

**FACTORS INFLUENCING PERFORMANCE OF YOUTH OWNED
SMALL AND MEDIUM ENTERPRISES. A CASE OF MAARA SUB-
COUNTY; THARAKA-NITHI COUNTY; KENYA**

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**THIS RESEARCH PROJECT REPORT IS SUBMITTED IN PARTIAL
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DECLARATION

This research project report is my original work and has not been presented for a degree or any award in any other university.

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DEDICATION

This research project report is dedicated to my beloved wife Sabina Wairimu and my son Bravine Gitonga who have given me love, support and encouragement. I also dedicate it to my beloved parents, Mr. Cyprian Akwalu and Mrs. Esther Akwalu, for their both moral and inspirational support.

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TABLE OF CONTENTS

Content	Page
DECLARATION	ii
DEDICATION	iii
AKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABBREVIATIONS AND ACRONYMS	ix
ABSTRACT	x
CHAPTER ONE : INTRODUCTION	1
1.1 Background of the study	1
1.2 Statement of the problem	4
1.3 The purpose of this study	5
1.4 Objectives of the study.....	5
1.5 Research Questions	6
1.6 Significance of the study.....	6
1.7 Basic assumption of the study.....	7
1.8 Limitations of the study	7
1.9 Delimitations of the study	7
1.10 Definitions of Significant terms	7
1.11 Organization of the study	8
CHAPTER TWO: LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Influence of entrepreneurship training on performance youth owned SMEs	10
2.3 Influence of access credit facilities on performance youth owned SMEs.....	11
2.4 Influence of access to mmarket on performance youth owned SMEs	15
2.5 Influence of business competition on performance youth owned SMEs	17
2.6 Government policies and rregulations	18
2.7 Theoretical framework	18
2.8 Conceptual framework	19
CHAPTER THREE : RESEARCH METHODOLOGY	22
3.1 Introduction	22
3.2 Research design.....	22

3.3 Target population	22
3.4 Sample size and sampling procedures.....	23
3.5 Research instruments.	24
3.5.1 Piloting of the study	24
3.5.2 Instrument validity	24
3.5.3 Instruments reliability	25
3.6 Data collection procedures	25
3.7 Data analysis and presentation techniques	26
3.8 Ethical consideration	26
CHAPTER FOUR : DATA ANALYSIS, PRESENTATION AND INTERPRETATION	28
4.1: Introduction.....	28
4.2 Questionnaires Return Rate.....	28
4.3 Demographic Information	28
4.4 Entrepreneurship training.....	29
4.5 Influence of access to credit on performance of youth owned SMEs	32
4.6 Influence of access to market on performance youth owned SMEs	35
4.7 Influence of business competition on performance of youth owned SMEs.....	36
CHAPTER FIVE : SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS.....	39
5.1 Introduction	39
5.2 Summary of findings.....	39
5.3 Discussion of findings.....	41
5.3.2 Credit accessibility	42
5.3.3 Market accessibility	42
5.3.4 Business competition	42
5.4 Conclusions	43
5.5 Recommendations	44
5.6 Suggestions for further research.....	44
REFERENCES	45
APPENDICES	50
Appendix I: Letter of Transmittal	50
Appendix II: Questionnaire for youth Small and Medium Enterprise’s Owners.....	51

LIST OF TABLES

Table 3. 1 Target population	23
Table 3.2: Sampling frame	24
Table 3.3: Operationalization of Variables	27
Table 4.1 Demographic information	28
Table 4.2 Duration of the training attended by respondents	29
Table 4.3 Relationship between attendance of entrepreneurship training and average profit of youth owned SMEs per month	30
Table 4.4 Chi-Square test for the relationship between entrepreneurship training and performance of youth owned SMEs.....	31
Table 4.5 Average loan obtained by respondents.	32
Table 4.6 Hindrances faced by respondents in obtaining business loan	33
Table 4.7 Relationship between respondents average profit per month and extent to which they think credit access influence the performance of youth owned SMEs	34
Table 4.8 Relationship between respondent’s average profit per month and extent to which respondents think access to market influence the performance of youth owned SMEs	35
Table 4.9 Chi-Square test for the relationship between business competition and performance of youth owned SMEs	36
Table 4.10 Respondents main competitors	37
Table 4.11 Number of employees during start-up and current employees	38
Table 4.12 Number of years the business was in operation against average profit per month	38
Table 5.1 Summary of findings.....	39

LIST OF FIGURES

Figure 1: Conceptual framework.....	20
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ABBREVIATIONS AND ACRONYMS

AGOA	African Growth and Opportunity Act
CYB	Canadian Youth Foundation.
C-YES	Constituency Youth Enterprise
GOK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
MFI	Micro Finance Institution
MOYA	Ministry of Youth Affairs
NGO	Non-Governmental Organization
SACCO	Savings and Credit Co-Operative.
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UNDP	United Nation Development Programme
YEDF	Youth Enterprise Development Fund

ABSTRACT

Small and Medium enterprises (SMEs) contribution to the Kenyan economy is widely acknowledged, they cut across all sectors of the economy and provide many employment opportunities and generate widespread economic benefits. Youth owned Small and Medium Enterprises are faced with several challenges in their operations. SMEs face a mixture of success and failure with past statistics indicating that three out five fail within the first few months of operation. The purpose of this study was to investigate factors influencing the performance of youth owned Small and Medium Enterprises in Maara sub-county; Tharaka-Nithi county. The objectives of the study include: establishing the influence of entrepreneurship training on the performance of youth owned SMEs; examining how access to credit facilities influences performance of youth owned Small and medium Enterprises; establish how access to market influences the performance of the youth owned SMEs and determine how business competition influences the performance of the youth owned SMEs. 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 230 youth owned Small and Medium Enterprises within Maara sub-county Tharaka –Nithi County. The sample size was 147 youth owned small and medium enterprises. Purposive sampling was used to identify 230 youth owned SMEs in Maara sub-county which were operating SMEs at the time of the study. The youth owned small and Medium Enterprises was then be clustered into five clusters. 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 entrepreneurship training, access to credit, access to market and business competition the performance of youth owned enterprises. The study also established that entrepreneurship training affected the performance of the enterprises. Access to credit facilities influenced performance youth enterprises to a great extent. Business 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 recommended that the youth entrepreneurs be trained on entrepreneurship skills including business management and the general reputation, acceptance and credibility of entrepreneurs in society would help to overcome these challenge. The study further recommended 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 recommended 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 of the study

The importance of Small and Medium enterprises (SMEs) in contributing to job creation and output growth is now widely accepted in both developed and developing countries. Small and Medium Enterprises are regarded as the backbone of the economy (Welter and Smallbone 2011). There is no single criterion for classifying business enterprises as small or medium scale globally. In a study carried out by International Labour Organization (2005), over 50 definitions were identified in 75 different countries. However, evidence from literature shows that in defining small-scale business, reference is usually made to some quantifiable measures such as: number of people employed by the enterprises, investment outlay, the annual turnover (sales) and the asset value of the enterprise or a combination of these measures. Small and Medium enterprises have a number of benefits. One of its major significant benefits is that Small and Medium enterprises contribute to the creation of self-employment among those youth operating businesses and jobs to those who are employed in those enterprises amidst high levels of unemployment.

Since the beginning of the 1990s, small and medium-sized enterprises, as remained one of the main avenues for building a vibrant and competitive private sector in many countries. Support for the SME sector has also become an increasingly important part of the industrial policy of the European Union (EU) over the last 10 years. The SMEs, has been a central pillar for the creation of the world's most dynamic and competitive European economy. According to data from the European observatory (ENSR, 2005) Small and medium enterprises that employing up to 100 people accounted for 68 million jobs in the European Union in 2005. In Nigeria Small and medium enterprises account to 95 percent of formal manufacturing activity and 70 percent of individual jobs. In South Africa Small and medium enterprises provided more than

55 percent of total employment and 22 percent gross domestic product (GDP) in 2003(OECD,2005). In Botswana small and medium enterprises employs majority of youth and women which youth accounts for 49 percent. In bid to improve the youth owned small and medium enterprises government of Botswana created government credit schemes youth development fund to provide credit to youth owned SMEs at affordable interest and also provide capacity building (Friedman, 2009).

The mortality rate of Small and medium enterprises in Africa remain very high for example Mead (2010) in the study of five African countries found that most firms started with 1-5 employees and never expanded. Furthermore less than 1 percent grew to a size of about 10 employees. Friedman (2009) in his study of 214 small enterprises in the northern region of Nigeria within an eight year period reported that only 4 had graduated into medium firms.

The promotion of youth owned Small and Medium enterprises (SMEs) is fundamental to the achievement of MDG 8, target 16 which focuses on developing decent and productive work for youth. This has a significant effect of bringing back the alienated and marginalized youth into the economic mainstream thereby addressing some of the socio-psychological problems and delinquency which occur due to joblessness (Welter and Smallbone 2011). Action on youth unemployment must be integrated as a central platform for achieving; MDG 1 on poverty reduction and hunger as well as Kenya Vision 2030. The achievement of MDG 1 has a bearing to the achievement of other MDGs in particular MDG 3, target 11 which promotes an increase in the share of women on wage employment in Nonagricultural particularly in Africa where socio-cultural constraints tend to affect the participation of female youth in self-employment.

SMEs contribution to the Kenyan economy is widely acknowledged, they cut across all sectors of the economy and provide many employment opportunities and generate widespread economic benefits (Government of Kenya, 2005). The National Census Survey of Kenya

(2009) revealed that 64 percent of its population was engaged in Small and Medium-Enterprise (KNBS, 2010). According to the economic survey of 2003, the SMEs sector accounted for 74.2% of the total persons engaged in employment and contributed up to 18.4% of the Kenya's GDP in 2003. Economic recovery strategy for wealth and employment creation 2003-2007 recognized the need to establish and maintain a favorable environment for the growth and transformation of small businesses into medium sized enterprises that can have capacity to create more employment opportunities (GOK, 2005).

In Kenya today, businesses employing between 1 to 99 people account for about 48 percent of all businesses; with a majority of these being managed or owned by the young people (25-34 years) (Njonjo, 2010). According to Government of Kenya (2007), three out of five of these businesses fail within the first Three years of operation and those that continue 80 percent fail before the fifth year. This failure of enterprises performance is marked by poor return and bankruptcy proceedings, (Saleemi, 2009), having noted how important the contribution of SMEs sector is in Kenya; despite their poor performance. Leadership must be increased to effectively respond to the challenges of creating productive and sustainable employment opportunities in the country amongst the youths, (Kariuki, 2010)

Although generally in Kenya there has been an increase in the promotion of youths owned enterprises, not much has been achieved. These promotions have been through the affirmative action like establishment of Youth Enterprise Development Fund (YEDF) in 2007. Budget of 2013/2014 set an ambitious youth and women empowerment programme (uwezo fund) by allocating 6 billion as revolving fund to be loaned to the youths and women, the presidential directive of thirty (30) percent access to government procurement opportunities to youth, women and persons with disabilities (GOK, 2013). Maara sub-county has a total population of 107, 125, out of which 35,238 are aged between 15-34 years representing approximately 32.9%

of its total population (KNBS, 2010). The sub-county is characterized by high potential of both agricultural and non-agricultural activities as well as multiple of small and medium businesses. Data from the sub-county youth office indicates that the youth owned enterprises are in both the informal sector like agriculture, kiosk, building and construction and formal sector like legal, medical, business consultancy services. It is against this background that the study of the factors influencing performance of youth owned Small and Medium enterprises is necessary.

1.2 Statement of the problem

Small and Medium Enterprises (SMEs) sector plays an important role in income and employment creation as well as poverty alleviation. The government has embraced the formulation of policies favorable to development of small and medium enterprises since the year 2003. Such policy initiatives include Sessional Paper number 2 of 2005 on development of SMEs for wealth and employment creation (Government of Kenya, 2005) .Sector Plan for labour, youth and human resource development 2008-2012 (Republic of Kenya, 2008); and SME bill 2006 which led to the establishment of a council to facilitate the development of SMEs and creation of SMEs development fund (Government of Kenya, 2006). In addition, the Ministry of Youth Affairs (MoYA) established Youth Enterprise Development Fund (YEDF) in the year 2007 (MoYA, 2008) as a source of capital for youths in Kenya to start and/or boost their SMEs (Onugu, 2005). The government has also initiated other programmes like Jitihada Business Plan Competition; the government undertook a training programme for entrepreneurs under the Micro, Small and Medium Enterprises competitive project in the Ministry of Industrialization Implemented by the Kenya Institute of Management in partnership with Jomo Kenyatta University of Agriculture and Technology and Techno Serve, (GOK, 2012). Most commercial banks and financial institutions have also developed SME tailored strategies to enable the young entrepreneurs in groups and as individuals to access loans like equity bank

in year 2012 which acquired 4 billion shillings loan from Chinaserves to support the SME sector (GOK, 2012).

Despite these interventions by the government and private sector to boost the performance of SME sector, the youth SMEs have not been performing as expected (Wanjohi, 2010). According to the data from Chogoria town council, Youth owned enterprises have increased in Maara sub-county from 186 in the year 2012 to 203 in the year 2013. Those who were registered as new enterprises in year 2013 were 48 meaning some youth businesses did not survive up to year 2013. Studies elsewhere have identified the factors influencing small and medium enterprises (SMEs) in general but with no specific focus on factors influencing the performance youths owned small and medium enterprises in Maara sub-county and Tharaka-Nithi County in general. Therefore, this study seeks to establish the factors influencing performance of youth owned small and medium enterprises in Maara sub-county, Tharaka-Nithi County.

1.3 The purpose of this study

The purpose of the study was to investigate the factors that influence performance of youth owned small and medium enterprise (SMEs) in Maara sub-county. It was expected to shed more light on the factors that influence performance of youth owned small and medium enterprise (SMEs) and guide policy makers and particularly the youths in formulating policies and strategies that will address performance of sustainable youth owned small and medium enterprises in the area and Kenya in general.

1.4 Objectives of the study

The study was guided by the following objectives:

- i. To determine the influence of entrepreneurship training on the performance of youth owned SMEs in Maara in Sub-County.

- ii. To establish how access to credit facilities influences the performance of youth owned SMEs in Maara Sub-County.
- iii. To examine how access to market influences performance of youth owned SMEs in Maara Sub-County.
- iv. To determine how business competition influence performance of youth owned SMEs in Maara Sub-County.

1.5 Research Questions

The research questions of the study were.

- i. How does entrepreneurship training influence the performance of youth owned SMEs in Maara Sub-County?
- ii. To what extent does access to credit facilities influence the performance of youth owned SMEs in Maara Sub-County?
- iii. To what extent does access to market influence the performance of youth owned SMEs in Maara Sub-County?
- iv. How does business competition influence the performance of youth owned SMEs in Maara Sub-County?

1.6 Significance of the study

It is hoped that this study will be useful to youths, policy makers in government institutions, private sector, Non-Governmental Organizations, among others. The youths can use the findings to improve the performance of their enterprises. The government can use the findings to develop appropriate policies to help the youths. This includes empowering the youths to be successful entrepreneurs. The private sector can use these findings to identify areas where SMEs can be funded. Credit provision is an important role of financial institutions. Understanding credit accessibility behavior is therefore of great importance to them. The Non-

Governmental organizations can use the findings to develop various strategies and programs that aim to empower the youths and address the challenges they face in the operation of their SMEs. The findings of this study will also add value to the existing body of knowledge on SME management as well as provide a basis for further research.

1.7 Basic assumption of the study

It was assumed that the respondents would be co-operative and provide accurate information when responding to the research questions. It was also assumed that the sample size chosen was adequate to enable the researcher draw a valid conclusion about the population.

1.8 Limitations of the study

Time constraint was a limiting factor because the study had to be concluded within short time. Availability of funds was also a limiting factor to the study since the researcher was self-sponsored. There was no assurance that the respondents would return all the questionnaires duly completed.

1.9 Delimitations of the study

The study sought to determine the factors influencing the performance of youth owned small and Medium Enterprises in Maara sub-county. The study focused on four variables which included: entrepreneurship training, access to credit, access to market and competition. Other variables that may influence the performance of youth owned SMEs includes leadership style, networking and government policy among others. However these variables were not considered during the study. The study was limited to Maara Sub-county in Tharaka Nithi County.

1.10 Definitions of Significant terms

Access to credit- Possibility of the youth owned small and medium enterprises (SMEs) to access credit facilities services at affordable rate.

Access to market – Possibility of the youth owned small and medium enterprises (SMEs) to access market opportunities services.

Business competition-Rivalry among youth owned SMEs themselves or with other business trying to achieve such goals like increasing profits, market share and sales volume

Entrepreneurship training – Teaching the youth small and medium enterprise’s owners skills and knowledge on business management, record keeping, investment, sale and marketing, purchases, stock control and cost and benefit analysis.

Maara: – An administrative unit within Tharaka-Nithi County.

Small and Medium Enterprises (SME): An income generating activity with the number of employees ranging from 1-49 and registered with Chogoria Town Council for which the owner(s) are responsible for management decisions relating to the business operations; operating in all sectors of the economy. The words Enterprise and Business’ are used in the study to refer to the same thing.

SME Performance – Ability of the SMEs to continue operating while remaining profitable.

Youth: - An individual aged between 18-35 years old.

1.11 Organization of the study

The research project has five sections. Chapter one covers the background of the study, problem statement, objectives, limitations and delimitations. It also covers the significance of the study and definition of key terms used in the study. Chapter two on the other hand provides the literature review. This covers the related literature about the area of study, clearly giving evidence on the past studies done on the subject matter, the theory on which the study is based and conceptual framework which explains the relationships between variables. Chapter three consists of research methodology which specifically covers the research design, target

population, sample size and sampling procedure, data collection instruments and procedure, validity and reliability of the instruments, data analysis and presentation techniques and ethical issues. Chapter four contains data analysis, presentation and interpretation while chapter five provides a summary of findings, discussion, conclusions and recommendations. This is followed by references and appendices sections.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This chapter reviews related literature under different sub-topics relevant to the study objectives. These include: entrepreneurship training, access to credit facilities, access to market and business competition. The chapter also discusses concept of small and medium enterprises, their role in economic development and the conceptual and theoretical framework of the study; it also presents the summary of gaps in literature.

2.2 Influence of entrepreneurship training on performance youth owned SMEs

Training and entrepreneurial learning has widely been understood as how people acquire knowledge and enact new behaviors in the process of recognizing and acting on opportunities and of organizing and managing enterprise. Sexton and Similor (1997) defined entrepreneurship training as a formal structured instruction that conveys entrepreneurial knowledge and develops focused awareness relating to opportunity, recognition and the creation of new ventures. Entrepreneurship training should be mainly focused on starting a business and subsequent sustainability of such business.

McClelland theory of acquired needs advocates that increasing level of need-achievement in a society through modeling and learning such behavior stimulates entrepreneurship and economic growth. This need is inculcated through child rearing practices, which stresses standards of excellence, material warmth, self-reliance, training and low father dominance, (Saleemi 2009). Entrepreneurial education based on solid learning theory can thus explain the need to develop entrepreneurs by increasing business knowledge, and promoting characteristics associated with entrepreneurs. Today's business environment can be characterized as changing. The accelerated pace of advances in technology, increasing foreign competition, widespread

and growing unemployment creating serious adjustment problems, and diminishing resource supplies have affected the way business is conducted. This complex and unstable environment is a way of life, which will continue far into the future (Leintz and Rea,2012).Saleemi (2009) argue that entrepreneurship training has traditionally focused on teaching individuals, but many initiatives are increasingly becoming more action-oriented, emphasizing learning by doing. In their paper they present a number of action-based activities at five Swedish universities. The cases show that entrepreneurship education focuses less on teaching individuals in a classroom setting and more on learning-by-doing activities in a group setting and network context.

Given that past research results have consistently found SMEs training to result in better company performance, even under different cultural settings such as the Netherlands, Spain, Hungary, and China (Mullei, 1999), it is expected that training programs offered by government agencies and private sector will lead to higher firm performance in youth SMEs. This statement underpins the importance of training and development in the national economic development process. It becomes significant point of reference especially since most developing countries are responding to many challenges of the industrial development by implementing new programs, which calls for new expertise and new orientation of work. This usually means changes in specific knowledge, skills attitudes or behaviors. Training should be designed to meet the goals of the organization while simultaneously meeting the goals of individual employees (saleemi, 2009).Development refers to learning opportunities designed to help employees grow. Such opportunities do not have to be limited to improving employee's performance on their current jobs.

2.3 Influence of access credit facilities on performance youth owned SMEs

Chigunta (2001) retained that lack of access to finance is one of the major challenges facing youth owned SMEs worldwide. Surprisingly the World Bank (2005) revealed that lack of

finance was seen as a major obstacle in two of the original EU6 -Italy and France which are among the more developed nations. Credit programmes especially those targeting the youth presently, are an important alternative motivation for those seeking small affordable loans for starting and running up their own small businesses.

The Canadian Youth Business Foundation (CYBF) started in 1996 in Canada for instance Operates a Specialized Youth Business Loan Programme aimed at helping young women and men, particularly those who are unemployed and under-employed (Wadell, 2001). Youth seeking loan funds from the foundation are not asked for securities other than just genuine commitment, appropriate business training, a valid business plan and an agreement to a mandatory mentor programme. Another credit programme that has improved youth access to funds according to White and Kenyon (2001) is the Bharatiya Yuva Shakti Trust (BYST) in India. The BYST provides low interest loans of up to Rs. 50,000, with repayments based upon projected business cash flows. Although there are many credit programmes targeting women, young women seem to be underrepresented as a target group (ILO, 2008). In Asia, the credit programmes are more likely to target married women, as opposed to unmarried women, based on the assumption that they have a higher risk of default for loans as they might stop repaying their loans immediately they get married.

Chigunta (2001) suggested that youth enterprise support programmes in developing Countries should consider socio-cultural constraints that limit the participation of youth in particular young women who want to engage in entrepreneurship and self-employment. However, the problem of credit access to youth owned SMEs seems to be more pronounced in developing nations. Developing countries have very few microcredit schemes targeting the youth. According to Curtain (2000) a review of 902 organizations in 96 countries listed under the Microcredit Summit's Council of practitioners revealed that only 21 organizations had the term

'youth' in their title. A study carried out by Chigunta (2001) in Zambia, revealed that the majority of potential youth entrepreneurs (72.4 per cent) cited lack of capital as the major reason as to why they were not self-employed.

According to the World Youth Report (2003) many youths in developing countries relied on personal savings or turned to family and friends for start-up funding and expansion. Without such finances they had minimal chances of starting their own businesses. However, of late different African countries have set up special credit programmes to promote credit access among the youth.

The Umsobomvu Youth Fund (UYF) in South Africa formed in 2001 has promoted skills development for employment creation and provisions of capital among other services to address the growing youth unemployment problem. The UYF makes finance available to young people through partnerships with financial institutions and other providers of finance. Zambia has a Youth Enterprise Promotion scheme established in 1994 through government initiative to enable young people become more aware of self-employment through entrepreneurship and take it as a potential and viable career option (Chigunta, 2001). Its main aim is to provide loans to various youth groups and individual youths who do not have their own properties to use as collateral to secure funds from financial institutions.

Credit constraints operate in a variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance (Obwocha, 2005). There are various other financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the youth's entrepreneurs (Mbonyane and Ladzani, 2011).

Numerous money lenders in the name of Pyramid schemes came up, promising hope among the ‘little investors’ in which they can make the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives for soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing SMEs in Kenya (Wanjohi and Mugure, 2008). Due to these challenges, the government of Kenya established the Youth Enterprise Development Fund in December 2006. Its main purpose is to provide loans to existing micro-finance institutions (MFIs), Registered Non-Governmental Organizations (NGOs) involved in micro financing and Savings and Credit Co-Operative Organizations (SACCOs) for on-lending to youth enterprises.

The second Channel through which the YEDF disburses funds to the youth is the Constituency Youth Enterprise Scheme (C-YES). Funds provided by (C-YES) specifically target viable enterprises of youth groups within a given constituency. Chigunta and Mkandawire (2002) suggested that most state-sponsored youth credit schemes in Africa have suffered from a number of weaknesses, ranging from: poor programme design; poor implementation; poor loan disbursement; poor loan repayment rates; lack of monitoring skills; lack of strong financial control systems; lack of youth training in business and loan management; and politicization as is the case with Youth Constituency Funds.

Schoof (2006) observed that due to lack of a substantive credit history, sufficient collateral or guarantees to secure loans or lines of credit, young people are viewed as a risky investment making them face difficulties in accessing finance. This is further supported by Kariuki (2010) who suggested that financial institutions in the formal sector generally regard youth as high-risk creditors and are reluctant to extend credit on favorable or concessional terms. In addition, relatively higher interest rates and fees are often charged where a viable business plans form a

basis of providing the funds. Schoof (2006) observed that lack of experience and business skills is a vital concern when lending money to young people. Due to their age factor young people are unlikely to have any type of business experience and track record or business skills that financial institutions require when assessing their credit worthiness. Curtain (2001) identified a number of reasons to explain why micro credit programmes neglect young people. He further observed that most credit programmes have an age requirement that; clients should be at least 18 years and above to ensure that they qualify to enter into a legal contract while other have a minimum asset requirement for participation.

According to White and Kenyon (2000), many experts however believe that programmes should help young people deal more directly with the problem of access to finance, rather than providing them with non-refundable funds or free money. Even though financing is a major component of enterprise development, it is necessary to consider other factors that may hinder sustainable entrepreneurship development amongst the youth. Blanchflower (2006) observed that effective promotion of youth entrepreneurship requires adequate funding. Curtain (2000) suggested that the success or failure of any micro-credit schemes in terms of financial viability and servicing the poor young people largely depends on the design of the programme. To promote effective micro credit programmes, there is need to reduce access barriers and design programmes that meet the needs of potential youth entrepreneurs and existing youth owned SMEs (Blanchflower, 2006).

2.4 Influence of access to market on performance youth owned SMEs

According to Chigunta (2001) one of the key problems facing youth owned SMEs is related to limited prospects for value addition especially for those in poor countries concentrated in low value local markets. The youths also lack access to information on product and input markets. Promoting the viability of youth owned SMEs according to the source cited above requires

facilitating the access of youth to information on product, input markets and linking them to global value chains. This requires encouraging young entrepreneurs to explore existing global initiatives aimed at promoting trade between Developing countries and Less Developed countries. The African Growth and Opportunity Act (AGOA) is a good example of global trade initiatives which should be exploited to help potential youth entrepreneurs and existing youth enterprises access International markets.

Another challenge which seems to affect Youth entrepreneurs is what (Philip, 2002) calls 'copycat entrepreneurship'. It involves one successful enterprise being copied by everyone else, until all other similar enterprises collapse under the weight of their own competition. This is largely a reflection of lack of diversity in the local economies. The National youth policy of 2009 in South Africa revealed that programmes geared for market access are still yet to benefit youth enterprises and contribute to the growth of the sector. According to (Jajah, 2009) market research is vital to any business, but in Ghana the cost of research in terms of money and time is huge. Market research is necessary before and after establishing the enterprises in order to come up with better competitive and cost cutting strategies. There are virtually no available statistics in Ghana to help aspiring entrepreneurs cut costs.

The Kenyan government has committed to support youth owned SMEs through a deliberate policy of buying their goods/services. Through this initiative the government has planned to acquire at least 30% of its procurement needs from youth enterprises (YEDF status report, 2013). This volume of goods procured by government from youth run enterprises is still small judging by the high level of competition in the market. According to the YEDF status report (2011) the Youth Fund has so far supported only 1,800 youth enterprises to market their products through trade fairs and another 32 youth to exhibit their goods in Egypt, Tanzania, Burundi and Rwanda. It has also engaged the County of Nairobi and other counties to partner

with the Fund in establishing market infrastructure appropriate for youth enterprise needs. However, despite this commitment the youth still face serious marketing challenges.

2.5 Influence of business competition on performance youth owned SMEs

According to Fumo and Jabbur (2011), competition is ranked number one of the most challenging issues among the youth entrepreneurs. In their study they identify three forms of competition as: the informal i.e. competition among informal firms which is the most severe business constraints in developing countries like Kenya, competition from other enterprises in the same line especially that are owned by adults and competition from foreign enterprises which have advantages of low cost of production and high standard of goods and services.

This is further complemented by findings by Owino (2008) and Karanja (2008) that competition is a major problem encountered by youth owned SMEs. In another study of “issues on SME development in Ghana and South Africa”, Abor & Quartey, (2010) established that SMEs face greater external competition. The SMEs therefore need to expand market share to avoid overreliance on local markets (Onugu, 2005). However, the SMEs limited international marketing experience, poor quality control and product standardization, and little access to international partners, continues to impede SMEs expansion into international markets (Wanjohi, 2010). Many new SMEs fail during the early years and one of the reasons attributed to this failure is their inability to beat the competition. For the small business to be successful the business owner must adopt certain strategies that will enable to outsmart their competitors and beat them (Onugu, 2005). Entrepreneurs in Nigeria face serious stiff competition from foreign producers. The local entrepreneurs are not protected at and the situation seem to be further worsened by the apparent lack of faith in the Nigerian Patent Law which many entrepreneurs feel offers them little protection against (Jajah, 2009).

2.6 Government policies and rregulations

Policies about youth entrepreneurship are just recent and hence have not been widely tried and tested. Schoof (2006) observed that owing to their cross-cutting nature, youth entrepreneurship policies require collaboration between different ministries, such as education, labour, industry, youth and finance, and the development of a collaborative multi-stakeholder approach.

Administrative and regulatory burdens on youth entrepreneurship are among key barriers for start-ups of young people in high-income and developing countries. The business registration processes for instance are still cumbersome in most developing countries (World Bank, 2005).

According to this report, business registration procedures and costs can be a major obstacle for young people.

The risk of losing one's property right is one of the second most important financial risks for young people when starting a business. The report further revealed that in many countries, property rights are neither adequately defined nor protected. Registering property can be a highly time and cost consuming effort. According to World Bank (2005) poor enforcement of copyright, patent and trademark regulations can greatly disadvantage young people who are often not sufficiently familiar with this issue. As a consequence, they do not appropriately protect their business and they may find themselves caught up in litigation with companies in the same sector or industry for copyright infringement. Having in place policies tailored to the needs of youth is an important ingredient in the promotion of youth entrepreneurship.

2.7 Theoretical framework

Today governments from both the developed and developing countries have now embraced entrepreneurship development through formulation of policies favorable to development of Small and Medium Enterprises. Entrepreneurship evolved beyond the classic start up notion to include companies and Organizations of all types in all stages. Thus entrepreneurship can occur

or fail to occur in firms that are new and old; large and small; fast and slow growing; in the private, not for profit and public sector; in all geographical points; and in all styles of developed and developing nations regardless of politics. A theory represents the coherent set of hypothetical, conceptual and pragmatic principles forming the general frame for reference for the field of enquiry. These are some of the theories that have been advanced for Small and Medium Enterprises which are part of entrepreneurship. Schumpeter innovation Theory describes the entrepreneur as forsaking well-trodden paths to open up new territory and as turning dreams into reality. Schumpeter puts the stress on innovation, not on the invention. The entrepreneurial function consists not of inventing things, but rather of bringing knowledge to life and into the market. Schumpeter himself assumes that with innovation existing structures are destroyed. He saw the markets, realistically viewed, as dominated by oligopolies. Competition, and with it a more efficient allocation of resources, arises only through the invasion of these markets by new entrepreneurs, who destroy the existing market equilibrium with their innovations. This mechanism has been taken into economic discourse and is termed creative destruction. The theory seeks to understand the relationship between the business survival and business innovation, market and competition. In this case the youth owned small and medium enterprises are influence by both innovation, access to market and competition. For youth owned SMEs to grow it requires resources like accessibility and availability to credit.

2.8 Conceptual framework

The conceptual framework shows relationships between independent and dependent variables. It also shows moderating variables which affect the interaction between the two main variables under the study. The framework shows the influence of training on performance of youth owned SMEs. It also shows the influence of credit accessibility on performance of youth owned SMEs. The relationship between access to market and youth owned SMEs performance.

The influence of competition on performance of youth owned SMEs. Moderating variable was also shown which include: Government policies and regulations. This is the variable that may in one way or the other influence the performance of youth owned Small and Medium Enterprises (SMEs).

Figure 1 shows the conceptual framework of the study.

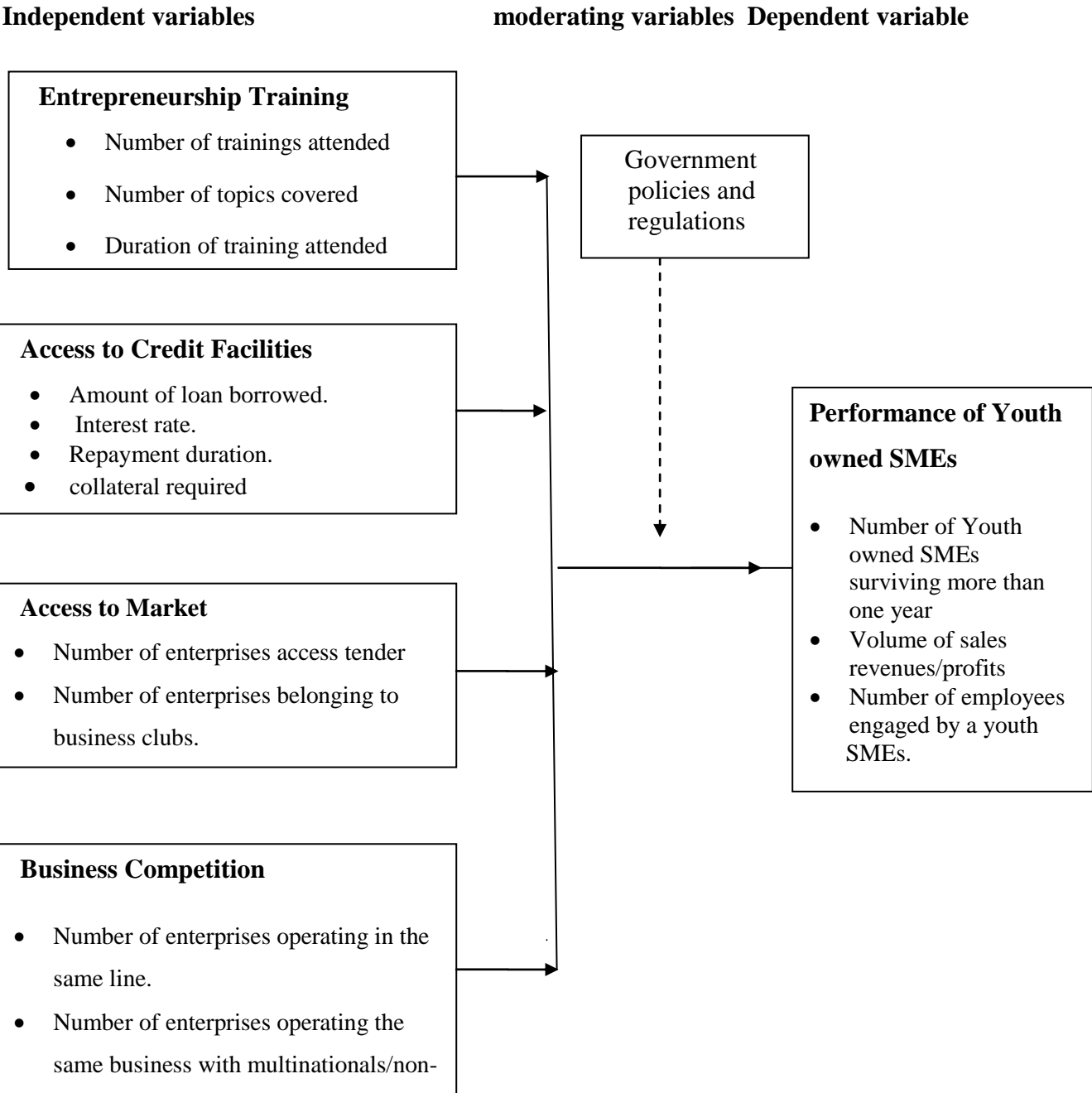


Figure 1: Conceptual framework

2.9 Summary of the literature Review

The literature review looked at the concept of small and medium enterprises (SMEs), importance of small and medium enterprises (SMEs) to the economic development. It also discusses the variables that influence performance of youth owned small and medium enterprises (SMEs) which include: Influence of training, Influence of access to credit facilities, Influence of access to market and Influence of competition on SMEs performance. The literature review also discussed the theoretical framework and finally the conceptual framework which gives a grasp picture of the research project proposal.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the method that was used in carrying out the study. It covers research design, the target population, sample size and sampling procedures, research instruments, data collection procedures and data analysis techniques.

3.2 Research design

This study used descriptive research design. Descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The study will adopt this method because it will allow gathering of the information, summarizing, presenting and interpreting the data in a clear way. According to Robson (2002), the objective of descriptive research design is to reveal an accurate profile of a person's situations or events.

3.3 Target population

The target population refers to population to which the researcher makes inference to. The population should be theoretically be countable, observable, and exist within a specific time frame. According to Mugenda and Mugenda (1999), target population is a population which a researcher would want to generalize the results of the study. The target population of the study was 230 SMEs owned by youths in the Maara sub-county that were registered by Chogoria town council by December 2013 reason being that December 2013 data was the most current data that was available. The SMEs owners were the primary respondents.

The table 3.1 shows the target population.

Table 3. 1 Target population

Ward	Target Population	Percentage
Chogoria	78	34
Mwimbi	46	19.7
Ganga	31	13.6
Muthambi	45	19.7
Mitheru	30	13
TOTAL	230	100

3.4 Sample size and sampling procedures

Sampling is the process of choosing the research units of the target population which are to be included in the study. Sampling is done because a complete coverage of the population is not possible and also small unit (sample) offer more detail information and high degree of accuracy. Purposive sampling was used to identify 230 youth owned SMEs in Maara Sub County which were operating some SMEs at the time of the study because by focused group is youth owned Small and Medium enterprises. The SMEs was then be clustered into five clusters according to the geographical areas (wards) (i.e. Chogoria, Mwimbi, Ganga, Muthambi, Mitheru). The sample size which was used was obtained by using the following equation given by Yamane (1967)

$$n = \frac{N}{1+N(e)^2} \quad \text{where } n = \text{Sample size}$$

$$N = \text{population proportion}$$

$$e = \text{Level of significance (5\%)}$$

$$n = \frac{230}{1 + 230(0.05)^2}$$

$$= 146.03 \approx 147$$

A sample size of 147 youth SMEs owners was selected from the target population using Systematic random sampling technique where every business in each of the strata had a Chance of being selected

Table 3.2 describes the number of respondents who were selected from each of the strata in order form the study population.

Table 3.2: Sampling frame

Strata(Ward)	Target Population	Sample Size	percentage
Chogoria	78	50	34
Mwimbi	46	29	19.7
Ganga	31	20	13.6
Muthambi	45	29	19.7
Mitheru	30	19	13
TOTAL	230	147	100

3.5 Research instruments.

The study used questionnaires as research tools. The questionnaire was administered by both the researcher and the trained research assistant. The use of the questionnaires instrument ensures adequate information was obtained on factors influence performance of youth owned enterprises.

3.5.1 Piloting of the study

This is the process of administering the research instrument to a given sample different from the selected sample size. The purpose of piloting was to identify flaws and ambiguities and make improvement to the research instruments. Piloting of the study was carried out on 15 (fifteen) youth owned SMEs randomly sampled in all 5 (five) wards in Maara sub-county. According to Mugenda and Mugenda, (1999) 10 percent of the sample is appropriate for piloting.

3.5.2 Instrument validity

Validity refers to how far a research instrument measures what it is intended to measure or the degree to which the test items measures the traits for which the test is designed to (Mugenda

and Mugenda (1999). Kasomo (2007), points out that it is the accuracy of research tool (Instrument). It refers to the utility of a tool, data or information. In the study two experts in the field of research was given research instruments to assess the relevance of each item in the instrument based on the objectives of the research. The questionnaires were also given to the supervisor to ascertain their appropriateness. To ensure their accuracy and the language used to structure the questionnaires are easy, simple and clear for the respondents to understand.

3.5.3 Instruments reliability

Reliability is a measure of how consistent the results from a test are. It measures the stability of the research instruments across two or more attempts. Mugenda and Mugenda (2003) define reliability as a measure of the degree to which research instruments yield consistent results or data after repeated trials. The data values collected will be operationalized and the numerical scores will be split into two using ‘old number versus even number items’ process to get two sets of values which will be correlated using Spearman’s Correlation Coefficient to calculate the coefficient of relationship. A correlation coefficient above 0.75 is sufficient for these questionnaires to have high reliability (Kasomo, 2006).

3.6 Data collection procedures

At first, the research proposal was developed under the guidance of the university supervisors. After the defense and approval of the proposal the letter was given by the University of Nairobi and a permit to conduct the study was acquired from the Ministry of Science and Technology. This was given to the Deputy County Commissioners office Maara sub county to allow collection of data in the sub county. The research assistants were trained on how to administer the questionnaires. Mock exercise on the use of the questionnaires was conducted and later the research assistants proceeded to the field to administer the questionnaires under the close supervision of the researcher.

3.7 Data analysis and presentation techniques

According to Kombo and Tromp (2007) data analysis is examining what has been collected in survey or experiment and making deductions and inferences. It involves uncovering underlying structures; extracting important variables, detecting anomalies and testing any assumptions. It involves scrutinizing the acquired information and making inference. The most commonly used method of reporting descriptive survey research is by developing frequency distribution, calculating percentages and tabulating them appropriately.

The data was analyzed using the Statistical Packages for Social Sciences. Both quantitative and qualitative methods were used to enable the accuracy in data interpretations. Presentation of the data was by using frequency distribution and percentages and then presented in tables, figures and words. Measures of central tendency like mean, and standard deviation were also used.

3.8 Ethical consideration

The confidentiality of the respondent was maintained especially on the information obtained from the questionnaires. The names of the respondents did not appear on the research instruments. The consent of the respondents was sought after identification before administering the questionnaires or conducting interviews. The purpose of the study was also explained to the respondents before administering the questionnaires.

Table 3.3: Operationalization of Variables

Objective	Variable.	Indicators	Measurement Scale	Tools of Analysis	Type of Analysis
Performance of youth owned SMEs in Maara Sub-county.	Dependent variable	Number of years the business is in operation Amount of profits per year Number of employees	Ordinal	Spearman rank correlation	Descriptive statistics
To determine the influence of training on the performance of youth owned SMEs in Maara Sub-county.	Independent Entrepreneurship Training	Number of trainings attended Number of topics covered Duration of training attended	Ordinal Ordinal Ratio	Chi-square Spearman rank correlation	Descriptive statistics
To establish the extent to which access to credit influences the performance of youth owned SMEs in Maara Sub-county.	Access to credit.	Amount of loan borrowed. Interest rate. Repayment duration. Collateral required	Ratio Ordinal Ratio	Chi-square Spearman rank correlation	Descriptive statistics
To examine the extent to which access to market influences performance of youth owned SMEs in Maara Sub-county.	Market access	Number of enterprises accessing tender. Number of business clubs.	Ordinal	Chi-square Spearman rank correlation	Descriptive statistics
To determine the influence of competition on performance of youth owned SMEs in Maara Sub-county.	Business competition	Number of enterprises operating in the same line. Number of facing competition from non-youth SMEs	Ordinal	Chi-square Spearman rank correlation	Descriptive statistics

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1: Introduction

This chapter presents the data analysis, presentation and interpretation of findings on the data collected from youth owned small and medium enterprises (SMEs) owners in Maara sub-county, based on factors influencing performance of youth owned small and medium enterprises (SMEs). The study sampled 147 youth owned SMEs. The data was interpreted as per the research questions. The analysis was done through descriptive and inferential statistics. The findings were presented in form of chi-square tables and percentages.

4.2 Questionnaires Return Rate

Out of the 147 questionnaires issued to the youth small and medium enterprises owners in the study, 147 were returned giving a 100% response rate.

4.3 Demographic Information

The study sought to establish the respondents' gender, age and level of education. Table 4.1 displays the demographic information of the respondents.

Table 4.1 Demographic information

Gender	Age bracket	Level of education of respondents.			Total
		Primary level	Secondary level	Tertiary level	
Male	18-24 years	8.2%	9.4%	3.5%	21.2%
	25-30 years	11.8%	15.3%	23.5%	50.6%
	31-35 years	4.7%	16.5%	7.1%	28.2%
Total		21	35	29	85
		24.7%	41.2%	34.1%	100.0%
Female	18-24 years	1.6%	8.1%	.0%	9.7%
	25-30 years	9.7%	12.9%	21.0%	43.5%
	31-35 years	8.1%	22.6%	16.1%	46.8%
Total		12	27	23	62
		19.4%	43.5%	37.1%	100.0%

From table 4.1, majority (23.5%) of the male respondents was aged between 25-30 years and had attained tertiary level of education. This could be probably because these are the average ages for completing tertiary education. Majority (22.6%), of the female respondents was age between 31-35 years and had attained secondary level of education. This could be attributed to the fact that in Kenya majority of the population that acquires higher education are male.

4.4 Entrepreneurship training

The researcher sought to determine the influence of entrepreneurship training on performance of youth owned small and medium enterprises. Out of the 147 respondents, 64.6% had attended entrepreneurship training since the start of their businesses. The respondents had been trained on the following topics; 51 % on business planning, 25.2 % on financial Management, 36.7 % on book keeping, 29.3% on customer relation and 32.7% on marketing.

Table 4.2 shows the duration of the training attended by respondents.

Table 4.2 Duration of the training attended by respondents

Duration of training	Frequency	Percentage
less than 1 week	73	58.4
1-2 weeks	28	22.4
3-4 weeks	10	8.0
more than 4 weeks	14	11.2
Total	125	100.0

From the table, 58.4% had attended trainings for less than 1 week, 22.4% attended for 1-2 weeks, 8.0% for 3-4 weeks and 11.2% for more than 4 weeks.

The researcher sought to determine the influence of entrepreneurship training on performance of youth owned small and medium enterprises. A cross tabulation of attendance of entrepreneurship training and average profit of youth owned SMEs per month was done and tabulated in table 4.3.

Table 4.3 shows Relationship between attendance of entrepreneurship training and average profit of youth owned SMEs per month

Table 4.3 Relationship between attendance of entrepreneurship training and average profit of youth owned SMEs per month

		Average profit of youth owned SMEs per month ('000')				Total
		< Kshs 30	31-50	51-100	above 100	
If respondent had attended entrepreneurship training	Yes	21.1%	13.6%	17.7%	12.2%	64.6%
	No	10.9%	15.6%	4.1%	4.8%	35.4%
Total		47	43	32	25	147
		32.0%	29.2%	21.8%	17.5%	100%

Spearman rank correlation was estimated between attendances of entrepreneurship training and average profit gained per month for each respondent. The resulting value was $r^s = 0.52$ indicated a positive correlation between the two variables. To test the null hypothesis of no correlation between the two variables in the population against the alternative of positive correlation, the test statistic $z = r^s \sqrt{(n - 1)}$ was used. The result $z = 6.28$ indicates that the positive correlation was statistically significant at higher than 5% level supporting the conclusion that attendance of entrepreneurship training was associated with higher average profit per month.

The study sought to establish the influence of entrepreneurship training on the performance of youth owned SMEs by asking Likert-like type question to the respondents. The results were displayed in the table 4.4

The table 4.4 shows chi-square test for the relationship between entrepreneurship training and performance of youth owned SMEs.

Table 4.4 Chi-Square test for the relationship between entrepreneurship training and performance of youth owned SMEs

Statements		SA	A	UD	D	SD	χ^2 Square value
Increasing number of entrepreneurship trainings improves performance of youth owned SMEs	o	68	42	17	9	11	
	e	30	30	30	30	30	
	$(o-e)^2/e$	48.1	4.8	5.6	14.7	12.0	85.26
The more the number of topics covered the better the performance of the youth owned SMEs	o	39	66	12	15	15	
	e	30	30	30	30	30	
	$(o-e)^2/e$	2.7	43.2	10.8	7.5	7.5	71.7
The duration of training attended influences the performance of youth owned SMEs	o	41	39	24	24	19	
	e	30	30	30	30	30	
	$(o-e)^2/e$	4.03	2.7	1.2	1.2	4.03	13.16
Critical χ^2 (with DF = 4 at 5% level of significance) = 9.488							

o = Observed frequency; e = Expected frequency;

SD = strongly agree, A = agree, UD = Undecided, D = Disagree, SA = strongly disagree

Table 4.4 Likert-like responses were in response to the statement that increasing number of entrepreneurship trainings improves performance of youth owned SMEs since $\chi^2 = 85.26$ the null hypothesis of equal number of responses was rejected at 5% level of significance, meaning that the number of responses were different with more respondents tending to strongly agree or agree with the statement. Since response to the statement that the more the number of topics

covered the better the performance of the youth owned SMEs was $\chi^2 = 71.7$, the null hypothesis of equal number of responses was rejected at 5% level of significance meaning that the number of responses were different with more respondents tending to strongly agree or agree with the statement. Response to the statement that the duration of training attended influences the performance of youth owned SMEs. was $\chi^2 = 13.16$ the null hypothesis of equal number of responses was rejected at 5% level of significance meaning that the number of responses were different with more respondents tending to strongly agree or agree with the statement.

The chi square formula used here was:-

$$\chi^2 = \sum \left\{ \frac{(o-e)^2}{e} \right\} \quad \text{where } o \text{ is the Observed Frequency in each category}$$

e is the Expected Frequency in the corresponding category

4.5 Influence of access to credit on performance of youth owned SMEs

The second objective of the study was to determine the influence of access to credit on performance of youth owned SMEs in Maara sub-county. The respondents were required to give information on loan borrowing and hindrances faced while obtaining credit. From the data collected, 93.2% of the respondents had borrowed loans from various credit facilities.

Table 4.5 shows the average loan obtained by respondents from credit facilities.

Table 4.5 Average loan obtained by respondents.

Amount of loan('000')	Frequency	Percentage
Up to Kshs 100	65	47.1
100 - 500	36	26.1
500 - 1,000	24	17.4
> 1,000	13	9.4
Total	138	100.0

Table 4.5 shows that the majority of the respondents had obtained average loan amount of up to Kshs 100,000.

Table 4.6 shows the hindrances faced by respondents in obtaining business loans

Table 4.6 Hindrances faced by respondents in obtaining business loan

Hindrances		Very serious	Serious	Less serious	Not serious	χ^2 Square value
High Interest rate	o	81	47	6	13	
	e	37	37	37	37	
	(o-e) ² / e	53.32	2.7	25.97	15.57	97.56
Short repayment period	o	73	49	11	14	
	e	37	37	37	37	
	(o-e) ² / e	35.03	3.89	18.27	14.3	71.49
Lack of collateral	o	86	46	7	8	
	e	37	37	37	37	
	(o-e) ² / e	64.89	2.2	24.3	22.73	114.12

Critical χ^2 (with DF = 3 at 5% level of significance) = 7.815

O = Observed frequency; e = Expected frequency;

Table 4.6 Likert-like responses on hindrance of obtain credit were in response to the high interest rate. Since $\chi^2= 97.26$ the null hypothesis of equal number of responses was rejected at 5% level of significance. It mean that the number of responses were different with more respondents tending to very serious or serious with the hindrances. Response to hindrance of short repayment period was $\chi^2= 71.49$. The null hypothesis of equal number of responses was rejected at 5% level of significance meaning that the numbers of responses were different with more respondents tending to very serious or serious with the hindrance. Responses to lack of collateral was $\chi^2= 114.12$. The null hypothesis of equal number of responses was rejected at 5% level of

significance meaning that the number of responses was different with more respondents tending to very serious or serious with the hindrances.

Table 4.7 shows the relationship between respondent's average profits per month and extent to which they think credit access influences the performance of youth owned SMEs.

Table 4.7 Relationship between respondents average profit per month and extent to which they think credit access influence the performance of youth owned SMEs

		Extent to which respondents think credit access influence the performance of youth owned SMEs.				Total
		Very large extent	some extent	little extent	no extent	
Respondent's average profit per month ('000')	< Kshs 30	17%	7.5%	5.4%	2%	31.9%
	31-50	10.2%	9.5%	6.8%	2.7%	29.3%
	51-100	12.9%	4.7%	2%	2%	21.7%
	above 100	8.8%	2.7%	3.4%	2%	17.1%
Total		72	36	26	13	147
		48.9%	24.6%	17.7%	8.8%	100%

Spearman rank correlation was estimated between extent to which respondents think credit access influences the performance of youth owned SMEs and average profit gained per month for each respondent. The resulting value was $r^s = -0.1$ indicating a negative correlation between the two variables. To test the null hypothesis of no correlation between the two variables in the population against the alternative of negative correlation, the test statistic $z = r^s \sqrt{(n - 1)}$ was used. The result $z = -1.21$ indicates that the negative correlation was not statistically significant at higher than 5% level supporting the conclusion to the extent to which respondents think credit access influences the performance of youth owned SMEs was not associated with higher average profit per month.

4.6 Influence of access to market on performance youth owned SMEs

Majority of the respondents (56.5%) had no marketing agent to assist them to market their products while only 9.5% were getting assistance from marketing associations. Another 10.2% of the respondents received marketing assistance from the government while 2.7% received this assistance from the NGO's.

A cross tabulation between respondent's average profits per month and the extent to which they think access to market influences performance of youth owned SMEs was done. The results were tabulated in table 4.8.

Table 4.8 shows relationship between respondent's average profit per month and extent to which respondents think access to market influence the performance of youth owned SMEs

Table 4.8 Relationship between respondent's average profit per month and extent to which respondents think access to market influence the performance of youth owned SMEs

		Extent to which respondents think access to market influences performance of youth owned SMEs				Total
		very large extent	some extent	little extent	no extent	
Respondent's average profit per month	< Kshs 30	19.1%	6.1%	3.4%	2.7%	31.9%
	31-50	13.6%	8.2%	3.4%	4.1%	29.3%
	51-100	14.3%	3.4%	3.4%	0.07%	21.7%
	above 100	10.2%	1.4%	4.1%	1.4%	17.1%
Total		85	28	21	13	147
		57.9%	19%	14.3%	8.8%	100%

Spearman rank correlation was estimated between extent to which respondents think access to market influence the performance of youth owned SMEs and average profit gained per month for each respondent. The resulting value was $r^s = 0.41$ indicating a positive correlation between the two variables. To test the null hypothesis of no correlation between the two variables in the population against the alternative of positive correlation, the test statistic $z = r^s \sqrt{(n - 1)}$ was used.

The result $z = 4.95$ indicates that the positive correlation was statistically significant at higher than 5% level supporting the conclusion that of extent to which respondents think access to market influence the performance of youth owned SMEs was associated with higher average profit per month.

4.7 Influence of business competition on performance of youth owned SMEs.

The researcher sought to establish the influence of business competition on performance of youth owned SMEs.

Table 4.9 shows Chi-square test for the relationship between business competition and performance of youth owned.

Table 4.9 Chi-Square test for the relationship between business competition and performance of youth owned SMEs

Statement		SA	A	UD	D	SD	χ^2 Square value
Many youths are operating business on the same line(same kind of business)	o	78	40	18	7	4	
	e	30	30	30	30	30	
	$(o-e)^2/e$	76.8	3.3	4.8	17.63	22.5	125.03
There is no stiff competition from multi-national and non-youth businesses.	o	38	32	25	30	22	
	e	30	30	30	30	30	
	$(o-e)^2/e$	2.13	0.13	0.83	0	2.13	5.22
Critical χ^2 (with DF = 4 at 5% level of significance) = 9.488							

o = Observed frequency; e = Expected frequency;

SA= strongly agree, A = agree, UD = Undecided, D = Disagree, SD = strongly disagree

Table 4.9 Likert-like responses were in response to the statement that many youths are operating business on the same line (same kind of business) since $\chi^2= 125.03$ the null hypothesis of equal number of responses was rejected at 5% level of significance meaning that the number of responses were different with more respondents tending to strongly agree or agree with the statement. Since response to the statement that there is no stiff competition from multi-national and non-youth businesses was $\chi^2= 5.22$ the null hypothesis of equal number of responses was accepted at 5% level of significance meaning that the number of responses were not different with more respondents tending to undecided or disagree with the statement.

Table 4.10 shows the respondents main competitors.

Table 4.10 Respondents main competitors

Main competitors	Frequency	Percentage
Other SMEs	127	86.4
Big companies	71	48.3
Multination	29	20.1

Majority of the respondents (86.4%) faces competition from other SMEs. Those who face competition from big companies were 48.3% while only 20.1% of the respondents indicated that they face competition from multination.

4.8 Performance of youth owned small and medium enterprises.

Respondents were requested to state the number of employees that they started their businesses with and also the current number of employees that assist them in running their businesses. The responses given were analyzed and presented in table 4.11.

Table 4.11 shows the number of employees in their businesses during the startup and study period.

Table 4.11 Number of employees during start-up and current employees

Employees	During start-up		Currently	
	Frequency	Percentage	Frequency	Percentage
None	80	54.4	37	25.2
1- 5	36	24.5	56	38.1
6-10	15	10.2	36	24.5
11-15	10	6.8	5	3.4
Above 15	6	4.1	13	8.8
Total	147	100.0	147	100.0

From table 4.11, youth owned SMEs had increased the number of employees since 54.4% of the respondents with no employees during the start-up of their businesses reduced to 25.2%.

Table 4.12 shows Number of years the business was in operation against average profit per month.

Table 4.12 Number of years the business was in operation against average profit per month

		Number of years the business was in operation			Total
		Less 1	1-3 Years	Above 3	
Respondent's average profit per month in the last one year('000')	< Ksh30	11.6%	12.9%	7.5%	32.0%
	31-50	10.9%	12.9%	5.4%	29.3%
	51-100	8.8%	12.2%	0.7%	21.8%
	> 100	4.8%	9.5%	2.7%	17.0%
Total		53	70	24	147
		36.1%	47.6%	16.3%	100.0%

Spearman rank correlation was estimated number of years the business was in operation and average profit gained per month for each respondent. The result value was $r^s = 0.39$ indicating a positive correlation between the two variables. To test the null hypothesis of no correlation between the two variables in the population against the alternative of positive correlation, the test statistic $z = r^s \sqrt{(n - 1)}$ was used. The result $z = 4.71$ indicates that the positive correlation was statistically significant at higher than 5% level supporting the conclusion that of number of years the business was in operation was associated with higher average profit per month.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings, discussion, conclusions reached and recommendations following the objectives of the study.

5.2 Summary of findings

Relying on the responses given by the respondents, the researcher came up with findings which were used to make conclusions and give recommendations. The main findings are based on the results of data analysis in chapter four as shown in Table 5.1

Table 5.1 Summary of findings

Objectives	Findings
To determine the influence of entrepreneurship training on the performance of youth owned SMEs in Maara in Sub-County.	<ul style="list-style-type: none">Youth access to entrepreneurship training was 64.6% which is quite high.Spearman rank correlation was estimated between attendances of entrepreneurship training and average profit gained per month for each respondent. The resulting value was $r^s = 0.52$ the test statistic was $z = r^s\sqrt{(n - 1)} = 6.28$ indicated that the positive correlation was statistically significant at higher than 5% level supporting the conclusion that of attendance of entrepreneurship training was associated with higher average profit per month.Response to the statement that increasing number of entrepreneurship trainings improves performance of youth owned SMEs. $\chi^2 = 85.26$ thus number of responses were different with more respondents tending to strongly agree or agree with the statement.

<p>To establish how access to credit facilities influences the performance of youth owned SMEs in Maara Sub-County.</p>	<ul style="list-style-type: none"> • Response to the statement that the more the number of topics covered the better the performance of the youth owned SMEs $\chi^2= 71.7$ thus number of responses were different with more respondents tending to strongly agree or agree with the statement • Response to the statement that the duration of training attended influences the performance of youth owned SMEs, $\chi^2= 13.16$ thus number of responses were different with more respondents tending to agree with the statement • Responses on hindrance of obtain credit were in response to the high interest rate was $\chi^2= 97.26$ that the number of responses were different with more respondents tending to very serious or serious with the hindrances. On hindrance of short repayment period was $\chi^2= 71.49$ meaning that the number of responses were different with more respondents tending to very serious or serious with the hindrance. On lack of collateral was $\chi^2= 114.12$ meaning that the number of responses were different with more respondents tending to very serious or serious with the hindrances • Spearman rank correlation was estimated between extent to which they think credit access influences the performance of youth owned SMEs and average profit gained per month for each respondent. The resulting value was $r^s = -0.1$ the test statistic was $z = r^s\sqrt{(n - 1)} = -1.21$. Indicated that the negative correlation was not statistically significant at higher than 5% level supporting the conclusion that of extent to which they think credit access influences the performance of youth owned SMEs was not associated with higher average profit per month.
<p>To examine how access to market influences performance of youth owned SMEs</p>	<ul style="list-style-type: none"> • Spearman rank correlation was estimated extent to which respondents think access to market influence the performance of youth owned SMEs and average profit gained per month for each respondent. The resulting value

<p>in Maara Sub-County</p>	<p>was $r^s = 0.41$ the test statistic was $z = r^s\sqrt{(n - 1)} = 4.95$ indicated that the positive correlation was statistically significant at higher than 5% level supporting the conclusion that of extent to which respondents think access to market influence the performance of youth owned SMEs was associated with higher average profit per month.</p>
<p>To determine how business competition influence performance of youth owned SMEs in Maara Sub-County.</p>	<ul style="list-style-type: none"> • Response to the statement that Many youths are operating business on the same line (same kind of business) $\chi^2 = 125.03$ meaning that the number of responses were different with more respondents tending to strongly agree or agree with the statement. • Response to the statement that there is no stiff competition from multi-national and non-youth businesses $\chi^2 = 5.22$ meaning that the number of responses were not different with more respondents tending to undecided or disagree with the statement.

5.3 Discussion of findings

This study identified some of the issues associated with performance of small and medium enterprises by youths in Maara sub-county. The findings illuminated the research questions in line with the research objectives proposed in Chapter one. This chapter discussed some of the major themes emerging in the study namely entrepreneurship training, credit accessibility, market accessibility and business competition. From this point, the findings discussed and elaborated further with the assistance of the supporting literature.

5.3.1 Entrepreneurship training

The provision of entrepreneurship training is very important as revealed by the findings of the study that there was relationship between entrepreneurship training and performance youth's businesses .School (2006) has suggested that entrepreneurship training is crucial in assisting young people to improve the performance of their owned businesses. The World Bank (2002)

observed that many governments and private sector in Africa have rolled out many entrepreneurship training programmes targeting the youth entrepreneurs.

5.3.2 Credit accessibility

Chigunta (2002) maintained that lack of access to finance is one of the major challenge facing youth run enterprises worldwide. Although most respondent had access to some funding, there were hindrances in accessing credit due to high interest rate, short repayment period, and lack of collaterals which influence respondents the respondent's access to credit. Essayed (2005) observed that financial institutions in the formal sector generally regard the youth as high risk creditors and are reluctant to extend credit to them on favorable terms. Most respondents had borrowed amount less than Kshs 100,000.

5.3.3 Market accessibility

According to this study the market access influence the performance of youth businesses. There was relationship between extent to which the respondents think that the market access influences performance youth SMEs and average profit per month. The study indicated that extent to which respondents think access to market influence the performance of youth owned SMEs was associated with higher average profit per month. According to the YEDF status report (2011), the government has so far only been able to support 1800 youths to market their goods in local trade fairs and another 32 youth exhibit their goods at international trade fairs.

5.3.4 Business competition

More respondents tending to strongly agree or agree with the statement that youths mostly operate businesses in the same line and also were undecided or disagree with statements youth businesses does not faces competition from multi-nationals and non-youths enterprises this concur with Fumo and Jabbur (2011), competition is ranked number one of the most challenging issues

among the youth entrepreneurs. This is further complemented by findings by Owino (2008) and Karanja (2008) that competition is a major problem encountered by youth owned SMEs.

5.4 Conclusions

The following conclusions were made from the findings of this study.

The study established that there was relationship between entrepreneurship training and profit gained by the SMEs thus there is need to promote the youth entrepreneurship training effectively. Special needs of the youth should be factored out when government policies on economic activities are being crafted in order to realize the full potential of SME sector as an equal employment contributor in the economy.

The study indicated that high interest rate, short repayment period and lack of collateral are hindrances .Youth credit schemes should be designed in manner to overcome the numerous challenges they face such as high interest rate, short repayment period and lack of collateral.

The study established that market access influence profit gained by SMEs thus youth access to market is needs to be addressed .The existence of unfavorable government policies such as; taxation, patenting laws and licensing regulations is also a great hindrance to the youth accessibility to market These calls for the introduction of favorable business regulations and policies for youth run enterprises as well as assisting them get market for their products.

Study established that many youth are operating businesses on same line and they face competition from other firms thus youth entrepreneurs should encouraged start businesses in various sectors so that the issue of many youth operating the business in the same line can be solved to avoid competition from themselves. Youth enterprises should be given incentives like tax relief and tax holiday so that they can able to compete with multi-nationals and other non-youth business.

5.5 Recommendations

Based on the findings of this study, the researcher came up with several recommendations to promote the performance youth owned small and medium enterprises (SMEs). Entrepreneurship training programmes should be rolled out mostly the youths. These programmes should be tailored in a manner that can equip the youth with skills to run their own enterprises.

Credit programmes should be redesigned to overcome the weaknesses that hinder their effectiveness. The barriers faced by the youth when accessing credit on individual basis from financial institutions and these programmes should be addressed.

To increase the market access the government should increase its consumption of products from youth run enterprises from the current 30% to 50% across all its ministries and parastatals. The government should improve its tendering system by making it easier for youth enterprises to win government tenders.

Youth should be encouraged to venture in different sectors to reduce the competition amongst themselves. Also youth enterprise can be given tax holiday during the startup so that they can compete effectively with others.

5.6 Suggestions for further research

This study proposes the following areas for further study;

1. The impact of entrepreneurship training on performance youth owned small and medium enterprise (SMEs) in Maara Sub County.
2. An assessment of the effectiveness of sponsored credit programmes for youth run enterprises towards promotion of youth business in other parts of the country.
3. An investigation into the effect of market accessibility on the development of youth enterprises in other parts of the country.

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APPENDICES

Appendix I: Letter of Transmittal

Peter Akwalu

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Nairobi

10th March 2014

Dear Respondent.

I am a student of Masters of Arts in Project Planning and Management at the University of Nairobi. I am conducting a research on factors influencing performance of youth owned small and medium enterprises .a case of Maara sub-county, Tharaka-Nithi County. This research is purely for academic purpose and will not be used whatsoever for any other purpose. The answers you give will be important to my academic study. Please complete the questionnaire provided to the best of your ability following instruction given after each item, and return your completed questionnaire to the researcher. Your help and cooperation will be highly appreciated and the information provided will be treated with strict confidentiality.

Regards

Yours Faithfully

Peter Akwalu.

L50/60885/2013

Appendix II: Questionnaire for youth Small and Medium Enterprise’s Owners.

INSTRUCTIONS: Please fill the following questions by ticking in the box or filling the blank spaces where applicable.

SECTION A: DEMOGRAPHIC INFORMATION

1. Location of the SME:.....
2. Please indicate your gender Male () Female ()
3. Please state your Age bracket (years)

 18-24 years () 25-30 years () 31-35 years ()
4. What is your highest level of Education attained?
 - i. Primary level ()
 - ii. Secondary Level ()
 - iii. Tertiary level ()
 - iv. Never attended ()

SECTION B: INFLUENCE OF ENTREPRENEURSHIP TRAINING ON PERFORMANCE OF YOUTH OWNED SMEs.

5. Have you attended any entrepreneurship training since you started your business? (Tick appropriately)
 - a) Yes, () b) No ()
6. If yes, which area/s were you trained on? (Tick appropriately as many options as possible)
 - (a) Business planning ()
 - (b) Financial management ()
 - (c) Book keeping ()
 - (d) Customer relation ()
 - (e) Marketing ()
 - (f) Others Specify-----
7. What was the duration of your training? Please tick appropriately
 - a. Less than 1 week ()
 - b. 1 – 2 Weeks ()

c. 3 – 4 Weeks ()

d. More than 4 weeks ()

8. The statements below relate to the influence of entrepreneurship training on performance of youth owned businesses. Supplied also are five options corresponding to these statements: Strongly agree(SA)=5, Agree(A)=4, Undecided(U)=3, Disagree(D)=2, and Strongly Disagree(SD)=1.

Please tick the option that best suits your opinion on the statement given

Statement	5	4	3	2	1
a) Increasing number of entrepreneurship trainings improves performance of youth owned SMEs.					
b) Number of topics covered influence the performance of the youth owned SMEs.					
c) The duration of training influences the performance of youth owned SMEs.					

9. What other areas would you recommend the youth SMEs owners to be trained on?

.....
.....

SECTION C: ACCESS TO CREDIT FACILITIES AND INFLUENCE ON PERFORMANCE OF YOUTH OWNED SMES.

10. Have you ever borrowed any loan since the start of your business?

Yes () No ()

11. If yes, what is the average loan you obtained from credit institution (banks and other lenders)?

a. Upto.100,000 ()

b. 100,001-500,000 ()

c. 500,001-1,000,000 ()

d. Above 1,000,000 ()

12. How would you rate the challenges you experienced when trying to access Credit? Tick your opinion on a scale of 1-4; where 1= very ‘Serious, 2-serious,3-less serious’ and 4= ‘Not Serious.

Problems/Hindrances	1	2	3	4
High Interest rates				
Short repayment period				
Lack of collateral				

13. In your opinion, what measures should be taken to improve credit access from financial institutions to young business owners? -----

14. To what extent do you think access to Credit facilities influences the performance of youth owned SMEs?

- a. Very large extent ()
- b. Some extent ()
- c. Little extent ()
- d. No extent ()

SECTION D: ACCESS TO MARKET INFLUENCE THE PERFORMANCE OF YOUTH OWNED SMEs

15. What kind of challenges do you experience when marketing your goods and services?

Please tick appropriately.

- a. Poor location ()
- b. Unfair tender allocation ()
- c. Financial constraints ()
- d. Any other Specify

16. Do you have any business connections (club) that you rely on in order to market your Goods and services?

- Yes ()
- No ()

17. What kinds of organizations have been assisting you to market your goods and Services?

(Tick as many as possible)

- a No marketing associations ()

- b. Marketing associations ()
- c. Government ()
- d. NGOs ()

18. To what extent do you think access to market influences the performance of youth owned SMEs?

- a. Very large extent ()
- b. Some extent ()
- c. Little extent ()
- d. No extent ()

SECTION E: BUSINESS COMPETITION INFLUENCE THE PERFORMANCE OF YOUTH OWNED SMEs

19. Do you face any competition in your business?

- Yes () No ()

20. If yes, who are the main competitors in your business?

- i. Other SMEs ()
- ii. Big companies ()
- iii. Multination ()
- iv. Others, Specify-----

21. The statements below relate to the influence of business competition on performance of youth owned SMEs. Supplied also are five options corresponding to these statements: Strongly agree(SA)=5, Agree(A)=4, Undecided(U)=3, Disagree(D)=2, and Strongly Disagree(SD)=1.

Please tick the option that best suits your opinion on the statement given

	5	4	3	2	1
a) Many youths are operating business on the same line(same kind of business)					
b) There is no stiff competition from multi-national and non-youth businesses.					

SECTION F: PERFORMANCE OF YOUTH OWNED SME.

22. How many employees did you start your business with?

- i. 1- 5 ()
- ii. 6-10 ()
- iii. 11-15 ()
- iv. more than 15 ()
- v. None ()

23. How many employees do you currently have?

- i. 1- 5 ()
- ii. 6-10 ()
- iii. 11-15 ()
- iv. more than 15 ()
- v. None ()

24. Please indicate the Average profit of your SME per month in the last one year?

- i. Less than ksh 30,000 ()
- ii. 31,000-50,000 ()
- iii. 51,000-100,000 ()
- iv. Above 100,000 ()

25. How many years has your business been in operation?

Less than 1 () year 1-3 years () above 3 years ()

Thank you for your cooperation