influenced the growth of youth enterprises. Similarly Schoof (2006) suggested five keys obstacles to youth entrepreneurship which include poor cultural attitude towards entrepreneurship unsound administrative and legal framework.

**Table 4.20: Coefficient for Government policies and Growth of Youth Enterprises**

	B	Std. Error	Beta	t	Sig.
(Constant)	1.476	0.103		14.356	0
Government policies	0.152	0.044	0.213	3.427	0.001

a. Dependent Variable: Growth in Youth Enterprises

### 4.6.3 Technical Skills and Growth of Youth Enterprises

The results showed a relationship  $R = 0.201$ , indicates a strong positive association between Technical Skills and Growth of Youth Enterprises.  $R\text{-squared} = 0.140$  indicated that 14.0% of variation in the Growth of Youth Enterprises can be explained by Technical Skills while the remaining percentage was accounted for other variables captured under the error term.

**Table 4.21: Model Summary for Technical Skills and Growth of Youth Enterprises**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.201 <sup>a</sup>	.140	.136	.823

a. Predictors: (Constant), Technical skills

The results of ANOVA test showed that the F value was 10.395 with a significance of p-value = 0.001 which was less than 0.05, which implied that technical skills was a good predictor of enterprise growth and development.

**Table 4.22: ANOVA for Technical Skills and Growth of Youth Enterprises**

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	7.036	1	7.036	10.395	.001 <sup>b</sup>
1	Residual	167.864	248	.677		
	Total	174.900	249			

a. Dependent Variable: Growth in Youth Enterprises

b. Predictors: (Constant), Technical skills



The coefficient  $\beta = 0.152$  was found to be different from 0 with a p-value=0.000 which is less than 0.001. The results imply that a unit change in Government policies will result in 0.291 units change in Growth of Youth Enterprises. This confirmed that there is a significant positive linear relationship between Government policies and Growth of Youth Enterprises in Kenya. Similarly, Llisterri et al (2006) suggested that inexperience and inadequate resources result to early failures of the business while Shumba (2014) highlighted factors such as culture of uncoordinated profiteering, low standards of services and product produced and corruption in some of the registration offices and competition from well-established and monopolistic or deep pocketed local and foreign players caused death of youth enterprises.

**Table 4.23: Coefficient for Technical Skills and Growth of Youth Enterprises**

	B	Std. Error	Beta	t	Sig.
(Constant)	1.509	0.099		15.254	0
Technical skills	0.149	0.046	0.201	3.224	0.001

a. Dependent Variable: Growth in Youth Enterprises

## 4.7 Discussion of the Results

The findings of descriptive analysis revealed that there was a slow growth among SMEs owned by the youth in Nairobi County. The study further established that youth enterprises in Nairobi County had low credit accessibility. The findings showed that majority of the youth in Kenya failed to grow their enterprises because of the costs and tedious process associated with registration of businesses.

The findings also showed that youth with technical skills were better off in growing their enterprises. The findings further implied that mentorship was important to the growth of youth enterprises. The results indicated that credit accessibility had a positive and significant correlation with growth of youth enterprises ( $r=0.471$ ,  $p=0.000$ ). The results indicated that Government policies had a positive and significant correlation with growth of youth enterprises ( $r=0.213$ ,  $p=0.001$ ). The findings indicated there existed a strong and significant association between Technical Skills and Growth of Youth Enterprises ( $r=0.201$ ,  $p=0.001$ ). The other key factors that were found to affect businesses positively are: access to business information, access to infrastructure and government policy and regulations. The study findings were also consistent with theory of Stages Development, Theory of Enterprise Growth and Opportunity -Based Entrepreneurship Theory adopted in this study.

Similarly, Llisterri et al (2006) suggested that inexperience and inadequate resources result to early failures of the business while Shumba (2014) highlighted factors such as culture of uncoordinated profiteering, low standards of services and product produced and corruption in some of the registration offices and competition from well-established and monopolistic or deep pocketed local and foreign players caused death of youth enterprises. Perez and Pablos, (2003) study also found that entrepreneurs experience helps in building the knowledge based, accessing market information and developing business networks. It also assists in increasing managerial capability hence diversifying the services and products.

## **CHAPTER FIVE**

### **SUMMARY CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This section contained the summary of the study findings according to the research objectives, conclusion derived from the findings of the study and recommendations based on the study findings. The section also provides suggestions for future studies.

#### **5.2 Summary**

Youth entrepreneurship is an emerging area of interest in entrepreneurial study and not yet fully developed in Kenya. The study used a descriptive research design. The study was conducted in the Nairobi city which is the capital city of Kenya and where the headquarters of all government offices are located. The choice of Nairobi city was also influenced by the reason that there was a high population of the youth engaging in entrepreneurship that cut across all 42 tribes in the country. In this study, the population of interest was youth aged between 18 years to 35 years who have established ventures and operate within Nairobi at the time of study. It was also the jobless youth within this age bracket who have not thought of starting any venture within the same area.

The target population of the study included 30252 SMEs in all the 9 sub counties in Nairobi County. Based on Krejcie and Morgan (1970) model 379 SMEs was selected from a total of 30252 SMEs in the study area. In this study, a mixture of probability and non-probability sampling designs were employed. Area cluster sampling was also used to overcome the problem of high sampling cost associated with simple random sampling.

The study used structured self-administered questionnaire to collect data. The questionnaires were administered through a drop and pick method and mail survey due to the busy schedules of some of the respondents. Descriptive and inferential analyses were conducted. Descriptive analysis was used in transforming the raw data into a form that can be easily understood and interpreted such as mean, frequencies and percentages.

The findings of descriptive analysis revealed that there was a slow growth among SMEs owned by the youth in Nairobi County. The study further established that youth enterprises in Nairobi County had low credit accessibility. The findings showed that majority of the youth in Kenya failed to grow their enterprises because of the costs and tedious process associated with registration of businesses. The findings also showed that youth with technical skills were better off in growing their enterprises. The findings further implied that mentorship was important to the growth of youth enterprises.

The correlation results indicated that credit accessibility had a positive and significant correlation with growth of youth enterprises ( $r=0.471$ ,  $p=0.000$ ). The results also indicated that Government policies had a positive and significant correlation with growth of youth enterprises ( $r=0.213$ ,  $p=0.001$ ). The findings further indicated existence of a strong and significant association between Technical Skills and Growth of Youth Enterprises ( $r=0.201$ ,  $p=0.001$ ). The findings of regression analysis further confirmed that there existed a relationship between credit accessibility, Government policies, Technical Skills and Growth of Youth Enterprises.

### **5.3 Conclusions**

The study established that the level of youth entrepreneurship was low in Kenya just like other developing countries. This could be attributed low high rate at which the SMEs owned by the youths are collapsing due failure access finances from commercial banks and other financial institutions. The problem of lack of access to credit has been compounded by the demand for sufficient collaterals by commercial banks and strict requirement from the lenders. With increasing level of youth entrepreneurship government should focus of removing barriers that hinder youth from venturing into entrepreneurship to encourage more youth to start their own business. The government should not underestimate the contribution of youth enterprises on social and economic wellbeing of the country. The government must formulate sound policies aimed at promoting youth enterprises to help them survive and grow in the early years.

### **5.4 Recommendations**

The study recommended that financial institutions should come up with new and innovative measures to secure credit in ways that will not lock out youth entrepreneurs from accessing credit. Government policies also pose serious challenges to youth enterprises growth and development. The government should revise the bad policy that hinders growth and development of youth enterprises and focus on formulating policies that promote growth of youth entrepreneurship. Licensing and registration requirements for new business should be made easy as well as reduce the cost of settling legal claims, and excessive delays in registration proceedings to encourage young people to start and run their enterprises.

## **5.5 Suggestions for Future Research**

This study established the factors that affect growth and development of youth entrepreneurship. The study recommended future studies should focus on the challenges of youth entrepreneurs in Kenya and the financial and non-financial support required to enable their success.

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## APPENDICES

### Appendix I: Questionnaire

#### SECTION A: DEMOGRAPHICS

1. Kindly indicate your age group
  - a. Below 18
  - b. 19-25
  - c. 26-31
  - d. 31 and above
  
2. Kindly indicate your gender
  - a) Male
  - b) Female
  
3. Indicate your academic qualifications
  - a) Primary Level
  - b) Secondary Level
  - c) Diploma/Certificate Level
  - d) University Level
  - e) Post Graduate Level
  
4. How many years has your business been in operation
  - a) Less than 1 year
  - b) 1-2 years
  - c) 3-4 years
  - d) Over 5 years

## SECTION B: GROWTH OF YOUTH ENTREPREURSHIP

5. Has your business experienced growth in sales since its birth
- a) Yes ( )
  - b) No ( )
6. By how much has your total sales been growing per month?
- a) Less than ksh 50,000
  - b) Between ksh 50,000 and 100,000
  - c) Between ksh 100,000 and 200,000
  - d) Between ksh 200,000 and 300,000
  - e) over ksh 400,000
7. How many people have you employed in your business?
- a) Less than 5 ( )
  - b) 5-10 ( )
  - c) 10-15 ( )
  - d) Over 15 ( )
8. What has been the percentage increase in profits per month in your business?
- a) Less than 10% ( )
  - b) 11-20 % ( )
  - c) 21-30% ( )
  - d) Over 31 % ( )



**SECTION C: ROLE OF ACCESS TO CREDIT ON GROWTH OF YOUTH  
ENTREPRENEURSHIP**

9. Have you ever applied for credit from any financial institution?

a) Yes ( )

b) No ( )

10. Have you ever received credit from any financial institution?

a) Yes ( )

b) No ( )

11. If yes in question 10 above, indicate how much you received as credit from financial institution?

a) Less than ksh. 100,000 ( )

b) Ksh 100,000-200,000 ( )

c) Ksh 200,000-300,000 ( )

d) Ksh 300,000-400,000 ( )

e) Over ksh 400,000 ( )

12. Were you required to provide collateral in your credit application?

a) Yes ( )

b) No ( )

13. What do you think is the major hindrance to accessing credit by youth entrepreneurs?

a) Lack of collateral ( )

b) Few institutions offering credit to youths ( )

c) High lending rate ( )

d) Others (specify) \_\_\_\_\_

14. How do you rate the lending rates charged by financial institution on their loans?

- a) Affordable to youth ( )
- b) Not affordable ( )
- c) Very expensive ( )

**SECTION D: ROLE OF GOVERNMENT POLICIES ON GROWTH OF YOUTH  
ENTREPRENEURSHIP**

15. How do rate the ease of licensing and registration of youth enterprises?

- a) Very easy and simple ( )
- b) Complex and bureaucratic ( )

16. How do you rate the cost of licensing and registration of youth enterprises?

- a) Expensive and unaffordable ( )
- b) Expensive and affordable ( )
- c) Cheap and affordable ( )

17. How do you rate the available government policies in supporting youth start ups

- a) Adequate ( )
- b) Inadequate ( )
- c) Improved ( )

18. How do you rate tax charged by government on startups?

- d) Affordable to youth ( )
- e) Not affordable ( )
- f) Very expensive ( )

**SECTION E: ROLE OF LACK OF TECHNICAL SKILLS ON GROWTH OF YOUTH ENTREPRENEURSHIP**

19. Do you have any technical skills in business management?

a) Yes ( )

b) No ( )

20. What kind of technical skills do you possess?

a) Marketing skills ( )

b) Cash management skills ( )

c) Business operations skills ( )

d) Networking skills ( )

e) None of the above ( )

21. Do you have mentors who guide you in your entrepreneurship journey?

a) Yes ( )

b) No ( )

22. Would having a mentorship programme in youth entrepreneurship increase the number of youths venturing into entrepreneurship?

a) Yes ( )

b) No ( )

23. What would be the impact of having business assistance and support programme for the youth entrepreneurs?

i. Increased youth entrepreneurs

a) Yes ( )

b) No ( )

ii. Improved attitude in youth towards entrepreneurship

a) Yes ( )

b) No ( )

iii. Improved growth and performance of existing youth entrepreneurship

a) Yes ( )

b) No ( )

24. To what extent do the following factors influence the growth youth enterprises in Nairobi County, Kenya?

No	Factors	Very low	Low	Moderate	Great	Very
1	Credit accessibility					
2	Government policies					
3	Technical skills					
4	Mentorship programme					
5	Cost of licensing and registration					
6	Entrepreneurial experience					

25. List other factors that influence the growth of the youth enterprises In Nairobi

County

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_
- e. \_\_\_\_\_
- f. \_\_\_\_\_

**THANK YOU FOR PARTICIPATING.**