

**FACTORS INFLUENCING THE PERFORMANCE OF YOUTH
OWNED MICRO AND SMALL ENTERPRISES: A CASE OF
KIAMBU TOWN, KIAMBU COUNTY KENYA**

BY

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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE
OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT OF
THE UNIVERSITY OF NAIROBI**

2013

DECLARATION

I hereby declare that this project report is my original work and has never been submitted in any other university or institution of learning for a degree or any other award.

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DEDICATION

This project is dedicated to my mum Cecilia Gathoni, thank you for your numerous sacrifices in helping me acquire, realize and recognize the value and importance of education. Also to all the youths striving to make a difference in Kenya republic.

ACKNOWLEDGEMENT

This research project would not have been successful without the assistance of people and institutions. I would like to express my deepest appreciation to my supervisor, Dr. Stephen Wanyonyi Luketero for his support and encouragement, for always patiently reading my project report and offered invaluable input. I am also indebted to the staff of Kiambu Municipal Council for availing data on MSEs in Kiambu town.

I wish to convey sincere gratitude to all key informants and other respondents who gave me permission and spared time to participate in the study. My fellow students, and friends who assisted me in one way or the other to make this work a success may God bless you.

Most of all, I remain forever grateful to the almighty God for his abundance of grace and mercy during the entire period of my study.

TABLE OF CONTENTS

Contents	Page
DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS.....	iv
LIST OF FIGURES	viii
LIST OF TABLES	ix
ABBREVIATIONS AND ACRONYMS	xi
ABSTRACT.....	xii
CHAPTER ONE INTRODUCTION	1
1.1 Background.....	1
1.2 Statement of the Problem.....	4
1.3 Purpose of the Study	5
1.4 Objectives of study	5
1.5 Research questions.....	5
1.6 Significance of Study.....	6
1.7 Basic Assumptions of the study.....	6
1.8 Limitations of Study	6
1.9 Delimitations of Study	6
1.10 Definition of significant terms	6
1.11 Organization of the study.....	8
CHAPTER TWO	10
LITERATURE REVIEW	10
2.1 Introduction.....	10
2.2 Overview of Youth Entrepreneurship.....	10
2.3 Categorization of Youth Entrepreneurs	13
2.4 Motivations of youth to engage in Entrepreneurship.....	13

2.5 Micro and Small Enterprise	14
2.6 Factors influencing the Performance of Youth Enterprises	17
2.6.1 Social Cultural Factors.....	17
2.6.2 Education, Training and Skills.....	19
2.6.3 Access to Finance and Credit Facilities.....	21
2.6.4 Competition.....	22
2.6.5 Access to Market.....	23
2.7 Theoretical Framework.....	25
2.8 Conceptual Framework.....	26
2.9 Summary of Literature Review.....	28
CHAPTER THREE	29
RESEARCH METHODOLOGY	29
3.1 Introduction.....	29
3.2 Research Design.....	29
3.3 Target Population.....	29
3.4 Sampling Size Selection and Sampling Procedure	30
3.4.1 Sample size selection	30
3.4.2 Sampling Procedure.....	31
3.5 Research instruments	31
3.5.1 Validity of the instruments.....	31
3.5.2 Reliability of the Instruments.....	32
3.6 Data Collection Procedure	32
3.7 Data Analysis and Presentation	32
3.8 Ethical Considerations	33
3.9 Chapter Summary	Error! Bookmark not defined.
3.9 Operationalization of variables.....	34
CHAPTER FOUR.....	35

DATA ANALYSIS, PRESENTATION AND INTERPRETATION	35
4.1 Introduction.....	35
4.2 Demographic Characteristics	35
4.2.1 Gender Distribution of the Respondents.....	35
4.2.2 Marital status of the respondents	36
4.2.3 Family size of the respondents.....	37
4.2.4 Age distribution of respondents	37
4.2.5 Distribution of the respondents by religion.	38
4.2.6 Sector of activity	39
4.2.7 Respondents Comfortable with Business Location	39
4.2.8 The length of time the business had been operational	40
4.2.9 Respondents operation of prior business	41
4.2.10 Length of Time Respondents Run the Prior Business	41
4.2.11 Coexistence of other business or businesses.....	42
4.2.12: The form of enterprise	43
4.2.13 Registration of the business	43
4.2.14 The Current State of the Enterprise	44
4.3 Socio-cultural Factors	44
4.3.1 Respondents Motivation to start their own businesses	45
4.3.2 Perception on Youth Entrepreneurship in General	45
4.3.3 Religion as determinant on the performance of enterprise	46
4.3.4 Influence of Religion on Youth Enterprises	47
4.3.5 Influence of gender roles on the choice and performance of enterprise	48
4.3.6 Improving Youth Entrepreneurship	48
4.4 Education Training and Skills.....	49
4.4.1 Highest Level of Education	50
4.4.2 Managerial or enterprise education training	50
4.4.3 Educational system in supporting the creation of entrepreneurial culture.....	51
4.4.4 Previous Experience on Running an Enterprise.....	52
4.5 Access to Finance and Credit.....	52
4.5.1 Start up financing.....	52

4.5.2 The kind of start-up finance obtained	53
4.6 Influence of Competition on Performance of the Youth Owned Enterprises.	53
4.6.1 Competition level.....	54
4.6.2 Number of customers served in a day.....	54
4.7 Influence of Access to Market on the Performance of the Youth Enterprises.....	55
4.7.1 Method of accessing the current market being served.....	55
4.7.2 Marketing strategies employed to counter competition.....	56
4.7.3 Promotion of market accessibility by modern technology	57
4.7.4 Infrastructural Rating.....	57
4.9 Chapter Summary	60
CHAPTER FIVE	61
SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND	
RECOMMENDATIONS.....	61
5.1 Introduction.....	61
5.2 Summary of Findings.....	61
5.3 Discussions	64
5.4 Conclusions.....	66
5.5 Recommendations.....	68
5.6 Recommendations of Further Study	68
REFERENCES.....	70
APPENDICES	75
Appendix I: Introductory Letter.....	75
Appendix II: Research Questionnaire.....	76
Appendix III: Interview Guide.....	83
Appendix IV: Observations Checklist	84

LIST OF FIGURES

	Page
Figure 1: Conceptual Framework	27
Figure 2: Operationalization of Variables.....	34

LIST OF TABLES

	Page
Table 3.1 Enterprise Activities in Kiambu Town	30
Table 3.2: Youth owned enterprises	30
Table 3.3: Operationalization of Variable	34
Table 4.1 :Gender Distribution of the Respondents.....	36
Table 4.2 : Marital status of the respondents	36
Table 4. 3 : Family size of the respondents	37
Table 4.4 : Age distribution of respondents.....	38
Table 4.5 : Distribution of the Respondents by Religion.....	38
Table 4.6 : Sector of Activity.....	39
Table 4.7 : Respondents Comfortable with Business Location	40
Table 4. 8 : The length of time the business had been operational	40
Table 4.9: Respondents operation of prior business	41
Table 4.10: The length of time respondents ran the prior businesses	42
Table 4. 11: Coexistence of other business or businesses	42
Table 4.12: The form of enterprise	43
Table 4.13 : Registration of the Business	43
Table 4.14 : The current state of the enterprise	44
Table 4.15 : Respondents Motivation to start their own businesses	45
Table 4.16: Perception on Youth Entrepreneurship in General	46
Table 4. 17 : Religion influence on the performance of enterprise	46
Table 4. 18 : Effects of religion on youth enterprises.....	47
Table 4.19 : Influence of Gender Roles on the Choice and Performance of Enterprise...	48
Table 4.20 : Improving youth entrepreneurship	49
Table 4.21 : Highest Level of Education	50
Table 4.22 : Managerial or Enterprise Education Training	51
Table 4.23: Educational system in supporting the creation of entrepreneurial culture	51
Table 4. 24 : Previous experience on running an enterprise	52
Table 4.25 : Start up financing.....	52
Table 4.26: Kind of start-up finance obtained	53

Table 4.27 : Competition level.....	54
Table 4.28 : Number of customers served in a day.....	55
Table 4.29 : Method of accessing the current market being served.....	56
Table 4.30 : Marketing strategies employed to counter competition.....	56
Table 4.31: Promotion of market accessibility by modern technology	57
Table 4.32 : Infrastructural rating	57
Table 4.33 Pearson’s correlations Matrix	59

ABBREVIATIONS AND ACRONYMS

GDP	:	Gross Domestic Product
GEM	:	Global Entrepreneurship Monitor
GOK	:	Government of Kenya
HIV/AIDS	:	Human Immune deficiency Virus/Acquired Immune Deficiency Syndrome
ILO	:	International Labour Organization
KIHBS	:	Kenya Integrated Household Budget Survey
KKV	:	Kazi Kwa Vijana
KNYP	:	Kenya National Youth Policy
LDC	:	Least Developed Countries
MDG'S	:	Millennium development goals
MOYA	:	Ministry of Youth Affairs
MSES	:	Micro and small enterprises
NARC	:	National Alliance Rainbow Coalition
NEET	:	Not in Employment Education or Training
OECD	:	Organization for Economic Co-operation and Development
STI'S	:	Sexually Transmitted Infections
USD	:	United States Dollar
YBI	:	Youth Business International
YDF	:	Youth Development Fund

ABSTRACT

Youth Owned Micro and Small Enterprises are faced with several challenges in their operations. The purpose of this study was to investigate factors influencing the performance of youth owned micro and small enterprises. The objectives of the study included: establishing the influence of socio-cultural factors on the performance of youth owned enterprises; determining the influence of education , training and skills on the performance of the enterprises; examining how access to finance and credit facilities influences performance of youth enterprises; investigating how competition determines performance of the youth owned enterprises; and establish how access to market influences the performance of the youth enterprises. To achieve this, the study adopted descriptive research design where the respondents were requested to describe the circumstances facing their business operations. The target population of the study was 1182 enterprises within Kiambu Town that were owned by youths. The study selected 10% of the population which gave a sample size of 122 respondents. A semi structured questionnaire was used in data collection. The completed questionnaires were coded, entered into SPSS and presented using frequency tables and percentages. The study concludes that socio-cultural factors affect the performance of youth owned enterprises. The culture of the entrepreneurs had a large effect on thinking of the youth and the kind of businesses they engage in. Youth perception on entrepreneurship depended particularly upon their personal environment. The study also established that education training and skills affected the performance of the enterprises. Access to finance and credit facilities influenced performance youth enterprises to a great extent. Competition determines the performance of the youth owned enterprises because of its effects on the ability of the businesses to cover their operational costs. Further access to market influences the performance of the youth enterprises due to the fact that many a times the youth have limited or no access to timely, simplified, production technology and government regulations they are unable to perform and survive in the fast changing, increasingly globalized and highly competitive environment. This study therefore recommends that the entrepreneurs continue observing the socio-cultural dynamics for example land inheritance issues in forecasting their business performance. This study recommends that the youth entrepreneurs be trained on business management skills including entrepreneurship and the general reputation, acceptance and credibility of entrepreneurs in society would help to overcome these challenge. The study further recommends that Microfinance institutions continuously engage the youth entrepreneurs in providing finance and entrepreneurial knowledge to the poor in the society as this would lead to creation of jobs and reduced poverty levels in a country. The study also recommends that the Government provides more space for entrepreneurs to work from. The study finally recommends that more cheaper and efficient marketing strategies be advocated among youth entrepreneurs to improve their reach to their customers.

CHAPTER ONE

INTRODUCTION

1.1 Background

Youth enterprises are defined as businesses owned and managed by a young person aged from 15 to 35 years. The magnitude of the youth development challenge in developing countries manifest itself in size and share of the population that youth represent in the developing countries. The youth constitute 20 per cent of the population. According to the United Nation world program of Action, it defines youth as people aged 15-24 .The Kenya National Youth Policy (KNYP) defines the youth as persons in Kenya in the age bracket 15 to 35 years. And due to this it's important for them to participate in meaningful economic activities if development is to be realized. According to the Kenya Central Bureau of Statistics, the youth between 15-35 years account for 32% of total population number about 9.1 million.

Kenyan youth who are under 35 years of age constitute 75 percent of the population, forming the largest human resource (KNYP, 2006). However, despite their numeric strength, Kenyan youth have been marginalized at all levels of decision-making and access to economic and political opportunities. It is well documented that the Kenyan youth face many challenges (World Bank, 2005 & Ministry of State for Youth Affairs, 2007). The identifiable challenges include unemployment, restricted access to opportunities and services such as quality education, health care, training and recreation, and peer pressure that sometimes push them to engage in criminal behaviour. The creation of the Ministry of Youth Affairs (MOYA) in 2005 and subsequent articulation of the first Kenya National Youth Policy in 2006 were steps in the right direction in dealing with the predicaments facing the Kenyan youth.

The peak of youth population is likely to occur after 2030 (Lam 2006) and therefore this calls for maximum utilization of young people's potential contribution toward achieving social and economic goals. Young people that are neither in employment nor in education have become a serious concern for policy-makers, in particular in developed economies.

The global youth unemployment rate has proved sticky, and remained close to its crisis peak at 12.6 per cent in 2011 and projected at 12.7 per cent in 2012.

Nearly 75 million youth are unemployed around the world, an increase of more than 4 million since 2007. This group, called “NEET (not in education, employment or training), often constitutes at least 10 per cent of the youth population, and disproportionately includes youth with a low level of education in developed economies. They are faced with many problems like HIV/AIDS, sexually transmitted infections (STI’S), drug and substance abuse and deviant behavior due to idleness.

The proposition that small firms offer unique development advantages is as old as the concept of economic development. Its creation of adequate employment opportunities remain one of the greatest challenges in Kenya and indeed in many other countries of the world. The Micro and Small Enterprises Sector has been recognized throughout the developing countries as an engine to development and as a vehicle towards fulfilling the millennium development goals (MDG’S) adapted in the Millennium Summit in 2000. Chief among these goals was reduction of poverty and the assistance of developing countries in the areas of wealth creation and the improvement of living standards.

MSES form an integral part of the Kenyan society. In Kenya the MSEs are credited with creating 80% of all new jobs and hence formed part of government strategy in job creation, poverty eradication and economic growth (Sessional paper No .2 of 2005). The importance of MSES in social and economic development has been recognized by the International Labour Organization (ILO) and hence the need to support their viability expansion and growth (ILO Report, 2007).

There are many players working in the growth and performance of MSES from the public and private sector. The public sector has mainly non-profit oriented organizations which are funded by the government of Kenya or by the donor community. In 2003, the government of the National Rainbow Coalition (NARC) formulated a five-year development strategy, (Economic Recovery Strategy for Wealth and Employment

Creation, 2003-2007). This strategy put a case for empowerment of the people through creation of employment and other income earning opportunities in form of MSEs.

The Youth Enterprise Development fund was established in 2006 with the sole purpose of reducing unemployment among the youth who account for over 61% of the unemployed in the country. The target of the fund is young people within the age bracket of 18 to 35 years who number 13 million. The fund has financed over 157,000 youth enterprises to the tune of Kshs. 5.9 billion. Many of the youth the Fund supported at inception are today big employers. The fund has also helped thousands of youth build their enterprises through market support and entrepreneurship training. The government also created Kazi Kwa Vijana (jobs for youth) initiative. The programme was launched in 2009 and encompasses many projects each running between 3-6 months. These projects included, tree planting sessions and the Nairobi river rehabilitation and restoration programme. The objective of KKV was to enable beneficiaries earn income and overcome the risk of hunger and starvation. Its target was to create 200,000-300,000 labour intensive jobs for the youths. The programme however, encountered several problems including how to minimize the administration costs and work disincentive effects typically associated with targeted programmes. Other initiatives include trees for jobs initiative by the Ministry of Youth and Sports targeting to address the problem of youth unemployment and deforestation.

The development of MSEs has been identified as a key driver in the creation of employment. The sector, commonly known as Jua Kali is considered as a key instrument in providing the much needed employment for Kenyans. The Youth enterprise fund was created in 2006 to assist in dealing with this. The youth have accessed the fund even at low interest rate claim their businesses rarely survive their first few months. The youth are treated as part of general adult population, while their specific needs and particularly their entrepreneurial potential and contribution to economic and social growth have been underestimated. The study aimed at establishing the factors that influence the performance of these enterprises in Kiambu municipal Council even after so much injection of cash and other resources. Enterprise performance in terms of size and returns

has also been dynamic with businesses being affected by occurrences in the surrounding and risk factors becoming more complex and unpredictable. Many MSEs have been unable to meet the expectations of proprietors and their mortality rates remain high (GOK, Sessional No.2 of 2005).

1.2 Statement of the Problem

The youth unemployment rate is increasing in many regions and is persistently high throughout the world (ILO 2005). Preliminary survey indicates that most youth related crimes in Kiambu town are due to lack of employment and subsequent frustration perceived or real due to this. According to a study done by the Youth business International (YBI) at least 20% of the approximately 300million youth worldwide are unemployed and underemployed, young people aged between 16-30 years have potential to become entrepreneurs but only 5% do so. Kenya's economic growth rate has not been sufficient enough to create enough employment opportunities to absorb the increasing labour force.

According to the Kenya Integrated Household Budget Survey (KIHBS, 2005/06), 12.7 million out of the 14.6 million labour force were reported as employed with the remaining 1.9 million people being openly unemployed. Approximately 67 per cent of the unemployed in the country were the youth (Republic of Kenya, 2008c), (Snodgrass and Biggs, 1996). In quest to deal with this problem, the government established the youth fund to provide the youth with loans at low interest in order to boost employment and job creation. The concept was based on the premise that the micro and small enterprises development will likely have a big impact on job creation. Proponents of policies and programs to support small firms have long claimed that they are more labor intensive, efficient, equitable in distributing the income that they generate, widely dispersed geographically, and nurturing of entrepreneurs.

Despite the huge government funding there is no follow up to assess the performance of the youth owned enterprises in Kiambu. Enterprise performance can be due to existence of opportunities as well as conducive entrepreneurial environment, but profitable business opportunities are a necessity but insufficient condition for enterprise

performance. Studies on performance of women owned enterprises by various scholars have been conducted while none to the best of the study have been conducted on the performance of youth owned enterprises in Kiambu town. It is upon this background that this study sought to determine the factors that influence the performance of youth owned enterprises in Kiambu town.

1.3 Purpose of the Study

The purpose of the study was to investigate factors that influence the performance of youth owned enterprises in Kiambu town.

1.4 Objectives of study

The objectives of the study were;

1. To establish the influence of socio-cultural factors on the performance of youth owned enterprises
2. To determine the influence of education, training and skills on the performance of the enterprises
3. To examine how access to finance and credit facilities influences performance youth enterprises.
4. To investigate how competition determines performance of the youth owned enterprises.
5. To establish how access to market influences the performance of the youth enterprises.

1.5 Research questions

The study sought to answer the following questions

1. What is the influence of socio-cultural factors on the youth entrepreneurship?
2. How does access to entrepreneurship education, training and skills influence the performance of an enterprise?

3. To what extent does availability, access to finance and credit influence performance of enterprises?
4. How does competition determine the performance of enterprises?
5. How does access to market influence the performance of the youth enterprises?

1.6 Significance of Study

The research findings were aimed at contributing in management of youth owned enterprises and what obstacles stand on their way the policy measures that help propel the enterprises forward. This is because the MSEs are an important avenue in job creation for the youth and foster economic growth.

1.7 Basic Assumptions of the study

The study assumed the variables were not to change during the research period and questionnaires issued would be filled correctly and honest information given.

1.8 Limitations of Study

The study took in to account the time and financial constraint that would affect the geographical area covered. It would also not be possible to sample the enterprises not registered with the local authorities or district youth office. Lack of cooperation due to suspicion on the use of the information provided.

1.9 Delimitations of Study

Study was conducted in Kiambu town, within Kiambu County. Use of local kikuyu language for easy communication because of education level of respondents. Interview guide was used to ensure consistency in interviewing the respondents. Researcher informed the respondents the purpose of study before interviewing them.

1.10 Definition of significant terms

Competition

Rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service. Where the market information flows freely, competition plays a regulatory function in balancing demand and supply.

Credit

It is a contractual agreement in which a borrower receives something of value and agrees to repay the lender at some date in the future generally with interest. It also refers to borrowing capacity of an individual.

Enterprise

Entrepreneurial activity especially when accompanied by initiative and resourcefulness.

Entrepreneurship

Stevenson (1989) defines entrepreneurship as the process whereby individuals become aware of business ownership as an option or viable alternative, develop ideas for business, learn the process of becoming an entrepreneur and undertake the initiation and development of a business.

Market

An actual or nominal place where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money or barter.

Markets include mechanisms or means for determining price of the traded item, communicating the price information, facilitating deals and transactions, and effecting distribution. The market for a particular item is made up of existing and potential customers who need it and have the ability and willingness to pay for it.

Micro and Small Enterprises

Micro and small enterprises as defined in this survey to include businesses employing up to 50 workers. Employment here does not necessarily mean salaried workers with wages, it refers to people working among the enterprise whether they are paid or not. The term micro and small enterprise therefore covers a range of establishments including informal sector which employs one or more persons and enterprises in the formal sector employing up to 50 persons.

Performance

Performance is often defined simply in terms of output terms such as quantified objectives or profitability.

West and Fair (1996), defines performance as a function of an organization's ability to meet its goals and objectives by exploiting the available resources in an efficient and effective way.

Youth

Youth is defined by the Kenya youth policy as persons in the age bracket of 15 to 35 years.

1.11 Organization of the study

The research project is organized in five chapters .Chapter one focuses on the background of study, statement of problem, objectives, research questions, justification of study, significance of study, basic assumptions, limitations and delimitations of the study. Then definition of significant terms and organization of study.

Chapter two focuses on literature review of study and gives a detailed account of youth entrepreneurship and MSEs .It also focuses on the factors that influence the performance of the youth enterprises which include socio-cultural, issues, education, training and skills, access to finance and credit, competition and access to the market .

Chapter three focuses on the research design, sampling procedure and sample size, target population, entrepreneurship activities in Kiambu town, research instruments their reliability and validity. Data collection procedure and analysis method has been will be done qualitatively used descriptive method and quantitatively using statistical methods. Ethical considerations have been captured and operationalization of variables has been focused on.

Chapter four focuses on the presenting data collected from the field, its analysis, and finally the interpretation of the findings on the factors influencing the performance of youth owned micro and small enterprises in Kiambu town. The data is presented in form of tables and percentages.

Chapter five provides the summary of the findings from chapter four, and also the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to assess the factors influencing the performance of youth owned micro and small enterprises in Kiambu town.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews studies related on what has been researched or written by others. It covers the overview of micro and small enterprises, socio-cultural factors and how they affect the performance of MSEs, youth access to training and education, how competition in the market affect the performance of the enterprises and influence of access to market on the youth owned enterprises.

2.2 Overview of Youth Entrepreneurship

Within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as an important means and a useful alternative for income generation. For purposes of this study, entrepreneurship is defined as the recognition of an opportunity to create value, and the process of acting on this opportunity, whether or not it involves the formation of a new entity. While concepts such as “innovation” and “risk taking” in particular are usually associated with entrepreneurship, they are not necessary to define the term youth entrepreneurship which is regarded as an additional way of integrating youth into the labour market and overcoming poverty in young people (ILO, 2004).

Some of the reasons for underscoring the importance of promoting youth entrepreneurship include Creating employment opportunities for self-employed youth as well as the other young people they employ, bringing alienated and marginalized youth back into the economic mainstream and giving them a sense of meaning and belonging, helping address some of the socio-psychological problems and delinquency that arises from joblessness, helping youth develop new skills and experiences that can then be applied to other challenges in life, promoting innovation and resilience in youth; Promoting the revitalization of the local community by providing valuable goods and

services; Capitalizing on the fact that young entrepreneurs may be particularly responsive to new economic opportunities and trends (Ryan, 2003).

Entrepreneurship and self-employment can be a source of new jobs and economic dynamism in developed countries, and can improve youth livelihoods and economic independence in developing countries (Darby, 2004). For young people in the informal economy, micro entrepreneurship is a bottom-up method for generating an income, self-reliance and a new innovative path to earning a living and caring for oneself. Youth entrepreneurship also promotes innovation and resilience as it encourages young people to find new solutions, ideas and ways of doing things through experience-based learning (OECD, 2001; White and Kenyon, 2000).

In certain circumstances, young entrepreneurs may be particularly responsive to new economic opportunities and trends. This is especially important given the on-going globalization process. It is increasingly accepted that youth entrepreneurs can present alternatives to the organization of work, the transfer of technology, and a new perspective to the market (White and Kenyon, 2000). It's important to note the status of youth entrepreneurship and self employment ,in the world .In the USA , nearly half 40% of young people finishing secondary school express high interest in forming their own business OECD (2001).Similarly in the United Kingdom ,which according to the OECD(2001) is Europe's second most entrepreneurial large economy.

One third of the nation's young people express a desire to start their own businesses and each year about 50,000 of them actually do it. A Barclays bank survey (1997) of young entrepreneurs aged 18-24 years found a flourishing youth enterprise culture .The survey revealed that 65% of the youth entrepreneurs worked from home ,40% worked alone ,14% had a single employee and about 17% employed six or more people .most of the enterprises had an annual turnover of under 100,000(US \$ 158,0000) but about 10% were significantly larger than other. The survey revealed that it costs youth entrepreneurs under the age of 25 years about 5000USD -7000 to set up their business ,although the average cost of all new business in 1997 was USD 1100-17400.In the USA, thousands of youth participate in these youth run enterprises.

In Canada ,the OECD reports indicates that self-employment among youth ,(15-24 years) rose rapidly in the 1990s .In 1996,it reached 7% as a percentage of the working population from 5.4% in 1989.The same source shows that in Australia ,some 5.0-5.5% of the self- employed ,on average, are aged between 15-24 years. But are involved in a limited range of enterprises .Almost 70% of the youth entrepreneurs operate in four sub-sectors, construction personal and other services, retail trade and property and business services.

In France , a survey specifically focusing on beginning and finishing secondary school pupils as well as those in the first year study for a BTS (Brevet de Technicien Supereur), a professional qualification , conducted in 1999 revealed that 32% of the respondents were seriously engaging in the creation of their enterprise as their first professional work (OECD 2001) these aspirations are also evident among youth in the developing countries.

Recent survey data from Malawi and Zambia suggest that slightly over half of the youth express a drive to start their own businesses. In Malawi the research shows that about a third of the youth entrepreneurship want to expand or diversify their business into their ventures ,with only 3.0% saying that they would look for a formal sector job Kambewa (2001). Equally in Zambia slightly more than 50.9 % of the employed youth want to start their own enterprises in the urban informal sector while 19.6 % they intend to seek informal wage employment and 25% are self employed, Chigunta (2001). Among the youth entrepreneurs, the majority express a desire to start their own enterprises and grow their ventures in the informal sector which contradict the notion that majority of the youth have a negative attitude towards self employment.

In Ghana a survey of small scale enterprises revealed that the youth owned almost 40% of the enterprises (Osei, 1993). But younger youth aged 15-25 years owned only 5.5% of the enterprise while those aged between 26-35years owned about 33.8% of the enterprises. Evidence from South Africa suggests that the probability of self employment among the youth rises with age (Jewitte, 2001).

In Kenya, Statistics show that the sector employs about 7.5 million Kenyans or 80 per cent of the country's total employment outside the small-scale agriculture. It is estimated that today, Kenya's informal sector constitutes 98 percent of all businesses in the country, absorbs annually up to 50 per cent of new non-farm employment seekers, has an employment growth rate of 12-14 percent, contributes 30 percent of total employment and 3 percent of GDP.

2.3 Categorization of Youth Entrepreneurs

This is based on significant structural differentiation in youth enterprise activities. Studies from different countries suggest that youth entrepreneurship varies according to age. Chigunta (2002) proposes a broad categorization into three (transitional) phases. Pre-entrepreneurs (in the age of 15-19 years): This is the formative stage; these younger youth are often in transition from the security of the home or education to the work place. But, as Curtain (2000) observes, for many young people, the transition from education to work is not a single step of leaving the educational system and entering the world of work.

Budding entrepreneurs (in the age of 20-25 years): This is the growth stage; these youth are likely to have gained some experience, skills and capital to enable them run their own enterprises. They often face three enterprise pathways: remaining stuck in marginal activities; going out of business; and running successful enterprises.

Emergent entrepreneurs (in the age of 26-29 years). This is the prime stage; the youth have valuable experiences in business, a higher level of maturity than youth in the lower age groups. These youths are more likely to run more viable enterprises than the younger people.

2.4 Motivations of youth to engage in Entrepreneurship

There are various reasons why young people decide to start a business, relating to their living circumstances, their personal attitudes, preferences and objectives and their particular interests and individual strengths. The Global Entrepreneurship Monitor (GEM) shows that, necessity-driven entrepreneurship levels in a country is associated

with factors like low tax revenue as a percentage of GDP, lower levels of participation in both secondary and tertiary education and high levels of income disparity and low levels of social security. That is why especially the youth in developing and low-income countries tend to engage in business out of economic necessity (e.g. lack of employment opportunities, need to supplement household income and poverty) (GEM, 2002); Hindle, Rushworth, 2002).

In contrast, opportunity-driven entrepreneurship refers to entrepreneurship that is the result of the desire to pursue a perceived business opportunity, which is not the only option for generating an income and making a living at a time. The level of opportunity entrepreneurship is associated with a belief in having the skills to start a business, knowing someone who has started a business in the last two years, seeing good business opportunities in the future, and high business angel investment and support activity,(GEM, 2004, ; Chigunta, 2001; Kambewa *et al.*, 2001) .

2.5 Micro and Small Enterprise

Entrepreneurship is an emerging concept in Africa ;the harsh economic realities of the 1990's leading to economic growth decline against a growing population rate which translated to decline in gainful employment for hundred of youths. Early researchers treated MSEs as a peculiar and peripheral survival mechanisms whose development impact was marginal (Ongile and McCormick, 1999).This outlook was however altered by the ILO (1972) report on employment income and equity in Kenya .The report underscored the sectors critical role in promoting growth in income and employment .The shift in outlook after 1970's also benefited from realization that a high and rising share of industrial employment was still in the small enterprises sector.

In the mid 1970's the number of MSEs often operating informally continued to grow in response to increasing poverty and unemployment levels in the country .The trend continued in the 1980's and 1990's (Bigsten *et al.*, 2000). The wind of economic liberalization, privatization, and structural adjustment programmes led to downsizing and

retrenching of staff by the corporate organizations. Many of those people have been left with little choice but to go into small –scale business or Jua Kali sector.

The contribution of MSEs to employment, growth and sustainable development is now acknowledged. MSEs are mainly sole proprietorship or family businesses not dominant in their line of business .Many are started to earn a livelihood as opposed to those started to earn profits but evolve and possibly grow to earn profits. Initially the MSEs were treated as peripheral survival mechanisms for the poor whose developmental impact was marginal (McCormick, 1998). However, this view was changed by the ILO report 1972 that demonstrated the significant employment potential and wealth creation of the informal small enterprises. As compared to large enterprises the MSEs are one of the fastest growing and important sectors in the sub-Saharan Africa as far as labour absorption and poverty reduction is concerned. This is so after the state corporations downsized after the structural adjustment programs.

MSEs Serve as starting point for most entrepreneurs, they contribute to more balanced development and facilitate the process of adjustment into large enterprises. This is so because they have emerged as competent suppliers of goods and services previously not available in the market place. MSEs are probably the only way to make a living all year round instead of rapid modernization which we are experiencing which in itself does not provide sufficient jobs for the rapidly increasing population. Mullei and Bokea (1999) noted that development of entrepreneurs and enterprises was vital for rapid economic growth and development and thus a coordinated strategic approach.

Some of the characteristics of the MSEs are that; they are labour intensive in terms of production and common where capital is scarce which is the case in developing countries. This is important in labor surplus societies with few employment opportunities and limited alternative sources of income (Kimuyu, 2001). Lewis (1954) described the informal sector as a reservoir of surplus labour. They generally produce simple implements and consumers' goods and their products include processed foods, clothing, footwear, household utensils, wooden furniture, and farm implements. They make use of existing artisans, general knowledge and traditional way of doing things. They form as a

basis for a self reliance indigenous industrial development and bedrock for development of local entrepreneurship (Mullei, 2003).

It is through the that some unskilled persons acquire skills that are needed for survival in the urban environment .Majority of the entrepreneurs are very wary of external interventions especially in fear of taxation .They tend to use locally available materials making it less dependent on the imports thus making some of their products more cheap than imported one.

While much of the job growth potential in developing countries seems to exist through the creation of small enterprises, the ultimate impact of new job creation through the informal sector may be limited for numerous reasons. First, much of the growth of private enterprise in the informal sector in Kenya has been spontaneous rather than a result of deliberate strategies within an overall government policy framework. Second, although large numbers of small enterprises may be created, their prospect for growth into medium-sized enterprises is limited (Mwaura, 1994).

Reasons for this lack of growth include; an over-supply of similar goods in the market place, lack of management and technical skills, limited capital, and low product quality (House, *et al.*, 1990). In addition, many of these small enterprises are owned by "first generation" entrepreneurs who have limited experience and are unwilling to take the necessary risks to expand their businesses. Third, while technology is a primary factor in economic development (Sherer & Perlman, 1992), it has had a limited impact on the growth of small enterprises because of political conflicts, economic restrictions, limited educational capabilities and weak technological infrastructures (Githeko, 1996). One approach to enhancing entrepreneurial activity and enterprise growth in developing countries is to create an "enterprise culture" among the youth of the country (Nelson & Mburugu, 1991). By focusing on youth while they are still in school, this approach may provide a long-term solution to the problem of job growth.

To achieve a widespread "enterprise culture" in the long run, education and training programs in Kenya must integrate business technology, self-employment, and

entrepreneurship into the curriculum. This idea was supported by the Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond (1988), which recommended that entrepreneurship training be taught in all technical training institutions. With its history firmly entrenched in the technical and occupational aspects of work, technical education is an ideal vehicle through which to create an "enterprise culture." By increasing the number of entrepreneurs in a region, a more even distribution of income between rural and urban areas can be achieved by improving the productive capacity of people living in rural areas (Gibb, 1988).

2.6 Factors influencing the Performance of Youth Enterprises

In this sub section the study reviews literature on social cultural factors, education and training, finance and credit, competition and access to market.

2.6.1 Social Cultural Factors

As cultural and social backgrounds influence an individuals' approach to life, they similarly help in development of entrepreneurial activity and enterprise culture. Gibb (1988) defined an enterprise culture as set of attitudes, values and beliefs operating within a particular community or environment that lead to both enterprising behavior and aspiration towards self-employment. Cultural attitudes inspire the entrepreneurial activities of a population, a country, region or ethnic group and that the interaction between culture and entrepreneurship is stronger in the case of some groups than others. A cultural environment in which entrepreneurship is respected and valued and in which business failure is treated as a useful learning experience rather than a source of stigma, will generally be more conducive to entrepreneurship.

The role of religion, cultural values, beliefs and behaviors has to be studied in order to understand their influence on performance of the youth owned enterprises. Religion, since it can shape the values and beliefs of a person, can have an influence on entrepreneurial behavior in general and the nature and the type of business as well as women's participation in business in particular. It is important to note that, there is no

correlation between increasing ethnic diversity and associated religious value systems and a reduction of business start-up rate (Carswell and Rolland, 2004).

Culture is the system of collective values that distinguishes the member of one group from another four primary dimensions to differentiate cultures (“uncertainty avoidance”, “individualism”, “masculinity” and” power distance”). These values again have an influence on individual’s needs and motives (e.g. for achievement. affiliation or the pursuit of individual and social goals) and their beliefs, behavior and orientation (e.g. risk-taking. proactiveness and self efficacy). Therefore, differences in these values may have an influence on entrepreneurial behavior and the decision of whether or not to become an entrepreneur (Hofstede, 1980). Cultural values can have an important influence on entrepreneurial behavior, but that does not imply that they are enough to cause or to inhibit the rise of entrepreneurial activity. Social perceptions and perceived legitimacy of entrepreneurship are also an important factor in helping of hindering entrepreneurial behavior. Power distance between both genders which is a measure of the interpersonal power or influence between B (the boss) i.e. male and S (the subordinate) i.e. the female as perceived by the least powerful of the two S (the subordinate) contributes to low entrepreneurial activity among the female youths (Hofstede,1980). In high power distance cultures, there is an unequal distribution of power, strong hierarchies and control mechanism are present, there is less communication among organizational levels, and an emphasis is placed on subordinates being differential and obedient to those in positions of power (Kreiser *et al.*, 2003). The degree of approval or disapproval of business activity will influence its emergence and characteristics, being favored by those environments in which entrepreneurs enjoy greater legitimacy (Wilken, 1979).

Youth perception on entrepreneurship depends particularly upon their personal environment, their individual awareness and familiarity with the concept of entrepreneurship and the general reputation, acceptance and credibility of entrepreneurs in society. Streets and Sykes, (2003) argue that, in some societies entrepreneurship remains undervalued compared to for example, a career in medicine, law, with a large

corporation or with government. In these societies, perceptions remain that family sacrifices made to help young people gain a high level of education are not repaid if they become self-employed (Postigo *et al.*, 2003).

Often entrepreneurship may be seen as an inappropriate career choice whose risk and instability may have social consequences. The image, reputation and credibility of entrepreneurs in a society can also have a crucial influence on young people's attitude to entrepreneurship and on their decision to start up their own enterprise (Chigunta *et al.*, 2005). The appreciation and assessment of entrepreneurs can range from them being regarded as successful, honest, courageous, independent and innovative people who create jobs (EU-Commissione, Verheugen, in European Commission, 2004).

2.6.2 Education, Training and Skills

These are crucial in assisting young people to develop entrepreneurial skills, attributes and behaviors as well as to develop enterprise awareness, to understand and to realize entrepreneurship as a career option. It's not only a means to foster youth entrepreneurship and self-employment but at the same time to equip young people with the attitudes (more personal responsibility) and skills (flexibility and creativity), necessary to cope with the uncertain employment paths of today's societies.

This is found to contribute significantly to risk-taking, the formation of new ventures, and the propensity to be self-employed. Most of the youth in Kiambu town who own the MSEs lack exposure to modern business management (Sheperd, 2003) This could be due to traditional approach to vocational and technical training which has not addressed the need because there exists no provision in their curriculum for appraising the programmes at start-up, survival and growth stages in order to establish the extent to which the youth MSEs are demand driven, value adding and address the specific needs of the operators and beneficiaries .Also lack of capacity in these institutions contribute a great deal to poor performance.

Lack of business skills is aggravated by inadequate experience in the work environment. Most of the youth who intend to go into business have inadequate or no skills to identify the appropriate business lines to invest in, and effective product development and marketing. This is the reason for the high failure rates of small enterprises, with up to 80 percent of new business collapsing within their first three years of operation (Sessional Paper No.2 of 1992). King and McGrath, (2002) in their study noted that those with more training and education are more likely to be successful in the performance of their MSEs.

Lack of appropriate technical and life skills, unclear and uncoordinated youth policies and programmes, corruption in most youth programmes run by the government or NGOs contribute to poor performance of these enterprises. Due to the poor skills the youth enterprises are viewed to have low status and the existing structures ,prevailing attitudes do not provide an enabling environment for youth participation in decision-making, planning and implementation processes of their enterprises. Most young entrepreneurs often launch their businesses without carefully estimating the amount of capital (start-up and working capital) they will need to actually get started. Many insist that passion and enthusiasm will be enough to get them through the rough periods this is due to lack of proper knowledge. Meng and Liang (1996), Staw (1991) and Holt, (1992) in their studies noted that, after entering into the entrepreneurial world those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage their businesses.

Kellogg (2006) argued the traditional education system is failing to meet the needs of the youth in this segment .The system fails to engage the vulnerable youth in learning experiences they find meaningful and challenging. It's also not designed to develop knowledge, skills and attitudes that are important to entrepreneurial success. Hagen (1962) said that education plays a subsidiary role in promoting entrepreneurship.

An investigation into the level of entrepreneurship development within Kenya which focused on the types of training entrepreneurs received outside of academic schooling e.g. management technical training ,marketing and business counseling showed that entrepreneurial training is generally lacking in the MSEs sector. On the whole ,85% of the enterprises surveyed had not received any entrepreneurial skills training .For the few that had received training ,most received technical(non-business) training Central Business of Statistics SME survey, (1999).one can therefore argue there is a strong relationship between skills and training received prior to starting a business and when running and managing it . Education is one of the factors that impact positively on growth of firms (King and McGrath, 2002). Those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 1998). Lussiers and Pfeifer (2001) noted that entrepreneurs with higher level of education and experiences have greater chances of succeeding than those without.

2.6.3 Access to Finance and Credit Facilities

Youth entrepreneurs face a lot of challenges in accessing finances to inject in their business both as start up, seed capital and finance expansion of the businesses. This is because of many factors which make their businesses less attractive in terms of lending. Due to the lack of self-sustaining resources, the absence of a substantive credit history, sufficient collateral or guarantees to secure loans or lines of credit, young people are often seen as particularly risky investments and therefore face difficulties in accessing finance (Schoof, 2006). Operations of many financial institutions are tailored to offer credit to formally registered businesses which meet criteria such as proper maintenance of books of accounts and verifiable asset base Chuta and Liedholm (1985) argued that, entrepreneurs who keep financial records are expected to be more successful than those who do not. However, most MSEs cannot meet these criteria .Availability of collateral is limited by the difficulty of obtaining legal title to land and where it exists Heidrick, (2002).Commercial banks are not confident that the legal system will allow them to realize it in case of default (Sessional Paper No.2 of 2005).

Another reason is that young entrepreneurs lack business experience and skills. Because of their age, young people are unlikely to have the type of business experience, track record or business skills that banks or other financial institutions would look for in assessing creditworthiness. Often young people will have to show that their business has already been trading in some form for six months of which it's not possible and practical in most cases. Tucker and Lean (2003) noted that one of the problems faced by the MSEs when attempting to raise finance is information asymmetry in that they cannot prove the quality of investments to the provider of the finance.

Young entrepreneurs often have difficulties in meeting strict credit scoring criteria as banks often deal arbitrarily with terms and conditions. There is a lack of binding rules and clear general terms ensuring the transparency of rating procedures and credit scoring systems for young entrepreneurs. They are easily put off by the documentation procedures and information required by many commercial lenders of credit. Particularly funds requiring less or no collaterals but that charge very high interest rates and fees often have more complex documentation procedures. Entrepreneurs are often not aware of all available types of finance, funding forms and special support programmes. They often do not understand the concept, the benefits, the possibilities and the drawbacks of the numerous forms of debt and equity financing (De, 2001)

2.6.4 Competition

MSES owned by the youth do not perform well compared to the large scale enterprises owned by corporate and older individual. This is due to the fact that many a times the youth have limited or no access to timely ,simplified ,production technology and government regulations they are unable to perform and survive in the fast changing, increasingly globalized and highly competitive environment. Due to lack of vigilance by custom administrators against the dumping of subsidized imported goods, this has posed unfair competition to the MSEs Products.

Most of these MSEs have limited access to electricity which is compounded by the fact that, they must seek approval from the local authority before connection is done .This involves a huge cost which most of them are not able to incur .The energy costs are also

high in terms of the monthly bills and this constraints them in their production capacity and also the quality of goods inferior compared to the others.

MSES have heavy reliance on the local market, especially in the peri urban areas, which is a key constraint on earnings. Kimuyu (2002) argues that there is a relationship between the locality of an enterprises and the performance in terms of profit. Ronge *et al*, (2002) explains that most enterprises have their markets within their same locality and this poses a challenge as they have to compete for the same market. In many LDCs, the customers are poor and generally buy a limited range of products (Philip, 2002; Chigunta, 2001). Another consequence of this competition is what Philip (2002) calls ‘copycat entrepreneurship’, where one successful enterprise will be copied by everyone else, until they all collapse under the weight of their own competition. This is largely a reflection of lack of diversity in the local economy. Too often, the younger youth proprietors are concentrated in a narrow range of micro-enterprise activities, largely trading. Small sellers and producers tend to congregate in dense markets and overcrowded places (National Baseline Survey, 1999). This suggests a lack of market information and innovation as most new businesses are a duplication of already existing ones.

2.6.5 Access to Market

Marketing of a product or service is a central activity for a successful business; it is concerned with identifying, anticipating and meeting the needs of customers in such a way as to make a profit for the business. Without a market no business would exist. Markets in the developing countries are characterized to a large extent by the very limited purchasing power of the average consumer. A wide range of consumer goods vie for the buyer's money and preference, which is more often oriented to the cheapest. In turn, the enterprises compete to produce at the lowest cost in the market, sacrificing the quality aspect (Lukács, 2005)

The result is a market that views domestic products as vastly inferior to foreign-made ones. Faced with this disadvantage and despite import controls imposed by the government, the micro and small firms find themselves always on the defensive side; Kenyon, (2001). They have to prove that the quality of its products is, at least,

comparable to that of the imported competing brands. In recent years the small firm has to contend with the shift from import controls to import liberalization in many developing countries. This could bring about intense competition resulting in price cutting but those with entrepreneurs with large pull of capital are able to exploit the present market opportunities and do better than others (Chuta and Liedholm, 1985).

A variety of laws at the national and local levels also constrict the operations of the small business. These laws range from price control to regulatory measures that prescribe mandatory registration and payment of fees. At the international level, small firms are faced with increasing protectionism in the markets of the developed world. Strict product and quality standards have been prescribed making it doubly difficult for small firms to penetrate the market (Darby, 2004). The long distances also translate into higher shipping costs making their products less competitive. Finally, the large volume demands and consistent high quality deter the small firms from serving this market and make the youth lose the enthusiasm in entrepreneurship (De Sa, 2005).

In a study of the marketing aspects in the Philippine Island of Palawan, it was found that none of MSEs export their products. Most (67.3%) of the enterprises in the province sell their products within their respective municipalities due to transportation difficulties and excessive cost, 27.3% extend their market beyond their respective locations. These enterprises are mostly based in growth municipalities where transportation and trade links are available. About 10.7% have markets in Metro Manila, the capital. At a certain stage of development, the MSEs have a monopoly over this small market but as the country develops, more of the rural areas are opened up to products of national companies with a nationwide distribution system. The MSEs have to find a market niche in such a situation like making specialized products (approaching crafted goods) or by becoming subcontractors to large enterprises. The Palawan experience showed that limited knowledge of the demand and supply behavior of potential industries in the area and the failure to develop products with comparative advantages in markets outside the area pose constraints to the development and expansion of MSEs.

A look at the internal marketing systems of the MSES raises the issues of the appropriate marketing strategies, pricing, marketing organization, competitive strategies, product market, distribution channels, advertising and promotion, information network and infrastructure and support facilities for the small firm (Curran and Blackburn, 1994). Features of the internal marketing systems account for most of the issues in markets and their development pertain to the ability of the small firms to reach out to the market with the right product at the right time with the right price at the right place. The capability of the small enterprise is based on the strength and weaknesses of its internal systems. To a great extent this marketing system cannot operate well without the proper production, financial and administrative systems. More importantly, in a situation where the firm does not have the internal resources to adequately address itself to the demands of the market, the government or the private sector through industry associations should come in to provide the necessary assistance (Street and Sykes, 2003).

2.7 Theoretical Framework

According to Kombo and Tromp (2006), theoretical framework refers to a collection of interrelated ideas based on theories attempting to clarify why things are the way they are based on theories, introducing new view of the research problem, allowing understanding realm of the problem, helping to conceptualize topic in its entirety and to acknowledge problem from a wider perspective for objectivity. The theoretical framework in this study provides a justification and logical basis of youth engagement in small scale entrepreneurship underpinned on Joseph Schumpeter (1934) Economic Theory which posits that a firm's survival and possible growth depends on the entrepreneur's capacity to adapt to economic environment. The entrepreneur's mission is to seek out the opportunities that need to be applied in order to obtain a new production function which he or she can derive the temporary advantage and extra ordinary income accruing from innovation.

White and Kenyon (2002) observes that youth entrepreneurs are faced with hindrances to performance of their enterprises such as socio-cultural legitimacy, entrepreneurial skills, access to finance as well as competition and access to market issues in form of

infrastructure. The performance of MSEs will depend on individual ability to seek the opportunities and resources needed in order to have a competitive advantage over other MSEs.

2.8 Conceptual Framework

The conceptual framework is intended to develop awareness and understanding of the situation under scrutiny and communicate this effectively. According to Mugenda and Mugenda, (2003), conceptual framework involves forming ideas about relationships between variables in the study and showing these relationships diagrammatically. This study will adopt the conceptual framework shown in figure 1.

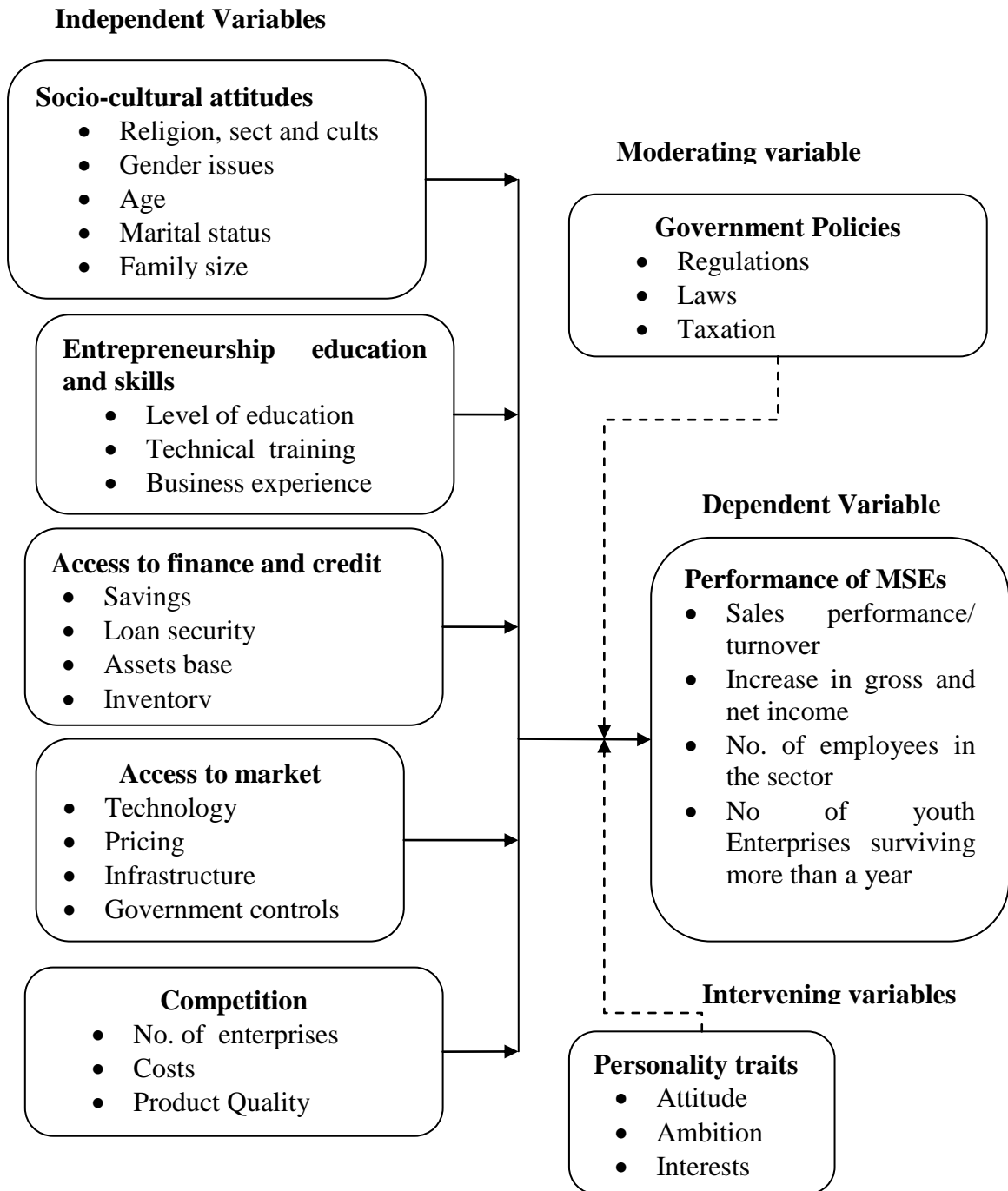


Figure 1. Conceptual Framework

The independent variables according to the conceptual framework will tend to stand in the way in the performance of the enterprises when they are high. In other words the entrepreneurship opportunities will be enhanced and improved when these factors are in low percentages .A positive index on the variables would escalate performance of the enterprises. The higher the entrepreneurship education, training and skills the higher the performance of businesses owned and ran by the youth.

These variables will be perceived to act through the entrepreneurial process with the players being the youth who will be directly involved in the performance of the enterprises. The government, both national and local whose role is to formulate, implement and enforce key policies in performance of the youth enterprises. All the variables are important for the overall performance of the enterprises.

The performance of the enterprises will be measured in terms of sales turnover, number of employees in the sector, number of enterprises surviving in the first year and gross and net income of the enterprises. Government regulations and policies that are less bureaucratic and enforcement of friendly rather than oppressive by laws would lower the cost of doing business by the youth resulting in better performance of the enterprises and also their survival. The political climate would determine if the business perform well in that where the political temperature are high the business level is low due to uncertainty in the industry.

2.9 Summary of Literature Review

Compared to the adults the youth enterprises are faced with many issues that affect their performance and therefore many end up engaging in narrower range of entrepreneurial activities and their performance cannot be compared to that of the adults in terms of profit margins , number surviving in the first year and the number of employees that they have. These factors explain why even after injecting of resources by the government the youth enterprises performance is still low and this push the youth entrepreneurs into high risk and low value adding in self employment (Chigunta, 2001:Motts, 2000).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the procedure that was used in conducting the research .It gives details of research design, target population, the sample and sampling technique, data analysis and presentation.

3.2 Research Design

In this study, descriptive survey design was used. This is because it is best suited for its an excellent vehicle for generalization .According to Mugenda and Mugenda (2003) a descriptive research determines and reports the way things are and attempts to describe things as possible behavior, attitudes, values and characteristics. Schindler and Cooper (2003) noted that descriptive studies are structured with clearly stated investigative questions.

The method is quite appropriate for the study because it assists the researcher to produce statistical information on factors influencing the performance of youth enterprises and establish the relationship between the factors identified.

3.3 Target Population

The study population of this research consisted of youth owned enterprises which are distributed among small retail trade and kiosks ,informal sector ,transport, agricultural dealers, restaurants and small workshops in Kiambu town based on municipal council licensing office Kiambu East District, Kiambu County. The enterprise should have been licensed by the local authority and have a physical location in order to qualify to be part of the population. The number of MSEs in the register are 2811 and 70% (that is 1968) of these are located in Kiambu town. The information obtained from the Kiambu Municipal Council trade office indicates that, approximately 60% of the MSEs are owned by the youth and this translates to 1182 MSEs. Table 3.1 gives a summary on the distribution.

Table 3.1 Enterprise Activities in Kiambu Town

Activity	No. of MSEs in the municipal	MSEs in Kiambu town = 70%	Youth owned MSEs 60%
Retail trade and Kiosks	2175	1523	914
Informal sector	125	88	53
Transport	30	21	13
Agriculture	152	106	64
Restaurants	155	109	65
Small workshops	174	122	73
Total	2811	1969	1182

From the table 3.1 the retail traders take the largest share of 914 of the youth owned MSEs while the least is 13 in the transport sector, and the rest are as distributed as shown in the table.

3.4 Sampling Size Selection and Sampling Procedure

In this section the study discusses sample size selection and sampling procedure to be adopted.

3.4.1 Sample size selection

Mugenda and Mugenda (2003) suggested that if objectively selected, a sample of between 10-30% of the population is considered adequate for generalization of the findings. Following the high level of homogeneity among the target respondents especially as regards business operation challenges, this study used simple random sampling technique to select 10% of the respondents from each category. The distribution of the sample was based on proportional allocation is as shown in table 3.2

Table 3.2: Youth owned enterprises

Activities	Youth owned MSEs	Sample proportion 10%	sample size
Retail trade &	914	10	92
Informal sector	53	10	6
Transport	13	10	2
Agriculture	64	10	7
Restaurant	65	10	7
Small workshops	73	10	8
Total	1182		122

Based on table 3.2 retail traders had the highest representation of 92 while transport was least represented with 2.

3.4.2 Sampling Procedure

Simple random sampling technique was used to select samples from each sector. The method involved use of random numbers generated by computer programme.

3.5 Research instruments

The study used questionnaires and key informant interview schedule and observation checklist. Kothari C. K (2004) states that a questionnaire consists of a number of questions printed and typed in a definite order on a form or set of forms. The questionnaires adopted both open and close ended questions which were administered to the 122 micro and small enterprises owners and focused on socio-cultural background of the entrepreneur , characteristics of the enterprises , entrepreneurship education and skills , access to finance, competition and access to market. The variables included were based on the reviewed literature.

In depth interview was carried out on the informants from the owners of MSEs and also the municipal council office covering the challenges facing the MSEs and areas of policy. Direct observation involves use of senses and includes the full range of monitoring behavioral and non-behavioral activities and conditions which can be non-behavior e.g. physical condition and behavior observation e.g. spatial analysis, Kothari C.K (2004) Observation was used to capture the organization of the town, the business climate as well as volume of the customers in flow.

3.5.1 Validity of the instruments

Validity of the research instruments ensures scientific usefulness of the findings arising from the study. It's the extent to which the instruments captured what they purport to measure Mugenda and Mugenda (2003).To uphold the content validity, the researcher discussed the content of the questionnaires with the supervisor before going to the field. These ensured that vague and unclear question are eliminated or corrected.

Piloting was done in order to make corrections and improve validity of the study 50 questionnaires were administered at an interval of two weeks.

3.5.2 Reliability of the Instruments

Reliability refers to the consistency of a measure. A test is considered reliable if it gives the same result repeatedly. To test reliability a test -retest method was used in which the same test was given to the different MSEs Owners after a period of two weeks. To gauge test-retest reliability, the test was administered twice at two different points in time. This was used to assess the consistency of questionnaire across time. This type of reliability assumes that there will be no change in the quality or construct of MSEs being measured. The reliability of the instrument was estimated by examining the consistency of the responses between the two tests (Kothari, 2004).

3.6 Data Collection Procedure

An introductory letter was sought from The University of Nairobi. Primary data was collected and used in the study. The researcher personally administered the questionnaires and collected the filled in questionnaire before leaving each of the selected youth participant and this took a period of one week .Observations checklist were used throughout the period of data collection. This was done at the interviewee's convenient time and place.

3.7 Data Analysis and Presentation

Data was analyzed using both qualitative and quantitative methods. Qualitative data was analyzed manually by first summarizing the information gathered, followed by categorization and coding into emerging themes and presented in a narrative form. The results were presented in terms of percentages, frequencies and in figures and tables and a brief explanation of each given. Quantitative data was organized, coded, and standardized then descriptive statistics was used to analysis aided by statistical package for social scientists (SPSS) (Robson, 2002).

3.8 Ethical Considerations

Oral consent was obtained from each respondent before interview is conducted. The subjects were informed on the nature and purpose of the study. All respondents' information and identities were kept confidential and information gathered was used for the purposes of the study only.

3.9 Operationalization of variables

Table 3.3: Operationalization of Variable

Objectives	Variables		Indicators	Measurement / Level of scale	Type of Analysis
	Independent	dependent			
To establish how socio-cultural factors influence the performance of youth MSEs	Socio-cultural factors	Performance of the youth MSEs	Cultural orientation Family orientation Religion	Nominal	Descriptive
To examine how access to finance and credit influence the performance of youth MSEs	Access to finance and credit	Performance of youth enterprises	Number of youth who have accessed credit. Amount each youth has used.	Nominal	Descriptive
To determine how education, skills and training influence performance of youth MSEs	Entrepreneurship education and Skills	Performance of youth enterprises	Education level Technical /management training Entrepreneurial skills and knowledge	Ordinal	Descriptive
To investigate How competition influence the performance of youth MSEs	Competition	Performance of enterprises	Number of MSEs in the same field Number of trade organizations	Ordinal	Descriptive
To establish how access to market influence the performance youth MSEs	Access to the Market	Performance of enterprises	Technology usage Right Pricing Good Infrastructure	Ordinal	Descriptive

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the empirical data collected using questionnaires, observation and interview guide. The purpose of the study was to assess the factors influencing the performance of youth owned micro and small enterprises in Kiambu town. The presentation and interpretation of the data is given through the use of frequency tables. The study targeted 120 youth owned enterprises. Eighty three (83) questionnaires out of 120 were filled and returned giving a response rate of 69.2%. This response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Demographic Characteristics

This study presents the demographic characteristics which included gender, age, marital status, family size, religion, and sector of activity, length of period in business and past business experience.

4.2.1 Gender Distribution of the Respondents.

The research sought to determine the distribution of respondent by gender and its findings are as represented in table 4.1.

Table 4.1 :Gender Distribution of the Respondents.

Gender	Frequency	Percent
Female	26	31.3
Male	57	68.7
Total	83	100.0

From the findings, majority 57 (68.7%) of the respondents were male while 26 (31.3%) of the respondents were female. This shows that majority of the youth entrepreneurs were male.

4.2.2 Marital status of the respondents

The study requested the respondents to indicate their marital status, since this will enable in categorization of the respondents. The findings are summarized in the Table 4.2.

Table 4.2 : Marital status of the respondents

Marital status	Frequency	Percent
Single	40	48.2
Married	38	45.8
Separated	4	4.8
Divorced	1	1.2
Total	83	100.0

From the findings, 40 (48.2%) of the respondents were single. 38(45.8%) of the respondents were married, 49 (4.8 %) of the respondents were separated while 1(1.2%) of the respondents were divorced. This shows that the respondents were drawn from all marital status hence more representative of the entrepreneurs in Kiambu Town.

4.2.3 Family size of the respondents

The study sought to find out the size of the families: less than three, between three and five and more that the respondents came from. The findings were as presented in the table 4.3.

Table 4. 3 : Family size of the respondents

Family size	Frequency	Percent
Less than three	32	38.6
Between three and Five	31	37.3
More than five	20	24.1
Total	83	100.0

From the findings, 32(38.6%) of the respondents were from families of less than three. 31(37.3%) from families of between three and five while 20(24.1%) of the respondents were from families of more than five. This shows that the youthful entrepreneurs in Kiambu town come from families of different sizes.

4.2.4 Age distribution of respondents

In order to establish the age of the youth engaging in entrepreneurship the study requested the respondents to indicate their age and the findings on the age distribution were as presented in the Table 4.4.

Table 4.4 : Age distribution of respondents

Age	Frequency	Percent
15-18 Years	3	3.6
19-22 Years	2	2.4
23-26 Years	16	19.3
27-30 Years	27	32.5
31-35Years	35	42.2
Total	83	100.0

From the findings, 35(42.2%) of the respondents were aged between 31 and 35 years, 27(32.5%) were aged between 27 and 30 years.16 (19.3%) were aged between 23 and 26 years.3 (3.6%) of were aged between 15 and 18 years while 2(2.4%) were between 19 and 22 years. This finding shows that the youth entrepreneurs in Kiambu town were distributed across the youthful ages starting from15-18 years all the way to 35 years.

4.2.5 Distribution of the respondents by religion.

The respondents were requested to indicate their religion and the distribution of the respondents was as presented in the Table 4.5;

Table 4.5 : Distribution of the Respondents by Religion.

Religion	Frequency	Percent
Catholic	26	31.3
Protestant	35	42.2
Muslim	14	16.9
Others	8	9.6
Total	83	100.0

From the findings, 35(42.2%) of the respondents were Protestants. 26(31.3%) of the respondents were Catholics. 14(16.9%) of the respondents were Muslims while 8(9.6%)

of the respondents were from other religions. These findings show that the entrepreneurs came from different religions.

4.2.6 Sector of activity

The study sought to establish the type of activities the respondents engaged in and the findings on the sector of activities were as presented in the table 4.6.

Table 4.6 : Sector of Activity

Activities	Frequency	Percent
Small retail trade/kiosk	25	30.1
Agricultural produce dealer	8	9.6
Informal sector	12	14.5
Transport	14	16.8
Restaurant	11	13.3
Small workshop	13	15.7
Total	83	100.0

From the findings of the study, 25(30.1%) of the respondents engaged themselves in small retail trade/kiosk. 14(16.8%) of the respondents engaged themselves in transport. 13(15.7%) of the respondents engaged themselves in small workshop. 12(14.5%) of the respondents engaged themselves in informal sector. 11(13.3%) of the respondents were involved in restaurant activities while 8(9.6%) of the respondents were agricultural produce dealers.

4.2.7 Respondents Comfortable with Business Location

The study sought to establish whether the respondents were comfortable with the business location. The findings were presented in the table 4.7.

Table 4.7 : Respondents Comfortable with Business Location

Business location contentment	Frequency	Percent
Yes	43	51.8
No	40	48.2
Total	83	100.0

From the findings of the study, 43(51.8%) of the respondents were comfortable with the business location while 40(48.2%) of the respondents not comfortable with the business location. Therefore it can be deduced that majority of the youth entrepreneurs in Kiambu town were comfortable with the location of their businesses in the town. This arose mainly from the observation that the residential houses are mixed with business premises which makes the businesses readily accessible and all major bus terminus are within the town.

4.2.8 The length of time the business had been operational

The study sought to establish how long the respondents had been operating their businesses. The findings were as presented in the table 4.8.

Table 4. 8 : The length of time the business had been operational

Duration	Frequency	Percent
Less than 6 months	8	9.6
1-2 Years	23	27.8
3-4 years	28	33.7
4-5 years	24	28.9
Total	83	100.0

From the findings of the study, 28(33.7%) of the respondents had been operating their businesses for 3-4 years. 24(28.9%) of the respondents had been operating their

businesses for 4-5 years. 23(27.8%) of the respondents had been operating their businesses for 1-2 years and 8(9.6%) for less than 6 months. This shows that most of the enterprises were surviving the formative years.

4.2.9 Respondents operation of prior business

As to whether the respondents had other businesses prior to the current business they were operating the findings were presented in the table 4.9.

Table 4.9: Respondents operation of prior business

Prior Business	Frequency	Percent
Yes	24	28.9
No	59	71.1
Total	83	100.0

From the findings, majority 59 (71.1%) of the respondents had no other businesses prior to the current business they were operating while 24(28.9%) of the respondents had other businesses prior to the current business they were operating. This shows that most of the youth had no previous experience of running a business.

4.2.10 Length of Time Respondents Run the Prior Business

For those respondents who had operated other businesses prior to the current one, the study sought to establish how long those prior businesses had been operational.

Table 4.10: The length of time respondents ran the prior businesses

	Frequency	Valid Percent
Less than 1 year	4	16.7
2-3 years	10	41.7
Over 3 years	10	41.7
Total	24	100.0

From the findings of the study, 10 (41.7%) of those respondents had been operating their prior businesses for 2-3 years. 10 (41.7%) of the respondents had been operating their prior businesses for over three years while 4 (16.7%) of the respondents had been operating their prior businesses for less than one year.

4.2.11 Coexistence of other business or businesses

The study sought to find out whether the respondents were operating other businesses apart from the current one. The findings were presented in the table 4.11.

Table 4. 11: Coexistence of other business or businesses

Other Businesses	Frequency	Percent
Yes	9	10.8
No	74	89.2
Total	83	100.0

From the findings, majority 74 (89.2%) of the respondents were not operating other businesses apart from the current one while 9(10.8%) of the respondents were operating other businesses apart from the current one.

4.2.12: The form of enterprise

On the form of business enterprises the respondents were operating, the findings were as presented in the table 4.12.

Table 4.12: The form of enterprise

Form of Enterprise	Frequency	Percent
Sole proprietorship	64	77.1
Partnership	18	21.7
Others	1	1.2
Total	83	100.0

From the findings of the study, 64(77.1%) of the respondents were operating sole proprietorship businesses.18 (21.7%) of the respondents were in partnership businesses while 1(1.2%) of the respondents were operating other forms of business enterprises. It can therefore be deduced that majority of the youth entrepreneurs in Kiambu town were sole entrepreneurs. It was observed that most of the entrepreneurs run sole proprietor enterprises which are hardly well stocked.

4.2.13 Registration of the business

The study inquired from the respondents whether they had registered their businesses and the findings were as presented in the table 4.13

Table 4.13 : Registration of the Business

Response	Frequency	Percent
Yes	62	74.7
No	21	25.3
Total	83	100.0

From the findings of the study, majority 62 (74.7%) of the respondents had registered their businesses while 21(25.3%) of the respondents had not registered their businesses.

This implies that majority of the youth entrepreneurs in Kiambu town had registered their enterprises. This is done in order to conform to the Municipal Council by-laws. This explains why there was less of Municipal Council askaris harassment to the youth traders as observed during the study.

4.2.14 The Current State of the Enterprise

The study sought to know the current state of the MSEs and an analysis on the current state of the enterprises was established and presented in the table 4.14.

Table 4.14 : The current state of the enterprise

Business status	Frequency	Percent
Stable	27	32.5
Struggling	28	33.7
Growing	26	31.3
Critical	2	2.4
Total	83	100.0

From the findings of the study, 28(33.7%) of those respondents had struggling businesses.27 (32.5%) of the respondents had stable businesses.26 (31.3%) of the respondents had businesses which were growing while 2(2.4%) of the respondents had businesses which were in critical condition. It can be deduced that most of the youth are trapped in businesses that are not well performing.

4.3 Socio-cultural Factors

In this section the study discusses the influence of socio-cultural factors on the youth owned MSEs based on the indicators of motivation, perception, and religion from conceptual framework.

4.3.1 Respondents Motivation to start their own businesses

The youth entrepreneurs were asked to answer on the factors that motivated them to start their own businesses in Kiambu town and findings were as presented in the table 4.15.

Table 4.15 : Respondents Motivation to start their own businesses

Motivating factors	Frequency	Percent
Business blood runs in the family	17	20.5
Lack of employment	36	43.4
Availability of ready market	10	12.0
Desire to be self employed	19	22.9
Others	1	1.2
Total	83	100.0

From the findings of the study, 36(43.4%) of the respondents were motivated by unemployment to start their own businesses.19(22.9%) of the respondents were motivated by the desire to be self employed to start their own businesses.17(20.5%) of those respondents had business blood run from their families as their motivation to start their own businesses. 10(12.0%) of the respondents were motivated by the availability of ready market to start their own businesses while 1(1.2%) of the respondents were motivated by other factors to start their own businesses. This implies that majority 36(43.4%) of the youth entrepreneurs were motivated by unemployment to start their own businesses hence it can be deduced that lack of employment motivated most of the youth to start their own businesses in Kiambu town.

4.3.2 Perception on Youth Entrepreneurship in General

The perception of the respondents' regarding youth entrepreneurship in Kiambu town after the study was as presented in the table 4.16.

Table 4.16: Perception on Youth Entrepreneurship in General

Youth perception	Frequency	Percent
Youth are hard working	39	47.0
Youth are innovative	15	18.1
Youth have limited management skills	8	9.6
Youth Lack motivation to work	15	18.1
Youth love being their own bosses	5	6.0
Others	1	1.2
Total	83	100.0

From the findings of the study, 39 (47.0%) of the respondents perceived that, regarding youth entrepreneurship, the youth were hard working. 15 (18.1%) of the respondents perceived that, regarding youth entrepreneurship, the youth were innovative. 15 (18.1%) of the youth lacked motivation to work. 8 (9.6%) of the respondents perceived that, the youth had limited management skills. 5 (6.0%) of the respondents perceived that, the youth loved being their own bosses while 1 (1.2%) of the respondents had other perceptions regarding youth entrepreneurship.

4.3.3 Religion as determinant on the performance of enterprise

The study sought to find out whether religion influences the performance of the respondents enterprises. The findings were presented in the table 4.17.

Table 4. 17 : Religion influence on the performance of enterprise

Response	Frequency	Percent
Yes	20	24.1
No	63	75.9
Total	83	100.0

From the findings of the study, majority 63 (75.9%) of the respondents had businesses whose performances were not affected by religion while 20(24.1%) of the respondents had businesses whose performances were affected by religion. It was deduced that religion had minimal influence on the youth way of doing business.

4.3.4 Influence of Religion on Youth Enterprises

The influence of religion on the performance of the youth enterprises as indicated by the respondents was presented in the table 4.18.

The effects of religion on the youth enterprise were presented in the table below.

Table 4. 18 : Effects of religion on youth enterprises

	Frequency	Valid Percent
Determines what business to engage in	9	45.0
Determine when the business has to operate	7	35.0
Determines the entrepreneurs' commitment	1	5.0
Motivates youth to work hard	2	10.0
Others	1	5.0
Total	20	100.0

From the findings of the study, 9 (45.0%) of the respondents perceived that religion determined the business to engage in. 7 (35.0%) of the respondents perceived that religion determined when the business had to operate. 2 (10.0%) of the respondents perceived that religion motivated youth to work hard. 1 (5.0%) of the respondents perceived that religion determined the entrepreneurs' commitment while 1 (5.0%) of the respondents perceived that religion determined other factors.

4.3.5 Influence of gender roles on the choice and performance of enterprise

The study sought to find out if gender roles determined the choice of business and the gender roles affected the performance of the enterprises. The findings were presented in the table below.

Table 4.19 : Influence of Gender Roles on the Choice and Performance of Enterprise

Response	Frequency	Percent
Yes	5	6.0
No	78	94.0
Total	83	100.0

From the findings of the study, majority 78 (94.0%) of the respondents argued that gender roles did not determine the choice of their enterprises as well as affecting the performance of their enterprises while 5(6%) of the respondents argued that gender roles determined the choice of their enterprises and it affected the performance of their enterprises. This explains why women were observed to be doing businesses perceived to be for men, for example; bodaboda riders.

4.3.6 Improving Youth Entrepreneurship

The respondents were asked to state their views on how to improve youth entrepreneurship so as to gain more acceptance in the society and the findings were as presented in the table 4.20.

Table 4.20 : Improving youth entrepreneurship

Ways to improve youth entrepreneurship	Frequency	Percent
Through learning	32	38.6
Availing more funding	41	49.4
Availing more space for business expansion	8	9.6
Other	2	2.4
Total	83	100.0

From the findings of the study, majority 41 (49.4%) of the respondents perceived that youth entrepreneurship could be improved through availing more funding so as to gain more acceptance in the society. 32(38.6%) of the respondents perceived that youth entrepreneurship could be improved through learning so as to gain more acceptance in the society. 8(9.6%) of the respondents perceived that youth entrepreneurship could be improved through availing more space for business expansion so as to gain more acceptance in the society while 2(2.4%) of the respondents perceived that youth entrepreneurship could be improved through other ways so as to gain more acceptance in the society.

4.4 Education Training and Skills

The education, training and skills possessed by the youth entrepreneurs within Kiambu town were evaluated. In this section, the study analyzed the highest level of education attained by the respondents, managerial/entrepreneurial training accessed and contributions of the education system in Kenya to entrepreneurship development and the business experience possessed by the respondents.

4.4.1 Highest Level of Education

The study sought to know the level of education of the respondents and the analysis of the highest level of education attained by the respondents' was as presented in the table 4.21.

Table 4.21 : Highest Level of Education

Level of Education	Frequency	Percent
None	2	2.4
Primary school	24	28.9
Technical & vocational education	27	32.5
Secondary school	24	28.9
University/ College	6	7.3
Total	83	100.0

From the findings, the study found out that, 27(32.5%) of the respondents had achieved technical & vocational education as their highest level of education. 24(28.9 %) of the respondents had achieved secondary school education as their highest level of education. 24(28.9%) of the respondents had achieved primary education as their highest level of education. 6(7.3%) of the respondents had achieved university education as their highest level of education while 2(2.4%) of the respondents had not achieved any level of education.

4.4.2 Managerial or enterprise education training

On whether the respondents had ever received any managerial or enterprise education training the respondents were requested to indicate if they had received any entrepreneurship training and the findings were as presented in the table 4.22.

Table 4.22 : Managerial or Enterprise Education Training

Entrepreneurship training	Frequency	Percent
Yes	22	26.5
No	61	73.5
Total	83	100.0

From the findings of the study, majority 61(73.5%) of the respondents had not received any managerial or enterprise education training while 22(26.5%) the respondents had received managerial or enterprise education. training.

4.4.3 Educational system in supporting the creation of entrepreneurial culture

The study sought to find out the respondents perception on whether the current Kenyan educational system supported the creation of Entrepreneurial culture among the youth.

The findings were presented in the table 4.23.

Table 4.23: Educational system in supporting the creation of entrepreneurial culture

Response	Frequency	Percent
Yes	24	28.9
No	59	71.1
Total	83	100.0

From the findings of the study, majority 59 (71.1%) of the respondents perceived that the current Kenyan educational system did not support the creation of entrepreneurial culture among the youth while 24(28.9%) the respondents perceived that the current Kenyan educational system supported the creation of Entrepreneurial culture among the youth.

4.4.4 Previous Experience on Running an Enterprise

On whether the respondents had any previous experience on running an enterprise, the findings were as presented in the table 4.24.

Table 4. 24 : Previous experience on running an enterprise

Previous Experience	Frequency	Percent
Yes	30	36.1
No	53	63.9
Total	83	100.0

From the findings of the study, majority 53 (63.9%) of the respondents had no previous experience on running an enterprise while 30(36.1%) the respondents had previous experience on running an enterprise.

4.5 Access to Finance and Credit

Under access to finance and credit, the study evaluated the start up financing and the kind of financing used by the entrepreneurs to start and grow their businesses.

4.5.1 Start up financing

The study went on to establish whether the youth obtained any form of start up financing and the findings were as presented in the table 4.25.

Table 4.25 : Start up financing

Start up finance obtained	Frequency	Percent
Yes	62	74.7
No	21	25.3
Total	83	100.0

From the findings of the study 62(74.7%) of the respondents obtained some form of start up financing while 21(25.3%) the respondents had not obtained any form of start up financing.

4.5.2 The kind of start-up finance obtained

The study further sought to find out the kind of startup finance obtained by the respondents. The findings were presented in the table 4.26.

Table 4.26: Kind of start-up finance obtained

	Frequency	Valid Percent
Money borrowed from friends, family and personal contacts	43	69.4
Loan from a bank, micro-credit institutions, co-operatives or others	18	29.0
Other services	1	1.6
Total	62	100.0

From the findings of the study, 43 (69.4%) of the respondents borrowed money from friends, family and personal contacts as their startup finance. 18 (29.0%) of the respondents obtained their startup finance through borrowing loans from a bank, micro-credit institutions, co-operatives or others while 1 (1.6%) of the respondents obtained their startup finance from other sources.

4.6 Influence of Competition on Performance of the Youth Owned Enterprises.

The study assessed the influence of competition on the performance of SMEs in Kiambu town. The study also evaluated the level of competition and number of customers served in a day.

4.6.1 Competition level

The level of competition faced by the respondents in their sector of operation was assessed and found to be as presented in the table 4.27.

Table 4.27 : Competition level

Competition level	Frequency	Percent
High	19	22.9
Moderate	57	68.7
Low	5	6.0
None	2	2.4
Total	83	100.0

From the findings of the study, 57(68.7%) of the respondents faced moderate competition in the sector they operated in.19 (22.9%) of the respondents faced high competition in the sector they operated in.5 (6.0%) of the respondents faced low competition in the sector they operated in while 2(2.4%) of the respondents did not face any competition in the sector they operated in. this shows that the youth entrepreneurs in Kiambu town face moderate competition.

4.6.2 Number of customers served in a day

On the number of customers the respondents served, the study sought to establish how many customers were served in a day and the findings were as presented in the table 4.28.

Table 4.28 : Number of customers served in a day

No. of customers	Frequency	Percent
None	2	2.4
1-10	7	8.4
11-20	15	18.1
21-30	16	19.3
Above 31	43	51.8
Total	83	100.0

From the findings of the study, 43(51.8%) of the respondents served above 31 customers in a day. 16(19.3%) of the respondents served above 21-30 customers, 15(18.1%) of the respondents served above 11-20 customers, 7(8.4%) of the respondents served 1-10 customers while 2(2.4%) of the respondents did not serve any customers in a day.

4.7 Influence of Access to Market on the Performance of the Youth Enterprises.

To establish the influence of access to markets, the study reviewed the methods used by the entrepreneurs in accessing their markets, marketing strategies, promotions, market accessibility and infrastructure rating.

4.7.1 Method of accessing the current market being served

The findings on the method of accessing the current market being served were as presented in the table 4.29.

Table 4.29 : Method of accessing the current market being served

Methods Used	Frequency	Percent
Taking goods around to the them	35	42.2
They visit my premises	46	55.4
Others	2	2.4
Total	83	100.0

From the findings of the study, 46(55.4%) of the respondents, the customers visited their premises. For 35(42.2%) of the respondents assessed the current market they served through taking goods around to the customers. 2 (2.4%) of the respondents assessed the current market they served through other means.

4.7.2 Marketing strategies employed to counter competition

Findings on the market strategies employed by the respondents to counter stiff competition were as presented in the table 4.30.

Table 4.30 : Marketing strategies employed to counter competition

Marketing Strategies	Frequency	Percent
Stocking high quality goods	26	31.3
Charging fair prices	43	51.8
Nice Packaging	11	13.3
Others	3	3.6
Total	83	100.0

From the findings of the study, 43(51.8%) of the respondents charged fair prices as their marketing strategy to counter stiff competition. 26(31.3%) of the respondents stocked high quality goods as their marketing strategy to counter stiff competition.11 (13.3%) of the respondents employed nice packaging of goods as their marketing strategy to counter

stiff competition while 3(3.6%) of the respondents employed other marketing strategy to counter stiff competition.

4.7.3 Promotion of market accessibility by modern technology

As to whether the modern technology had made it easy to access the market, the findings were as presented in the table 4.31.

Table 4.31: Promotion of market accessibility by modern technology

Response	Frequency	Percent
Yes	66	79.5
No	17	20.5
Total	83	100.0

From the findings of the study 66(79.5%) of the respondents argued that modern technology had made it easy to access the market while 17(20.5%) of the respondents argued that modern technology had not made it easy to access the market. It can be deduced that technology made businesses in Kiambu town accessible.

4.7.4 Infrastructural Rating

The rating of the infrastructure in Kiambu town was as presented in the table 4.32.

Table 4.32 : Infrastructural rating

Infrastructural Rating	Frequency	Percent
Good	12	14.5
Needs improvement	37	44.5
Poor	34	41.0
Total	83	100.0

From the findings of the study, 37(44.5%) of the respondents rated the infrastructure in Kiambu town as that needs improvement. 34(41.0%) of the respondents rated the infrastructure in Kiambu town as poor, while 12(14.5%) of the respondents rated the infrastructure in Kiambu town as good. That majority of the respondents noted that the infrastructure needs improvement, it can be deduced that the infrastructure in Kiambu town needs improvement as it's hampering the performance of the youth MSEs. The municipal council officers interviewed noted that Kiambu Town is poorly organized because there is no clear demarcation between the residential areas and commercial areas therefore straining the existing infrastructure the more.

4.8 Inferential Statistics

In order to establish the relationship between the various factors and performance of youth owned MSEs in Kiambu town, Pearson product moment correlation analysis was used. A correlation is a number between -1 and +1 that measures the degree of association between two variables. The correlation coefficient value (r) ranging from 0.10 to 0.29 is considered to be weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. A positive value for the correlation implies a positive. A negative value for the correlation implies a negative or inverse association.

The data presented before on socio-cultural factors, education, training and skills, finance and credit facilities, competition and access to market was computed into single variables per factor by obtaining the averages of each factor. Pearson's correlations analysis was then conducted at 95% confidence interval for a two tailed test and the findings were summarized in table 4.33.

Table 4.33 Pearson’s correlations Matrix

Dependent variables		Performance	Socio-cultural factors	Education training and	Finance and credit facilities	Competition	Access to market
Performance of youth owned MSEs	Pearson Correlation	1					
	Sig. (2-tailed)						
Socio-cultural factors	Pearson Correlation	0.578	1				
	Sig. (2-tailed)	0.037					
Education training and skills	Pearson Correlation	0.837	0.418	1			
	Sig. (2-tailed)	0.038	0.067				
Finance and credit facilities	Pearson Correlation	0.624	- 0.055	0.255	1		
	Sig. (2-tailed)	0.035	0.668	0.424			
Competition	Pearson Correlation	0.702	0.073	.583	0.059	1	
	Sig. (2-tailed)	0.047	0.514	0.007	0.649		
Access to market	Pearson Correlation	0.683	.385	0.356	0.002	0.097	1
	Sig. (2-tailed)	0.028	0	0.123	0.989	0.385	

The table 4.33 indicates the correlation matrix between the factors (socio-cultural factors, education training and skills, finance and credit facilities, competition and access to market) and the performance of Youth Owned MSEs in Kiambu Town. According to the table, there is a positive relationship between performance of youth owned enterprises and social cultural factors, education training and skills, finance and credit facilities, competition and access to market of magnitude 0.578, 0.837, 0.624, 0.702 and 0.683 respectively. The positive relationship indicates that there is a correlation between the factors and the performance of youth owned enterprises in Kiambu town. This infers that education and training skills has the highest effect on the performance of youth owned enterprises, followed by competition, then finance access to market, credit facilities while

socio-cultural factors having the lowest effect on the performance of youth owned enterprises in Kiambu County.

4.9 Chapter Summary

The preceding chapter has presented the findings obtained by the study. The findings are presented in form of frequency tables which are enhanced by an explanation of the data interpretations.

The chapter is organized as per the study's objectives. The study first presented the demographic information about the respondents then proceeded to present findings on the first objective which was on the influence of socio-economic factors on the performance of youth owned MSEs in Kiambu town. Then the effects of education, training and skills were presented. The chapter also presents the findings on the influence of credit availability and finance on the MSEs, access to market and competition.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings, the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to assess the factors influencing the performance of youth owned micro and small enterprises in Kiambu town.

5.2 Summary of Findings

The findings established that majority of the youth entrepreneurs operating enterprises in Kiambu town are male. The marital status of majority (48.2%) of the youth entrepreneurs was found to be single with few cases (2.4%) of divorces. 38.6% of the youth entrepreneurs came from families with size of less than three with a few of them being from families of more than five. 42.2% of these youth entrepreneurs were aged between 31 and 35 years with the least group being aged between 19 and 22 years. 51.8% of the youth entrepreneurs in Kiambu town were comfortable with the business location with most (30.1%) of them engaging themselves in small retail trade while minority dealt with agricultural produce. On the length of time the youth entrepreneurs majority had been operating their businesses 33.7% of had been operating their businesses for 3-4 years.

Majority of these youth entrepreneurs 71.1% had no other businesses prior to the current business they were operating, with 41.7% of them having been operating their prior businesses for 2-3 years. Most of them 89.2% were not operating other businesses apart from the current one, with majority 77.1% being sole proprietors. Regarding the highest level of education attained most of the young entrepreneurs had technical and vocational education. Most of the youth entrepreneurs 63.9% had no previous experience on running an enterprise and 71.1% perceived that the current Kenyan educational system did not support the creation of entrepreneurial culture among the youth. Regarding access to finance and credit, majority of the respondents 74.7% obtained some form of start up

financing of which majority 69.4% obtained start up finance by borrowing money from friends, family and personal contacts.

On Socio-cultural Factors, the respondents' motivation to start their own businesses included unemployment as supported by 43.4% and 22.9% who desired to be self employed. On the perception on Youth Entrepreneurship in General, 47.0% of the respondents perceived that, the youth were hard working while 18.1% perceived that, the youth were innovative. The study further established that religion did not affect the performance of their enterprise as supported by 75.9% of the respondents had businesses whose performances were not affected by religion while 24.1% of the respondents had businesses whose performances were affected by religion. 45.0% of the respondents perceived that religion determined the business to engage in, while 35.0% of the respondents perceived that religion determined when the business had to operate. Gender roles of the entrepreneurs did not affect business performance of the youth entrepreneurs as supported by 94.0% of the respondents who argued that gender roles did not determine the choice of their enterprises as well as affecting the performance of the their enterprises. 49.4% of the respondents perceived that youth entrepreneurship could be improved through availing more funding so as to gain more acceptances in the society. 38.6% of the respondents perceived that youth entrepreneurship could be improved through learning so as to gain more acceptances in the society.

On the Education Training and Skills, the study established that on the highest level of education, 32.5% of the respondents had achieved technical and vocational education, 28.9 % of the respondents had achieved secondary school education as their highest level of education while 28.9% of the respondents had achieved primary education as their highest level of education. On managerial or enterprise education training, the study sought to determine whether the respondents ever received any managerial or enterprise education training. 73.5% of the respondents had not received any managerial or enterprise education training while 26.5% the respondents had received. On the educational system supporting the creation of entrepreneurial culture, 71.1% of the respondents perceived that the current Kenyan educational system did not support the creation of entrepreneurial culture among the youth while 28.9% the respondents

perceived that the current Kenyan educational system supported the creation of Entrepreneurial culture among the youth. On previous experience on running an Enterprise, 63.9% of the respondents had no previous experience on running an enterprise while 26.5% the respondents had previous.

On access to finance and credit, the study sought to find out whether the respondents obtained any form of start up financing. The findings indicated that 74.7% of the respondents had obtained some form of start up financing while 25.3% the respondents had not obtained any form of start up financing. On the kind of startup finance obtained by the respondents, 69.4% of the respondents borrowed money from friends, family and personal contacts as their startup finance. 29.0% of the respondents obtained their startup finance through borrowing loans from a bank, micro-credit institutions, co-operatives or others while 1.6% of the respondents obtained their startup finance from other sources.

On competition, the study sought to establish the level of competition faced by the respondents in their sector of operation. 68.7% of the respondents faced moderate competition in the sector they operated in while 22.9% of the respondents faced high competition in the sector they operated in. On the number of customers served in a day, 51.8% of the respondents served above 31 customers in a day. 19.3% of the respondents served above 21-30 customers, 18.1% of the respondents served above 11-20 customers, 8.4% of the respondents served 1-10 customers while 2.4% of the respondents did not serve any customers in a day.

On access to markets, 42.2% of the respondents accessed the current market they served through taking goods around to the customers. 55.4% of the respondents, the customers visited their premises. 2.4% of the respondents assessed the current market they served through other means. On the marketing strategies employed to counter competition, 51.8% of the respondents charged fair prices as their marketing strategy to counter stiff competition. 31.3% of the respondents stocked high quality goods as their marketing strategy to counter stiff competition. 13.3% of the respondents employed nice packaging of goods as their marketing strategy to counter stiff competition while 3.6% of the respondents employed other marketing strategy to counter stiff competition. On

promotion of market accessibility by modern technology, 79.5% of the respondents argued that modern technology had made it easy to access the market while 20.5% of the respondents argued that modern technology had not made it easy to access the market. It can be deduced that technology made businesses in Kiambu town accessible. On infrastructural rating, 44.5% of the respondents rated the infrastructure in Kiambu town as one that needs improvement. 41.0% of the respondents rated the infrastructure in Kiambu town as poor while 14.5% of the respondents rated the infrastructure in Kiambu town as good. That majority of the respondents noted that the infrastructure needs improvement, it can be deduced that the infrastructure in Kiambu town needs improvement

5.3 Discussions

The study established that MSEs in Kiambu were affected by socio-cultural factors to varying degrees. For example, the study established that religion did not affect business enterprises in Kiambu town to a great extent which contradicts the findings by Carswell and Rolland (2004) who argued that religion, since it can shape the values and beliefs of a person, can have an influence on entrepreneurial behavior in general. The findings further indicated that gender did not have much influence on the performance of youth enterprises in Kiambu Town. Carswell and Rolland (2004) had further argued that business start ups, the nature and the type of business as well as women's participation in business in particular has no correlation with religious values.

The study further established that youths in Kiambu town were motivated by various factors to start their businesses. The motivations included lack of adequate employment to absorb all the youth and to desire to be self employed by the respondents. These findings are consistent with Chigunta *et al.*, (2005), who argued that the image, reputation and credibility of entrepreneurs in a society can also have a crucial influence on young people's attitude to entrepreneurship and on their decision to start up their own enterprise. The findings are also consistent with the argument by Streets and Sykes, (2003) who argue that, in some societies entrepreneurship remains undervalued compared to for example, a career in medicine, law, with a large corporation or with government.

The youth seem to have the mentality that once they go to school; they need to get a white color job. However, with increasing level of unemployment, it has become difficult for the youth to be immediately absorbed in white color jobs hence there being need to be innovative.

On the education training and skills, the study established that on the highest level of education, majority of the respondents had achieved technical and vocational education, followed the respondents who had achieved secondary school education as their highest level of education while the rest of the respondents had achieved primary education as their highest level of education. These findings show that the entrepreneurs had average level of education. King and McGrath, (2002) in their study noted that those with more training and education are more likely to be successful in the performance of their MSEs. As Meng and Liang (1996), noted, after entering into the entrepreneurial world those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage their businesses. The respondents had average level of education and had not received any managerial training. This therefore limits the level of entrepreneurship among the youth as suggested by King and McGrath (2002) who noted that, the level of entrepreneurship development within Kenya which focused on the types of training entrepreneurs received outside of academic schooling e.g. management technical training ,marketing and business counseling showed that entrepreneurial training is generally lacking in the MSEs sector.

On access to finance and credit, the study established that the respondents had obtained some form of start up financing as majority of the respondents borrowed money from friends, family and personal contacts as their startup finance. These findings are consistent with those of Schoof (2006) who argued that due to the lack of self-sustaining resources, the absence of a substantive credit history, sufficient collateral or guarantees to secure loans or lines of credit, young people are often seen as particularly risky investments and therefore face difficulties in accessing finance. The entrepreneurs could not access finance from financial institutions because of limited collateral. These findings

are also consistent with the arguments of Tucker and Lean (2003) who noted this as one of the problems faced by the MSEs. When attempting to raise finance there is information asymmetry in that they cannot prove the quality of investments to the provider of the finance.

On competition, majority of the respondents faced moderate competition in the sector they operated in while the rest of the respondents faced high competition in the sector they operated in. These findings are consistent with the argument of Kimuyu (2002) that there is a relationship between the locality of an enterprises and the performance in terms of profit. Ronge et al, (2002) too explains that most enterprises have their markets within their same locality and this poses a challenge as they have to compete for the same market.

On access to markets, majority of the respondents accessed the current market they served through taking goods around to the customers. The entrepreneurs also attracted customers by charging fairly low prices. These findings are consistent with the argument of Lukas (2005) that a wide range of consumer goods vie for the buyer's money and preference, which is more often oriented to the cheapest. In turn, the enterprises compete to produce at the lowest cost in the market, sacrificing the quality aspect. On the marketing strategies employed to counter competition, most of the respondents charged fair prices as their marketing strategy to counter stiff competition. On promotion of market accessibility by modern technology, majority of the respondents argued that modern technology had made it easy to access the market while the rest of the respondents argued that modern technology had not made it easy to access the market. On infrastructural rating, majority of the respondents rated the infrastructure in Kiambu town as one that needs improvement.

5.4 Conclusions

From the findings the study established that business enterprises in Kiambu were affected by socio-cultural factors to varying degrees. The findings further indicated that gender did not have much influence on the performance of youth enterprises in Kiambu Town.

The study further established that youths in Kiambu town were motivated by various factors to start their businesses. The motivations included lack of adequate employment to absorb all the youth to desire to be self employed by the respondents.

On the education training and skills, the study established that on the highest level of education as a majority the respondents had achieved technical and vocational education followed by those with secondary school education as their highest level of education. The respondents had average level of education and had not received any managerial training. The finding of the study also concludes that education training and skills has an effect on the performance of the enterprises. Education training and skills are necessarily to foster youth entrepreneurship. However, the youth entrepreneurs in Kiambu market had not received enough business management training. They only had limited knowledge on how to run and manage businesses.

The finding of the study further concludes that access to finance and credit facilities influences performance youth enterprises. Youth entrepreneurs face a lot of challenges in accessing finances to inject in their business both as start up, seed capital and finance expansion of the businesses. This is because of many factors which make their businesses less attractive in terms of lending. The youth entrepreneurs in Kiambu did not have enough collateral to pledge when applying for loans from banks hence they borrowed from friends and family to start their businesses.

The finding of the study further concludes that competition affected the performance of youth owned enterprises. Intense competition results in price cutting but those with entrepreneurs with large pull of capital are able to exploit the present market opportunities and do better than others.

The finding of the study further concludes that access to market affected the performance of the youth enterprises. This was due to the fact that many a times the youth had limited or no access to timely, simplified ,production technology and government regulations they are unable to perform and survive in the fast changing ,increasingly

globalized and highly competitive environment. In addition, some businesses were hidden such that the customers were not reaching the entrepreneurs premises.

5.5 Recommendations

- 1) This study therefore recommends that the entrepreneurs continue observing the socio-cultural dynamics for example land inheritance issues in forecasting their business performance and change of cultural view on entrepreneurship should be encouraged.
- 2) The youth entrepreneurs be trained on business management skills including entrepreneurship. Entrepreneurship should be introduced at all school levels and in all sectors of education and training this is in order to create a culture of self employment rather than wait for white collar jobs. Entrepreneurship programmes should have practical lessons in order to expose the youth to the business environment.
- 3) Microfinance institutions continuously engage the youth entrepreneurs in providing finance and entrepreneurial knowledge to the poor in the society as this would lead to creation of jobs and reduced poverty levels in a country.
- 4) The Government provides more space for entrepreneurs to work from.
- 5) Cheaper and efficient marketing strategies be advocated among youth entrepreneurs to improve access to their customers and use of ICT to make the markets diverse.

5.6 Recommendations of Further Study

- 1) This study focused on factors that influence the performance of youth owned enterprises in Kiambu town. However, youth enterprises across the country face different challenges in their business operations. This study therefore recommends that another study be conducted on the youth enterprises in other counties to allow for generalization of findings among all youth enterprises in Kenya.

- 2) This study also did not factor in the analysis the influence of the Youth Enterprise Fund on the performance of these businesses. This study therefore recommends that another study be done to establish the effects of youth enterprise fund on the performance of youth owned enterprises within Kiambu and other Counties.

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APPENDICES

Appendix I: Introductory Letter

Dear Respondents,

**RE: FACTORS INFLUENCING THE PERFORMANCE OF YOUTH OWNED
MICRO AND SMALL ENTERPRISES.**

I would first wish to thank you for your willingness to participate in this research. My names are Catherine Wanjiru and I am pursuing a Masters Degree in Arts at University of Nairobi. You have been selected for the purposes of the study, given the role played by the youth in the national development. The attached questionnaire is aimed at determining various factors that influence the performance of youth owned micro and small enterprises in Kiambu town. Please take time to complete the questionnaire. Your genuine response will be appreciated. High level of confidentiality will be assured. The information obtained will be used purely for academic reasons.

Thank you all in advance.

Yours sincerely,

Catherine Wanjiru
University of Nairobi MA student.

Appendix II: Research Questionnaire

Please you are requested to complete the questionnaire honestly and possibly give as much detail as possible. Where necessary tick () appropriately

Section A: Entrepreneur and company information

1. Name (optional)
2. Gender: Female () Male ()
3. Marital status: Single () Married () separated () Divorced ()
4. Family Size: less than 3 () between 3 and 5 () more than 5 ()
5. Age 15-18() 19-22 () 23-26 () 27-30 () 31-35()
6. Religion: Catholic () Protestant () Muslim () Others (Specify)
7. Sector of activity
 Small retail trade /kiosks Transport
 Agricultural produce dealer Restaurant
 Informal sector Small workshop
8. a) Name of the enterprise
- b) Are you comfortable with location of the business?
Yes () No ()
- c) What makes your location Appropriate/inappropriate?
.....
.....

9. Number of Employees in the enterprise

Total Employees..... Women Men.....

a) Full time employees..... b) Part time employees.....

10. How long has your business been operational?

i. () Less than 6 months

ii. () 1-2 years

iii. () 3-4 years

iv. () 4-5 years

11. a) Have you had any other business prior to the current one?

a) () Yes b) () No

b) What happened to the business?

.....
.....

c) For how long did you run the previous enterprise?

i) Less than 1 year () ii) 2-3 years () iii) Over 3 years ()

12. a) Do you have any other business or businesses?

Yes () No ()

b) What type of businesses are they?

.....
.....

13. What is the form of your enterprise?

a) () Sole proprietorship

b) () Partnership

c) () Others please specify

.....
.....

- Determine when the business has to operate (remain open) ()
 - Determines the entrepreneurs' commitment ()
 - Motivates youth to work hard ()
 - Other (Please specify) ()
-

20. a) Did gender roles determine the choice of your enterprise and do they affect the Performance of the enterprise?
 Yes No

b) How do they influence performance of your business?

21. How can youth entrepreneurship be improved to gain more acceptance in the society?

- Through learning ()
 - Availing more funding ()
 - Availing more space for business expansion ()
 - Other (please specify) ()
-

SECTION C: EDUCATION, TRAINING AND SKILLS

22. What is your highest level of education?

- a) None
- b) Primary school
- c) Secondary school
- d) Technical & vocational education
- e) University/College

23. Have you ever received any managerial or enterprise education training?

- Yes No

24. Do you think the current education system in Kenya support the creation of Entrepreneurial culture among the youth?

.....
.....

25. Looking back at your education, what experiences have been valuable to your enterprises?

.....
.....

26. How can the system be made more supportive to the youth entrepreneurs?

.....
.....

27. Do you have any previous experience on running an enterprise?

Yes No

28. What field was it and how does it help in managing the current enterprise?

.....
.....

SECTION D: ACCESS TO FINANCE AND CREDIT

29. a) Did you obtain any form of start up financing?

Yes No

b) What kind of start-up finance did you obtain?

i. Money borrowed from friends, family and personal contacts?

ii. Loan from a bank, micro-credit institutions, co-operatives or others?

iii. Subsidies from government and other finances?

iv. other services (please specify)

.....
.....

30. How much was your start –up capital?
31. What were the major challenges you experienced while sourcing for start –up finance for your enterprise?
.....
.....
32. What kind of assets (e.g. stock and debtors) and liabilities (e.g. creditors and loans) does your business enterprise have and their value?
.....
.....
33. In your opinion what measures should be applied to improve access to finance and by the Youth entrepreneurs?
.....
.....

SECTION E: COMPETITION AND ACCESS TO MARKET

34. How would you describe competition in the sector you operate in?
High () Moderate () Low () None ()
35. How many customers do you serve in a day?
None () 1-10 () 11-20 () 21-30 ()
Above 31 ()
36. How do you access the current market that you are serving?
I take my goods around to them ()
They visit my premises ()
Other (Please specify) ()
37. Which marketing strategies do you employ to counter stiff competition?
Stocking high quality goods ()

- Charging fair prices ()
- Nice Packaging ()
- Offering Home Delivery ()
- Other (Please specify) ()

38 A) Has modern technology made it easy to access the market?
 () Yes () No

b) How has it improved market accessibility?

39 A) How would rate the infrastructure in Kiambu town?
 () Excellent () Good () Needs improvement () Poor

b) To what extent does the modern infrastructure have an impact on competition and access to market?

40 What are the challenges facing the MSEs in Kiambu town?

41 How have you dealt with these challenges?

THANK YOU FOR YOUR ASSISTANCE AND YOUR PRECIOUS TIME.

Appendix III: Interview Guide

1. What is your name and designation in the municipal council?
2. What is your role in the MSEs Sector?
3. What are the rules that have been put to govern the MSEs Sector in Kiambu town and how do they affect the enterprises?
4. How would be the regulatory framework be improved in favour of the youth enterprises?
5. What is your perception of the youth owned MSEs and how could we improve them?
6. What are the challenges facing the youth enterprises in Kiambu town and how would we handle them?
7. How would you rate the performance of the youth MSEs in Kiambu town?

Appendix IV: Observations Checklist

1. Kiambu town business premises organization
2. Cleanliness of the whole town and more so the market.
3. Presence of Municipal Council officials and askaris.
4. Inflow of customers in the town
5. State of infrastructure in the town.
6. Number of micro finance institutions in Kiambu town