

**UNIVERSITY OF NAIROBI**

**FACTORS AFFECTING THE SUCCESS OF START UP OF YOUTH ENTERPRISES IN  
NAIROBI COUNTY, KENYA**

**BY**

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## DECLARATION

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

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## **DEDICATION**

To my wonderful family of 3 B's, you are the reason I did not give up. This work is evidence of the support and encouragement from my best friend and a life lesson to my children that they should always finish what they start.

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## ABBREVIATIONS

CAS	Country Assistance Strategy (Kenya)
GOK	Government of Kenya
ILO	International Labour Organization
KKV	KaziKwaVijana
KPIA	Kenya Poverty and Inequality Assessment
LDCs	Local Development Countries
MFI	Micro-Finance Institutions
MOYS	Ministry of Youth Affairs and Sports
OPM	Office of the Prime Minister
SACCOs	Savings and Credit Co-Operative Organizations
SLT	Social Learning Theory
SPSS	Scientific Package for Social Sciences
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development
WDR	World Development Report
YEDF	Youth Enterprise Scheme

## **ABSTRACT**

Entrepreneurs all over the world are considered as central players in economics. Many factors come into play when starting a business, ultimately determining the success or failure of the enterprise. The factors could be financial, social, technological, human resource related or even based on the development of the product. As we continue to see some start-ups succeeding where others are failing, there is need to identify the combination of attributes that work for or against the success of these start up enterprises. This study was motivated by the need to determine the factors which affect the start up of youth enterprises in Nairobi County. To achieve this objective, the study collected data from start-up youth enterprises in Nairobi County. The study adopted a descriptive and exploratory research design. The sampling frame of this study were those youth enterprises that were newly established or were in the processes of being set up in Nairobi County in the category of electronics, telecommunications, general and retail, M-pesa, foodstuff stalls, cybercafés, graphics and design, hardware and welding. The data was collected through purposive sampling with the use of a structured interview guide and analysed using descriptive statistics such as mean and standard deviation.

The study found that start-up youth enterprises in Nairobi County were affected by entrepreneurial skills possessed by the youths. The study findings indicate those youths who had undergone training and had skills enjoyed superior skills such as managing time well, handling of customers and in managing stock levels of their enterprises. Training has also helped the youth entrepreneurs to keep business records, balance their cash books, in analysis of profit and loses and in managing sudden increases in demand. Entrepreneurial innovativeness and proactiveness benefited the enterprises in attracting more customers, remaining visible, and in time management. Lastly, availability of funds and government legislation and policies also influenced the performance of the start-up enterprises. The study found that availability of funds influenced the type of enterprises the youths started and their viability while government policies and regulations viewed to be prohibitive, lengthy and unnecessarily bureaucratic interfere with the operations of the enterprises.

## DEFINITION OF TERMS

**An enterprise** is the business organization that is formed and which provides goods and services, creates jobs, contributes to national income, exports and overall economic development. (Gupta, 2003).

**An entrepreneur** is a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of enterprise (Gupta, 2003).

**Entrepreneurial aptitude:** Refers to the capability; ability; innate or acquired capacity to initiate a business venture and sustain it profitably.

**Entrepreneurship** is defined as a systematic innovation, which consists in the purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation (Dollinger, 2006).

**Factors:** Aspects that influence and contributes to a result or outcome.

**Self-employment** is the second stage in the entrepreneurial process and refers to an individual's fulltime involvement in his own occupation. e.g. a person who starts a tea shop and remains happy and satisfied and has no plans to add on any other items like samosas, buns, soft drinks etc. or to grow in any other manner[e.g. supplying tea/coffee/sandwiches to others in the vicinity] (Prasain, 2003).

**Start-ups:** Refers to a company or enterprise that is in the first stage of its operations. It marks early stage in the life cycle of an enterprise where the entrepreneur moves from the idea stage to securing financing, laying down the basic structure of the business, and initiating operations or trading.

**Youth group:** This refers to a collection of youths who are gathered to achieve or pursue one common goal or do similar activities or sport

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## CHAPTER ONE INTRODUCTION

### 1.1 Background to the study

The Government of Kenya (GOK), realizing the need to invest in youth empowerment, created the Department of Youth development in 2007 as part of the Ministry of Youth Affairs and Sports (GOK, 2007: 33). The department promotes a holistic development of youth in order to make them self-reliant, productive, and fully integrated into society. In the same year, the government officially launched the National Youth Development Fund, which was established to decrease the high rate of youth unemployment. Its objectives include the provision of loans to youth-oriented micro-finance institutions (MFIs); support for youth oriented enterprises; investment in economic opportunities beneficial to youth; and stronger marketing of products and services of youth enterprises. Although access to financial services in Kenya has been improving both in rural and urban areas, youth, defined as those less than 25 years old, still face the highest financial exclusion rate in the country (Rainier, 2009: 6)

Small enterprise assistance programmes, whether aimed at start-ups or existing enterprises, can only reach a very small number of the total youth population (Brown, 2000: 466). The demand always exceeds supply, and it is necessary to select carefully those to benefit from them. An effective Youth Entrepreneurship development training is characterized by flexibility, commitment, good local contacts and an important but intangible element of inspiration. These characteristics of the development training programmes are more likely to be found in a private or voluntary organization than in a government institution mandated to execute the same. Many of the most successful programmes are run by voluntary agencies. Thus, anyone proposing to run or fund entrepreneurship development must first select an appropriate institution to carry out the task (Brown, 2000: 470).

Besides financial assistance, start-up enterprises need proper development of human capital due to major advances in technology and great human potential (Brown, 2000: 468). Such business development endeavors among the population, should therefore incorporate youth training, mentoring and provision of fund for entrepreneurship development to be effective and sustainable. Kleberg (1998: 2) suggested that there could be more entrepreneurial opportunities in developing countries than in developed countries which have not been tapped, hence the need

for entrepreneurship education and training in many African countries. This is the kind of training that causes a change in the attitude of the youth and imparts an enterprise culture to them. It makes them realize that hard work will enable them to succeed in business and that they can take control of their own affairs. They also need skills that will enable them to use locally available materials and at the same time to exploit markets that are outside their communities where there is a scarcity of local resources. Selection of participants in such projects has to be done carefully (Brown, 2000: 471).

Human capital development in the form of education and skills-training can be an effective response to constraints imposed on entrepreneurship. Human capital development is a strategic approach to investing in human capital while playing an important role in enhancing effectiveness of businesses. Human capital can provide a competitive advantage to a firm over its competitors and human resource development directly influences human capital of a firm (Gans, 2003: 367). For entrepreneurs to develop there is a need to come up with human resource development strategies which consist of plans on how to deploy human resources and program of events that will enable enterprises to achieve their objectives. According to Guest (2004: 263-276), there are individual or a collection of practices in human resource development that increases performance in a wide range of business sectors. Human resource development practices can also increase performance of firms under dynamic business conditions (Wright and Boswell, 2002: 250).

## **1.2 Problem statement**

Given the right combination of motivation, ideas and opportunities, youth are more than able to establish productive and creative businesses. Engaging in entrepreneurship shifts young people from being “job seekers” to “job creators and from social dependence to self-sufficiency. Many self-employed youth also contribute to the upkeep of their family, sometimes in a leading role in the absence of parents. Despite these potential benefits, the majority of youth continue to look up to the State for employment rather than creating their own jobs and employing others. This failure of young people to engage in entrepreneurship has also been attributed to a range of factors: socio cultural attitudes towards youth entrepreneurship, lack of entrepreneurial training in the school curriculum, incomplete market information, absence of business support and



physical infrastructure, regulatory framework conditions, and in particular, poor access to finance (Kanyenze *et. al.*, 2000: 14).

Entrepreneurs all over the world are considered as central players in economics. Many factors come into play when starting a business, ultimately determining the success or failure of the enterprise. The factors could be financial, social, technological, human resource related or even based on the development of the product. As we continue to see some start-ups succeeding where others are failing, there is need to identify the combination of attributes that work for or against the success of these start up enterprises (Manigart, 2002: 120).

The majority of international youth entrepreneurship programming occurs under the auspices of microfinance institutions. Because availability of capital is crucial to the success of any entrepreneurial venture, an entrepreneurship program for youth must be linked to, if not housed within, a microfinance organization. Microfinance institutions are documented as having a large opportunity to positively impact the state of youth employment worldwide through savings services as well as indirect and direct lending. Youth represent only 24% of the total number of MFI clients, most often taking out loans rather than utilizing savings or insurance products (McNulty *et al*, 2005: 96).

The majority of MFIs do not cater or adapt their products to youth, as they associate youth with high risk and cost. Those MFIs that do lend to youth often provide holistic services, including training in business, basic life skills, information technology and counseling in health awareness and trauma. About 60% of MFIs require training, often market driven, before they will give a young person a loan (McNulty and Nanjeera 2005: 94). Market driven training is specific to the community and specific job field the youth will be entering. Many MFIs simply do not have the human capital to staff a facility capable of handling youth services, which leads to the solution of partnering with additional organizations. Other cited issues include small market size, low competition, political opposition from child advocates, and legal issues such as a minimum age requirement of 18 years for legally binding contracts (Nagarajan, 1999: 86).

In Africa, several African governments have initiated entrepreneurial skills development programs in order to solve youth unemployment problem and ensure economic growth (Munyi, 2006: 11). In the case of Kenya, for instance, the government has created both a youth

entrepreneurship fund and a female entrepreneurship fund with the belief that this will stimulate the creation of new business enterprises by Kenyan entrepreneurs (Munyi, 2006: 20). Various Kenyan development plans and economic surveys including the Economic Survey, of 2006 and 2007, reveal that the vast majority of jobs are created through entrepreneurship (Republic of Kenya and UNDP 2006: 32). The ILO (2004: 1) reinforced the theory regarding the importance of entrepreneurship and particularly small-scale enterprises in facilitating economic development.

In Kenya, self-employment is one way of creating employment for youth. Approximately 500,000 graduates from various tertiary academic institutions enter the job market annually. However, due to low economic growth, rampant corruption, nepotism and demand for experience by potential employers, a majority of youth remains unemployed (Ministry of Youth Affairs, 2007). In Kenya, the business environment is usually hostile and tends to scare away the youth from venturing into business. On the other hand, the youth lack commitment and in most cases give up too soon when progress of running the enterprises is slow; while for others, there is lack of focus due to conflicting interests (Republic of Kenya and UNDP, 2006: 35). The scenario remains a “two-way street” where success demands that the environment be enabling while on the other hand, the entrepreneur remains focused and committed.

Previous studies on entrepreneurship have not focused on factors affecting the success of startup youth enterprises in Kenya; for example, Kigungu (1993) researched on perceived fulfillment of organizational employment versus entrepreneurship among graduate business students. The study found that organizational employment has no entrepreneurial relationship among graduate business. Muriithi (2005), researched on an investigation into the relationship between personal factors and entrepreneurship behavior among micro and small-scale enterprises in Nairobi. The study found that personal factors have a relationship with entrepreneurship behavior. Kiura, (2001) investigated the factors hindering the fostering of entrepreneurship in Agriculture: a case study of Mwea Irrigation Scheme rice farmers. The constraints identified as hindering the fostering of Entrepreneurship include policy regulations, poor support service delivery, high cost and unavailability of agricultural based innovations and failure of the farmers to be entrepreneurial in their agricultural productivity. Nyabicha, (2003) conducted a study on the factors hindering growth of micro and small enterprises: a case of micro-finance borrowers in

Kisumu city. The study established that some of the factors challenging growth of micro and small enterprises as domestic responsibilities, loan diversion to other uses, low demand, competition, government regulation, lack of relevant business training, a realistic loan repayments and amounts, insecurity, high transportation cost, inadequate working capital and market information. Another study by Wachira (1996) investigated the factors that influence choice of business enterprises in Kenya: the case of women entrepreneurs in Nairobi. The study established lack of skills and finance as the major factors influencing choice of business. Achar (1994) studied the factors that enhance the growth of small furniture making firms in Nairobi to medium scale. The study found limited access to external sources of credit, restricted access to sources of information and technical assistance as some of the factors enhancing choice of business.

There is no known study which has focused specifically on the success of youth enterprises in Kenya. Thus there exists a gap in knowledge on the factors which affect the start up of youth enterprises in Kenya. This study therefore sought to fill this gap by determining the factors affecting or contributing to the success of start-ups by youth entrepreneurs in Kenya by trying to answer the following questions: To what extent did training, funding, start up forces and government involvement influence successful start-up of youth enterprises in Nairobi County. The study focused on Nairobi County since it had a lot of youth enterprises by then and therefore formed the geographical area of the study representing a variety of business enterprises conducted by youth in Kenya.

### **1.3 Objectives of the study**

#### **1.3.1 General objective**

The broad objective of this study was to determine key start up factors which contribute to the success of start-up youth enterprises in Nairobi County, Kenya. The factors of interest in this study were training, funding, type of enterprise and the entrepreneurial mindset.

#### **1.3.2 Specific objectives**

- i. To determine how training and entrepreneurial aptitude affect the sustainability of start up of youth enterprises in Nairobi County, Kenya.

- ii. To establish the effect of funding and enterprise-type on the sustainability of start up of youth enterprises in Nairobi County, Kenya.

#### **1.4 Scope and limitations of the study**

This study mainly focused on the relative contribution of selected factors affecting the success or failure of start-up youth enterprises in Nairobi County. Youths in Kenya receive financial support from the Government of Kenya under the youth entrepreneurship development program. The study was carried out among the start-up youth entrepreneurs in Nairobi County who were not an exemption in receiving financial support from sources such as loans, donations, gifts and the government of Kenya under the youth entrepreneurship development program.

To attain its objective, this study was limited in scope to selected wards within the County from which the respondents were picked. The wards from which the data was collected included Eastleigh North, Pangani, Ngara, Huruma, Parklands, Kawangware and Kasarani. Thus the results and conclusions of this study were extrapolated to start-up of all youth enterprises within Nairobi County.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents the literature reviewed concerning the study. The chapter has literature review on the global, regional and local perspectives on youth entrepreneurship. There is literature on the factors which influence the success of start-up enterprises which included funding, education, entrepreneurial interest and government intervention. This section is followed by theoretical literature which explored the theories which guided the study and lastly a section on the conceptual framework of the study.

### **2.2 Review of empirical literature**

Entrepreneurship' is a generic term that subsumes many issues. It has, therefore, been defined in very many ways. Rabbior (1990:1)–quoted in Schnurr and Newing (1997:1)–lists twenty definitions of 'entrepreneurship' from various authorities on the subject. He concludes that efforts to reach a consensus on the subject have not been successful and various analysts are changing their definitions as work, study and experience in the field evolve. Given the elusive definition of entrepreneurship, it is increasingly recognised that what is of great consequence is not what 'entrepreneurship' is or who 'entrepreneurs' are, but rather what they do or the ways in which different types of people, at different stages in the lives of their enterprises will respond to assistance of various types (Schnurr and Newing, 1997:1; Harper, 1996:1).

Drawing upon the above definition of entrepreneurship, and for the purpose of this paper, 'youth entrepreneurship' is defined as the "practical application of enterprising qualities, such as initiative, innovation, creativity, and risk-taking into the work environment (either in self-employment or employment in small start-up firms), using the appropriate skills necessary for success in that environment and culture" (Schnurr and Newing, 1997:2). The application of these qualities, a process known as 'entrepreneurism' (Schnurr and Newing, 1997:2), leads to ventures in the social, political or business spheres. The emphasis in this paper is on self-employment.

### **2.2.1 Global perspective on youth enterprises**

The International Labor Organization estimates that 351 million children under the age of 18 are economically active. The UNFPA research estimates that there are 1.2 billion young people. Unmarried young people of legal age have been relegated to the sidelines accessing financial services due to perceived risk, age and status in society. This is in line with the views of the Kaufman Foundation in the USA. The Foundation considers youth as entrepreneurial torch bearers, arguing that they need to get early exposure to the risks, rewards and critical thinking skills they need to succeed when following their entrepreneurial dreams. The argument is that educational institutions need to find new ways to connect with this next generation of entrepreneurs (Kauffman Foundation, 2008), and this is similar to findings in the Davies Report (Davies, 2002), which concluded that it was essential to develop in UK school students an enterprising capability and a confidence, both in employment and self-employment, to exploit opportunities.

More recently, researchers within the Centre for Enterprise and Manchester Metropolitan University undertook a review of enterprise for young people in Manchester and Salford and found that enterprise in youth is pivotal to economic and social wellbeing of the region, and that the enterprise journey needs to start as early as primary school, so that the youth can become more able to take advantage of enterprising opportunities and satisfy their entrepreneurial aspirations (Crompton *et al.*, 2008). The central thesis of the text is that there is an entrepreneur in youth who, given a nurturing and stimulating education, can contribute to economic growth, community development, youth empowerment, individual well-being and social mobility, regardless of whether the individual ever launches an enterprise.

### **2.2.2 Youth entrepreneurship in Africa**

In Africa, several African governments have developed entrepreneurial skills development programs in order to solve youth unemployment problem and ensure economic growth (Nafukho, 1998). In the case of Kenya for instance, the Government has created both a youth entrepreneurship fund and a female entrepreneurship fund with the belief that this will stimulate the creation of new business enterprises by Kenyan entrepreneurs (Nafukho, 2007). Besides financial help, there is the need to invest in entrepreneurship education and training

programs. Kirby (1983) suggested that there could be more entrepreneurial opportunities in developing countries than in developed countries which have not been tapped, hence the need for entrepreneurship education and training in many African countries. As correctly noted, “Entrepreneurship is seen to bring benefits at both the macro and the micro levels of economic development” (Henry *et al.*, 2003, p. 4). This point is further reinforced by Gibb and Cotton (1998) who observed that besides the macro and micro benefits of entrepreneurship, there are global, societal, organizational and individual benefits of entrepreneurship.

According to the United Nations' economic report on Africa, the youth population in Sub-Saharan Africa was estimated at 139 million people in 2002-2003, with 28.9 million or 21 per cent of them unemployed (UNECA, 2005). The issue of unemployment among university graduates, tertiary level graduates, school leavers and other vulnerable members of society in Kenya like in many African countries need urgent attention. Kenya's government's efforts to address this issue have included reforms and diversification of the education and training of the school curriculum. In addition, policies designed to increase the number of young people going into vocational and technical training institutions as a preparation for self employment have been started. An intended outcome of the school curriculum reform agenda in Kenya is to create awareness among school and college graduates that there are opportunities for self employment in the informal sector (Republic of Kenya, 1992). Despite the introduction of vocational and technical subjects in the school curriculum, unemployment persists among school and college graduates (Nafukho, 2007). In the case of Sub-Saharan Africa, youth unemployment is ranked second in the world. As noted, “At 21 per cent, youth unemployment in Africa is much higher than the world average of 14.4 per cent and second only to the Middle East and North Africa's 25.6 percent.” (UNECA, 2005, p. 167). Thus, youth unemployment in African countries like in other countries of the world negatively impacts the economy since unproductive labor force leads to lost output in terms of goods and services. In addition, the governments with many unemployed youths have limited income tax base and continuously lose revenue from indirect taxes (Bellemare and Poulin-Simon, 1994). Youth unemployment also has a social cost in terms of indirect health costs, illicit activities which lead to increased insecurity especially in African urban areas. This has led to the introduction of entrepreneurship education and training to develop entrepreneurial skills among graduates from vocational and technical training institutions, and even among university graduates.

### **2.2.3 The state of Kenyan youths**

Youth represent 30 percent of Kenya's population and their unemployment is twice the country's average. Almost one third of Kenyans are between 15 and 29 years, and the total reached almost 11 million people in 2006 (compared to 8.5 million in 1999) (KPIA, 2008). According to the KPIA (2008) this age cohort is now at a historical high (in absolute and relative terms). Youth in Kenya face serious challenges, including high rates of unemployment and underemployment. The overall unemployment rate for youth is double the adult average, at about 21 percent (KPIA, 2008). Some statistics on joblessness suggest that the magnitude of the unemployment problem is larger for youth with 38 percent of youth neither in school nor work (aggregating the rates of reported unemployment and inactivity). The violence in early 2008 highlighted the critical importance of addressing the problem of poverty and inequality, and in particular the increasing problem of idle youth. In addition, the Country Social Analysis (World Bank, 2007) found that youth's unemployment, especially among males, is a major contributor to frustration and tension, in particular in urban areas. Clearly, unemployment among the youth has now become a matter of serious policy concern in the country. Evidence from previous analytical work shows that lack of action on the challenges that affect youth will escalate both the social and economic costs of development in Kenya (Edwards, 2007: 127).

### **2.3 The value and factors affecting youth entrepreneurship**

Youth are a significantly valid target population for development programs, as this large percentage, over 1.5 billion worldwide (The Global challenge, 2009: 23), has strong potential to effect change in communities worldwide. Because youth comprise forty percent of the global population (The Global challenge, 2009: 21), they present a prime target for community development programs, as there is great opportunity to change the pattern of a community by breaking the cycle of poverty at its roots.

In the developing world, an inhibiting dilemma for youth is that they often start work before they develop skills valuable to their employers, trapping them in a cycle of low-level employment and lack of access to additional educational opportunities. It has been estimated by the International Labor Office (ILO) that about 88.2 million young people between the ages of 15 and 25 are unemployed (The Global challenge, 2009: 36). One of the major challenges facing governments today is the reduction of youth unemployment (Schoof, 2006: 97). Admittedly, some jobs for



youth exist within micro-enterprises; however, youth do not have access to the job-relevant education needed to attain these positions. Typically, youth are only able to obtain jobs that are low-paid, unstable, and lacking benefits and advancement potential (The Global challenge, 2009: 38).

Skilled labor increases economic growth and development, as LDCs are able to enter the production cycle at higher levels, where there are greater realized profits. For example, USAID has recognized microfinance provision as one of six effective practices to bring youth from readiness to access in terms of building youth capacity for sustainable livelihoods. Unfortunately, services that are widely available to adults such as microfinance organizations (MFIs) normally do not serve youth. MFIs typically will not lend to those under the age of 18, due to the higher cost and risk (McNulty, 2005: 76).

Promoting entrepreneurship and enterprise creation is high on the policy agenda of almost all countries in the world, as successful enterprises generate additional employment (Haftendorn and Salzano 2003:121). Young entrepreneurs play therefore a fundamental role because they contribute simultaneously to both economic growth and unemployment reduction (Schoof 2006: 69). Today's youths are an important resource: they are capable of triggering regional innovation processes and technological advances (Frosch 2011:93), they tend to become more socially active and they are internationally oriented and generally endowed with creativity (Kazmi 1999: 47) and capabilities that allow them to exploit entrepreneurial opportunities.

### **2.3.1 Youth entrepreneurship education and training**

Entrepreneurship education and training is crucial in assisting young people to develop entrepreneurial skills, attributes and behaviour as well as to develop enterprise awareness, to understand and to realize entrepreneurship as a career option (DEST, 2005: 72).

Thus entrepreneurship education and training is not only a means to foster youth entrepreneurship and self-employment but at the same time to equip young people with the attitudes (e.g. more personal responsibility) and skills (e.g. flexibility and creativity), necessary to cope with the uncertain employment paths of today's societies. Young people can no longer expect to find the traditional 'job-for-life' careers but rather 'portfolio careers'-contract employment, freelancing, periods of self-employment (The Dearing Report, 1997: 34).

Enterprise education and training is therefore seen as a highly valuable preparation for the changing job market and economy in which young people have to operate (Galloway *et al.*, 2005: 51). In the past 10 to 15 years, entrepreneurship education and training has grown dramatically throughout the world, particularly in those countries already known as entrepreneurial such as the US, Canada and Australia. This growth is reflected in the development of numerous new entrepreneurship curricula, study programmes and initiatives, as well as increasing research activities on enterprise education and training in general, and on its various effects and best practices in particular. Since enterprise awareness programmes at primary and secondary schools have long-term effects, impact assessment is difficult (Moran & Cooney, 2003: 53). That is why many impact assessment studies and evaluations so far mainly focus on college and university programmes, having medium- and even short-term effects on business creation and entrepreneurial activity. Current findings of various studies show that entrepreneurship education and training encourages students to start their own business. Moreover, it has a positive impact on students' self-assessment and their attitude towards entrepreneurship as well as towards general occupational aspirations and achievement.

A study by Schroder (2005:73) from the University of Jena in Germany introduced the development, implementation and evaluation of a new training programme“(Who has it in his/herself to become an entrepreneur?)” for young students. The programme was tested with a sample of 623 students (aged 14-26 years/average 16.4 years) in 11 different secondary schools. Apart from teaching young people relevant business skills and raising their awareness of entrepreneurship, the programme particularly focused on the “crystallization” of entrepreneurial interest among young people. Thus the exploration of entrepreneurial characteristics and skills and the self-determining of the variability are of entrepreneurship as a career option were two crucial elements of the programme. The evaluation showed that the training significantly improved the “crystallization” of entrepreneurial interest. The training proved to be particularly beneficial to students without any relation to entrepreneurship through role models in their family. These students showed a high interest into entrepreneurial activity. Moreover, the evaluation revealed that all participants highly benefited from the programme in terms of general knowledge and self-awareness (Schroder, 2005:67).

### **2.3.2 Funding the youth enterprises**

Wage subsidy programmes around the world have shown that they can work for young people. An evaluation of such programmes in Central Europe (Fretwellet *al*, 1999:15) found mixed results. The programmes had more impact on employment than on wages, and the impact varied considerably with programme design. The most successful programme was in Poland, with a positive and lasting impact on employment. Programmes tended to benefit all age groups, with the greatest benefit going to females and those with lower educational qualifications. In Azerbaijan, rather than a general wage subsidy for all young workers, it may be useful to target subsidies more narrowly. They could be seen as an alternative to the ineffective quotas for vulnerable groups and could be confined to young disabled workers and those from particularly disadvantaged backgrounds. Another possibility is that of focusing on young public works participants as a self-selecting sample, i.e. using such programmes not only for safety-net purposes but also as a way of identifying young workers who are most in need of programmes such as wage subsidies. Wage subsidy programmes also need to be carefully monitored, for instance by checking for prior related layoffs in enterprises involved in the programme, following up to see that employers retain participants, and requiring payback of benefits if a participant is not retained.

In Kenya, particularly, experts are assuming that the 2 billion youth entrepreneurship development kitty is a revolving fund, which is meant to help entrepreneurs for a long time to come. To prepare the recipients of these funds, it may be worthwhile considering the experiences of micro financial institutions. Some have vast experience in managing micro enterprises which have graduated into SMEs having originally started from very humble beginnings. Some of the micro-businesses were initially financed through merry go round funds, borrowed from these institutions (Mwangi, 2006: 3).

The concepts applied had been benchmarked from Asia, particularly Bangladesh, the origin of the famous GrameenBank started by one, Mohamed Yunus. Who upon witnessing abject poverty in the Rural Bangladesh, in 1974 abandoned lecturing in Economics and got involved in looking for solutions to poverty eradication. Indeed, his concepts have been widely practiced very successfully in central and Southern America. If the systems and practices of such institutions are adopted in the management and disbursement of the funds, we will witness tremendous

growth in entrepreneurship in this country particularly amongst the youth, who are endowed with energy, drive and creativity (Mwangi, 2006: 3).

### **2.3.3 Enterprises development funds**

The Youth Enterprise Development Fund was conceived in June 2006 by the government as a strategic move towards arresting unemployment which currently big youth problem. The loan targets all forms of youth owned enterprises whether owned individually, as a company, in groups, in cooperatives or any other legal forms of business ownership; Seventy five percent (75%) of those unemployed are the youth (Amenyaet. *al.*, 2010:5). The government set aside Kenya shillings One billion (KShs. 1 billion) in the 2006/07 budget to fast-track this noble and timely initiative ([www.yedf.go.ke](http://www.yedf.go.ke)). The Fund was gazette on 8th December 2006 to provide the necessary legal framework to govern its use and operations. The Fund facilitates youth employment through enterprise development and structured labour export. The 11-member Advisory Board of the Fund was gazetted on 31st January 2007 and is 60% private sector dominated. The Youth Enterprise Development Fund was officially launched on 1st February 2007 by His Excellency President MwaiKibaki. This launch marked the beginning of the Fund disbursement process to the youth enterprises through the Financial Intermediaries and the Constituency Youth Enterprise Scheme (YEDF report 2010).

The objectives of the YEDF are; provide loans to existing micro-finance institutions (MFIs), registered non-government al organizations (NGOs ) involved in micro financing, and savings and credit co-operative organizations (SACCOs) for on-l ending to youth enterprises; attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises; support youth oriented micro, small and medium enterprises to develop linkages with large enterprises; facilitate marketing of products and services of youth enterprises in both domestic and international markets; and facilitate employment of youth in the international labour market (UNECA, 2005:13-14).

### **2.3.4 Government involvement in youth start-up enterprises development**

In Kenya, the Government has been involved in the youth development initiatives for instance; the recent financial and economic crisis has prompted the GoK to renew its commitment to

addressing youth issues and youth unemployment has emerged as a top priority. The GoK developed a “Marshal Plan” for youth unemployment in 2007, emphasizing the importance of a coordinated and multi-sectoral approach to addressing the problem of youth unemployment and youth idleness. In April 2009 the KaziKwaVijana(KKV) program was launched, aiming to employ youth in rural and urban areas in labor intensive public works projects implemented by different line ministries. The KKV program is implemented under the overall supervision and guidance of a National Steering Committee chaired by the Prime Minister and comprising Ministers and Permanent Secretaries of Ministries with KKV sub-projects. The Office of the Prime Minister (OPM) is in charge of the overall coordination and monitoring. Priority is given to subprojects that can be implemented rapidly using labor-intensive techniques such as road maintenance subprojects, small-scale water supply and sanitation sub-projects, water harvesting sub-projects, forestation sub-projects and waste collection. In addition to the KKV, the GoK continues to support the Youth Enterprise Development Fund (YEDF), established in 2006, providing young with access to finance for self employment activities and entrepreneurial skills development (Amenyaet al, 2010:8-9).

The GoK’s priority public policy focus on addressing youth unemployment and building their human capital is consistent with findings from the 2007 World Development Report (WDR) that focuses on development and the next generation, and the priorities set in the World Bank’s Kenya Country Assistance Strategy (CAS) for 2004-2008, giving important attention to equity and investing in people. The Bank is now in the process of developing a new CAS and it is expected that social protection concerns, including unemployed youth, will be of increased priority. The inclusion of young people in mainstream society is further defined as a priority in the Social Development Strategy of the Bank’s Africa Region, and the Bank wide Social Development Strategy highlights youth development as an important part of its thematic portfolio (Amenyaet al, 2010:12). Kenya’s own Vision 2030 strives to: reduce the number of people living in poverty and guarantee equality of opportunities; increase the opportunities for youth, women and disadvantaged groups; and improve delivery of social services (including water, education etc) among others. The National Youth Policy, launched in 2006, further seeks to guide and mainstream youth related interventions in the country (YEDF, 2010).

This research seeks to explore the factors affecting the start up of youth enterprises in Nairobi County. Its approach is based on a critical awareness of the limitations of past initiatives. Moreover, a successful youth entrepreneurship development strategy needs to be true (i.e. be pointing to the future not only in terms of its focus, content, and the linkages required but also in terms of who and how it is going implemented).

### **2.3.5 Empirical knowledge gaps**

Previous research on youth entrepreneurship has been wide and extensive. Schoof, (2006: 97) did a study on the challenges facing youths and established the problem of unemployment. McNulty (2005:76) studied the lending habits of the MFIs which he found that most of the MFIs do not lend to youths under the age of 18 years. A study by Schroder (2005: 73) from the University of Jena in Germany introduced the development, the implementation and the evaluation of a new training programme“(Who has it in his/herself to become an entrepreneur?)” for young student. The programme found that training was very essential in youth start up businesses.

In Kenya, several scholars have researched on the youth entrepreneurship but none on the factors affecting start up of youth enterprises. This indicates that there exists scarcity of knowledge on the factors affecting the establishment of youth enterprises. This limits the effectiveness of the policies designed to reduce youth unemployment in the country. Thus a research on the factors affecting the establishment of youth enterprises is desirable and appropriately an objective which this study seeks to achieve.

### **2.4 Review of theoretical literature**

Most people think of entrepreneurship as the process of starting a new business. Researchers, theorists, and business practitioners define it in many different ways. For example, Gartner (1988: 31) defines an entrepreneur as someone who creates new independent organizations. Schumpeter, (1934: 45) defined entrepreneurs as innovators who implement entrepreneurial change within markets, where entrepreneurial change has five manifestations: the introduction of a new (or improved) good; the introduction of a new method of production; the opening of a new market; the exploitation of a new source of supply; and the re-engineering/organization of business management processes.

On the other hand, Shane and Venkataraman (2000: 84) define entrepreneurship as a field of business, that seeks to understand how opportunities to create something new (new products or services, new markets, new production processes, new ways of organizing) are discovered or created by individuals (entrepreneurs) and how various means are used to exploit or develop these opportunities into business ventures. Dollinger (2003: 56) on the other hand interprets entrepreneurship as the creation of an innovative economic organization (or network of organizations) for the purposes of gain or growth under conditions of risk and uncertainty.

According to Timmons and Spinelli (2003: 43), entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals. The authors further argue that real entrepreneurs have low need for status and power, but they derive personal motivation from the challenge and excitement of building enterprises.

#### **2.4.1 Social learning Theory (SLT)**

Social Learning Theory (SLT) is a category of learning theories. The theory is derived from the work of Albert Bandura (1977: 145), which proposed that social learning occurred through four main stages: close contact, imitation of superiors, understanding of concepts and role model behavior. According to Bandura (1977: 125), human behavior is determined by a three-way relationship between cognitive factors, environmental influences, and behavior. With respect to the issue of learning as a strategic dimension of entrepreneurial development, and education as a tool for it, it is worth to mention a number of recent relevant works, such as Sobel and King (2008: 27) and Athayde (2009: 53) that have focused on the efficacy of school and training program in raising entrepreneurial awareness, intentions and attitude.

Even though the concept of self-efficacy can also be enclosed within SLT, it is appropriate to treat it separately as it has been largely used in entrepreneurship research (Drnovsek and Glas, 2002: 54). Self-efficacy relates to a person's perception of ability to execute a target behavior (Bandura, 1982: 38) and it is gradually acquired throughout the improvement of complex cognitive, social, linguistic, and physical skills that are obtained through experience (Bandura, 1982: 118; Gist, 1987: 93). Even if there is a perceived social demand, a certain behavior will be undertaken only if it is perceived to be at hand at the person's ability (Boyd and Vozikis, 1994:

157). Many studies have investigated the link between self-efficacy and the intentions towards entrepreneurship, concluding that it influences the perceived feasibility of starting a business (Shapero and Sokol, 1982: 121). Moreover, Herron and Sapienza (1992: 97) have shown how the acquisition of skills through past achievements reinforces self-efficacy and contributes to higher aspirations and future performance.

Social learning theory has been established as a guiding tool in this study on training. The theory explains how individuals learn new things and do them. According to the theory, people learn from the things they are in contact with, by imitating others, understanding concepts and the influence of their role models Albert Bandura (1977: 145). This idea has been used to show the relevance of understanding new concepts through training.

This theory guided the present study in understanding the role of training in enhancing the skills and attitude towards entrepreneurship. According to the theory, learning occurs through four main stages: close contact, imitation of superiors, understanding of concepts and role model behavior. This idea relates to the study by contextualizing how training impacts on the youths especially when they want to make new business ventures and new enterprises.

#### **2.4.2 Theory of entrepreneurship**

Probably the best-known concept of entrepreneurship in economics is Joseph Schumpeter's idea of the entrepreneur as innovator. Schumpeter's entrepreneur introduces "new combinations"— new products, production methods, markets, sources of supply, or industrial combinations — shaking the economy out of its previous equilibrium through a process Schumpeter termed "creative destruction." The entrepreneur-innovator is introduced in Schumpeter's ground-breaking *Theory of Economic Development* (1911) and developed further in his two-volume work, *Business Cycles* (1939). Realizing that the entrepreneur has no place in the general-equilibrium system of Walras, whom he greatly admired, Schumpeter gave the entrepreneur a role as the source of economic change. "In capitalist reality as distinguished from its textbook picture, it is not [price] competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization competition which commands a decisive cost or quality advantage and which strikes not at the margins of profits and the outputs of existing firms but at their foundations and their very lives" (Schumpeter, 1942: 84).



Schumpeter carefully distinguished the entrepreneur from the capitalist (and strongly criticized the neoclassical economists for confusing the two). His entrepreneur need not own capital, or even work within the confines of a business firm at all. While the entrepreneur could be a manager or owner of a firm, he/she is more likely to be an independent contractor or craftsman. In Schumpeter's conception, "people act as entrepreneurs only when they actually carry out new combinations, and lose the character of entrepreneurs as soon as they have built up their business, after which they settle down to running it as other people run their businesses" (Ekelund and Hébert, 1990: 569).

This suggests a rather tenuous relationship between the entrepreneur and the firm he/she owns, works for, or contracts with. Entrepreneurship is exercised within the firm when new products, processes, or strategies are introduced, but not otherwise. The day-to-day operations of the firm need not involve entrepreneurship at all. More-over, because Schumpeterian entrepreneurship is *sui generis*, independent of its environment, the nature and structure of the firm does not affect the level of entrepreneur-ship. Corporate R&D budgets, along with organizational structures that encourage managerial commitment to innovation (Hitt and Hoskisson, 1994: 47), have little to do with Schumpeterian entrepreneurship.

This theory presents the proactive nature of the entrepreneurs. The theory underscores the importance of own driven force towards business ventures. For the youths to start new enterprises, they need to have this inner drive force to engage in business with or without funds.

Entrepreneurship is any new venture, process or way of doing things with or without capital. It is an original initiative to come up with new ways of doings things independently. The theory was used in this study in understanding how the youths could come up with new ideas and start new business ventures. Though the youths may lack the necessary capital, according to the theory, a new business could begin by mobilizing funds through different means.

### **2.4.3 Decision theory**

The theory of decision making was founded by Herbert Simon in 1947. Decision theory in its classical form focuses on choices individuals make among options, which typically are payments to be received subject to uncertainty and at different points in the future (Simon, 1947). For example, an individual may have to choose among an earlier and smaller payment and a later, larger payment. Or he may have to choose between a sure amount (say the payment of 45 dollars

for sure) or a random payment, called a lottery, (say the payment of 100 dollars with 50 per cent probability, and zero with the complementary probability). Combinations of these two basic components are possible: an individual may have to choose between two lotteries at two different points in time. The preferences of an individual over options like the ones we described are summarized by a utility function, which assigns a single number to each option; the individual chooses the option with the largest number (Aldo et al, 2012:001).

Decision Theory identifies the essential elements determining behavior as two attitudes, one towards decision making under uncertainty and the other towards the allocation over time of rewards and penalties. When very specific functional forms are assumed for an individual's utility, that individual is completely described by a risk aversion level and a discount factor. Extensions of the simple theory, like Prospect Theory (Kahneman and Tversky 1979: 143) or the theory of ambiguity aversion (Ellsberg 1961: 151), increase the number of parameters and the complexity of the representation of preferences, but the basic structure is unchanged.

This theory guided the study in knowing and understanding the concept behind making of decisions. The theory explains how young people can make their own decisions and make individual decisions to start own enterprises. Youths make decisions to start own enterprises based on the reward they expect to get in return from their investments. The theory explains why people engage in businesses or new ventures. According to the theory, individuals make decisions after considering the rewards and penalties of the initiative. The more the pay-offs the more they are motivated to engage in the business. This is the force which propels them to make business ventures even when they are uncertain about the future.

#### **2.4.4 Business start up model**

The business model construct builds upon central ideas in business strategy and its associated theoretical traditions. Most directly, it builds upon the value chain concept (Porter, 1985:127) and the extended notions of value systems and strategic positioning (Porter, 1996:231). Because the business model encompasses competitive advantage, it also draws on resource-based theory (Barney et al., 2001:45). In terms of the firm's fit within the larger value creation network, the model relates to strategic network theory (Jarillo, 1995:32) and cooperative strategies (Dyer and Singh, 1998:25). Further, the model involves choices (e.g., vertical integration, competitive

strategy) about firm boundaries (Barney, 1999:97) and relates to transaction cost economics (Williamson, 1981:64).

Most perspectives on models include the firm's offerings and activities undertaken to produce them. Here, management must consider the firm's value proposition, choose the activities it will undertake within the firm, and determine how the firm fits into the value creation network. Based on Schumpeter's (1936:27) theory of economic development, value is created from unique combinations of resources that produce innovations, while transaction cost economics identifies transaction efficiency and boundary decisions as a value source. Positioning within the larger value network can be a critical factor in value creation. As part of its positioning, the firm must establish appropriate relationships with suppliers, partners, and customers.

The economics of the venture is featured prominently in business model research. An effective model encompasses unique combinations that result in superior value creation, in turn producing superior returns to the firm, consistent with Schumpeterian theory (Schumpeter, 1936:37). At the same time, the growth and profit aspirations of entrepreneurs vary considerably. Aspirations reflect the firm's relationship to the entrepreneur's career and life and influence enterprise objectives. Business models will differ for ventures with more moderate versus more ambitious aspirations.

Various theoretical traditions have implications for entrepreneurial intentions regarding the nature and scope of the venture. Self-efficacy theory is a case in point, with its emphasis on role of an entrepreneur's cognitive capabilities and skills assessment in determining outcomes. Alternatively, the theory of effectuation suggests that entrepreneurs make conjectures about the future, determine what can be done, and goals emerge over time (Wiltbank and Sarasvathy, 2002:21).

This approach establishes the resources, the environment and the strategies so as to remain competitive in the business environment. The model highlights the importance of positioning of the business in such a way that it can be sustained amidst challenges. Factors such as funds, government intervention in the business environment and the approaches are perceived to be key determinants of success of young businesses.

#### **2.4.5 Entrepreneurial characteristic-trait**

Social entrepreneurship “focuses on the personal qualities of people who start new organizations, and it celebrates traits like boldness, accountability, resourcefulness, ambition, persistence, and unreasonableness” (Phillset *al.*, 2008: 37). “Social innovation is not just a matter of chance or serendipity or the brilliance of a handful of individuals. Instead, there are clear patterns in successful innovation, and understanding these patterns can help today’s innovators deploy their energies more effectively” (Muliganet *al.*, 2007: 11). Bornstein’s definition of a social entrepreneur, which was derived from studying the works of various social entrepreneurs demonstrates their qualities of persistence: “people with new ideas to address major problems who are relentless in the pursuit of their visions, people who simply do not take “no” for an answer, who will not give up until they have spread their ideas as far as they possibly can” (Bornstein, 2005: 1).

A social innovator must also be persuasive (Mumford, 2002: 95). These extracts from the literature indicate some of the personal characteristics found among social entrepreneurs. Once the young entrepreneur has a project in mind and has decided to go after it, the following strategic skills have been identified in the literature to be useful to young entrepreneurs wishing to develop and execute their businesses.: goal orientation, creativity, ability to recognize opportunities in various contexts, risk tolerance, capacity to plan, communication, marketing, interpersonal skills, basic management, basic quantitative, time management and finally team-building and leadership (Rabbioet *al.*, 1997: 132; Thompson *et al.*, 2000: 154). Confidence is also a key ingredient in getting an entrepreneurial venture off the ground (Lieber, 1998:186).

In addition to the skills, traits and characteristics internal to the individual, equally important are the environmental factors such as the young entrepreneur’s support network. Using Rabbioet *al.*’s (1997: 121) framework for entrepreneurial success, the level of encouragement received within the environments in which an individual lives, works and plays is an influencing factor in the ‘formative stage’ where the young entrepreneur develops the desires or attitudes to be an entrepreneur. Additionally, almost every piece of literature on youth entrepreneurship makes reference to the importance of family support or parental role modeling as a determining factor in youth entrepreneurship (Rabbioet *al.*, 1997: 86). They argue that without those environmental

factors, such as role models in their immediate network, it is less likely that a young entrepreneur will either develop or act on their entrepreneurial ambitions. To provide an alternative solution to youth who may not have entrepreneur role models in their life, especially those from marginalized communities, Kourilsky (1995: 47) argues that entrepreneurship education at an early age is beneficial in exposing individuals to entrepreneurship as a viable career option and in essence helps to plant the 'seed'.

In addition to role models, mentors play an equally important role for young people wishing to start a business. Mentorship is "informal advice and guidance from someone who has good business experience and, in some cases, business networks that may assist a young person with little 15 experience and few contacts individuals who are prepared to coach and support young women and men, rather than lecture or give unnecessary advice" (White *et al.*, 2001: 27).

#### **2.4.6 Theoretical knowledge gaps**

The theoretical literature has explored some theories and concepts which explain the behaviour of entrepreneurs in the field of entrepreneurship. According to Social Learning Theory (SLT), people learn in different ways: close contact, imitation of superiors, understanding of concepts and role model behavior[Albert Bandura (1977: 145)]. The concept of self efficacy is very elaborate in the SLT. A study by Shapero and Sokol (1982: 121) investigated the link between self-efficacy and the intentions towards entrepreneurship and concluded that it influenced the perceived feasibility of starting a business. The study, however, did not state how the self-efficacy could influence entrepreneurship. The study by Herron and Sapienza (1992: 97) which showed that acquisition of skills through past achievements reinforced self-efficacy and contributed to higher aspirations and future performance. This study too did not show how training or acquisition of skills affected the sustainability and future performance of start-up of youth enterprises.

The theory of entrepreneurship as depicted by (Schumpeter, 1942: 84), stated that people acted like entrepreneurs only when they actually carried out new combinations, and lost the character of entrepreneurs as soon as they had built up their business, after which they settle down to running it as other people run their businesses. This theory however, lacked the content which connects how the entrepreneurial trait helped the individuals to start up new enterprises.

The theory on decision making identifies the two essential elements determining behavior, one towards decision making under uncertainty and the other towards the allocation over time of rewards and penalties. This theory is numb on how the youths make choices pertaining start-up of entrepreneurial ventures.

The business start up model highlights the environment, resources and the strategies which enterprises would employ to remain competitive in the market while the entrepreneurial characteristic-trait focuses on the personal qualities of people who start new organizations, and celebrates entrepreneurial related traits. The two concepts, however, do not ideally and directly focus on the youths and start up of enterprises. The theories are more directing, guiding and informing but lack the direct connection with the main objective of the study of establishing the factors which affect the start up of youth enterprises in Nairobi County.

## **2.5 Theoretical framework**

The social learning theory was used to guide the study on training. According to the theory, people learn from the things they are in contact with, by imitating others, understanding concepts and the influence of their role models Bandura (1977: 145). This study seeks to determine how skills the youths have can influence the success of the new enterprises for the youths. This study seeks to evaluate whether training or acquisition of entrepreneurial skills influences in any way, the success of new enterprises for the youths.

The decision theory is on the ability of the youths to make entrepreneurial decisions. According to the theory, people make decision over uncertain projects based on the perceived rewards and penalties. Thus people make decisions to invest based on the time rewards and the risk involved in a business. The rate of returns, the size of the profits and the time period taken to make the profits will influence the decision of the youths.

The theory of entrepreneurship, according to Schumpeter (1911), explains entrepreneur as an innovator who introduces new combinations, new products, new production methods, markets and new locations. This theory has been used to study the innovativeness of the youths as through selling of new products and opening business in new locations. All these will be studied to understand how they affect the establishment of the new enterprises.

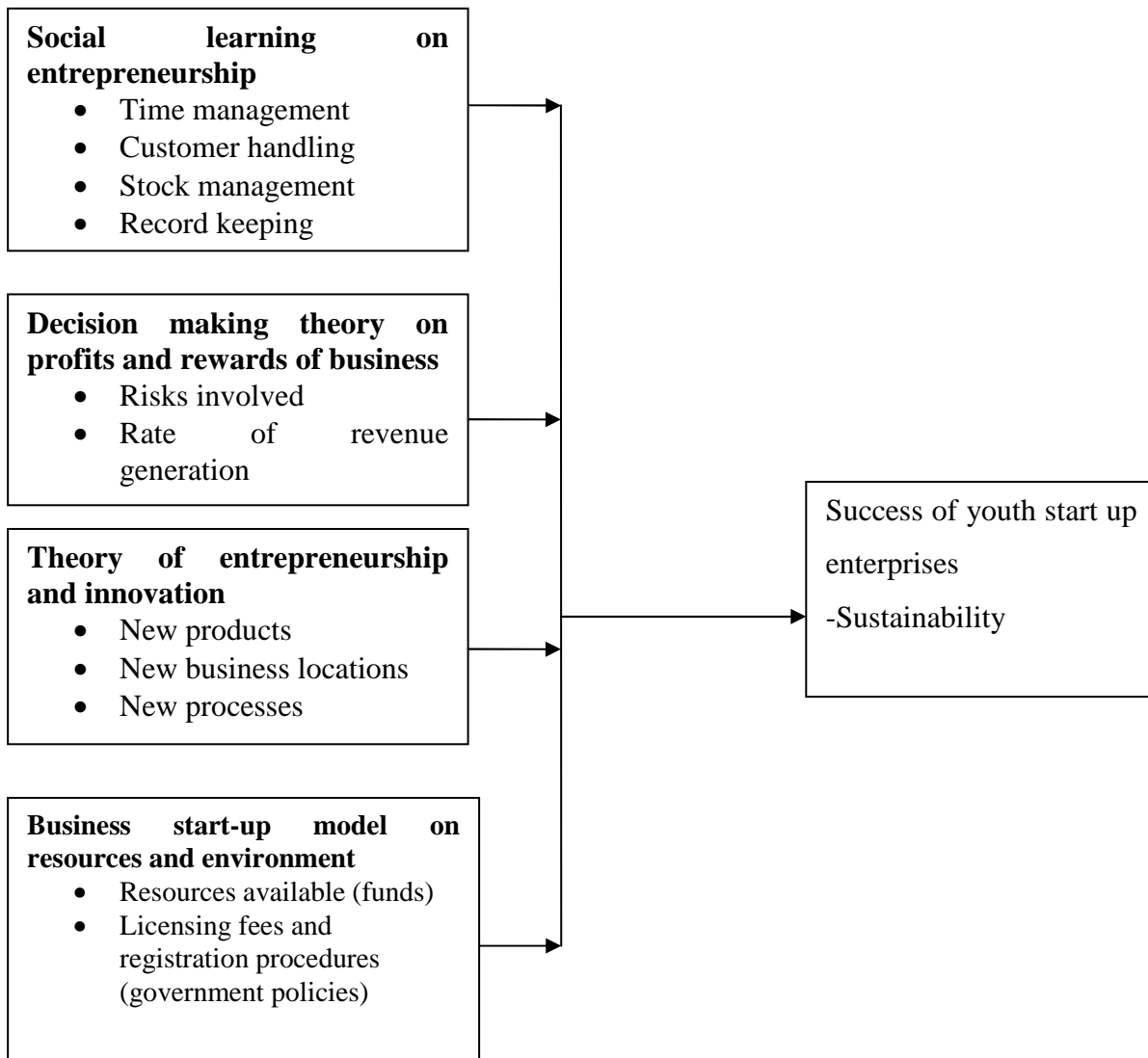
The last theory on business start up model reviews how the resources, the environment and the positioning strategies are critical towards the success of the newly established enterprises. The business model has been used to indicate the relationship between resources such as funds and legislation of enabling policies. This study sought to establish the relationship between funds availability and legislation of policies (Environmental set up).

### **2.5.1 Research questions**

- i. How does training influence the sustainability of youth start-up enterprises?
- ii. How does innovativeness affect the establishment and success of start-up enterprises for the youths?
- iii. How do the business start up factors of resources, government regulations and policies affect the start-up of new enterprises?

This study aimed at determining the factors affecting the success of start-up enterprises in Nairobi County. The study was guided by the social learning theory, theory of entrepreneurship and business model which share the following hypothesized relationship with the success of start-up enterprises.

**Figure 1 Theoretical framework**



**Independent variables**

**Dependent variable**

**Source: Author 2013**



## **CHAPTER THREE: RESEARCH METHOD**

### **3.1 Introduction**

This chapter contains the research methodology pursued in the data collection and analysis. The chapter has discussed the research design adopted by the researcher and the targeted population and the sampling technique used to select the samples. This section is followed by a description of the data collection procedures and instruments and finally the mode of data analysis used and how the data was presented.

### **3.2 Research design**

This study adopted a descriptive and exploratory research design. According to Burns and Grove (2003:201) descriptive research design is designed to provide a picture of a situation as it naturally happens. It may be used to justify current practice, make judgment and also develop theories. For the purpose of this study, descriptive research was used to obtain a picture of the youth's perceptions and understanding on how they are undertaking activities towards starting new enterprises. The study was exploratory because new information was realized from the study findings.

### **3.3 The study population**

There are many youth enterprises in Kenya, but the focus of the study was Nairobi County, in Kenya. The study collected data from the youth enterprises because they had the relevant information on their challenges and were able to provide valuable information for the study. The location was selected because it had many youth enterprises and could be easily accessed. The researcher collected data from Eastleigh North, Pangani, Ngara, Huruma, Parklands, Kawangware and Kasarani wards. Thus the results and conclusions of this study were extrapolated to start-up of all youth enterprises within Nairobi County.

### **3.4 Sampling technique**

The sampling frame of this study were the enterprises youths were in the processes of starting in Nairobi County which includes electronic, telecommunications, general and retail, M-Pesa,

hotels, foodstuff stalls, cybercafés, graphics and design, hardware and welding. This study used purposive sampling to select the type of enterprises which the respondents were to be drawn from. This also ensured that the researcher collected data from the selected enterprises and from the relevant respondents. Once the researcher identified a respondentsnow-ball sampling was used to identify other respondents. The researcher approached groups where youths could be easily identified such as football clubs and other groups where the youths were in the process of establishing businesses and those that had recently been established. The youths gave relevant data and also named other youths who were also in the process of establishing new business enterprises or had newly established businesses. The study targeted six common youth enterprises which were also easy to identify among the youths in Nairobi County. The youth enterprises identified are shown in table 1.

**Table 1 Start-up youth enterprises**

<b>Start-up youth enterprises</b>	<b>Number of enterprises in process of establishment</b>	<b>Number of newly established enterprises</b>
Electronics (radios, TVs etc)	2	2
Mobile telephone shops	2	2
General and retail	2	2
M-pesa	2	2
Foodstuff stalls	2	2
Cybercafes	2	2
Graphics and design	2	2
Hardware and welding	2	2
<b>Total</b>	<b>16</b>	<b>16</b>

The study collected data from two enterprises which were in the processes of being set up and other two newly established enterprises for each category as shown in the table for a total of 32. The study sought to give equal chance for the enterprises which were in the process of being established and those which had been established recently.

### **3.5 Data collection procedure and instruments**

This study used primary data collected using an interview schedule. The interview guide was structured into sections A and B. Section A collected data on the demographic information of the respondents while section B collected data on training, entrepreneurial aptitude; funding and innovativeness were collected from section B of the interview guide in both quantitative and qualitative forms. According to Kothari (2004), qualitative data have non-numerical attributes that are related to qualities or values. Quantitative data on the other hand is data that has numerical information or statistics (Kothari, 2004).

The study used purposive sampling to get the youths who were engaged in business start up in order to ensure that the researcher collected data from the relevant respondents only. After getting the youths who had enterprises, snow-ball sampling was used to locate other youths who had similar enterprises in the start-up stage. To give more relevance and equal chances of inclusion of the data to be collected, the study used equal number of questionnaires for each of the enterprises. Thus the youths who were in the processes of establishing enterprises and those who had newly established enterprises named other youths who had the same businesses. This enabled the researcher to collect relevant data for the study. The researcher identified one proprietor of each type of enterprises in the selected wards and they in turn referred other respondents who had similar business.

Qualitative data was collected using an interview schedule which was administered to each type of enterprise. The interview guide was structured in a way that it collected data for each objective. The interview probed information on the demographics, performance of the business, training and skills, availability and access to the youth funds and also the government influence on their enterprise. The information on profitability and sustainability of the enterprise was collected under the section on performance. The respondents provided their opinions on the profitability of the enterprises. The youths gave their opinions on their skills, experience and whether they had got any training and how these aspects influenced their business performance. The researcher also enquired on availability of funds and the influence on the start up of the enterprise.

### **3.6 Data processing, analysis and presentation**

This study sought to collect qualitative data from youth enterprises which were in the process of being set up and those that were newly established using an interview guide. This information was informed of statements, opinions and perceptions. The study used percentages and frequencies to analyse the demographic data of the interviews.

The researcher first checked quantitative data collected for completeness. The data was then coded and entered into a computer programme for analysis. The data was analysed with the aid of statistical software Scientific Package for Social Sciences (SPSS) version 17. The study used descriptive statistics such as mean and standard deviation. Mean was used to indicate the average while standard deviation was used to test the extent of dispersion of the mean results. This was useful to the findings since it indicated the level of relationship of the respondents on each variable.

The data on skills and training of the youths was collected in section B of the interview schedule. This data answered the first research question on the effect of social learning on start-up enterprises and the first objective. The data was checked for completeness, coded and keyed into statistical software Scientific Package for Social Sciences. The researcher determined the percentages, mean and standard deviation of the data to ascertain the level and effectiveness of the training and skills. The data for the second research question on the effects of innovativeness on the performance of the start-up enterprises was used to answer the second objective of the study. The studies used percentages and mean to describe the levels and types of innovations adopted by the youths. Qualitative data was used to supplement the data on innovation and was presented in prose. The study collected data on the availability of funds and government policies to answer the third research question and third objective. Lastly, the study collected data on the percentages to determine the level of funds availability and the proportion of those affected by government policies such as license fees and charges.

The rest of the information was collated and thoroughly studied so as to extract meaningful information from the qualitative data. This involved thorough checking and putting together different pieces of data from the respondents in order to form conclusions on the study.

## CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

### 4.1 Introduction

This chapter presents data collected and its analysis. The data is categorized in under the following sections: demographic information of the respondents, relationship between performance and skills, innovation, type of enterprise and availability of resources from the government and government interventions.

### 4.2 Demographic information

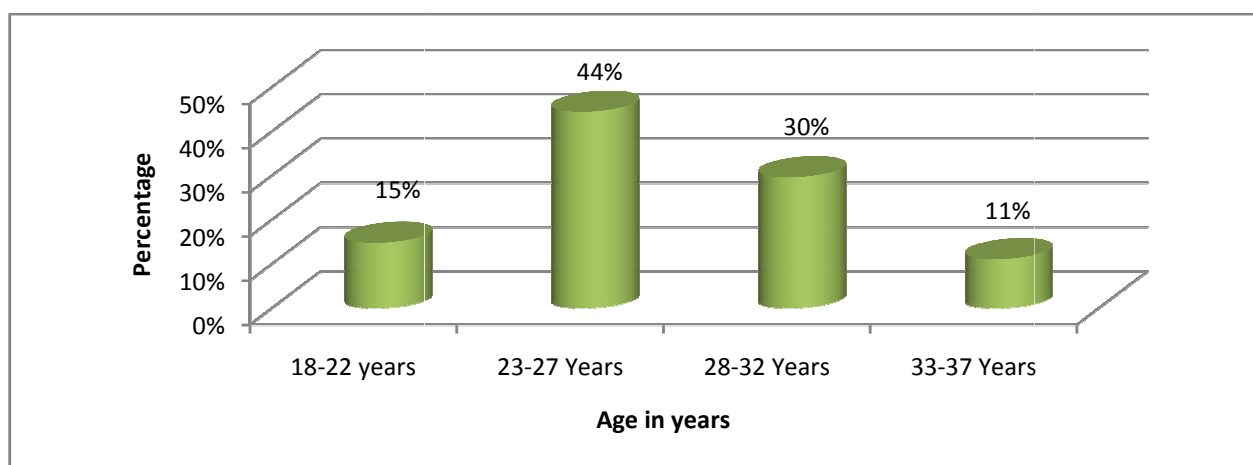
#### 4.2.1 Types of business of respondents

The study collected data from youths who were operating recently established enterprises or were in the process of establishing the followings types of enterprises: electronics shops, retail shops, food stuff stalls, mobile shops, phone accessories, cybercafés, M-pesa shops, fast food shops, graphics and design, hardware and welding.

#### 4.2.2 Age of the respondents

The study collected data on the age of the youths who took part in this study. The findings are shown in figure 2.

Figure 2 Percentage distribution of respondents by age



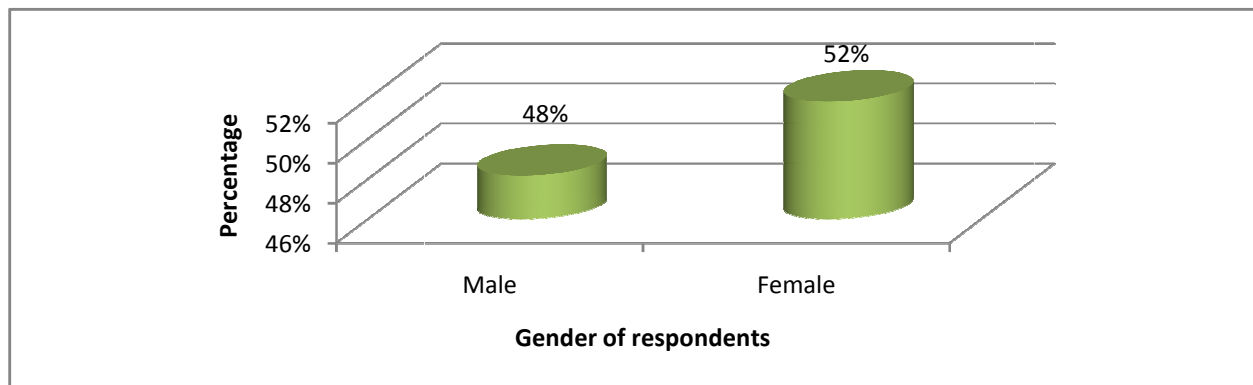
The information contained in figure 2 shows that most of the respondents who took part in this study were of the age bracket 23-27 years (44%). Approximately 30% of the respondents were of

the age bracket 28-32 years and 15% between 18-22 years. This indicates that all the respondents of this study were youths who were the main target for the study.

#### 4.2.3 Gender of the respondents

The study requested the respondents to indicate their gender. The finding on gender distribution of the respondents is shown in figure 3.

**Figure 3** Percentage distribution of respondents by gender



The information contained in figure 3 indicates that majority of the respondents (52%) were female entrepreneurs. This higher number of female involvement in entrepreneurial activities shows that women have been greatly involved in economic activities.

#### 4.2.4 Years spent in school

The study collected data on the number of years the respondents spent while schooling. The findings are shown in table 2.

**Table 2** Years spent in school

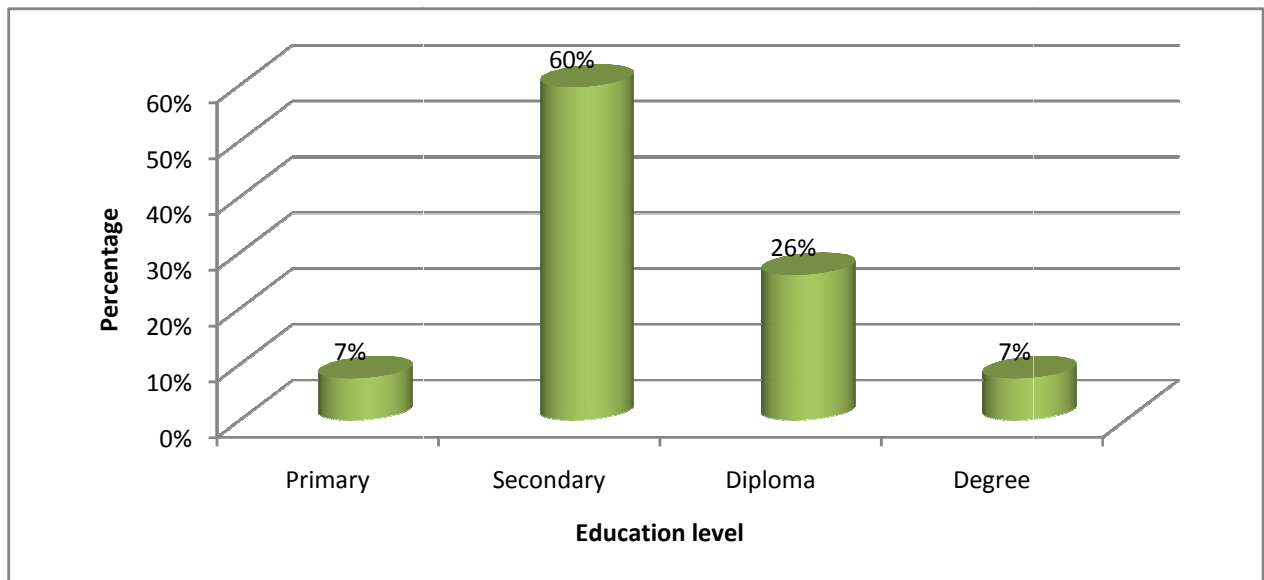
	Frequency	Percent
8 Years	1	3.7
10 Years	3	11.1
12 Years	8	29.7
13 Years	1	3.7
14 Years	1	3.7
15 Years	3	11.1
17 Years	1	3.7
No response	9	33.3
Total	27	100.0

The respondents who took part in this study had different educational backgrounds. Most of the respondents (29.7%) had spent 12 years in school. Some spent 10 years (11.1%) and another lot of 11.1% spent 15 years in school. A good number of respondents (33.3%) did not want to disclose their level of education.

#### 4.2.5 Education level

The study collected data from the respondents on their education levels. The findings are shown in figure 4.

**Figure 4** Percentage distribution of respondents by their education levels



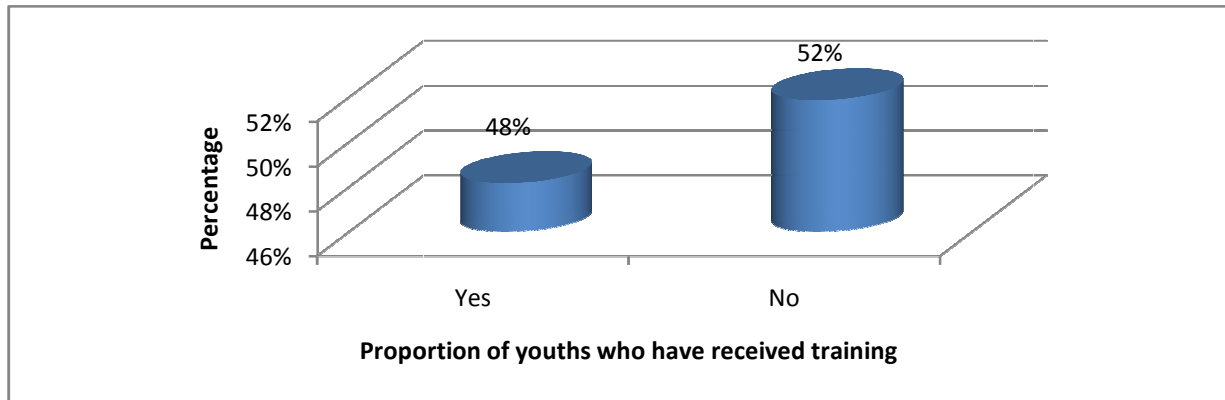
The information contained in figure 4 shows that majority of the respondents (60%) reached secondary level of education, 26% reached tertiary (Diploma level of education) and some 7% reached University level of education. This shows that most of the respondents had a relatively good level of education.

### 4.3 Skills/training and enterprise performance

#### 4.3.1 Proportion of the youths who have received training

The respondents were requested to give information on their training. The results are shown in figure 5.

**Figure 5** Percentage distribution of youths who have received training



The study findings show that majority of the youth entrepreneurs (52%) had not received training on how to run a business. Approximately, 48% of the respondents have been trained on business management. This shows that most of the youths’ enterprises are being run by people who have no training on business management.

**4.3.2 Application of the training skills received**

The study found that nearly half of the youth entrepreneurs had received training on business management. To get better understanding of the impact of training on the performance of the businesses, the study collected data on the application and usefulness of the skills received on the performance of the business. The data was analysed using mean and standard deviation. According to the analysis, those variables which had a mean close to 4.0 represented “agree”, those variables which had a value close to 3.0 represented variables the respondents were neutral about while those variables which had a mean close to 2.0 represented what the respondents disagreed with.

**Table 3** Application of the training skills received

	Mean	Std. Dev
Managing time in my premises	4.92	0.28
Handling customers well	4.92	0.28
Managing my stock	4.92	0.28
Keeping records on my business activities	5.00	0.00



According to the findings shown in table 3, the skills received during training enabled the youth entrepreneurs to manage their time very well in their daily entrepreneurial activities (M=4.92). Also the trainings have enabled the youth entrepreneurs to handle their customers well (M=4.9) and manage their stocks at safe levels (M=4.9). Notably, the training has helped the youth entrepreneurs to be able to keep the records of their businesses. Further the skills received were used by the respondents when balancing their cash books (M=5.0), analysis of profits and losses in the business and addressing measures on how to respond to the results.

#### 4.3.3 Use of training skills in other business

The study established that the respondents used their business skills in other business and other areas. The findings are shown in table 4

**Table 4 Use of training skills in other business**

	Frequency	Percent
Record keeping	2	7.4
Handling customers	1	3.7
Time management	1	3.7
Monitor the growth of the business and market operations	8	29.6
Calculating profits and losses, savings and	5	18.6
No response	10	37.0
Total	27	100.0

The study found that the respondents used the skills they learned in other businesses to make proper savings decisions, calculate profits and losses (18.6%) and to understand the market operations and to make proper buying decisions (29.6%). The skills also came in handy when handling customers in other businesses (3.7%) and in book keeping (7.4%). The skills have also helped the respondents to manage their time well (3.7%) when doing other activities.

#### 4.3.4 Challenges facing those who have never been trained

The study established that those who had not been trained lacked essential business skills and faced different challenges. Some of the challenges mentioned are shown in table 5.

**Table 5 Challenges facing those who have never been trained**

	Frequency	Percent
Difficulties in managing business	4	14.8
Profit making and slow growth of business	2	7.4
Inability to maintain financial records	2	7.4
Misuse of funds	3	11.1
No response	16	59.3
Total	27	100.0

From the findings shown in table 5, those who never had training in business management faced difficulties when managing businesses (14.8%), lacked skills on profit taking and business growth (7.4%), misappropriation and misuse of funds (11.1%), inability to balance stocks and inability to expand their businesses.

#### 4.3.5 Recommended training courses

The youths were asked to make recommendations on courses which could help them manage their business well and efficiently.

**Table 6 Recommended training courses**

	Frequency	Percent
Operational and managerial skills	9	33.3
Book keeping skills	3	11.1
Business expansion strategies	2	7.4
No response	13	48.2
Total	27	100.0

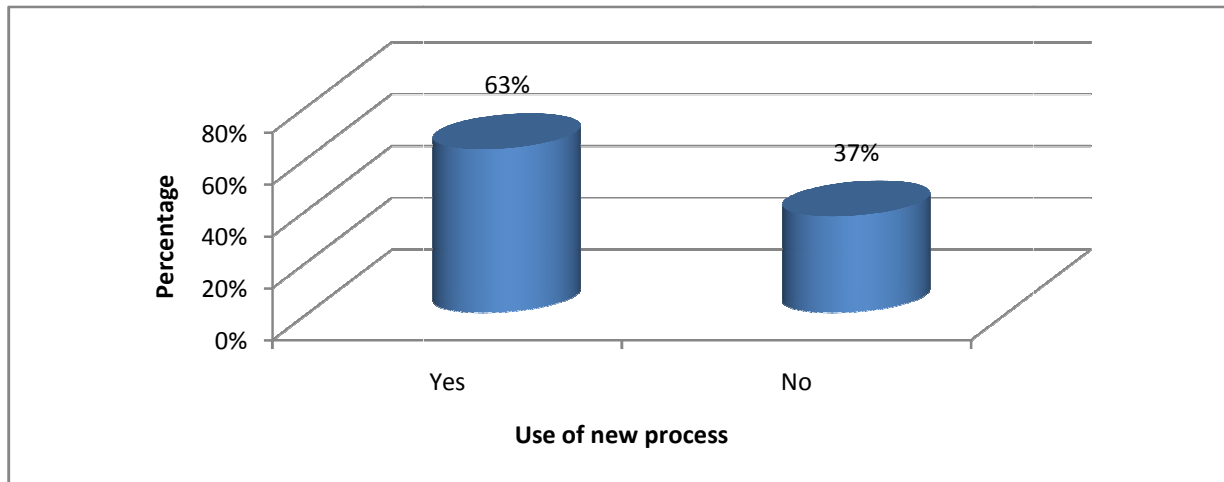
The information contained in table 6 shows the courses which the youth entrepreneurs recommended for their training. From the findings, 33.3% of the youths recommended training on business management skills, 11.1% on book keeping and business expansion strategies (7.4%).

#### 4.4 Entrepreneurial aptitude (Innovativeness)

##### 4.4.1 Use of new process, product or location

The study collected data on the innovativeness of the youth enterprises. The findings are shown in figure 6.

Figure 6 Percentage distribution of use of new process, product or location



The information contained in figure 6 shows that majority of the youth enterprises (63%) had used unique or new processes or a strategic location different from the rest. This shows that a good number of the youth enterprises were innovative in some way. However 37% of the enterprises had not been innovative which signals lack of competitiveness.

##### 4.4.2 Innovativeness and performance

The study collected data on the effect of innovativeness on the performance of the youth enterprises. The findings are shown in table 7. The data was analysed using mean and standard deviation. Those variables which had a mean close to 3.0 represented a lot of benefit while those with a mean close to 2.0 represented some benefit.

**Table 7 Innovativeness and performance**

	Mean	Std. Dev
New products	2.45	0.74
New suppliers	2.10	0.94
New location of my business	1.95	0.92
A new way of handling customers	2.65	0.65

The information contained in table 7 shows that innovativeness of the youths in their business had great impact on the business's performance. From the findings, relocation of a business has been done so as to move closer to customers, others relocate to places where they could make their businesses visible while others have relocated to places where there is ready market for their goods. Handling customers professionally has been linked to retention of customers and attracting new ones, introduction of new products attracts customers who used to go for the same products elsewhere, while new suppliers will ensure rapid and adequate supply.

#### **4.4.3 Advantages of innovation on the youth's enterprises**

The researcher asked the respondents to state some of the benefits they enjoyed by use of new processes, products or establishing business in new location.

**Table 8 Advantages of innovation on the youth's enterprises**

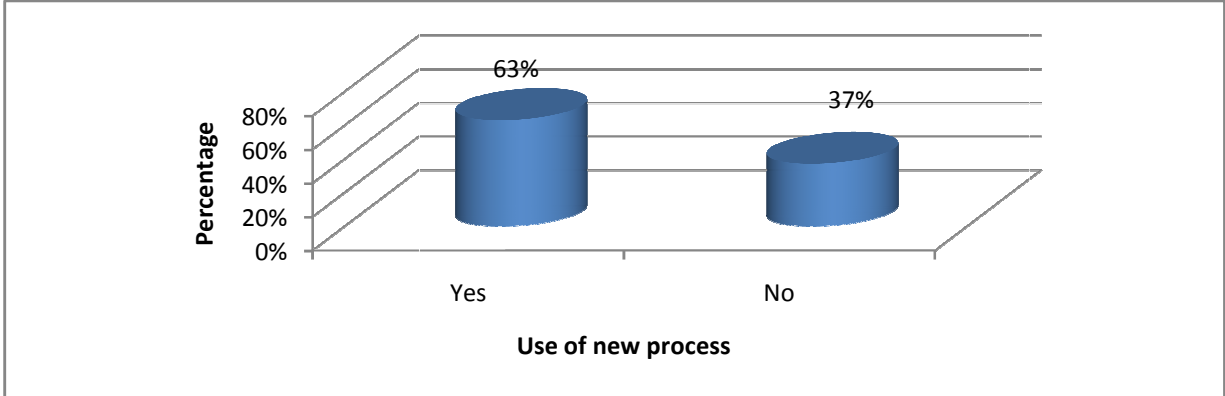
	Frequency	Percent
Access financial support and advice	3	11.1
Helps in time management	9	33.3
Self-advertisement	13	48.2
Attract customers	2	7.4
Total	27	100.0

The data summarized in table 8 shows that innovation was beneficial to the businesses of the youth’s enterprises in different ways. Firstly, relocating the business to a new place helped the youths to be near banks and sources where they could access financial support and advice (11.1%). Location of the business near place of residence saved time (33.3%), while unique branding of the name of the enterprise created self-advertisement (48.2%). Finally uniqueness and use of differentiated products helped to attract new customers.

**4.4.4 Proportion of those with entrepreneurial background**

The study collected information on the relationship between entrepreneurial trait and performance of the youth enterprises. The findings are shown in figure 7.

**Figure 7 Percentage distribution of respondents by their entrepreneurial background**



According to the findings shown in figure 7, majority of the youth entrepreneurs (63%) had some entrepreneurial background. This background benefited them in their business as the knowledge motivated them in their daily activities while for others, the entrepreneurial background and interest motivated them to start the enterprises they had. Some also use the experience they learnt earlier to manage their businesses.

**4.5 Enterprise type and the start up enterprises**

The study collected data from various youth enterprises in operating in Nairobi. The distribution of the types of enterprises visited was as shown in table 9.

**Table 9 Types of enterprises**

	Frequency	Percent
Mobile shop	4	15
Retail	5	19
Electronics	5	19
Cybercafes	2	7
Fast food shops	4	15
Mpesa shops	2	7
Graphics and design	2	7
Hardware and welding	3	11
Total	27	100

The study collected data from respondents who were running different types of enterprises such as electronics shops (19%) , retail shops (19%) , food stuff stalls (15%) , mobile shops and phone accessories(15%) , cybercafés (7%) , M-pesa shops (7%) and graphic shops (7%).

#### 4.5.1 Choice of enterprise

The respondents were asked to state the reasons why they chose the type of enterprise. The reasons behind choice of enterprise differed as shown in the table 10.

**Table 10 Reasons for choice of enterprise**

	Frequency	Percent
Fast growing	4	14.8
Had prior knowledge and experience	8	29.6
Hard no enough cash to different enterprise	1	3.7
Ready market	5	18.5
Personal interest	3	11.2
It as cheap to start	2	7.4
Put theory in practice	4	14.8
Total	27	100.0

According to the findings shown in table 10, some of the respondents began their businesses because they had good experience on how to run the businesses (29.6%), others started the businesses they run today because they did not have enough money to open other types of businesses (7.4%) while other enterprises were started to capture a ready market (18.5%). For example a certain food stuff enterprise was constructed near a place with many Juan kali artisans while others begun their enterprises out of a high demand in the market for particular services or goods. Some enterprises were fast growing (14.8%) and therefore presented future prospects.

#### 4.5.2 Challenges facing the youth entrepreneurs

The youths who are in the process of establishing and those who have established their enterprises operate amidst challenges.

**Table 11 Challenges facing the youth entrepreneurs**

	Frequency	Percent
competition	9	33.3
Financial management difficulties	1	3.7
High cost of rent, and limited space	2	7.4
Counterfeit products	2	7.4
High cost of operation	5	18.5
Reduced profit margins	1	3.7
security threats	3	11.2
Lack of stock checking and maintenance skills	2	7.4
No response	2	7.4
Total	27	100.0

According to the study findings shown in table 11, some youth proprietors lack skills on stocking maintenance and stock checking (7.4%), profit and loss balancing (3.7%), stiff competition (33.3%), security threats to businesses (11.2%), high cost of maintenance costs (18.5%), others face the challenge of counterfeit goods (7.4%) which are sold at very cheap prices therefore

undercutting the market, reduced profit margins (3.7%), high cost of rent, small business space (7.45) and lack of capital to expand.

#### 4.5.3 Competitive advantages of the businesses

The study collected data on the competitive advantages of some of the businesses. The findings are shown in table 12.

**Table 12 Competitive advantages of the businesses**

	Frequency	Percent
My business survived while others sunk	4	14.8
I have expanded my business unlike others	4	14.8
I have right skills and experience than the rest	4	14.8
Am more innovative than others	2	7.4
I had enough capital	1	3.7
No response	12	44.5
Total	27	100.0

Some of the respondents stated that their businesses did better than others because they had the right skills for the business (14.8%). This was evidenced since these businesses had survived despite others closing down (14.8%), businesses had expanded while the rest had not expanded (14.8%), others performed better than their competitors due to innovative operations (7.4%) their businesses adopted while others had good capital to start off their businesses with good levels of stock (3.7%).

However some of the enterprises had no competitive advantages over their rivals. This was largely due to factors which worked against their efforts to progress as shown in table 13.



**Table 13 Reasons for lack of competitive advantage**

	Frequency	Percent
Slow growth	3	11.1
Reduced profit margins	1	3.7
Competition	3	11.1
Security threat	3	11.1
No response	17	63.0
Total	27	100.0

The findings shown in table 13 shows that some enterprises lacked competitive advantage over the rest of the business since they experienced the same challenges of slow growth, low returns, reduced profits, a competitive market and security threats as the rest of the business.

#### **4.6 Funds(resources) and government policies**

##### **4.6.1 Sources of the capital**

The study established that the youths obtained their capital to start their businesses from various sources. The study found that some youths inherited resources from their parents, others used personal savings, bank loans, loans from micro financial institutions, own capital, support from parents and members of the family, youth groups in the slums, others from friends while some get grants to start their businesses.

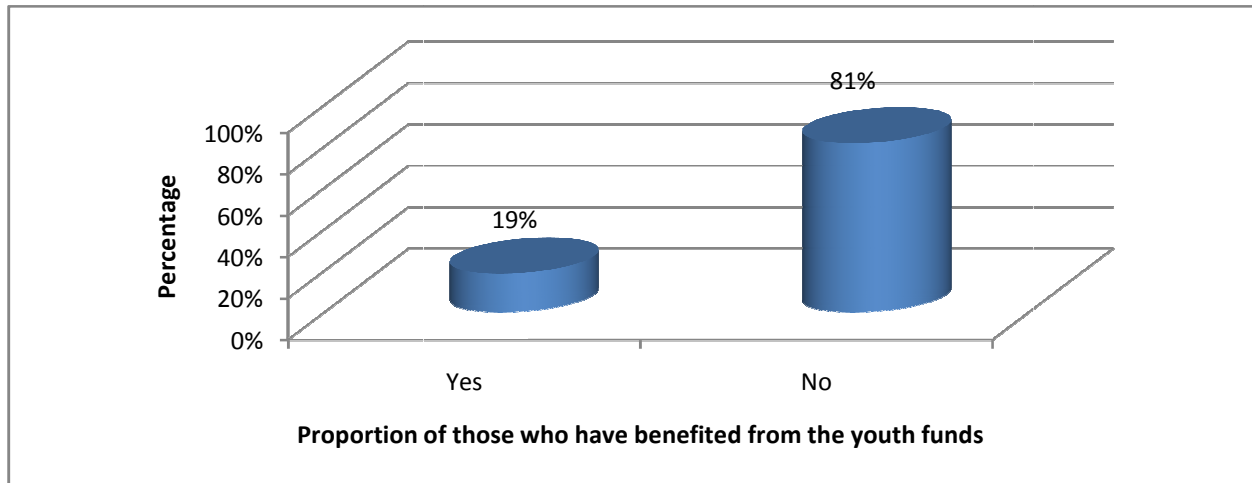
##### **4.6.2 Awareness and use of youth funds**

All the youths who took part in this study were aware of the existence of the youth funds. This means that the existence of the youth funds is highly publicized and many young people know about the funding initiative.

##### **4.6.3 Proportion of those who benefited from the youths funds**

The study sought to establish the proportion of the youths who benefited from the youth-fund initiative. The results are shown in figure 8.

**Figure 8**Percentage distribution of those who benefited from the youths funds

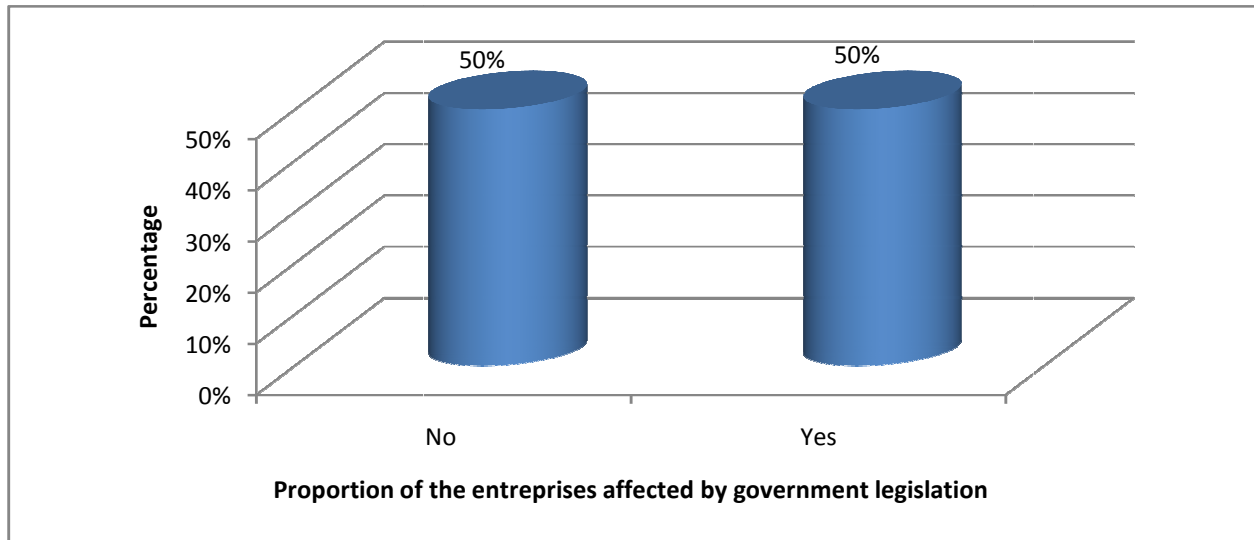


The information contained in figure 8 shows that despite the fact that majority of the respondents were aware of the existence of the funds, 81% never accessed the funds. From the findings, majority of the youths (81%) did not receive the youth funds due to various reasons. According to the findings, some of the youths have no interest in the youth funds and have not followed it closely since it was initiated. Some are not affiliated to any group and therefore could not access the funds due to lack of knowledge on how to form a group and how to benefit from the funds yet others who are in groups are skeptical of borrowing funds as a group for fear of defaulters within the group. Some youth have stated that the modality for accessing funds is very procedural, lengthy, bureaucratic and problematic at time of repayment, a lot of bureaucracy in the process, On the other hand, those youths who accessed the funds used it as start-up capital or additional resources to boost their business.

#### **4.6.4 Government legislation effects on youth business**

The study sought to establish the effects of the government legislation on the performance of the youth enterprises. The results are shown in figure 9.

**Figure 9** Percentage distribution of effects of Government legislation on youth business



The study findings indicate that 50% of the youth's enterprises have been affected by the government legislative policies such as the high taxes imposed on the goods which consumes much of their profits, there are inadequate policies for support and growth of SMEs, the license fee is high and exorbitant and harassment by anti-counterfeit agency personnel.

On the other hand, there are those who cited no interferences from the government legislative policies. This is because some had not started their enterprises, others viewed paying of taxes as being a responsible citizen and complying with the regulations and charges as a way of supporting the government.

#### **4.7 Discussions of the findings**

##### **4.7.1 Skills/training and enterprise performance (Research question i)**

DEST (2005) stated that entrepreneurial training is crucial in helping young people to develop entrepreneurial skills and attributes through creating awareness on enterprise development. The study findings show that 52% of the youths had not been trained on business management. This shows that more than half of the youth entrepreneurs had no training on business skills. On the other hand those who had been trained on business skills had benefited largely. The study findings indicate that they had improved on business management skills such as managing time well, handling of customers and in managing the stock levels of their enterprises. The training

has also helped the youth entrepreneurs to keep business records, balance their cash books, in analysis of profit and losses and in managing sudden increases in demand. These findings concur with Schroder (2005) study which found that training significantly improved the “crystallization” of entrepreneurial interest.

In addition to managing their enterprises, the youth entrepreneurs who had business skills were able to make wise decisions on savings, understanding market operations, make the right purchasing decisions and manage personal time efficiently.

According to Gallaway *et al.*, (2005) enterprise education and training is therefore seen as a highly valuable preparation for the changing job market and economy in which young people have to operate. Although the enterprises faced similar market conditions and competition, the study found that those who lacked business skills bore a greater challenge compared to the rest. This is because they lacked skills on profit making, most of them misappropriated and misused their funds, others were unable to balance their stocks, could not calculate profits and losses, had limited or no ideas on how to expand their businesses and lacked good records among other challenges. This indicates that there is a need to equip the youth with training on business skills, particularly on business management, expansion and sustainability.

#### **4.7.2 Innovativeness and performance of the businesses (Research question ii)**

The study found that most of the youth enterprises had differentiated their way of doing business. This indicates that most of the businesses were innovative in a way. The study findings indicate that some enterprises had sought new suppliers, others had relocated while others had improved on customer handling. These innovative measures had positive impact on the performance of their enterprises. The study found that relocation enabled the youth entrepreneurs to move closer to their customers, make the business more visible and also strategically position itself in a location with a ready market. The idea of innovation in entrepreneurship is borrowed from Joseph Schumpeter’s works. According to Schumpeter’s entrepreneurs are highly innovative and do things in new ways such as introducing new products, production methods, markets, suppliers, new location of the enterprises and other new ventures (Schumpeter, 1942).

The new ways of handling customers enabled the youth enterprises to retain customers and attract others from their competitors. The introduction of new products led to increased volumes in sales which increased the profitability of the enterprise and attracted new customers while new suppliers ensured timely and adequate supply. The study also found that apart from the above mentioned impact of innovation on business, innovation helped the enterprises to access financial support and advice. The findings indicate that the innovative ideas embraced by the entrepreneurs contributed to good performance of the enterprises.

This study also found that majority of the youth entrepreneurs had some entrepreneurial background. This strongly suggests that the interest and attitude of the youths in starting their businesses may have been influenced by an entrepreneurial background while growing up.

The findings above provide an answer to the second research question which sought to establish the effect of innovation on the startup enterprises. The findings clearly shows that innovation contributed to acquisition of customers, customer retention, reliability of supplies, access to financial support advice all of which have contributed to effective management and performance of the upcoming enterprises by the youths.

#### **4.7.3 Type of enterprise and performance of the business**

The study sought to establish the relationship between type of the enterprise and the performance of the enterprise. The study found that different youth entrepreneurs were motivated by different interests to start the current type of enterprises. According to the findings, respondents began their current business because they had skills to help them manage the businesses they operated, others started business which were similar to those already recording high sales in the market such as mobile shops, others wanted to put their theoretical knowledge into practice, others did not have enough cash for the business they would have wanted to start and therefore opted for those they could afford while others were very strategic and invested in businesses that were demand driven.

The study found that the youth enterprises faced various challenges. The study established that the youths lack skills on how to handle customers, have inadequate stock management skills, are not well equipped with skills to balance books, face high cost of maintenance of the businesses, stiff competition, security concerns, reduced profit margins, high costs of rent, lack of capital for

expansion and others encounter very prohibitive policies especially those dealing with anti-counterfeit agencies.

The study established that some enterprises were doing better than others. As shown in detail on page 36 above, this was due to some of the youths having superior knowledge than others; some were more innovative than others while others had good start-up capital which enabled them to start their business with good levels of stock. The other businesses experienced challenges such as slow growth, low returns, reduced profits, stiff competition and security threats.

#### **4.7.4 Funds (resources) and government policies and performance of the enterprises (Research question iii)**

The other factor under study was the source of funds for the businesses. The study found that the youths got their capital and resources to start business from different sources such as inheritance; others used their savings and loans from banks and other micro financial institutions. Other youths had their own personal savings which they used to start their businesses while others were supported by their parents. Some youths indicated that they sourced funds from groups, friends and grants to start their businesses.

Although the study findings show that most of the youths knew of the national youth fund, the majority of the youths never sought the funds. This was caused by several factors. First and foremost, the youths lacked proper knowledge on how to access the funds, others complained that the processes of seeking the funds was lengthy while some could not access the funds because they were not affiliated to a group through which they could pre-qualify for funding. The process of accessing funds was reported to be highly bureaucratic and others were not comfortable with the mode of repayment of funds.

Although government interventions/measures are made to protect and encourage the operations of the enterprises, the study noted further that some government policies and regulations interfered with their businesses such as the high taxes imposed on some goods, inadequate policies supporting growth of SMEs, high licensing fees and others suffer harassment by the anti-counterfeit agency.

The above provide answers to the third research question on the effect of funds, government policies and regulations on the upcoming enterprises. According to the study findings, access to funding is crucial in the success of youthstart ups. Majority of the youths could not access the youth funds provided by the government due to a rather bureaucratic process and others were unaware of the existence of such funds. The findings further indicated that some government policies and regulations hinder the success of start-up enterprises. Thus availability of funds, government policies and regulations heavily affected the success of startup enterprises by the youths in Nairobi County.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the findings of the study on the demographic of the youths, the discussion of the study findings, conclusion of the study, recommendations and lastly suggested areas for further research.

### **5.2 Demographic information**

This study was conducted in Nairobi County. The data was collected from the youth enterprises which were in the process of setting up or had been set up recently. Most of the respondents (44%) were of age bracket 23-27 years with majority being females (52%). This shows that women have highly engaged in enterprises. A good number of the respondents had gone through formal schooling (67%). This shows that they are literate and have the necessary pre-requisites for further training or have the capacity to adopt new ways of managing business without much difficulty.

### **5.3 Summary of the findings**

#### **5.3.1 Training, business skills and business sustainability.**

The study findings indicate that training of the youths on entrepreneurial skills is very critical as it sharpens the youths by creating awareness on enterprise development. Although majority of the youths were not trained on entrepreneurship, the small number of youths trained had highly benefited from the skills they were trained on. According to the social learning concept, learning occurs in different ways such as by being in close contact with the instructor or by learning from a role model. The study findings indicate that youth who had received either formal or informal training were better able to manage time, handle customers, manage stock, keep better business records and in maintaining overall business performance. The study findings indicate that although fewer youth had undergone training, some youths used business skills learnt through the entrepreneurial environment they were brought up in. The lack of entrepreneurial skills among the youths led to serious challenges such as misappropriation and misuse of business revenue, poor management of business records among other challenges.



This indicates that training and acquisition of business skills are basic in the management of an enterprise. The youth entrepreneurs who had skills and prior training operated more efficiently and with much ease than those who did not have. Thus, training and skills in business are key for sustainability of an enterprise.

### **5.3.2 Innovation and business performance**

In order to make profits in the highly competitive business environment the youths have been creative and innovative in a number of ways. John Schumpeter argued that entrepreneurs are highly innovative and they did things in new ways such as by introducing new products, production methods, markets, suppliers, new location of the enterprises and other new ventures (Schumpeter, 1942: 84). According to the findings, the youths showed some innovative characteristics in their young enterprises. These included relocation to new places where there were customers, sought new suppliers, new ways of handling customers among other innovative ways.

These innovations are beneficial to the businesses and contributed to the improved performance of the business. According to the findings, new ways of handling customers enabled the youths to retain more customers, new products increased the volume of sales which in turn increases profits while new suppliers provided ensured a reliable supply of goods. The enterprises whose owners have been innovative enough have been able to experience significant growth in their businesses.

The above provides an answer to the second research question on the effect of innovation on the performance of the start-up enterprises. This is because youths who were innovative in a way experienced an added advantage over the rest when managing their businesses. This means that innovation positively impacts on the startup enterprises by helping them to retain customers, increase volume of sales, attract new customers and increase the profits without necessarily incurring additional costs.

### **5.3.3 The impact of funds (resources), government policies and regulations on performance of the enterprises**

Business start-up model is about the resources and the environment needed for a business to start and run smoothly. According to the study findings, the youths got their capital from different

sources such as inheritance, support from parents, grants, savings and loans from banks and other micro financial institutions.

Surprisingly, majority of the youths know about the national youth fund but very few seek to get the funds. This is because the youths lack proper knowledge about the funds, the process was lengthy, highly bureaucratic and undesirable mode of the loan repayment. This indicates that the funds remain inaccessible to the upcoming youths. This clearly demonstrates lack of an enabling financial policy that is required in order to increase uptake of the funds.

The study findings indicate that although the government measures and interventions are made to protect and motivate growth of enterprises, some government policies and regulations interfered with the business activities of the young business entrepreneurs. This indicates that failure to have a conducive business environment affects the performance and sustainability of a business.

According to Barney *et al* (2001) the concept of business model encompasses competitive advantage which is highly connected to the resource-based theory. This refers to the resources available for the business to be undertaken and the environment. The findings indicate that some legal requirement such as high fees of trade license inhibit business performance.

The findings show that the youths were able to start up their enterprises after accessing funding from different sources. There is also evidence that some government levies and regulations governing startups hindered establishment of these enterprises. This shows that the availability of resources positively contributes to establishment of youth enterprises while enactment of some government license fees and other policies is punitive and slowed the establishment of the youth enterprises.

#### **5.4 Conclusion**

The study concludes that more than half of the youths have not been trained on business skills. This indicates that the youths who are running enterprises lack basic business skills. This poses a great threat to the survival of small scale enterprises which needs to be addressed.

Training of the youths on business management skills has helped them in managing and handling customers, managing stock levels, keeping business records, balancing their cash books, drawing of financial statements and in controlling sudden increase in demand. Thus social learning

concept in entrepreneurship is important and helps transfer very important skills to upcoming entrepreneurs who later use these skills to run their businesses.

Training and business skills have been of great help to the youths in making wise saving decisions, understanding market operations, making the right purchasing decisions and in the management of personal time. This indicates that skills learnt through social learning concept have more than a single application in the life of an entrepreneur.

Lack of business management skills exposes the start-up enterprises to a myriad of challenges which may ultimately influence the survival of the ventures. The youths lack skills to maintain proper business records and to grow their businesses. This has resulted in retardation of the enterprises, losses and reduced profit margins.

The study concludes that innovation is a key factor in performance of any business. The study has found that those enterprises which were innovative did well in some areas. For example relocation and strategic location of the business attracted more customers and reduced the distance from the customers to the enterprises and new products led to high sales volumes and profits.

The study notes that youth enterprises face challenges in business stock management, record keeping, financial statements and preparations, high costs of maintenances, stiff competition, heavy taxes, high licensing fees and high rental costs for the premises among others.

The study concludes that youth's source capital for their businesses from their parents, savings, loans, own capital, family members, youth groups, friends and others grants.

The study concludes that start up youth enterprises are highly affected by the availability of resources. Those businesses which were started by stable youths did well in the long run. These businesses have had less hard times because they have been steady in their performances. This reinforces the business start-up model on resources and environment. The findings indicate that business start-up concept is a crucial tool in the performance and sustainability of businesses.

The study concludes that most of the youths are aware of the existence of the youth funds but do not use them. This is because some of the youths do not have enough information on the funds,

some lack groups to affiliate to access the funds, lengthy processing time and others fear repayment fines.

The study notes that some government policies and regulations interfere with the operations of the youth's enterprises. The study found that the enterprises are affected by high taxes, inadequate policies, high licensing fees and harassment by the anti-counterfeit agency. The regulatory framework defines the environment under which the businesses operate. Business start-up model explains how environment affects the performance of businesses.

### **5.5 Recommendations**

The study found that more than half of the youths running enterprises have no business skills which affect their businesses. This study recommends that the government builds technical facilities across the country to equip youths with basic business skills.

The study found that innovation has affected the performance of the youth enterprises positively. Those businesses which introduced new processes, ideas, products or even location had a comparative advantage compared to the rest. It is recommended that youths be encouraged to adapt innovation in their enterprises to improve performance.

The study found that some government policies and regulations such heavy license fees, high taxes, bans, quotas among others slowed the establishment, sustainability and profitability of the start-up youth enterprises. It is recommended that the policy makers review the policies on license fees, procedures, and process of business establishment in place with a view of making them friendlier to SMEs.

### **5.6 Suggestions for further areas of research**

The study was conducted in Nairobi County. The cases and phenomenon could be different in other counties. It is therefore recommended that other similar studies be done in other counties with a view of understanding better the factors which affect the start-up of youth enterprises.

The study also focused on the start-up of youth enterprises. The findings could be different for well established youth enterprises. It is therefore recommended that other studies be done on the already established youth enterprises with a view of establishing the factors which influence the sustainability and performance of the enterprises.

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## APPENDICES

### Appendix i: Interview schedule

#### Section A:

1. Type and location of the business

.....

2. How old are you?.....years.

3. Gender of the respondents

Male            [ ]

Female         [ ]

4. (a) How many years of schooling or education have you completed? .....years.

(b) Highest education level attained

Primary            [ ]

Secondary         [ ]

Diploma            [ ]

Degree             [ ]

Masters/PhD       [ ]

#### Section B: factors affecting performance of new and upcoming youth enterprises.

##### Skills and training (learning)

5. Have you been trained on how to operate your business?

Yes                [ ]

No [ ]

6. If you have been trained on how to operate your business, do you think the skills in your business will help you in achieving the following business objectives.

	Yes very strongly	Yes	Neutral	No	Not at all
Managing time in my premises					
Handling customers well					
Managing my stock					
Keeping records on my business activities					

7. How else will you (do you) use your acquired skills in the management of other business, if any?

.....  
.....  
.....  
.....

8. If you have never been trained on business management. Do you anticipate any challenges? Which one? Would you like some training on business/enterprise management?

.....  
.....  
.....

**Entrepreneurial aptitude (Innovativeness)**

9. Have you introduced/going to introduce new or unique things/ processes in your business premises different from the other enterprises?

Yes [ ] No [ ]

10. (a) If your answer is yes in question 9, indicate the extent to which your innovativeness/uniqueness will be/has been of benefit to your business?

	Neutral or no benefit	Some benefit	A lot of benefit
New products			
New suppliers			
New location of my business			
A new way of handling customers			

(b) Explain exactly how each innovation will impact or has impacted your business.

.....  
 .....  
 .....  
 .....

11. What other new ways do you think your uniqueness/innovativeness will help your business performs better?

.....  
 .....  
 .....  
 .....

12. Do you have an entrepreneurial background or interests?



Yes [ ]      No    [ ]

13. If yes in Q12, has it influenced you to start your enterprise? Explain

.....  
.....  
.....  
.....

**Enterprise type**

14. What type of enterprise does you/will you run?

.....  
.....

15. Why did you choose this type of enterprise and not others?

.....  
.....  
.....  
.....

16. Are there any challenges facing your enterprise? What are they?

.....  
.....  
.....

17. Do you perceive your business as having advantage over other businesses? Explain.

.....  
.....  
.....

**Funds and government policies**

18. How did/ will you source capital for your business?

.....  
.....  
.....  
.....

19. Are you aware of the Youth funds?

Yes [ ] No [ ]

20. Have you benefited from the youth funds?

Yes [ ] No [ ]

21. If yes how have you benefitted from the funds?

.....  
.....  
.....

22. If no, explain why?

.....  
.....

23. Are there any government legislative policies which have interfered with your plans of starting your enterprises business?

Yes [ ] No [ ]

24. If yes, what are they? How have they affected your business?

.....  
.....  
.....

25. If no, explain.

.....  
.....

26. How else has funds and government policies influenced your plans for starting your business?

.....  
.....  
.....  
.....

Thank you.