

**IMPACT OF THE YOUTH ENTERPRISE DEVELOPMENT FUND ON THE
PERFORMANCE OF YOUTH OWNED ENTERPRISES IN KENYA: THE
CASE OF RUARAKA CONSTITUENCY, NAIROBI COUNTY**

**BY
RATEMO HEBISIBA KEMUNTO**

**RESEARCH PROJECT SUBMITTED TO THE UNIVERSITY OF NAIROBI,
SCHOOL OF ECONOMICS, IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF
ARTS IN ECONOMICS.**

NOVEMBER 2014

DECLARATION

This Research Paper is my original work and has not been presented for any award in any other university.

Ratemo, Hebisiba Kemunto

Reg. No.: X50/78391/2012

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

Approval

This research paper has been submitted with our approval as University supervisors.

Mr. Raphael Kabando (School of Economics, University of Nairobi)

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

Dr. George Ruigu (School of Economics, University of Nairobi)

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

DEDICATION

This paper is dedicated to my late parents Mr. and Mrs. Ratemo for the proper upbringing, education and care which has seen me this far, to my husband Louis and daughters Amy and Ashley for their patience and immeasurable support that they accorded me throughout my studies. May God bless them abundantly.

ACKNOWLEDGEMENT

The undertaking of this entire course was made possible by the Almighty God, my life and success is pegged on His mercies.

I am greatly indebted to my supervisors Mr. Raphael Kabando and Dr. George Ruigu for their relentless support, suggestions and constructive criticisms throughout this research paper. I am thankful to the School of Economics, University of Nairobi, who faithfully imparted their knowledge and experience throughout the course.

I am grateful to the Ministry of Devolution and Planning, Nairobi staff whose assistance enabled me to get the relevant information on Youth empowerment programmes and data. Special thanks go to YEDF constituency credit officers in Ruaraka who mobilized enumerators for data collection and gave advice on the best way to carry out the research. Special thanks to my fellow colleagues and classmates who were valuable to me and gave me moral support throughout my masters program.

Thank you all and may the good Lord reward you richly.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
LIST OF FIGURES	viii
LIST OF TABLES	ix
LIST OF ACRONYMS	x
ABSTRACT.....	xi
CHAPTER ONE: INTRODUCTION.....	1
1.1 Introduction to the study	1
1.2 Background to the problem.....	6
1.2.1 Youth unemployment.....	6
1.2.2 Micro-finance institutions	10
1.2.3 GOK policy on youth development	11
1.2.4 Youth Enterprise Development Fund (YEDF).....	14
1.2.4.1 Experiences of youth funds in other countries	17
1.2.5 Ruaraka constituency	18
1.3 Statement of the problem	19
1.4 Research questions.....	20
1.5 Objectives of the study.....	20
1.5.1 Specific objectives of the study include:.....	20
1.6 Hypothesis of the study.....	21
1.7 Significance of the study.....	21
1.8 Scope of the study	21
CHAPTER TWO: LITERATURE REVIEW.....	22
2.1 Introduction.....	22
2.2 Theoretical literature	22
2.3 Empirical literature review	25
2.3.1 Entrepreneurship (Enterprise Development).....	25

2.3.2 Youth Enterprise Development Fund (YEDF) in Kenya	34
2.4 Overview of literature review	36
CHAPTER THREE: METHODOLOGY	37
3.1 Model specification.....	37
3.2 Data	39
3.3 Data analysis	39
3.3.1 Data analysis procedure	39
3.3.2 Statistical tests	39
3.4 Target population	40
3.4.1 Ruaraka constituency	40
3.5 Sample and sampling procedure	40
CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF RESULTS	41
4.1 Introduction.....	41
4.2 Summary statistics	41
4.3 Distribution and accessibility of funds by youth entrepreneurs.....	42
4.4 Correlation analysis	45
4.4 Model specification tests.....	48
4.5 Cross-Sectional data characteristics.....	49
4.6 Tests for heteroscedasticity.....	49
4.7 Other diagnostic tests	50
4.8 Regression results for determinants of the successful youth owned enterprises in Ruaraka constituency, Nairobi County	51
4.9 Interpretation and discussion of the results	52
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND POLICY RECOMMENDATIONS.....	55
5.1 Introduction.....	55
5.2 Summary of the study findings.....	55
5.3 Conclusions.....	56

5.4 Policy recommendations	56
5.5 Areas for further studies.....	57
REFERENCES.....	59
APPENDICES	71
Appendix I : Data used in the analysis	71
Appendix II: The Questionnaire.....	72

LIST OF FIGURES

Figure 1: Kenyan enterprises by sector of activity (thousands of enterprises)	5
Figure 2: Kenyan youth unemployment rates (percent)	8
Figure 3: Scatter plots of squared residuals against the fitted values	50
Figure 4: Scatter plots of predicted residuals against fitted values.....	51

LIST OF TABLES

Table 1: National treasury fund disbursement to YEDF	14
Table 2: Types of loans offered by YEDF.....	15
Table 3: Factors influencing growth in small firms.....	27
Table 4: Factors relating to skills that influence the growth of small firms	28
Table 5: Descriptive statistics	42
Table 6: YEDF credit access.....	43
Table 7: Other sources of funding	44
Table 8: Overall credit accessed	45
Table 9: Correlation matrix.....	47
Table 10: Variance inflation factors	48
Table 11: Ramsey RESET test.....	48
Table 12: Shapiro Wilk test for normality	50
Figure 7: Scatter plots of predicted residuals against fitted values.....	51
Table 13: Regression results for linear regression model	52

LIST OF ACRONYMS

WYR	World Youth Report
ECOSOC	Economic and social council
ILO	International labor organization
YEN	Youth employment network
YES	Youth employment summit
AEO	African Economic Outlook
WDR	World Development Report
IEA	Institute of Economic Affairs
SME	Small and medium sized enterprises
SOC	State Owned Company
C-YES	Constituency youth enterprise scheme
E-YES	Easy youth enterprise scheme
EDP	Entrepreneurship development programme
KIHBS	Kenya Integrated Household Budget Survey
GEM	Global Entrepreneurship Monitor
KYEP	Kenya Youth Empowerment Project
MOYAS	Ministry of Youth Affairs and Sports
MTP	Medium-Term Plan
NYS	National Youth Service
YEDF	Youth Enterprise Development Fund

ABSTRACT

Youth Enterprise Development Fund (YEDF) developed a three year strategic plan in 2008 addressing various needs and aspirations of the youth and to address the challenges it had faced in the past and was currently working on a 5 year strategic plan in line with the Medium Term Plan (MTP) of the Vision 2030. The fund is constantly reviewing its operational mechanisms from time to time in order to make it responsive to needs and expectations of the youth. In order to achieve its vision of creating a sustainable and growing fund, which would economically empower Kenyan Youth and their strategic partnerships, there is a need to understand the key areas under which it contributes significantly. Therefore, this study investigated the impact of YEDF on the performance of youth owned enterprises specifically exploring the factors that influence youth owned enterprises in Kenya. The study variables used were turnover of an enterprise, access to credit, market linkages, business training, employment created, age of entrepreneur, business experience, gender, age of enterprise, tertiary and university education. With the use of ordinary least squares in estimation, the study used collected primary data which involved a sample of 41 youth owned SMEs in the area. The study results show tertiary education, age of entrepreneur, access to credit, market linkages and age of the enterprise as being statistically significant factors that influence youth enterprise performance at 5% significance level. The study concludes that YEDF plays an important role in improving youth enterprises through the positive and significant relationship revealed by market linkages and access to credit. Therefore, the study recommends the development of clear National Development objectives to meet the special needs of the Youth owned enterprises through formal policies and regulations that guarantee achievement of anticipated results of these enterprises.

CHAPTER ONE

INTRODUCTION

1.1 Introduction to the study

In 1995, the UN adopted the World Programme of Action (PoA) for Youth to the Year 2000 and beyond, setting forth a global framework to address key issues related to youth and reflecting a dialogue ongoing since the 1960s. The key issues concerning youth had been raised in internationally negotiated documents, such as the PoA of the 1994 International Conference on Population and Development. Development, peace, and participation have been the three most popular themes in the past four decades to raise issues of concern for youth. Reflecting these themes, the World PoA for youth outlined ten priority areas of concern for young people namely education, employment, hunger and poverty, health, environment, drug abuse, juvenile delinquency, leisure time activities, girls and young women, and participation(Advocates for youth,2012). This study will focus on youth unemployment.

In reference to the UN, Advocates for youth made an assertion that the number of youth between the ages of 15 and 24 was 1.1 billion, and youth constituted 18 percent of the global population. Youth and children accounted for nearly 40 percent of the world's population. Approximately 60 percent of youth lived in Asia, 15 percent in Africa, 10 percent in Latin America and the Caribbean, and the remaining 15 percent, in developed countries and regions. Increasing youth's knowledge, improving services for young people, and encouraging youth's participation in programme decisions would help all young people to lead healthier and more productive lives. They continued to say that about 85% of the world's population of youth lived in developing countries. Approximately 238 million youth lived in extreme poverty (live on less than \$1 a day), 462 million youth survive on less than \$2 a day. About 255 million young people lived in the 19 countries with the largest poverty gaps; 15 of these 19 countries are in SSA.

Estimation by experts is made that in the 49 countries classified as having a high proportion of undernourished people; 110 million youth live in hunger. Roughly 133 million youth in the world are illiterate and comprise 41% of the world's unemployed people (Advocates for youth, 2012).

A youth has various definitions, the UN definition of a youth is a person between the ages of 15 and 24 years, while in Africa a Youth varies among different countries for example in Uganda a youth is a person between ages 18 and 30 years. The Kenyan constitution seals the ambiguity of who is a youth by providing a definition in Article 260. This is a person who has attained 18 years but is below 35 years. Under the bill of rights (Article 21 (3)) the constitution obligates all state organs and officers to address the needs of vulnerable groups within society, including women, older members of society, persons with disabilities, children, youth, members of minority or marginalized communities, and members of particular ethnic, religious or cultural communities. The youth in Kenya, who number about 9.1 million, account for about 38% of the population. Of these, 51.7 % are female. The youth form 60% of the total labour force but many of them have not been absorbed in the job market owing to the country's high unemployment level (Kenya National Youth Policy, 2007). The number of persons enumerated during 2009 population and housing census in Kenya was 38,610,097 representing an increase of about 35% from the 1999 census. The population pyramid shows that the population of Kenya is still very youthful (KNBS, Kenya Census 2009). In this study we shall use the Kenyan definition. Generally, over 200million Africans are now officially designated as Youths that are 15 to 35 years of age.

Kenya formulated the Vision 2030 development agenda which would propel the country into a middle income country by the year 2030. According to the Vision 2030 strategy, the youths are regarded as an integral and important component especially towards wealth creation. That was because youth formed much of the human capital and therefore human development strategies implemented during that transitional period would have long-term impacts on the structure and quality of human capital. Young people, then and in the future, would be the principal stakeholders and beneficiaries of the Vision 2030 (implementation of the flagship projects and key national policies and programmes

identified under the Vision 2030 and the MTP) (MOP). Consequently, issues affecting young people will be fully integrated and harmonized into every aspect of public policy and across all ministries and Government agencies. Under the Vision 2030, specific policies and interventions will be implemented to fully develop their potential as well as prepare and engage them in the socio-economic development of the country. The interventions will cover the following fundamental areas: (i) Building capacity and empowerment to equip youth to engage in productive activities; (ii) Creating employment opportunities; (iii) Providing the youth with the necessary support (e.g., financial and market linkages) and; (iv) Supporting initiatives that mould character; (v) Strengthening programs to advance youth health and well-being and; (vi) Giving the youth a voice to articulate their issues as well as participate in decision making (Vision 2030, 2007).

In the AEO (2012), it was claimed that small enterprises were a major source of employment and income and entrepreneurship was argued to be key to economic growth in developing countries. Youth development in many parts of the world continued to face obstacles at local, national and international levels, despite the numerous international resolutions calling for states to provide young people with opportunities to participate fully in all aspects of society (ADB et al, African economic outlook, 2012). In Kenya the employment challenge has been growing overtime with the youth being the main casualties. Despite numerous policy efforts, poverty and unemployment continue to afflict many Kenyans. As a response to challenges of unemployment, the Government of Kenya established the Youth Enterprise Development Fund in the year 2006. The main mission was to increase economic opportunities and participation by Kenyan youth through enterprise development and strategic partnerships.

Kenya has faced strong demographic pressures (Omolo, 2012). According to UN estimates, the rate of population growth in Kenya peaked in the 1970s at a rate close to 4 percent. Since then, rates have been declining, but currently Kenya's population growth is still close to 3 percent. According to estimates, it will not be until the 2050s and 2070s that rates will be below 2 percent and 1 percent, respectively. Such rapid population growth has meant that the balance between those of working age and those that cannot or should not work for age reasons is not the most favorable. The dependency ratio reached

a peak in the 1990s, and, although it has decreased since then, it registered the rather high mark of 0.8 in 2010. It will only be towards the end of this century that the dependency ratio should be expected to reach its lowest point (UNDP, 2013).

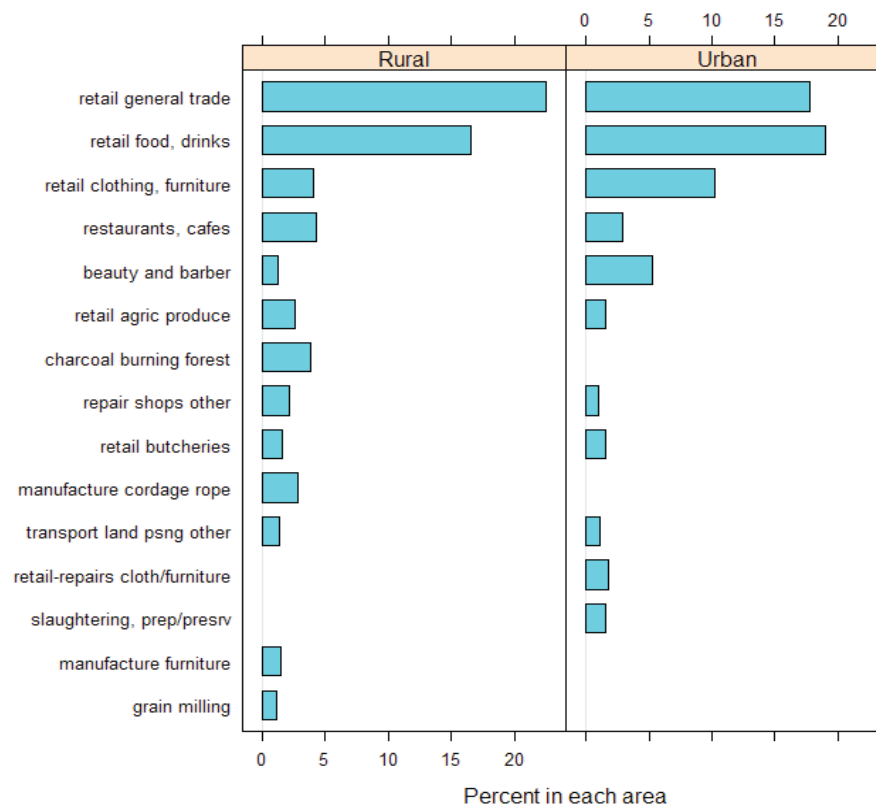
Despite their widely acknowledged importance, apprenticeship appears to be very limited in Kenya. According to the KIHBS, there were only about 30,000 people in apprenticeships at the time of the survey. Half of all apprentices do not receive a wage, they are also split in half in terms of urban and rural areas. Apprenticeship is a youth occupation; about 95% of apprentices are between 15 and 34 years of age. Only 6 percent of young apprentices are aged 30 to 34 years. Apprenticeship can play an important role for young people by smoothing the transition from school to the job market by helping them gain experience and skills and expanding their job opportunities and the possibility of opting for a better job. Given the small size of apprenticeship, it is clear that Kenya will benefit from an enlarged apprenticeship programme with adequate incentives to make a good match between young workers and employers (UNDP, 2013).

The Millennium Development Goals and targets were signed by 189 countries, including 147 Heads of State, in September 2000 .Five of the MDG's touch on Youth Issues namely achieving universal primary education, promoting gender equality and empowering women, combating HIV/AIDS, Malaria and other diseases, ensuring environmental sustainability and developing a global partnership for development. They represent a partnership between the developed countries and the developing countries determined to create an environment at the national and global levels alike which is conducive to development and the elimination of poverty (www.un.org, 15-12-2013).

In Africa, several African governments had developed entrepreneurial skills development programs in order to solve youth unemployment problem and ensure economic growth (Nafukho, 1998). It was important to note that money was only one of the resources that applied to a business; it was inevitable that entrepreneurship culture and expertise be first instilled to the youth and the prospective entrepreneurs. Potential adverse consequences of growth were insufficient working capital and a constraint on liquidity (Winker, 1999).

Chingunta (1999) postulated that the key challenges facing the Kenyan youth were a lack of necessary education, relevant training and the knowledge and skills required to enhance their absorption into the labor market. He further argued that initiatives needed to be put in place and implemented to ensure that the youth had adequate skills that could assist them in identifying and tapping into business opportunities and embracing modern business management techniques. His study revealed that entrepreneurship training had been seen as a way of thinking, reasoning and acting that was opportunity-obsessed, holistic in approach and leadership balanced towards an entrepreneurial culture.

Figure 1: Kenyan enterprises by sector of activity (thousands of enterprises)



Source: authors' calculations based on KIHBS 2005/06(UNDP 2013).

From the above figure 2, it is evident that retail trade is the predominant enterprise preferred by both rural and urban population. Manufacturing and industry has the least interested entrepreneurs.

1.2 Background to the problem

1.2.1 Youth unemployment

The ILO report said that the world was facing a worsening youth employment crisis where young people were three times more likely to be unemployed than adults and that almost 73 million youth worldwide were looking for work. The ILO had warned of a scarred generation of young workers facing a dangerous mix of high unemployment, increased inactivity (not in the labour force) and precarious work in developed countries, as well as persistently high working poverty in the developing world (www.ilo.org , 18-12-2013).

Youth unemployment around the globe had become a major challenge in the 21st Century. According to the World Youth Report (UNDP, 2005) in Africa, the Sub-Sahara is one of the regions highly affected by youth unemployment. According to the ILO (2005) projection, youth unemployment was estimated to be more than 21 percent of total unemployment, and that SSA would witness substantial growth in additional labor force of 28 million to 30 million between 2003 and 2015. Youth unemployment rates were approximately high in cities and among females.

While the national unemployment rates were about 10 percent, which is high for a country with large informal and traditional sectors, youth unemployment rates were usually much higher. The highest unemployment rates were for people around 20 years old, at 35 percent. Young people joining the labour market early, between 15 and 16 years of age, start with high unemployment rates of above 20 percent, but rates are even higher for older age groups and are highest for young people aged 18 to 20 years. After that age, unemployment rates decreased rapidly. Young people aged around 25 and 30 years old showed an unemployment rate of 25 percent and 15 percent, respectively, and as young people approached adulthood, rates get closer to 10 percent. According to this, not only is Kenya's employment challenge a youth issue, it is a more pronounced issue among those younger than 25 years of age (UNDP, 2013).

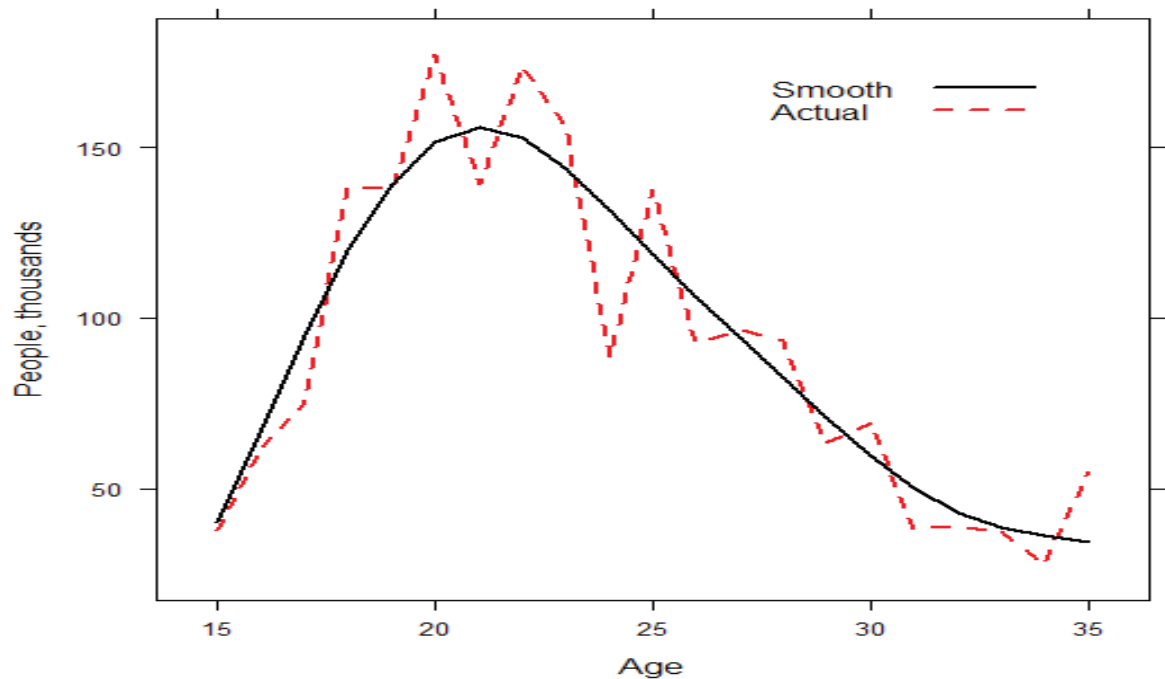
The report by AEO concurred that Youth employment was largely a problem of quality in low income countries (LICs) and one of quantity in middle income countries (MICs). Youth in vulnerable employment and working poverty are the large majority in poor

countries. In upper MIC's more youth are unemployed, discouraged or inactive than working. Compared to employed youth, the unemployed in LICs are relatively better off, and in MICs they are relatively worse. In LICs youth have to be able to afford unemployment and choose it over a job, most likely in the informal sector that pays very little. In MICs the informal sector was more constrained (due to a lower demand and government intervention) and did not absorb all youth. According to Johnson(2012) the workers in vulnerable employment represented the sum of own-account workers and contributing family workers who are less likely to have formal work arrangements, and are therefore more likely to lack decent working conditions, adequate social security and 'voice' through effective representation by trade unions and similar organizations. Vulnerable employment is often characterized by inadequate earnings, low productivity and difficult conditions of work that undermine workers' fundamental rights (AEO, 2012).

Many African youth were poor despite being employed and they deserved as much attention and support as youth that were not working. In many African countries the formal sector, the best job category, accounts for less than 15% of youth in the labor market. The global economic crisis had a strong negative impact on the employment profile of African youth. Between 2008 and 2010 good jobs declined, while jobs in family agriculture and informal activities picked up (ADB et al, African economic outlook, 2012).

From the Figure below we can depict the largest numbers of unemployed youth to be between 18 and 25 years, there are more than 125,000 unemployed people in each one-year age cohort. Only the youngest and oldest of the youth have less than 50,000 unemployed in each one-year age cohort. Again, this number is higher than that of any age in adulthood.

Figure 2: Kenyan Youth unemployment rates (percent)



Source: calculations based on KIHBS 2005/06, (UNDP 2013).

The problem of unemployment had since then continued to occupy the minds of policy planners in both the Government and the private sector. The third National Development Plan of 1974-78, while acknowledging the efforts made to address unemployment among the youth, warned that the problem would in future become uncontrollable. Efforts to initiate youth development programmes had been made in other subsequent policy documents, such as Sessional Paper No. 2 of 1992 on Small Scale and *Jua Kali* Enterprises, the 1997-2001 Development Plan and the National Poverty Eradication Plan 1999-2015, among others (Kenya National Youth Policy, 2007). The economic growth rate has not been sufficient to create enough employment opportunities to absorb the increasing labour force of about 500,000 annually. Most of these are the youth, only about 25% of whom are absorbed, leaving 75% to bear the burden of unemployment. Furthermore, some of those absorbed in the labour market have jobs that do not match their qualifications and specialization.

However, to reverse this trend, Kenya must see its growing youth population as an opportunity, not a liability. Forbes Africa recently released a list of Africa's 30 best entrepreneurs under 30. Notably, 7 out of the 30 entrepreneurs were Kenyan. The high number of Kenyans on the *Forbes Africa* list was representative of the energy, talent, and creativity that abound in the country (www.forbes.com, 10-12- 2013).

While youth unemployment was a widespread phenomenon in the world, the case was much worse in Kenya. Youth unemployment in Kenya was at 75% leading everyone to look for innovative solutions, today it's among the highest in the world. Evidently, unemployment in Kenya is a youth problem (Kenya, 2009). The situation was exacerbated by the shrinking economy amidst political instability and pervasive income inequality (WYR, UNDP 2007).

During the last four decades, and in recognition of Kenya's unemployment and underemployment difficulties, successive government administrations had assumed and prioritized employment creation as a core policy (Republic of Kenya, 1969; 1983; 2008b; 2008c sessional papers). In more recent times, policies aiming at employment creation had also focused on the youth. Important initiatives in this regard were *The Sector Plan for Labour, Youth and Human Resource Development Sector (2008–2012)* and the *Kazi Kwa Vijana* (KKV) programme. Launched in April 2009, the KKV aimed at annually employing between 200,000 and 300,000 young people in rural and urban areas in labour-intensive public works projects that were to be implemented by different government ministries led by the Office of the Prime Minister since 2011 (UNDP, 2013). Today, overall unemployment in Kenya stands at 40%, and 75% of those unemployed are youth. The World Bank (2013) estimated that approximately 500,000 Kenyans joined the labor market each year, and only 50,000 succeeded in getting formal sector jobs. Evidently, the high level of unemployment has been blamed for escalating incidents of crime and insecurity in the country.

1.2.2 Micro-finance institutions

In this section, we shall look at the role of enterprises in youth employment promotion with a specific focus on Microfinance. According to Yunus (2003), microfinance is a type of banking service which provides access to financial services to low income or unemployed people. Microfinance is where many poor people have permanent access to an appropriate range of high quality financial services, including savings, insurance, and remittances. Many of those who promoted microfinance generally believed that such access would help poor people out of poverty. It was a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses. The Microfinance Act, 2006 and the Microfinance Regulations issued there after set out the legal, regulatory and supervisory framework for the microfinance industry in Kenya.

Microfinance is a form of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group thus acting as social collateral. In Southern Africa, microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance model prevalent in mainstream banking (Internet-Wikipedia, 22-01-2013).

Traditionally, banks have not provided financial services, such as loans, to clients with little or no cash income. This is especially true in developing economies that lack a strong financial system. Banks incur substantial costs to manage a client account, regardless of how small the sums of money involved is. In addition, most poor people have few assets that can be secured by a bank as collateral. As documented extensively by De Soto (2003), if someone happened to own land in the developing world, they may not have a legitimate title to it. This meant that the bank would have limited recovery measures against defaulting borrowers.

From his analysis and findings, Aruwa (2004) made empirical conclusions with regard to financing options available to SMEs that adequate capital and credit had remained a key success factor for SMEs. The ranges of finance available were numerous, but there were no easy accesses to these funds. Inadequate access to financial resources and credit facilities in formal financial institutions continued to persist because there were more discerning in their choice of SMEs they chose to finance. These institutions granted more short term commercial credit to SMEs because of high interest charges than disbursement from SMIE fund. The un-regulated informal financial intermediaries provided substantial and effective access to credit facilities through savings mobilization. The disadvantage is that their portfolio did not address the problems of micro-enterprises whose level of financial need was still too low to meet the Fund's optimal scale of investment. They are also unaware of the advantages of using the stock market as a source of financing. He concluded that among the sampled SMEs, none had accessed the funds in the second-tier security market.

The problem of lack of access to credit was acute in LDC's. A review of 902 organizations in 96 countries listed under the Microcredit Summits Council of Practitioners revealed only 21 organizations with 'youth' in their title (Curtain, 2000).

1.2.3 GOK policy on youth development

In line with the Government, the National Youth Policy came in the face of a myriad of challenges facing the youth in Kenya. Although the number of organizations dealing with young people had increased over the years, the lack of a comprehensive policy made it difficult for these groups to effectively address these challenges. The GoK policy was aimed at ensuring the youth played their role, alongside adults, in the development of the country. The policy's goal was to promote youth participation in community and civic affairs and to ensure that youth programmes were youth centred. The policy proposed guidelines and strategies that could be used to facilitate participation of the youth in national development and spelled out the strategic areas that must be addressed in order for Kenya's young people to effectively play their role in nation building.

They include Employment creation, health, education and training, sports and recreation, the environment, art and culture, the media and participation and empowerment (Kenya National Youth Policy, 2007).

The policy further suggested the formation of a National Youth Council to facilitate, co-ordinate, monitor, advocate and promote youth issues and youth-led initiatives, under the ministry in charge. The Institutional Framework would minimize duplicity and enhance efficiency and effectiveness of service delivery to the youth. The National Youth Policy visualized a society where youth had an equal opportunity as other citizens to realize their fullest potential, productively participating in economic, social, political, cultural and religious life.

According to Bennell, (2000) it was the youth, women and other vulnerable people who seemed to have borne the brunt of the economic crisis. There was growing consensus among governments and development partners that specific policy measures were required to tackle the main barriers to employment generation for Africa's youth. One among these measures was entrepreneurship development.

Entrepreneurship Development Programme (EDP) seeks to move youth entrepreneurship into the mainstream of the economy with growth oriented and sustainable businesses. At a global policy level, the need to promote youth entrepreneurship had culminated in the convening of a panel on the youth employment network (YEN) by the secretary general of the United Nations as well as Civil Society-driven Youth employment Summit (YES) held in Alexandria, Egypt 2002. Kenya joined the world in global initiatives to address the youth unemployment through the YES launch in 2002 in Alexandria and hosted the 3rd YES Summit in September 2006 at KICC whose theme was the creation of market, unleashing entrepreneurs, building trade capacities, attracting foreign investment and building an entrepreneurial culture (Mwaniki, 2011).

In Kenya, the development of entrepreneurship amongst the youth could be traced to the Ominde report of 1964 on Education reforms, the Ndegwa report of 1971 on the Public Service structure and Remuneration and the ILO report of 1972 on Employment, Incomes and Equality. The three reports emphasized the importance of teaching business

education in schools as a strategy to develop entrepreneurship (Nafukho, 1998). The Mackay report of 1981 on Secondary University that led to the introduction of the 8-4-4 system of education had notable effects on the development of entrepreneurship education and training in the country's educational institutions (Republic of Kenya, 1988). The Kamunge report of 1988 recommended for the introduction of entrepreneurship education and training in all levels of training programs to promote self-employment among graduates of these institutions.

The Kenyan Government has made serious intervention efforts as far as Youth Unemployment and Underemployment is concerned, and this has mainly been through the Ministry of Youth affairs and Sports (MOYAS) currently the Directorate of Youth under the Ministry of Devolution and Planning, Kenya National Youth Policy (KNYP), The National Youth Council Bill (NYC), The Youth Employment Marshall Plan, Kenya Vision 2030 and First Medium Term Plan (2008-2012), the National Youth Service started in 1964. The various measures include but are not limited to

- ✓ Youth Enterprise Development Fund
- ✓ Women Enterprise Development Fund
- ✓ Youth Empowerment Centers
- ✓ Youth Polytechnics(offer technical, vocational, entrepreneurial skills)
- ✓ *Kazi Kwa Vijana* programme (KKV)
- ✓ KEPSA-Kenya private sector alliance
- ✓ Kenya National Talent Academy
- ✓ Regional Sports Stadia
- ✓ Campaign Programs against HIV, drug abuse, early motherhood etc.
- ✓ *Uwezo* Fund (recently rolled out in May 2014)

The National Youth Policy recognizes that the youth are a key resource that could be tapped for the benefit of the whole country. Thus, the policy endeavours to address issues affecting young people by providing broad-based strategies that can be used to give the youth meaningful opportunities to reach their maximum potential. It provides a broad framework within which all stakeholders, including the private and public sector and civil society, can contribute to youth development. The document goes further to suggest an

implementation mechanism. This policy is written in the context of existing sectoral policies, national development plans, international policies and charters to which Kenya is a signatory; as central to the holistic integration and inclusion of the youth in Kenya's development. Cognizance is given to the Charter of United Nations, the Commonwealth Youth Charter, Universal Declaration of Human Rights and the United Nations World Programme for the Youth to the Year 2000 and Beyond, among others (Kenya, Sessional paper No.3, 2007 on Youth).

1.2.4 Youth Enterprise Development Fund (YEDF)

YEDF in Kenya was established in 2006 with the sole purpose of reducing unemployment among the youth and was one of the flagship projects of Vision 2030 under the social pillar. The target of the fund was young people within the age bracket of 18 to 35 years and was gazetted on 8th December 2006 and transformed into a State Corporation on 11th May 2007. Its strategic focus was on enterprise development as a key strategy to increase economic opportunities for the youth in nation building. The government has so far released Kshs. 3.8 billion to the Fund through the national treasury as seen in the table 1 below (www.youthfund.go.ke/status report 2011, 18-12-2013).

Table 1: National treasury fund disbursement to YEDF

No.	Financial Year	Amount (KShs)
1.	2006/2007	1,000,000,000
2.	2007/2008	725,000,000
3.	2008/2009	499,914,170
4.	2009/2010	540,750,000
5.	2010/2011	550,000,000
6.	2011/2012	550,000,000
	TOTAL	3,865,664,170

Source: Status report YEDF (2007-2012)

In 2008 YEDF developed a three year strategic plan to address varied needs and aspirations of the youth, and to address the challenges it had faced in the past and was currently working on a 5 year strategic plan in line with the Medium Term Plan (MTP) of

the Vision 2030. The fund is constantly reviewing its operational mechanisms from time to time in order to make it responsive to needs and expectations of the youth. Its vision is to create a sustainable and growing fund, which would economically empower Kenyan Youth and their strategic partnerships.

YEDF objectives include providing loans to youth owned enterprises, attracting and facilitating investment in micro, small and medium enterprises oriented commercial infrastructure that will be beneficial to youth enterprises, supporting youth oriented micro, small and medium enterprises to develop linkages with large enterprises, facilitating the marketing of products and services of youth enterprises both in the domestic and the international markets, providing business development services to youth enterprises, facilitating employment of youth in the international labour market.

Table 2: Types of loans offered by YEDF

No.	Loan Type	Management Fee	Interest Charged	Amount (KShs)
1.	C-YES	5%	None	50-400 Thousand per group
2.	E-YES	8%	None	25-100 Thousand per member
3.	Hatcheries	10%	None	208 Thousand per applicant
4.	Greenhouse	10%	None	358 Thousand per applicant
5.	Direct Funding	1%	8% flat per annum	100 Thousand-2 million per applicant

Source: Status report YEDF (2007-2012)

They have also launched a Film production loan and a Procurement loan to Fund Tenders given to the Youth after the directive by the president that all State organizations should give 30% of their procurement to youth, women and persons with disabilities. The Fund provides loans to youth enterprises through district committees and Financial Intermediaries. Every constituency has been allocated a revolving fund of Kshs. 4.5 million. It has formed community committees at district level, which vet applications forwarded by youth groups. The Fund has however introduced a new product where individuals with unique ideas can directly borrow from the Fund without belonging to

groups. This component has no interest, and only a one-off management fee of 5% (www.youthfund.go.ke/status_report_2011, 18-12-2013). The types of loan products available from the fund are shown in Table 2 above.

YEDF has partnered with 36 financial intermediaries which include, Non Governmental Organizations (NGOs), Savings and Credit Cooperatives (SACCOs), and Micro Finance Institutions (MFIs), from which the Youth access funds to start or expand viable businesses. The Financial Intermediaries manage funds which the youth will access either as individuals or as organized entities.

The youth enterprise fund guide 2009 indicated that the loan access procedures included:

- ✓ Having a registered group/company/cooperative which had been in existence for at least 3 months as of the date of application,
- ✓ The registered entity must have a bank account in the name of the group/individual,
- ✓ The entity must have at least 70% youth membership and 100% of its leadership in the youth bracket,
- ✓ It must prepare a business proposal using the standard format provided,
- ✓ Must submit the proposal form to Divisional Youth Enterprise Development Fund Committee through Youth Officers, Social Development Assistants, or the Constituency Office,

The Divisional Youth Enterprise Development Fund Committee evaluates the proposals using an evaluation guide provided by the Ministry of State for Youth Affairs, the recommended proposals are later submitted to the District Youth Enterprise Development Fund Committee for validation and approval which then submits the approved proposals to the YEDF Secretariat who disburse the funds directly to the bank accounts of the approved groups and the Entity starts repaying the loan in installments after the grace period into the bank account of the YEDF (YEDF, 2009).

Currently, the Fund has advanced loans worth Kshs. 5.9 billion to 158,000 youth enterprises. Out of this amount Kshs. 615 million has been advanced to 13,341 group projects while Kshs. 66 million has been disbursed to 2645 individual enterprises at the constituency level. Through financial intermediaries the Fund has financed 141,552 groups and individual enterprises to the tune of Kshs. 5.2 billion. It has further trained over 200,000 youth in entrepreneurship and assisted 1,800 to market their products and services. A further 6,000 youth had been facilitated to obtain employment abroad (YEDF status report 2007-2012).

1.2.4.1 Experiences of youth funds in other countries

Zimbabwe also has a CBZ Youth Development Fund, which is structured along the private-public partnership model, this makes the process of supporting youth enterprise more efficient, as youth welfare is a shared responsibility (Mubaiwa, 2013). To address low youth employment, the Government of Swaziland developed the National Youth Policy and established the Youth Enterprise Fund (YEF) in 2009. In terms of non-state initiatives, international NGO, TechnoServe, has been supporting Swazi SMEs, including those owned by youth, since 2006. The YEF provides start-up capital for young individuals (aged 18 – 35), companies and associations and facilitates training of young entrepreneurs and links them with large corporations. The report says that YEF currently faces low repayment rates as some of its young borrowers had not started yet the enterprise they outlined in the business plan, or started and failed. This situation was mostly a result of disbursed funds not being adequately monitored and certain weaknesses in the YEF's business proposal assessment process. A viable recapitalization strategy for the YEF needs to be created to reduce the Fund's dependence on unstable Government financing (Brixiova et al, 2014).

The study confesses that in Ghana, the Government had taken a sectoral approach to the problem and developed a National Youth Employment Program that aims to actively engage youth in productive employment where they would need health extension workers, waste and sanitation workers, teachers, and as paid interns in industry (Kwame et al, 2013).

In Indonesia, the labour ministry has a TKPMP programme, *Tenaga Kerja Pemuda Mandiri Professional* or Youth Professional Entrepreneur Development (YPED) which is the champion of the youth employment program. This program has been in operation for a long time and is considered successful. Even though the target group covers only college or university graduates, the indirect target is expected to spill over onto the less educated young people. After completing the training program those young graduates are expected to be able to establish their own business and could also create employment for others. In the Philippines, The National Youth Commission (NYC), in line with its function to formulate a national framework for youth development, has prepared a Medium Term Youth Development Plan for 2005-2009 (Asean & ILO, 2009).

1.2.5 Ruaraka constituency

The study was centred in Ruaraka Constituency in Kenya, Nairobi County. Nairobi County has a total of 17 constituencies which vary in their socio-economic and demographic characteristics. Ruaraka Constituency has a population of 192,620 (National 2009) with an area In Sq. Km (Approx.) 7.20. The constituency has the following County Assembly Wards, Babadogo Ward (Comprises Part of Ruaraka Sub-Locations), Utalii Ward (Comprises Mathare 4 A and Utalii Sub-Locations), Mathare North Ward (Comprises Mathare Sub-Location), Lucky Summer Ward (Comprises Parts of Ruaraka Sub-Location), Korogocho Ward (Comprises Korogocho, Nyayo and Gitathuru Sub-Locations). The area was chosen because of its high population growth rate both natural and through immigration, it also has 6 slums and has recently experienced accelerated growth in the business sector (supply and demand) which was heavily driven by the completion of the Thika Super Highway. The demographic and social economic status of Ruaraka reflects both extremes within the economic spectrum therefore the researcher is likely to capture youth entrepreneurs from both high and low income areas. It was equally affected by PEV especially the Mathare informal settlement. The area is within the Nairobi Metropolitan area which contributes approximately 50% of Kenya's GDP therefore it is important to understand the youth owned enterprises.

1.3 Statement of the problem

YEDF has been the most elaborate and deliberate effort by the Kenyan Government in trying to address the issue of youth unemployment by developing youth enterprises to create jobs. The subject on Youth Enterprise Fund has not been deeply explored and one has to rely on government reports to get an insight into the programme as clearly depicted from literature. This research will seek to answer the question as to whether there is a mismatch between the expected performance of YEDF in addressing this issue and its set objectives. This will be achieved by assessing the performance and growth of the funded youth enterprises with a specific bias to Ruaraka constituency. It has been argued that the initial Kshs50 thousand given to the Youth Groups cannot start a profitable venture to generate enough to repay the loan and earn income and make the youth self-reliant (Wanyoko, 2012).

Small enterprises play an important role in the Kenyan Economy. According to the Economic Survey (2006), the sector contributed over 50% of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five SME businesses fail within the first few months of operation (KNBS, 2007). While little evidence exists that these small firms grow into medium-size firms (employing 50 to 100 workers), many of these small firms have the potential to grow and add one to five employees (Fadahunsi, 2012). The GoK of Kenya conceived the idea of institutional financing to provide young people with access to finance self-employment activities and entrepreneurial skills development as a way of addressing unemployment and poverty which essentially are youth problems (GoK, 2009). This YEDF concept is based on the premise that encouraging micro, small, and medium enterprise development initiatives is likely to have the biggest impact on job creation (MOYAs, 2010). The Fund has continued to diversify its product base by focusing on interventions that are more responsive to the needs of the youth and are geared towards addressing specific challenges facing young entrepreneurs (MOYAs, 2010).

But even with strategies for accelerated youth development in Kenya in place, it is apparent that economic development of the youth has been slower than expected, leading to prolonged gross socio-economic disparities between the youth and the rest of the

population. Whereas the underlying premise is that employment can be achieved by enhancing access to financial resources, entrepreneurship policies should focus on growth of the youth enterprises too. This implies that the existing mechanisms of planning and managing of youth enterprises is either inadequate or inappropriate. Thus the question which arises is what the problem is and what needs to be done to improve the development and performance of youth enterprises. Herein lies the thrust of this study. This research therefore seeks to scrutinize the management strategies adopted by YEDF in Ruaraka constituency which will reflect on urban Kenya in general. This is with the view of suggesting appropriate remedial measures on how to address the inadequacies noted on the same in order to meet the challenge of improving the performance of youth enterprises for the present and future needs.

1.4 Research questions

- i. What are the factors that determine the performance of youth owned enterprises at Ruaraka Constituency, Nairobi County?
- ii. What contributions have these factors given to the performance of youth owned enterprises?
- iii. What policy recommendations would strengthen the performance of youth owned enterprises?

1.5 Objectives of the study

The primary objective of this study is to investigate the impact of the Youth Enterprise Development Fund on the performance of Youth owned enterprises in Ruaraka Constituency, Nairobi County.

1.5.1 Specific objectives of the study include:

- i. To identify the factors that determine the performance of youth owned enterprises at Ruaraka Constituency, Nairobi County.
- ii. To analyse the contribution of these factors in the performance of youth owned enterprises.
- iii. To generate policy recommendations for strengthening the performance of youth owned enterprises.

1.6 Hypothesis of the study

This study will test the hypothesis that YEDF has significantly impacted positively on the performance and development of youth owned enterprises beside other contributing factors.

1.7 Significance of the study

Provision of data and information hitherto not available to assist the government to measure the success of YEDF in reducing youth unemployment rates in the country through development of youth owned enterprises, it will help in the identification of areas of weaknesses in the operations of YEDF and seek ways of eliminating or reducing them so as to maximize the benefits to Kenyan youth. It will act as an evaluation to the YEDF board. Research findings can be used by other researchers and academicians interested in the area. Policy makers can use the findings as reference for policy guidelines on management of YEDF. This study will contribute to literature by addressing the areas of weakness as regards Government efforts to empower the youth since the inception of YEDF in 2007 and suggest remedial measures plus give areas of further study (Women Enterprise Fund, *Uwezo* Fund).

1.8 Scope of the study

The scope of this study will be Ruaraka Constituency, Nairobi County and will be focused on youth entrepreneurs who have been funded by YEDF either individually or through their youth groups between 2007 and 2014 and are registered with the ministry of social services. The researchers work experience and conversance with the area dynamics will be an added advantage. A limitation to the study will be the areas that are going to be left out.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on creation of youth entrepreneurs from global, African and Kenyan perspectives, performance of the youth enterprises and their impact as far as reducing youth unemployment is concerned. Theoretical literature is mainly from text books, journals, internet and other literally materials which are reviewed in line with the research hypothesis of the study in order to identify the knowledge gaps. The empirical literature presents studies undertaken on enterprise/firm performance. An overview is given finally.

2.2 Theoretical literature

The challenges of youth entrepreneurs globally were remarkably similar and thus necessitated investigation into the financial and non-financial support required to enable their success. Schoof (2006) argued that there existed five key constraints and barriers to youth entrepreneurship in general: social and cultural attitude towards youth entrepreneurship, entrepreneurship education, access to finance, administrative and regulatory framework, and business assistance and support. Llisterri et al (2006) also noted that lack of experience and resources caused early failure of business.

The Theory of Business Enterprise by Thorstein Veblen (1904) looks at the growing corporate domination of culture and the economy. He claims that businessmen are motivated solely by pecuniary gain through purchase and sale, the aim and usual outcome being an accumulation of wealth and those businesses engage significantly in competitive selling through advertising, buying, selling and charging what the market will afford.

In **the active learning model** (Erickson and Pakes, 1995), a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the firm. The potential and actual growth changes overtime in response to the outcomes of the firm's own investment, and those of other actors in the same market.

According to this model of learning, owners could raise their efficiency through formal education and training that increases their skills. Entrepreneurs with higher formal education, work experience, and training would therefore be expected to grow faster.

The passive learning model (Jovanovic, 1982) claims that a firm enters a market without knowing its own potential growth. After entry the firm starts to learn about the distribution of its own profitability based on information from profits. By continually updating such learning, the firm may decide to expand, contract, or to exit. This learning model states that firms learn about their efficiency once they are established. Firms expand their activities when managers observe that their estimation of managerial efficiency has understated actual levels of efficiency. As firm ages, the owner's estimation of efficiency becomes more accurate, decreasing the probability that the output will widely differ yearly. The implication of this theoretical model is that smaller and younger firms should have higher and more viable growth rates (Cunningham et al 2001 & Goedhuys 2002).

Stochastic and deterministic approaches are other sets of growth theories of firms. The stochastic model, which is also known as the Gibrat's Law, argues that all changes in size are due to chance. Thus, the size and age of firms has no effect on the growth of SMEs. According to Becchetti and Trovato (2002) empirical of the law has indicated that it only considers size and age as potential variables which may significantly affect firm growth by neglecting other explanatory variables which may significantly affect firm growth. The deterministic approach assumes, on the contrary, that differences in the rates of growth across firms depend on a set of observable industry and firm specific characteristics (Becchetti and Trovato, 2002 and Pier Giovanni et al, 2002).

According to Bruton et al. 2006, entrepreneurship training provided skills and training for business creation and development. It could play a major role in changing attitudes of young people and providing them with skills that would enable them to start and manage small enterprises at some point in their lives. In a report developed collaboratively with the UNDP and the ILO, Kenya was encouraged to develop a training capacity in entrepreneurship that could lead to the creation of an enterprise culture in the country.

Lack of business skills had been identified as a key barrier to youth's entrepreneurship. According to Ghai cited in Chigunta et al., (2005), entrepreneurship among young people is affected by a number of factors, including lack of skills, social capital, knowledge and experience which have led to poor overall performance of youth enterprises. On this account, youth enterprises are highly vulnerable to failure (Entwistle, 2008).

From an economic perspective, however, enterprises are not just suppliers, but also consumers. This plays an important role if they are able to position themselves in a market with purchasing power, their demand for industrial or consumer goods will stimulate the activity of their suppliers, just as their own activity is stimulated by the demands of their clients. Demand in the form of investment plays a dual role, both from a demand-side (with regard to the suppliers of industrial goods) and on the supply side (through the potential for new production arising from upgraded equipment). In addition, demand is important to the income-generation potential of SMEs and their ability to stimulate the demand for both consumer and capital goods (Berry *et al.*, 2002).

In a study conducted on evaluation of funding SMEs in Nigeria by Ogboru, (2007). It was found out that SMEs were fully recognized by governments and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. The development of the SME sector therefore represented an essential element in the growth strategy of most economies and held particular significance in the case of Nigeria. SMEs not only contributed significantly to improved living standards, employment generation and poverty reduction but also brought about substantial domestic or local capital formation and achieved high levels of productivity and capability.

Selling ideas and their products is an entrepreneurial skill that cannot be undervalued. Appealing presentations, direct selling and determining sales quotas accurately are tasks that entrepreneurs must be able to achieve. Enhancing their marketing skills by acquiring knowledge and practice is essential. Being customer oriented is an entrepreneurial skill that helps them to satisfy the needs of their customers.

An entrepreneur must be customer focused. Finally, it is they who decide if the business will grow, it is normally easy to keep your regular customers happy rather than try to attract new customers (Buckley, 1993). Ability to adapt to a different environment is an entrepreneurial skill that defines the outcome of success in a dynamic environment.

Economic empowerment programmes that empower the youth to have an entrepreneurial culture and foster enterprise creation are key to increasing youth employment and alleviating the vicious cycle of poverty and social exclusion. Some examples of empowerment programmes include equipping youth with skills, giving access to capital so that they can start or expand their own business enterprises and ensuring collaborations with institutions and youth groups. Governments need to encourage a broad and dynamic concept of entrepreneurship to stimulate both individual initiative and broader initiatives in a wide range of organizations which include the private sector: small and large enterprises, cooperatives, and the public sector, workers and youth organizations. SME's, Micro and micro credit could provide opportunities for income generation in the absence of a formal economic structure as is evident in most developing countries (ILO, 2010), Baum et al (2007) found that entrepreneur's personal characteristics were the most important factors for business success.

2.3 Empirical literature review

2.3.1 Entrepreneurship (Enterprise Development)

Gartner (1989) defined an entrepreneur as someone who creates new independent organizations. Schumpeter (1934) 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 organization of business management processes. On the other hand, Shane and Venkataraman (2000) define entrepreneurship as a field of business that seeks to understand how opportunities to create something new created by specific persons, who then use various means to exploit or develop them, thus producing a wide range of effects.

Dollinger (2003) on the other hand interprets entrepreneurship as the creation of an innovative economic organization for the purposes of gain/growth under conditions of risk and uncertainty.

The research by Meager, Martin and Carta (2011) represented one of the most important sources for statistical analysis of the links between self-employment and business skills. The evidence suggested that a wide range of the generic competences are important for success in self-employment over any occupational skills which may be required. They included the individual's values, beliefs and attitudes; soft skills including interpersonal, communication and networking skills; realistic awareness of the risks and benefits of self-employment; functional business skills; and relevant business knowledge. Further, the research underscores the importance of prior work experience to success in self-employment.

According to the ILO, entrepreneurship is a young area of research, youth entrepreneurship is even younger and much of the research literature was from high-income or middle-income countries. There is thus a lack of empirical evidence from developing economies, which was largely due to unavailable data. Given that youth entrepreneurship was a relatively new field the literature was therefore even scarcer on the specifics of youth entrepreneurship in developing countries and available research is not disaggregated by age (ILO Geneva, 2009).

A report, submitted by Education Development Center, Inc. (EDC) in 2009 to USAID sought to understand cross sectoral needs of youth, their risks and opportunities. The main aim of the work was to examine youth as a highly exploited and vulnerable group and its assessment was designed to analyze issues connected with unemployment and lack of opportunity for gaining a livelihood, inequalities in resource distribution and marginalization, rapid urbanization, lack of trust in institutions and leadership, incitement and formation of gangs, inadequate system of education and training and teenage pregnancies. Youth vulnerability in Kenya is traced to the colonial and post-colonial Kenyan experience (UNICEF and IEA-Kenya 2012).

Matlay (2008) in his study found that graduate needs for entrepreneurship education did not match actual outcomes in terms of entrepreneurial skills, knowledge and attitudes. This mismatch influenced an entrepreneur's perceptions of actual and future educational needs. Most of the graduate entrepreneurs, however, seem to be satisfied with the outcomes of their entrepreneurship education, both in relative and in absolute terms. Khan et al (2011) study results showed that training and development, on-the-job training, training design and delivery style had significant effect on organizational performance and all these positively affected organizational performance.

Table 3: Factors influencing growth in small firms (Storey, 1994)

ENTREPRENEUR	FIRM	STRATEGY
Motivation	Age	Workforce Training
Unemployment	Sector	Management Training
Education	Legal Form	External Equity
Management Experience	Location	Technology
Number of Founders	Size	Market positioning
Prior Self-employment	Ownership	Market adjustments
Family History		Planning
Social Marginality		New products
Functional Skills		Management recruitment
Training		State support
Age		Customer concentration
Gender		Competition
Prior business failure		Information and advice
Prior sector experience		Exporting
Prior firm size experience		

Table 4: Factors relating to skills that influence the growth of small firms (Storey, 1994)

Entrepreneurship Skills	Technical Skills	Management Skills
Inner Discipline	Operations specific to industry	Planning
Ability to take risk	Communications	Decision-making
Innovative	Design	Motivating
Change-Oriented	Research & Development	Marketing
Persistence	Environmental observation	Finance
		Selling

In reference to Tables 3 and 4 above, Storey emphasizes on the listed factors and their significant contributions to the growth of any business enterprise plus the strategies that can go a long way to help achieve business success and sustainability. The Kenya National Human Development report (2009) revealed in their report that the two most binding constraints to small business success amongst Kenyan youth entrepreneurs were inadequate business development skills and poor access to credit. The lack of business skills was aggravated by inadequate experience in their work environment. Most youth who intended to go into business had inadequate or lacked skills to identify the appropriate business lines to invest in and effective product development and marketing. This is the reason for the high failure rates of small enterprises, with up to 80% of new businesses collapsing within their first three years of operation. They concluded that embedding entrepreneurship curricula at an early age and in secondary and tertiary schools would be an effective way of improving attitudes towards entrepreneurship and enterprise development for the youth.

A study by Ahiawodzi and Adade, (2012), examined the effect of access to credit on the growth of SMEs on the Ho Municipality of Volta Region of Ghana by using both survey and econometric methods. The survey involved a sample of 78 SMEs in the manufacturing sector. The specified econometric model had firm growth as the dependent variable, and the independent variables included access to credit, total current investment,

age of the firm, start-up capital, education level and annual turnover of the firm. Both survey and econometric results showed that access to credit exerts a significant positive effect on growth of SMEs in the Ho-Municipality of Ghana- the main policy implication of the study therefore was that the government should try hard to meet the credit needs of the SMEs in the country for a speedy economic growth.

Woldie et al (2008) in their study on Factors influencing small and medium enterprises found that SME growth was largely influenced by firm characteristics such as age, sector, legal status and number of employees. Owner characteristics proved seem to influence growth include age, education, previous experience, and three motivation variables, namely finance, employment creation and self-fulfillment. Owner/manager characteristics such as gender and two motivational variables such as desire to be independent and job satisfaction were not seen to exert an influence on SME growth in our sampled firms in Nigeria.

In reference to the study by Chirwa, (2008) who studied the effects of gender on the performance of micro and small enterprises, there were four main categories of factors that affected the performance of business enterprises which included human capital, personal characteristics, family characteristics and business characteristics. She used two performance indicators, profit margin and growth in employment. Women were increasingly venturing into ownership of micro and small enterprises, either on their own or in partnership with male entrepreneurs. Using national survey data from Malawi, the study compared the performance of enterprises owned by females with those owned by males. The results showed that the relationship between gender and business performance was complex. While there were no significant differences in profit margins, female-owned enterprises tended to grow more rapidly in terms of employment than male-owned ones. Gender-based regression results also showed that while there were common factors that affected the performance of both kinds of enterprise, there were also differential effects in which education was a critical factor for the success of female-owned enterprises.

Gender has an impact upon women's enterprise activities in that, invariably, women often have fewer of their own resources and poorer access to resources than men, and they have less control over their own time, labour and mobility, and less access to formal education and skills training. Certain sectors and sources of employment may be closed, either formally or informally, to women, and some support services may be harder for women to access and obtain (Richardson et al, 2004).

SMEs seemed to have advantages over their large-scale competitors in that they were able to adapt more easily to market conditions, given their broadly skilled technologies. They were able to withstand adverse economic conditions because of their flexible nature (Kayanula & Quartey, 2000). SMEs were more labour intensive than larger firms and therefore had lower capital costs associated with job creation (Liedholm & Mead, 1987). They performed useful roles in ensuring income stability, growth and employment. Since SMEs were labour intensive, they were more likely to succeed in smaller urban centres and rural areas, where they could contribute to a more even distribution of economic activity in a region and could help to slow the flow of migration to large cities. Due to their regional dispersion and their labour intensity, it is argued, small-scale production units can promote a more equitable distribution of income than large firms. They also improved the efficiency of domestic markets and made productive use of scarce resources, thus facilitating long-term economic growth (Kayanula & Quartey, 2000).

Amenya et al. (2010) stated that youth predominantly worked as shopkeepers, street retailers and hairdressers. The study further revealed that a majority of these youth did not know about local institutions and thus were unlikely to directly benefit from local development Programmes. Lack of an employment opportunity, trading premises, work sites and trading facilities to the youth entrepreneurs hindered progression. Gudda & Ngoze (2009) posited that through collaborations and strategic partnerships, business incubators could support the successful development of entrepreneurial projects of youth business ideas through an array of business support resources and services. The report further revealed that collaborative linkages and strategic partnerships provided the necessary infrastructure that could make a substantial contribution to employment

creation and drive an entrepreneurial culture to self-employment by creating jobs directly and successful businesses. Innovation, through the use of new technologies, increases productivity and further expand existing market opportunities, which in turn strengthens incentives to innovate. Small businesses therefore contributed to one of the key pillars of sustained economic growth.

Most SMEs died within their first five years of existence. Another smaller percentage goes into extinction between the sixth and tenth year thus only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as to the contributing factors to the premature death. Key among this include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right calibre staff, planlessness, cut-throat competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and over-concentration of decision making on one (key) person, usually the owner (Onuorah, 2009).

Matovu and Birungi (2013) examined types of shocks and risks experienced by vulnerable groups and the coping mechanisms used to address different types of shocks. They used probit model to achieve their objectives. The study further explored sources of financing enterprises owned by women. They concluded that access to social assistance protections increased probability of women owned enterprises as well as asset accumulation. From the study, social protection was seen to be an integral part of government effort to reduce poverty, vulnerability and economic inequality. The study was carried out in rural areas which may have contributed to majority of the women owning assets.

Empirical evidence indicates that young people got involved in enterprise to solve socio-economic problems such as lack of employment, income generation and contending with poverty (Chigunta, 2002). Research suggests that the propensity towards

entrepreneurship has been associated with several personal characteristics that can be influenced by a formal program of education (Bechard & Toulouse, 1998; Gorman 1997). Plaschka & Welsch (1990) introduced the concept of transition stages of entrepreneurship education suggesting programs should be geared toward creativity, multi-disciplinarity and process-oriented approaches and theory based practical applications.

Entrepreneurship had become a vital driver for economic growth, economic competitiveness, job creation and the advancement of societal interests (Linan et al, 2005). Van Praag and Versloot (2007), based on a literature review of 57 studies on the relationship between small enterprises and economic growth concluded that entrepreneurs played a very important role in the economy. According to the authors, these smaller enterprises generated employment opportunities, economic growth and produced commercial innovations of high quality. Consequently, there is a growing appreciation within Government, Development Community and civil society that an important aspect of holistic and all inclusive development was the active participation and involvement of women and the youth in decision making. Such an orientation in effect achieved gender equality and empowering women was considered to be one avenue for promoting women's rights, empowerment, and leadership actively by positioning them at the center of economic development.

There is evidence of positive advantages to stimulating youth entrepreneurship, young entrepreneurs were more likely to hire fellow youths, were particularly responsive to new economic opportunities and trends, had generally better computer skills, are more present in high growth sectors, young people with entrepreneurial skills are better employees (Meager, 2003). An OECD study showed that while young people were more likely to have positive attitudes to self-employment, they were less likely to be self-employed in practice. Further, the same study found that those who became self-employed had higher life satisfaction than youth in the same age group, and young men were more likely to be self-employed than young women (Blanchflower and Oswald 1999).

According to one UK study (Tackey and Perryman 1999), young graduates who started a business were motivated primarily by desires for independence and flexibility rather than either job security or riches. Furthermore, evidence from Italy showed that young people were more innovative and often created new forms of independent work (Belussi, 1999). Previously insulated from international competition, many SMEs are now faced with greater external competition and the need to expand market share. However, their limited international marketing experience, poor quality control and product standardisation, and little access to international partners, continue to impede SMEs' expansion into international markets (Aryeetey *et al.*, 1994). They also lacked the necessary information about foreign markets.

One important problem that SMEs often faced was access to capital (Lader, 1996). Lack of adequate financial resources places significant constraints on SME development. Cook and Nixon (2000) observe that, notwithstanding the recognition of the role of SMEs in the development process in many developing countries, SMEs development was always constrained by the limited availability of financial resources to meet a variety of operational and investment needs. A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker *et al.*, 1995). Levy (1993) also found that there was limited access to financial resources available to smaller enterprises compared to larger organisations and the consequences for their growth and development. The role of finance has been viewed as a critical element for the development of SMEs (Cook & Nixon, 2000).

Other constraints SMEs faced included: lack of access to appropriate technology; the existence of laws, regulations and rules that impeded the development of the sector; weak institutional capacity and lack of management skills and training (Parker *et al.*, 1995; Kayanula & Quartey, 2000). However, potential providers of finance, whether formal or informal, are unlikely to commit funds to a business which they view as not being on a sound footing, irrespective of the exact nature of the unsoundness.

Lack of funds may be the immediate reason for a business failing to start or to progress, even when the more fundamental reason lies elsewhere. Finance is said to be the “glue” that holds together all the diverse aspects involved in small business start-up and development (Green *et al.*, 2002).

Global Entrepreneurship Monitor data showed that young people (18-24) who were starting up intended to create more employment opportunities than the other age groups in the research, in middle to low-income countries, and that more than half of the high-expectation new entrepreneurs (those who aim to create at least 20 new jobs in the next 5 years) were under 34 years old. GEM recognizes that while not all expectations are materialized growth aspirations have shown to be a good predictor of eventual growth (GEM 2005) (ILO Geneva, 2009). Young entrepreneurs had great difficulty in gaining access to traditional sources of financing because they tended to have little experience and few assets, financial institutions tended to see them as too risky despite the modest amounts of investment they may require. And because they are starting from scratch, they are often too small to be of interest to most angel investors and venture capitalists. Governments therefore should support alternative mechanisms and institutions that provide young entrepreneurs with the capital they need to start and grow their businesses (G-20 Young entrepreneur summit 2010).

In reference to the ILO report, ASEAN Member Countries had also recognized the need to collectively address the youth employment challenge. In 2003, ASEAN Member Countries adopted the Manila Declaration on Strengthening Participation in Sustainable Youth Employment. Youth entrepreneurship is an important element of the Vientiane Action Programme. In 2007, the ASEAN Secretariat with the support of the ILO organized a workshop on youth entrepreneurship, aimed at the exchange of good practices in the area (Asean & ILO, 2009).

2.3.2 Youth Enterprise Development Fund (YEDF) in Kenya

Rogito (2010) carried out a research on the influence of M&E on YEDF projects and found out that projects are poorly implemented because few implementers have trainings in M&E, poorly done baseline survey study leading to the failure of the projects. In his

suggestions for further research he identified how M&E could be availed to the youth projects and how baseline survey could be done efficiently on the youth projects.

A study by Odhiambo et al. (2013) sought to determine the effect of the YEDF on youth enterprises. The study concluded that YEDF had not had a significant effect on youth enterprises and recommended an increase in the number of financial intermediaries (FIs) in partnership with the fund and an active involvement of all the stakeholders in mobilization of the youth on group formation and YEDF activities. The variables used were Number of Successful Applicants against total number of applicants for YEDF loans in average, amount of loan disbursed in each Constituency and revolved repayment.

Maisiba *et al* (2014) looked at the role of YEDF in job creation and asserted that Kenyan youth, in addition to being equipped with skills, needed to be given access to capital so that they could start or expand their own business enterprises and change from being job seekers to job creators and that the Fund did not have adequate structures to disburse funds. They concluded that the average nominal loan values disbursed was found to be low, insufficient and unsustainable; the result had been massive loan default, with many youth enterprises becoming shadows of their true potential. The study recommended that further studies should be done on appropriate funding of YEDF in Kenya. It would be beneficial to study the best strategies for disbursement of the funds to maximize its effectiveness. To have a more authoritative source of the status of enterprise development youth creation in the counties, there should be a cross sectional study in as many constituency as possible.

Further analysis on YEDF collaboration linkages revealed that although the office had exhausted most opportunities for all inclusive approach to creating networks and building partnership with the private sector and the local authorities in their Programmes, there had been a general and consistent lack of support from most stakeholders in providing appropriate infrastructure and this had affected program delivery to a great extent (Maisiba et al, 2014). Even though opportunities such as market availability, loan facilities from Micro Finance Institutions (MFIs) and YEDF or Women Enterprise Fund (WEF) among others existed, only a smaller proportion of the youth group MSEs had

exploited them. Most critical challenges faced by YG MSEs included competition, insecurity and lack of capital and managerial problems. The study recommended that the good performance of the YG MSEs should be sustained by capacity development through seminars, workshops to enhance the managers with managerial and mitigation strategies (Okungu, 2012).

The study was in the larger Naivasha District, and the chi-square test indicated that there was a significant increase in the number of youth employed in youth enterprises as a result of YEDF funding. It also indicated that group owned enterprises had employed more youth compared to the individually owned enterprises. To increase the employment opportunities for the youth therefore, it recommended that in order to improve the performance of the YEDF SMEs, YEDF should launch a campaign to educate Kenyan youth about the fund, intensify youth involvement, train youth on how to start and manage business including financial literacy. (Gachugia *et al*, 2014).

2.4 Overview of literature review

In this chapter, the researcher reviews literature that identifies the various factors affecting and contributing to successful starting and growing of the youth enterprises. It is clearly portrayed by various studies on the importance of different factors affecting the same. From the literature review, individual capabilities of entrepreneurs such as entrepreneurial skills, motivation, attitude, training and prior experience in business were found to have a significant effect on the growth of the business ventures. A lot of emphasis needs to be laid on all of these areas, including identifying means and strategies for improving youth access to training and entrepreneurial skills development as well as market linkages and investments. There seems to be a mismatch between the current Government efforts and the results seen from the performance of youth enterprises. The importance of enterprise development is emphasized as a key measure to mitigate youth unemployment therefore demanding the input from the public sector which is going to be analysed in this study and possible policy recommendations given.

CHAPTER THREE

METHODOLOGY

This chapter will specify the model that will be used to identify the factors influencing the performance of youth owned enterprises including YEDF and its effects. The study will utilize economic theory and econometric models to identify these factors and their relationship. It will lay out the regression equation, the type of data and the statistical methods that will be used to conduct the study.

3.1 Model specification

This study will borrow from the model used by Chirwa (2008) with some modifications where enterprise performance as proxied by turnover will be the dependent variable. The independent variables will include both internal and external factors to the youth owned enterprises. The conceptual framework of the model will be as follows:

$$Y=f(AC, ML, ES, EC, FE, AGE, BE, G, AYE)$$

Where **Y**=Turnover of the youth enterprise,

AC = the amount of credit accessed,

ML = the market facilitation & Linkage development with large enterprises,

ES = the entrepreneurship skills,

EC =the employment created including permanent, casual & seasonal employees,

FE =the formal education of the youth entrepreneur,

AGE =the age of the youth entrepreneur,

BE =the prior business experience of the youth entrepreneur,

G =the gender of the youth entrepreneur,

AYE =the age of the youth enterprise,

This statistical approach will take into account the complexity of the relationships between the variables. In order to test the validity of the choice of indicators of performance of youth owned enterprises, a pilot survey is to be conducted in order to ascertain and detect any ambiguity in the choice of the indicators of performance. Those that will be irrelevant will be removed.

	Variable Definition	Measurement	Expected Sign
1.	Access to credit	Amount in KSHS accessed	Positive
2.	Market facilitation & Linkage development with large enterprises	No. of market fairs attended & Linkages created	Positive
3.	Entrepreneurship Skills	No. of Business Trainings Attended by youth entrepreneur(s)	Positive
4.	Employment created	No. of employees-including permanent, casual & seasonal employees	Positive/Negative
5.	Formal Education	No. of years of Formal Education of the youth entrepreneur(s)	Positive
6.	Age of the entrepreneur(s)	No. of Years	Positive
7.	Prior Business Experience	No. of years in business	Positive
8.	Gender	Dummy 1=Male, 2=Female	Positive/Negative
9.	Age of the youth enterprise	No. of months in operation	Positive/Negative

3.2 Data

Primary as well as secondary data was collected. Secondary data was obtained from YEDF headquarters. Primary data was collected using self-administered questionnaires that were issued to respondents directly. The study covered the period starting from 2007 to 2014.

3.3 Data analysis

Linear Regression Model was used. The study used cross-sectional data. A number of tests were conducted on the model to check for correct specification, reliability in predictions and ensuring that the regression was not spurious.

3.3.1 Data analysis procedure

The process of data analysis involved several stages of data clean up, data reduction, data and explanation. Data clean up involved editing, coding, and tabulation in order to detect any anomalies in the responses and assigned specific numerical values to the responses for further analysis. Completed questionnaires were edited for completeness and consistency. The data was then coded and checked for any errors and omissions. Responses in the questionnaire were tabulated, coded and regressions on the variables run by use of Strata programme to analyze data.

3.3.2 Statistical tests

Various diagnostic tests were conducted on the model to check whether the model was correctly specified, reliable for prediction and ensured the regression was not spurious. The Jarque-Bera test was conducted to test normality of the error term. Jarque-Bera test statistic involved computing standard deviation, skewness, probability and kurtosis. It helped in identifying the presence of outliers. In case there was the presence of outliers, additional variables could be added to act as control variables. To test for the credibility of the estimated OLS parameters, the degree of multicollinearity was measured. Shapiro Wilk and Skewness kurtosis tests were equally carried out to test for normality. The Residual plots method and Breush-Pagan tests were conducted to test for serial correlation and heteroscedasticity. The significance of the independent variables was tested using the t-test or z-test.

The data was analyzed using ordinary least squares (OLS) method because it was simple to use and minimized the mean sum of squared errors. OLS estimators are said to be best linear unbiased estimators (BLUE). OLS method makes the assumption that the expected value of the error term is zero.

3.4 Target population

The target population for the study consisted of all youth entrepreneurs that had been funded by YEDF in Ruaraka Constituency, Nairobi County. The funding could be individually or within a group.

3.4.1 Ruaraka constituency

The constituency has a total of 78 groups that have accessed the different loans from YEDF which don't attract any interest plus 10 individual youth who accessed the individual loan which attracts 8% fixed interest rate charge. The groups are spread around the 5 wards and carry out different business and agricultural activities. The youth entrepreneurs are from varied backgrounds with a mix in gender and age.

3.5 Sample and sampling procedure

From the population of youth enterprises funded by YEDF between 2007 and 2014, the study took 30% according to Orodho (2005). Purposive sampling was used to select Nairobi as the study area since from the last census it was seen to have the highest population. The researcher randomly sampled 41 youth entrepreneurs in the Constituency who had been funded by YEDF, simple random sampling was used to select 41 youth entrepreneurs. The sample was based on

- i. Location of the Youth Enterprise
- ii. Its economic activity i.e. agricultural or business
- iii. Entrepreneur characteristics i.e. gender, disability, age
- iv. Year of funding

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

The OLS (ordinary least squares) method was used to estimate the parameter coefficients of the multiple linear regression models conceptualized in the methodology section. The OLS estimators are linear, unbiased, consistent, under certain conditions (regularity conditions) are asymptotically normally distributed and have minimum variance among the class of all linear unbiased estimators but assume homoscedasticity, stationarity of the variables, non-correlation between the independent variables and no correlation between the error terms of different pairs of observations. Therefore, diagnostic tests are carried out before actual estimation in order to ensure that these OLS properties hold. The data used in the analysis is cross-sectional data. The target population for this study consisted of all youth entrepreneurs who have been funded by YEDF in Ruaraka Constituency, Nairobi County.

4.2 Summary statistics

The mean shows the average value for each variable. The average age of entrepreneurs was found to be 31 years whereby approximately 73% of the respondents were male entrepreneurs. The average value of Y (enterprise turnover) is 465,268 Kenya shillings per month, the average number of market linkages was approximately three with the least being one and the maximum Market Linkages were ten. The study show that the average number of business trainings attended by a youth entrepreneur is approximately five whereby the highest attended by an individual entrepreneur being 20 trainings. The average number of employees was approximately seven with the highest number being 17 employees. The average amount of credit accessed was 251, 600 Kenya shillings with 3,000,000 Kenya shillings being the maximum amount of credit accessed while the 20, 000 Kenya shillings was reported as the least amount of credit received by an enterprise. The average number of years in operation of a business youth enterprise was approximately two years.

The standard deviation is a measure of dispersion which indicates how the spread out the variable measures are. Large values indicate greater dispersion while small values show less dispersion. The minimum and maximum values are also presented.

Table 5: Descriptive statistics

	(1)	(2)	(3)	(4)	(5)
VARIABLES	N	Mean	SD.	Max	Min
Turnover	41	103073.2	124847.2	600000	10000
Access to credit	40	251,600	603,144.8	3,000,000	20,000
Market Linkages	41	3.122	2.170	10	1
Bus training	41	5.439	4.528	20	0
Employment created	32	6.78	4.070	17	0
Age of Entrepreneur	41	31	4.062	42	21
Business experience	41	5.195	2.926	16	2
Male	41	0.732	0.449	1	0
Age of enterprise	32	1.969	0.740	3	1
Tertiary education	41	0.244	0.435	1	0
University education	41	0.195	0.401	1	0

Source: Author's calculation.

Further it was shown that approximately, 24% of the respondents had tertiary education while about 20% had university education.

4.3 Distribution and accessibility of funds by youth entrepreneurs

We further investigated the pattern of credit access specifically from YEDF and the findings are as demonstrated in the figure 1 below. It was found out that the highest amount youth entrepreneurs had received for YEDF was Kshs 1,000,000 and the least being Kshs 10,000. Majority of the youth who comprised of 43.9% received Kshs 25, 000 followed closely by 26.83% of youths who accessed Ksh 100,000.

Table 6: YEDF credit access

Youth Fund	Percentage	Cumulative	Frequency
10000	2.44	2.44	1
20000	2.44	4.88	1
25000	43.9	48.78	18
30000	4.88	53.66	2
35000	4.88	58.54	2
50000	12.2	70.73	5
100000	26.83	97.56	11
1000000	2.44	100	1

Source: Author's computation

Also, other sources from which youths entrepreneurs obtained credit for their respective enterprises are shown in Table 7. It was shown that few respondents did not get any credit from other sources except YEDF which gave them a total of Ksh 25, 000 and other two youths reported that whatever they received from other sources and YEDF was equal.

Table 7: Other sources of funding

Other sources (Overall credit- YEDF credit access)	Frequency	Percentage	Cummulative
-25000	2	5	5
-5000	3	7.5	12.5
0	15	37.5	50
10000	2	5	55
25000	2	5	60
30000	1	2.5	62.5
35000	1	2.5	65
50000	1	2.5	67.5
54000	1	2.5	70
85000	1	2.5	72.5
90000	1	2.5	75
100000	1	2.5	77.5
175000	1	2.5	80
200000	1	2.5	82.5
225000	1	2.5	85
300000	1	2.5	87.5
400000	2	5	92.5
580000	1	2.5	95
2000000	1	2.5	97.5
2400000	1	2.5	100

Source: Author's computation

Finally, we explored the overall credit access levels whereby the highest acquired credit amount was Kshs 3, 000,000 with the least accessed being Kshs 20, 000. Table 5 below shows the overall distribution of credit accessed by youths.

Table 8: Overall credit accessed

Access to Credit	Frequency	Percentage	Cumulative
20000	3	7.5	7.5
25000	11	27.5	35
30000	2	5	40
50000	5	12.5	52.5
60000	1	2.5	55
75000	1	2.5	57.5
79000	1	2.5	60
100000	3	7.5	67.5
120000	1	2.5	70
125000	1	2.5	72.5
130000	1	2.5	75
200000	2	5	80
250000	1	2.5	82.5
300000	1	2.5	85
400000	1	2.5	87.5
500000	2	5	92.5
680000	1	2.5	95
2500000	1	2.5	97.5
3000000	1	2.5	100

Source: Author's computation

4.4 Correlation analysis

Multicollinearity exists when there is perfect linear relationship between Access to credit by youth and other independent variables. The study adopted both correlation matrix and Variance Inflation Factors (VIFs) which were used to determine if any pair of independent variables was highly collinear.

Table 9 shows that a positive relationship between access to credit (AC) and all other variables except Market Linkage, business training and secondary education which shows a negative relationship.

Market Linkages were negatively related with primary education, university education, age of entrepreneur and male variables while it was positively related with the rest of the variables.

The study further show that there was low correlation between turn over obtained by youth entrepreneurs and other variables as their correlation coefficients were not exceeding the threshold value of 0.5 in absolute terms. However, the correlation coefficient between business experience and access to credit by youth entrepreneurs was 0.5374 and association between age of the entrepreneur and employment created was 0.5435 which were above 0.5 implying high collinearity. Nevertheless, the correlation coefficient between these two relationships did not exceed 0.7 beyond which one of the correlating terms would be required to be dropped.

On the strength of the association, whereby if an association is close to an absolute value of one, then it is strongly correlated and if a relationship has a correlation coefficient of close to zero, then it is weakly correlated. Our study established that our dependent variable, which is turnover of the youth enterprises, had fairly weak association with the other independent variables.

Table 9: Correlation matrix

	turnover	AC linkages	bustrain	employ~t	tertiary univer~y	age busexp~e	male ageofe~e				
turnover	1.0000										
AC	0.3202	1.0000									
linkages	0.2569	-0.1238	1.0000								
bustrain	0.1631	-0.0256	0.2575	1.0000							
employment	-0.2445	0.0200	0.1407	-0.0946	1.0000						
tertiary	0.4378	0.0186	0.0370	0.3205	-0.1272	1.0000					
university	-0.0300	0.0083	-0.1905	0.0282	-0.2192	-0.1549	1.0000				
age	0.0635	0.4416	-0.1130	-0.1749	0.5437	-0.1392	-0.0243	1.0000			
busexperie~e	0.1487	0.5374	0.1456	0.0940	0.1503	0.0766	-0.2197	0.2606	1.0000		
male	-0.3366	0.1229	-0.0990	-0.4141	0.4011	-0.3261	-0.1452	0.3252	-0.1241	1.0000	
ageofenter~e	0.2244	0.0919	0.1791	0.1762	-0.0922	-0.0499	0.0237	0.1946	0.3223	-0.0532	1.0000

Source: Author's computation

Upon conducting the variance inflation factors test, the following table show the results

Table 10: Variance inflation factors

VARIABLE	VIF	1/VIF
Tertiary education	1.26	0.792
University education	1.25	0.800
Employment created	2.37	0.421
Age of Entrepreneur	2.40	0.416
Access to credit	2.35	0.426
Male	1.79	0.559
Market Linkagess	1.51	0.661
Business experience	2.24	0.446
Age of enterprise	1.51	0.660

Source: Author's calculations

From the result, it was shown that all VIFs values were less than 10 and their respective 1 /VIF are greater than 0.10, implying the absence of Multicollinearity.

4.4 Model specification tests

A test to determine if we should include other variables in our model is undertaken. Table 11 indicates a P value of 0.0000 leading to rejection of the null hypothesis implying that there may be omitted variables which ought to be concluded. However, considering our small sample size and availability of data, estimation of the linear regression model proceeds anyway. Table11 show the results of Ramsey RESET test.

Table 11: Ramsey RESET test

Powers of the fitted values of turnover
F(3, 16) = 16.05
Prob > F = 0.0000
Ho: Model has no omitted variables

Source: Author's calculation

4.5 Cross-Sectional data characteristics

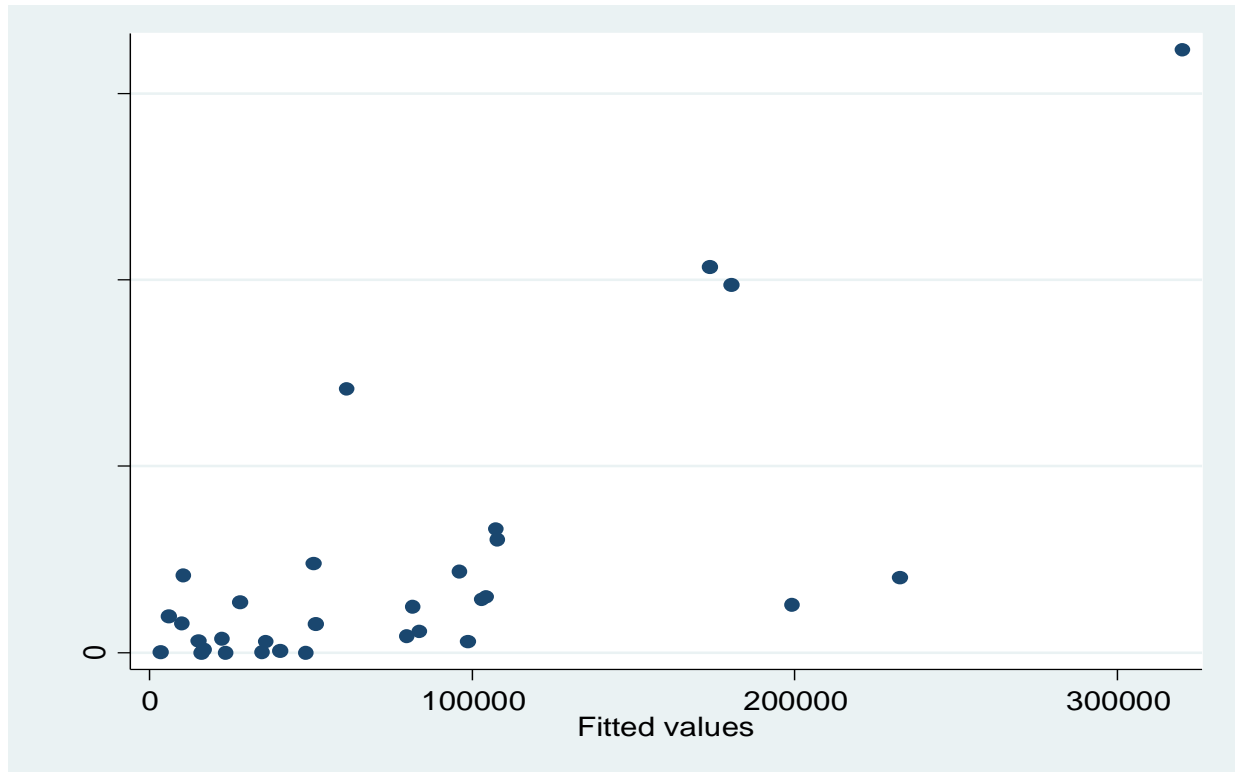
Since the data is obtained by observing subjects at the same point in time, the variances of the error terms in regression models usually vary across observations implying presence of Heteroscedasticity. OLS (ordinary least squares) estimation in the presence of heteroscedasticity renders the estimators as inefficient since they do not have minimum variance in the class of unbiased estimators. Due to this, correction of heteroscedasticity if present is necessary in order to obtain correct standard errors that would be used in hypotheses testing.

4.6 Tests for heteroscedasticity

The two tests that were used for detecting heteroscedasticity are the residual plots method and the Breusch Pagan heteroscedasticity test. The residual plots method involved plotting the squared residuals of the regression model against the predicted values of the dependent variable or each of the explanatory variables. If there is no heteroscedasticity, then there should be no systematic pattern between the plotted variables. If heteroscedasticity is present, the plots would exhibit a systematic pattern.

The Breusch pagan heteroscedasticity test on the other hand involved testing of hypothesis as opposed to plotting graphs in order to establish the presence of heteroscedasticity. Both diagnostic tests confirm the presence of Heteroscedasticity. The scatter plots are systematic and the p-value of 0.000 in the Breusch pagan test leads to the rejection of the null of homoscedasticity. Since estimation of the model with no constant variance leads to spurious estimates, the study used robust standard errors which correct the problem.

Figure 3: Scatter plots of squared residuals against the fitted values



Source: Author's computation

4.7 Other diagnostic tests

Other tests were conducted to validate our econometric model. Since normality of residuals is critical for valid estimation, the Jarque-Bera test, Shapiro Wilk test and skewness kurtosis tests are considered. However, given that the Jarque-Bera test is only valid asymptotically, the Shapiro Wilk test and skewness kurtosis test which employs a bootstrapping technique were used.

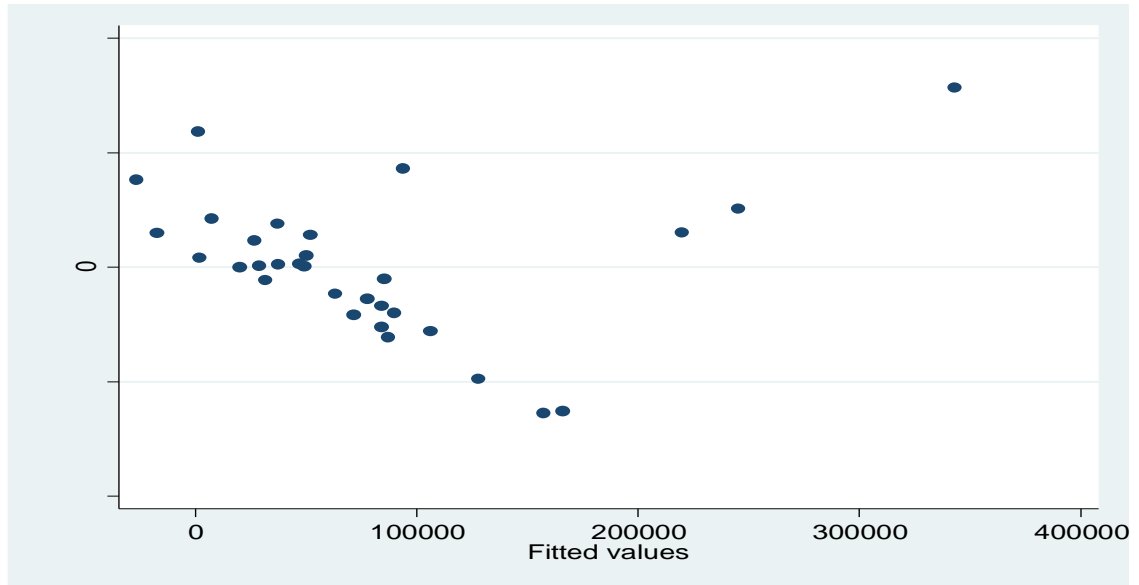
Table 12: Shapiro Wilk test for normality

Variables	Observations	W	V	Z	Prob>z
Residuals	31	0.96560	5.378	3.059	0.070111

Source: Author's calculation

Both of these tests had p values greater than 0.05 implying that the residuals are approximately normally distributed. Linearity is determined by visual inspection of the plot of estimated residuals against fitted values. Even though it is revealed that the plots are not symmetrically distributed along the 45 degree line, a bowed pattern is absent. This implies that linear predictions made by the model are more or less accurate.

Figure 4: Scatter plots of predicted residuals against fitted values



Source: Author's computation

4.8 Regression results for determinants of the successful youth owned enterprises in Ruaraka constituency, Nairobi County

To achieve the main objective of this study, that is identifying the factors determining the performance of youth owned enterprises at Ruaraka Constituency, Nairobi County we estimated a regression model where we found out that tertiary education, age of the youth entrepreneur, access to credit, Market Linkages and the age of the enterprise as significant factors. From the regression results (Table 13), access to credit, Market Linkages development and age of an enterprise were positively associated with enterprise turnover in line with our expectations. Moreover, these relationships were statistically significant at 5% level of significance. Contrary to expectations, employment created, business experience and male gender variables were not significant predictors of enterprise turnover. On the other hand, age of the youth and formal education had a

significant effect as education beyond tertiary level was positively related to enterprise turnover.

For assessment of overall fit of model, the R-squared statistic and F test were used. The value of R-squared of 0.546 shows that the model explains about 55% of the variation in enterprise turnover and the p value of 0.046 which is less than 0.05 implies that the regression coefficients are not simultaneously equal to zero.

Table 13: Regression results for linear regression model

Robust		
Variable	Coefficient	Z statistic
Tertiary education	89,169.258	2.31**
University education	-21,275.259	0.31
Employment created	-4,413.700	0.78
Age of Entrepreneur	3,654.781	3.11**
Access to credit	0.849	2.08**
Male	-71,698.022	1.56
Market Linkages	14,780.068	2.08**
Business experience	-9,543.208	1.36
Age of enterprise	27, 886.949	2.01**
Business training	-5, 253.210	0.92
Prob>Chi2	0.046	
R-squared	0.546	
N	31	

**Shows significance at 5%.

4.9 Interpretation and discussion of the results

From Table 13, it is clear that youth who had tertiary education, increased business performance or enterprise turn over by Kshs 89,169.26 holding other factors constant compared to those who did not have tertiary education. This implies that tertiary education equips youth with necessary technical skills and knowledge required in enterprise development. These would ensure that the youth had adequate skills that could

assist them in identifying and tapping into business opportunities and embracing modern business management techniques. This study finding conforms with the study results found by Chingunta (1999) who investigated the key challenges facing the Kenyan youth. The study results found out that Kenya youth did not have relevant training and the knowledge and skills required to enhance their absorption into the labour market. Further, Matlay (2008) suggested that graduate needs for entrepreneurship education did not match actual outcomes in terms of entrepreneurial skills, knowledge and attitudes. This mismatch influenced an entrepreneur's perceptions of actual and future educational needs.

Age of the youth entrepreneur was revealed to be positively and significantly determining the youth owned enterprise performance. An additional year on youth increased enterprise turn over significantly by 3,674.78 Kenya shillings holding other factors constant. This study results were in line with the study finding of Martey et al (2013 who conducted their analysis which indicated that age of an entrepreneur was the most influential determinant of performance of small scale enterprises. The study results may be attributed to the fact that young entrepreneurs had great difficulty in gaining access to traditional sources of financing because they tended to have little experience and few assets (ILO, 2009).

Also, access to credit was found to be a significant factor whereby an additional credit, led to a consequent increase in enterprise turn over by less than a unit (0.849 Kenya shillings) holding other factors constant. This implies that credit offered to youth enabled them to purchase more stock for their different enterprises, although the returns were low. Ahiawodzi and Adade, (2012) confirms our study finds by suggesting that access to credit exerts a significant positive effect on growth of SMEs in the Ho-Municipality of Ghana. Enterprises with credit constraints are likely to have lower returns (Turn over) also indicated by Kuntchev, et al (2012). During the survey, it was noted that some of them financed their working capital and investments through trade credit and informal sources of finance.

Market Linkages were considered important in determining the success of a youth enterprise. An extra Market Linkages with large enterprises led to an increase in youth enterprise turnover by 14, 780.07 Kenya shillings holding other factors constant. This

means that increasing the network through market linkages with other business enterprises enabled youths to have access to more materials at a subsidized cost hence making large profits. Similarly, this could be due to the fact that large markets act as the end points with more sales. This was in line with a study conducted by Gudda and Ngoze (2009) suggested that through collaborations and strategic partnerships, business incubators could support the successful development of entrepreneurial projects of youth business ideas through an array of business support resources and services. These large organizations could also aid in linking the youth enterprises to regional and international markets which exposes them and provides them with experience in their specific lines of business. Collaborative linkages and strategic partnerships provides the necessary infrastructure that could make a substantial contribution to employment creation and drive an entrepreneurial culture to self-employment which encouraged small businesses into contributing to sustained economic growth of a country.

Age of the enterprise was important in contributing to enterprise performance. The positive relationship established implies that an extra year of operating an enterprise led to a corresponding increase in enterprise turnover by 27, 886.95 Kenya Shillings holding other factors constant. Staying in business for quite some time may lead to developing a good clientele base that are loyal to the enterprise guaranteeing constant profit/ turn over and with the new entrants; it leads to enterprise growth and thus excellent performance. Similarly, Woldie et al (2008) concluded that SME growth was largely influenced by firm characteristics such as age of the business, sector, legal status and number of employees. In the study conducted by Storey (1994), similar to our findings, the study emphasized the importance of the age of the enterprise on its success.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND POLICY RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study and thereafter, conclusions are made based on determinants of youth enterprise development in Kenya. Later policy recommendations and areas of further research are suggested as a way of filling the gap.

5.2 Summary of the study findings

Expansion of Small and Micro Enterprises is proportionately related to economic growth, offering a source of income while opening up employment opportunities for the youth and raising their standard of living. The Kenyan government has made serious intervention efforts as far as youth unemployment and underemployment is concerned, and this has mainly been through current Directorate of youth under the Ministry of Devolution and Planning (YEDF) in Kenya which was established in 2006 with the sole purpose of reducing unemployment among the youth and was one of the flagship projects of Vision 2030 under the social pillar. Therefore this study examined Youth owned enterprises in Ruaraka Constituency; Nairobi County with the main objective of exploring the impact of YEDF on the performance of youth owned enterprises in Kenya. The survey involved a sample of 41 youth owned SMEs in the area. The study variables used were turnover, access to credit, market linkages, business training, employment created, age of entrepreneur, business experience, gender, age of enterprise, tertiary and university education. The study used ordinary least squares in estimation. The study results show tertiary education, age of entrepreneur, access to credit, market linkages and age of the enterprise as statistically significant factors that influence youth enterprise performance.

5.3 Conclusions

The Millennium Development Goals (MDGs) and targets were signed by 189 countries with achieving universal primary education, promoting gender equality and empowering women, combating HIV/AIDS, Malaria and other diseases, ensuring environmental sustainability and developing a global partnership for development involving youth. Since the launch of these targets, various countries especially developing countries including Kenya have not fully achieved them. Youth unemployment has been a great challenge leading to introduction of initiatives like YEDF in Kenya and policy re-alignments among other dynamic changes. This paper shows that apart from YEDF showing a positive and significant influence on improvement of youth enterprises through its indicators (market linkages and access to credit) the effect is lesser considering the needs of the youth. By addressing youth issues, Kenya will be among the developing countries determined to create an environment at the national and global levels alike which is conducive to development and the elimination of poverty.

Lack of information and knowledge in varied and diverse fields has limited the growth and sustainability of youth owned enterprises which would otherwise have enabled them effectively plan, manage and make sound decisions as regards to their operations.

5.4 Policy recommendations

In Africa, several African governments had developed entrepreneurial skills development programs in order to solve youth unemployment problem and ensure economic growth as suggested by the literature. It is important to note that money was only one of the resources that applied to a business; it was inevitable that entrepreneurship culture and expertise be first instilled to the youth and the prospective entrepreneurs. Potential adverse consequences of growth were insufficient working capital and a constraint on liquidity (Winker, 1999).

The Development of clear National Development objectives to meet the special needs of the Youth owned enterprises is necessitated. That is, formal policies and regulations that guarantees achievement of anticipated results of these enterprises. Accordingly, the government should also put more effort in increasing youth employment as far as all sectors of the economy are concerned.

In addition, the government should also put in place measures and incentives to encourage the educated youths to focus more on entrepreneurship and self-employment instead of relying more on salaried employment.

The youth fund should offer more entrepreneurial trainings to the youth so as to empower them, the government should equally increase its efforts in supporting the youth fund. More specifically, it should increase more allocation for the YEDF in order for the Fund to enhance scale of allocation in volume and coverage. The YEDF should scale up its engagement efforts to all stakeholders in order to build on existing networks, collaboration and partnership in training and provision of infrastructure with the private sector and the local authority in its program implementation in the constituency. Provision of entrepreneurship training to sensitize and instill an entrepreneurial culture among the youth is crucial to identifying and owning of emerging business areas. The provision of continuous and relevant business development knowledge to youth entrepreneurs is important to the success of enterprise development initiatives in creating long term employment. Further, the timing of YEDF's establishment and the sensitivity of the target group makes it an initiative that enjoys high public attention.

YEDF has mainly addressed the problem of direct self-employment of beneficiaries and not additional employment for other non-beneficiary youths, a weakness to the unsustainable nature of the program in addressing long-term youth unemployment.

5.5 Areas for further studies

Alternative Public and Private Institutions that support youth owned enterprises and in what areas.

On the various youth empowerment programmes both in the public and private sectors.

Studies on YEDF operations wholesomely in Kenya to identify areas of weakness and those omitted. It would be beneficial to study the best strategies for disbursement of the funds to maximize its effectiveness. To have a more authoritative source of the status of enterprise development youth creation in the counties, there should a cross sectional study in as many constituencies as possible.

Further research should be undertaken to establish on the effect of proper financial planning on the growth of youth owned enterprises. This is suggested with an assumption that those youth enterprises that carry out proper financial planning are likely to prioritize their allocation of funds to those high profit earning activities and hence result to more income which, when ploughed back into the enterprise, will lead to growth of the enterprise.

REFERENCES

- African Economic Outlook, (2012). "Promoting Youth Employment". AfDB, OECD, UNDP, UNECA 2012, *OECD Development Centre*
- Amenya S., Onsongo C, Guyo H. (2010). "An Analysis of the Challenges Facing Youth Enterprise Development Fund: A Case Study of Nyaribari Chache Constituency." *Paper presented at the African Institute of Business and Management Conference, University of Nairobi, Nairobi, Kenya.*
- Ahiawodzi Anthony K., Adade Thomas C., (2012). "Access to Credit and Growth of Small and Medium Scale Enterprises in the Ho Municipality of Ghana" *British Journal of Economics, Finance and Management Sciences* 34 November 2012, Vol. 6 (2)
- Aruwa, S.A.S (2004). "Financing Options for Small and Medium Scale Enterprises in Nigeria" Kaduna. Nigeria
- Aryeetey, E, A. Baah-Nuakoh, T. Duggleby, H. Hetting, and W. F. Steel, (1994). "Supply and Demand for Finance of Small Scale Enterprises in Ghana" *Discussion Paper No.251, World Bank, Washington, DC.* BEES, (1995) Guide to the Preliminary Results of the ERU / *BEES SME Survey.*
- Asean & ILO, (2009). "Youth Enterprise in Asia: Policies and Programmes" *The Association of Southeast Asian Nations, Printed in Indonesia*
- Baum, J. R., Frese, M., Baron, R. A., & Katz, J. A. (2007). "Entrepreneurship as an Area of Psychology Study: An Introduction."
- Becchetti, L., & Trovato, G. (2002). "The Determinants of Growth for Small and Medium Sized Firms. The Role of the Availability Of External Finance." *Small Business Economics.*
- Be´chard, J.P., & Toulouse, J.M. (1998). Validation of a didactic model for the analysis of training objectives in entrepreneurship. *Journal of Business Venturing,*

- Belussi, F. (1999). "Policies for the Development of Knowledge-Intensive Local Production Systems." *Cambridge Journal of Economics*.
- Bennell, P. (2000). "Improving Youth Livelihoods in SSA: A Review of Policies and Programmes with Particular Emphasis on the Link between Sexual Behaviour and Economic Well-Being." *Report to the International Development Center (IDRC), 2000*.
- Berry, L. L., Seiders, K. & Grewal, D. (2002). "Understanding Service Convenience." *Journal of Marketing*.
- Blanchflower, D. and Oswald, A. (1999). "Entrepreneurship and the Youth Labour Market Problem, LEED Document" *Territorial Development Service, OECD, Paris*.
- Brixiova, Z., Mthuli, N. and Zorobabel, B. (2014). "Skills and Youth Entrepreneurship in Africa: Analysis with Evidence from Swaziland. *Journal of Marketing*.
- Bruton, G.D. Alhstrom, & Obloj, D. (2006.) "Entrepreneurship in Emerging Economies: Where we are Today and Where Should the Research go in the Future, Entrepreneurship:" *Theory and Practice. London: Commonwealth secretariat*.
- Buckley, A. (1993). "The Essence of Small Business." *Prentice Hall International, UK*
- Chingunta, F. (1999). "Youth Entrepreneurship: Meeting the Key Policy Challenges." *London: Wolfson College, Oxford University*
- Chigunta, F. (2002). "Youth Entrepreneurship: Meeting the Key Policy Challenges" 04 June 2009 *London: Wolfson College, Oxford University*
- Chigunta, F., J. Schnurr and V. Torres (2005) "Being "Real" about Youth Entrepreneurship in Eastern and Southern Africa Implications for Adults, Institutions and Sector Structures." *SEED Working Paper No. 72. Series on Youth and Entrepreneurship International Labour Organization*.

- Chirwa Ephraim W, (2008).“Effects of Gender on the Performance of Micro and Small Enterprises in Malawi” Department of Economic and Social Affairs, World YOUTH Report 2005 *Development Southern Africa Vol. 25, No. 3*,
- Cook, P. and F. Nixon, (2000). “Finance and Small and Medium-Sized Enterprise Development”, *IDPM, University of Manchester, Finance and Development Research Programme Working Paper Series, Paper No 14*.
- Cunningham, W. V., & Maloney, W. F. (2001). “Heterogeneity among Mexico’s Microenterprises: An Application of Factor and Cluster Analysis.” *Economic development and cultural change*.
- Curtain (2000). “Towards a Youth Employment Strategy. *Report to the United Nations on Youth Employment*”.
- De Soto, H. (2003). “Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else.” *Basic books*.
- Dollinger, M.J. (2003). “Entrepreneurship: Strategies and Resources.” *3rd ed. New Jersey: Prentice Hall*.
- Entwistle R. (2008). “Entrepreneurship and Youth: The Critical Role of the Christian Community in Development.” *A paper presented at the Baylor Symposium on Faith and Culture Bottom-up Approaches to Global Poverty: Appropriate Technology, Social Entrepreneurship, and the Church October 23-25th, 2008 Waco, Texas*.
- Ericson, R., & Pakes, A. (1995). “Markov-Perfect Industry Dynamics: A Framework for Empirical Work.” *The Review of Economic Studies*.
- First Annual Progress Report “On the Implementation of the First Medium Term Plan (2008-2012). “*Kenya Vision 2030 Government Printers, Nairobi*
- Fadahunsi, A. (2012). “The Growth of Small Businesses: Towards A Research Agenda.” *American Journal of Economics and Business Administration*.

- Gachugia, T. M., M. Mulu-Mutuku, and D. Odera-Wanga (2014). "Role of Youth Enterprise Development Fund in Curbing Youth Unemployment in Kenya." *European Journal of Social Sciences, Arts and Humanities*,
- Green, C. J., P. Kimuyu, R. Manos, and V. Murinde, V. (2002). "How Do Small Firms in Developing Countries Raise Capital? Evidence from a Large-Scale Survey of Kenyan micro and small scale enterprises" *Economic Research Paper No. 02/6, Centre for International, Financial and Economics Research, Department of Economics, Loughborough University*.
- G-20 Young Entrepreneur Summit (2010). "*Final Communique: Young Entrepreneurship; Beyond collateral*". USA: New York.
- Gartner, W. B. (1989). 'Some Suggestions for Research on Entrepreneurial Traits and Characteristics,' *Entrepreneurship: Theory & Practice. International Small Business Journal*.
- Goedhuys, M. & Sleuwaegen, L. (2002). "Growth of firms in developing countries, evidence from Cote d'Ivoire." *Journal of Development Economics*.
- Gorman, G., Hanlon, D., & King, W. (1997)"Some research perspectives on entrepreneurship education." *International Small Business Journal*.
- Gudda Patrick, Moses Ngoze (2009). "Sustainable Youth Employment Programmes in Kenya: The Case of the Youth Enterprise Development Fund". Paper presented at the Entrepreneurship & Procurement Department, *Jomo Kenyatta University of Agriculture & Technology, Nairobi, Kenya*.
- <http://www.wikipedia.com>
- ILO (1972). "Employment, Incomes and Inequality: A Strategy For Increasing Production Employment In Kenya". *Geneva*
- International Labour Organization, (2005). "World Employment Report 2004- 2005: Employment, Productivity and Poverty Reduction. " *Geneva: ILO*.

- ILO (2012). “Africa’s Response to the Youth Employment Crisis Regional Report: Synthesis of Key Issues and Outcomes from Eleven National Events on Youth Employment in the African region,” *ILO, Geneva*.
- International Labour Organization (2010). “An Introductory Guide for Employers’ Organizations: Tackling Youth Employment Challenges.” *1st Edition, Italy: International Centre of the ILO*
- International Labor Organization (1985). “Informal sector in Africa.” *Addis Ababa, Ethiopia: Jobs and Skills Programme for Africa*.
- ILO, (2009). “Youth Enterprise in Asia: Policies and Programmes” The Association of Southeast Asian Nations, *Regional Office for Asia and the Pacific Printed in Indonesia*.
- Jovanovic, B. (1982). Selection and the Evolution of Industry. *Econometrica: Journal of the Econometric Society*.
- Kayanula D. and Quartey, P (2000).”The Policy Environment for Promoting Small and Medium Enterprise in Ghana and Malawi.” *Finance and Development Research Programme Working Paper Series No. 15*.
- Kenya (2005). Sessional Paper number 2 of 2005 on Development of SMEs for Wealth and Employment Creation for Poverty Reduction. *Nairobi: Government Printer*.
- Kenya (2005). Sessional Paper No. 7 of 2005 on Employment Policy and Strategy for Kenya. *Nairobi: Government Printer*.
- Kenya (2009) Kazi Kwa Vijana Programme Manual. *Nairobi: Kenya*.
- Kenya (2010). *Ministry of Youth Affairs and Sports*. Strategic Plan 2008 – 2012. *Nairobi: Government Printer*.
- Kenya, (2009) *Ministry of Youth Affairs and Sports*, Youth Employment Marshal Plan. *Nairobi, Government Printer*.

- Kenya Vision 2030 (2007). "A Globally Competitive and Prosperous Kenya." *Nairobi: Government Press*,
- Kenya National Youth Policy, Sessional Paper NO. 3 of July 2007 Ministry of Youth Affairs and Sports, *Government Press*.
- Kenya Population and Housing Census (2009). "Population Distribution by Age, Sex and Administrative Units" *Kenya National Bureau of Statistic. Nairobi: Government Press*.
- Kenya National Human Development Report (2010). "*Youth and Human Development: Tapping the Untapped Resource*" UNDP Kenya.
- KNBS, (2010). "*Kenya Economic Survey*" Government Press.
- KNBS, (2006). "*Kenya Economic Survey*" Government Press
- Kenya National Bureau of Statistics (2007). "Kenya Integrated Household Budget Survey (2005/2006)" *Nairobi: Government Printer*.
- Khan Raja Abdul Ghafoor, Furqan Ahmed Khan, Dr. Muhammad Aslam Khan (2011). "Impact of Training and Development on Organizational performance" *University of Lahore, Islamabad Pakistan*
- Kuntchev, V., Ramalho, R., Rodríguez-Meza, J., & Yang, J. S. (2012). "What Have We Learned from the Enterprise Surveys Regarding Access to Finance by SMEs?" *Enterprise Analysis Unit of the Finance and Private Sector Development. The World Bank Group*.
- Kwame Edward M., A. Caleb, A., Alexander N. W, Prince, M. E., Ramatu M. Al-Hassan (2013). "Performance and Constraints of Small Scale Enterprises in the Accra Metropolitan Area of Ghana" *European Journal of Business and Management, Vol.5, No.4*.
- Lader, P. (1996). "The public/private partnership", *Springs Spring*.

- Levy, B. (1993). 'Obstacles to Developing Indigenous Small and Medium Enterprises: An Empirical Assessment', *The World Bank Economic Review*
- Liedholm, C., & Mead, D. C. (1987). "Small Scale Industries in Developing Countries: Empirical Evidence and Policy Implications." *Michigan State University, Department of Agricultural, Food, and Resource Economics*.
- Liñán, F., Rodriguez-Cohard, J. C., & Rueda-Cantuche, J. M. (2005). Factors Affecting Entrepreneurial Intention Levels. In *45th Congress of the European Regional Science Association, Amsterdam*.
- Llisterri, J. J., Kantis, H., Angelelli, P., & Tejerina, L. (2006). "Is Youth Entrepreneurship A Necessity or an Opportunity? Washington DC" *Inter-American Development Bank*.
- Maisiba F.M., Dr. Gongera E.G. (2013). "Role of Youth Enterprise Development Fund in job creation: A case of Dagoretti Constituency, Nairobi County, Kenya" *Mount Kenya University Nairobi, Kenya*.
- Matovu, F. and Birungi, P. (2013). "Social and protection and the vulnerable communities in East Africa: Implication for Household Welfare in Uganda" A *Report of International Development Research , Centre*.
- Matlay Harry (2008). "The Impact Of Entrepreneurship Education On Entrepreneurial Outcomes". *Journal of Small Business and Enterprise Development, Vol. 15*
- Ministry of Manpower Singapore, (2005). "*Skills and Employability*" ILO Regional Office for Asia and the Pacific.
- Meager, N., Martin, R., Carta, E., & Davison, S. (2011). "*Skills for Self Employment*." New Delhi: India.
- Meager, N., Bates, P., & Cowling, M. (2003)"An Evaluation of Business Start-Up Support For Young People." *National Institute Economic Review*.
- MoYA (2010). "Youth Enterprise Development Fund: Fund Status Report as of 31 March, 2009" *Nairobi: YEDF Board: Government Press*.

- MoYA (2008). Department of Youth Development: *Strategic Plan 2008- 2012*. Nairobi: MoYA
- MoYA (2007). National Action Plan on Youth Employment. *Nairobi: MoYA*.
- Mwaniki, J. N. (2011). “Factors Influencing Participation of Youth in Small Scale Businesses: A Case of Kilungu District, Kenya” (*Doctoral Dissertation, University of Nairobi, Kenya*).
- Mubaiwa K. M. (2013). “ The Unique Challenges of Youth Entrepreneurs in Zimbabwe: Is Access to Credit Enough?” *Makerere University School of Business and Entrepreneurship, Kampal: Uganda*
- Muir, J. D. (1974). “Employment, Income and Equality: A Strategy for Increasing Productive Employment in Kenya,” (A Report of an Inter-Agency Team Financed by the United Nations Development Programme and Organized by the International Labour Office), Geneva, ILO, 1972. *Relations industrielles/Industrial Relations*.
- Nafukho, F. M. (1998). “Entrepreneurial skills development programs for unemployed youth in Africa”: *A second look. Journal of Small Business Managemen*.
- Njonjo K. Rugo, M Muigei, N.C. (2009). “Youth, Situation Review and Investment in Kenya.” *A Report Presented to United Nations International Children’s Fund and Institute of Economic Affairs Kenya, Nairobi: Kenya*.
- Ogboru, L P, (2007). “An Evaluation of Funding Arrangement for Small and Medium Scale Enterprises (SMEs) in Nigeria”. *A study of St Clements University, British, West Indies*.
- Okungu K. O. (2012). “Factors Influencing Performance of Youth Group Micro and Small Enterprises in Kisumu West District, Kisumu County” *Unpublished M.BA. Thesis, Kenyatta University. Nairobi: Kenya*.

- Odhiambo O. Oduol S.O., Simeon O., Fredrick A., Abiud O.A., Maria O., Martin O., (2013). “*Effect of the Youth Enterprise Development Fund on Youth Enterprises in Kenya*” Nairobi: Kenya.
- Ominde, S. H. (1964). Kenya Education Commission Report. *Kenya Education Commission*.
- Omolo, J. O. (2012). “Youth Employment in Kenya: Analysis of Labour Market and Policy Interventions.” *FES Kenya Occasional Paper*, (1), 5.
- Onuorah Patrick, (2009). “The Role of Small and Medium Sized Enterprises for Economic Growth” *A Case Study of Matori Lga In Lagos, Nigeria School of Management, Blekinge Institute of Technology*
- Orodho J. A., (2005). “Techniques of Writing Research Proposal and Reports in Education and Social sciences.” *Nairobi: Kanezja HP Enterprises*.
- Parker, R., R. Riopelle, and W. Steel, (1995). “Small Enterprises Adjusting to Liberalisation in Five African Countries” *World Bank Discussion Paper, No 271, African Technical Department Series. The World Bank: Washington DC*.
- Party, P. W. (1988). Report of the Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond (Kamunge Report). *Nairobi: Government Printer*.
- Philip J. (2012). “The Real Education for Healthy Youth Act: Honest, Age Appropriate Sexual Health Education for Responsible Decision Making”. *Policy Brief, Advocates for Youth*.
- Piergiorgio, R., Santarelli, E., Klomp, L., & Thurik, A. R. (2003). Gibrat's Law and the Firm Size/Firm Growth Relationship in Italian Small Scale Services. *Revue d'économie industrielle*

- Plaschka, G., & Welsch, H. (1990). Emerging Structures in Entrepreneurship Education: Curricular Designs and Strategies. *Entrepreneurship Theory and Practice*, 14(3).
- Republic of Kenya, (2008b). First Medium Term Plan: Kenya Vision 2030-A Globally Competitive and Prosperous Kenya, Office of the Prime Minister, Ministry of State for Planning, National Development and Vision 2030, *Nairobi: Government Printer*.
- Richardson P., Rhona, H. and Gerry, F. (2004). “The Challenges of Growing Small Businesses: Insights from Women Entrepreneurs in Africa” *Printed by the International Labour Office, Geneva: Switzerland*.
- Rogito, D. O. (2010). “Influence of Monitoring and Evaluation on Project's Performance: A Case of Youth Enterprise Development Fund in Marani District, Kenya” (*Doctoral dissertation, University of Nairobi: Kenya*).
- Schoof Ulrich (2006). “Stimulating Youth Entrepreneurship: Barriers And Incentives to Enterprise Start-Up's By Young People”. *International Labour Organization*.
- Schumpeter, J. A. (1934). “The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle (Vol. 55).” *Transaction Publishers*.
- Shane, S., & Venkataraman, S.(2000). “The Promise of Entrepreneurship as a Field of Research.” *Academy of Management Review*.
- Storey, D. J. (1994). “Understanding the Small Business Sector.” *University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneurship*.
- Tackey, N. D., & Perryman, S. (1999). *Graduates Mean Business: A Study of Graduate Self-Employment and Business Start-Ups*.
- UN (2012). The Millennium Development Goals Report: *New York*.
- UN Publication (2005). “Young People Today, and in 2015”, *United Nations*.

- United Nations, (2007). “World Youths Report 2007: Youth Peoples Transition to Adulthood: Progress and challenges” *New York :United states.*
- UNDP Discussion Paper (2013). “Kenya’s Youth Employment Challenge” *Bureau for Development Policy, One United Nations Plaza, New York, NY 10017, USA*
- UNICEF and IEA-Kenya (2012). Youth Situation Review & Investment in Kenya” *Institute of Economic Affairs.*
- United Nations Development Programme, (2010). “Youth and Human Development: Tapping the Untapped Resource” *The Kenya National Human Development Report. Nairobi, Government of Kenya. UNICEF & IEA.*
- Van Praag, C.M., Versloot P.H. (2007). ‘What is the Value of Entrepreneurship? A Review of Recent Research’ in *Small Business Economics. Dordrecht.*
- Veblen, Thorstein (1904). “The Theory of the Business Enterprise.” *New Brunswick, New Jersey: Transaction Books.*
- Winker, P. (1999). “Causes and Effects Of Financing Constraints at the Firm Level.” *Small Business Economics.*
- www.un.org, (accessed on 15th December 2013.)
- www.ilo.org , (accessed on 18th December 2013.)
- www.forbes.com “under 30 Africa’s Best Young Entrepreneurs”, (accessed on 10th December 2013.)
- www.youthfund.go.ke/status report 2011, (accessed on 18th December 2013.)
- Woldie, A., Leighton, P., & Adesua, A. (2008). “Factors Influencing Small and Medium Enterprises (SMEs): An Exploratory Study of Owner/Manager and Firm Characteristics.” *Banks and Bank Systems, Volume 3, Issue 3.*
- Remuneration Commission (1971). Ndegwa Commission.

- Richardson, P., Howarth, R., & Finnegan, G. (2004). The Challenges of Growing Small Businesses: Insights from Women Entrepreneurs in Africa. *International Labour Office*.
- Wanyoko, Priscila M. (2012). “Influence of Youth Enterprise Development Fund on Youth Empowerment in Kieni East District, Nyeri County, Kenya.” *Dissertation. University of Nairobi, Kenya*.
- World Development Report, (2013). “Jobs” *World Bank*.
- World Youth Report, (2007). “Challenges and Opportunities facing the Youth.” *United Nations Department of Economic and Social Affairs*
- World youth report (2011). “Youth Employment: Youth Perspectives on the Pursuit of Decent Work in Changing Times.” *UNDP*.
- Youth Enterprise Development Fund Status Report “Empowering Kenyan Youth” 2007-2012. *Nairobi: Government Press*.
- Yunus, M. (2003), Expanding Microcredit Outreach to Reach the Millennium Development Goal–Some Issues for Attention. In *International Seminar on Attacking Poverty with Microcredit, Dhaka*.

APPENDICES

Appendix I: Data used in the analysis

AC	linkag	bustrain	emp	educ	age	busexp	male	ageEnt	primary	sec	ter	univ	TurnOver
200000	1	2	16	2	42	5	1	2	1	0	0	0	30000
250000	3	2	16	2	33	16	1	2	1	0	0	0	30000
79000	2	2	16	2	30	4	1	2	1	0	0	0	12000
60000	1	1	16	2	31	2	1	2	1	0	0	0	50000
125000	3	2	16	2	36	12	1	2	1	0	0	0	120000
50000	2	6	11	5	33	3	0	2	0	0	0	1	75000
25000	8	2	15	3	29	3	1	2	0	1	0	0	50000
120000	4	9	8	4	26	4	0	1	0	0	1	0	296000
500000	1	0		5	31	3	0		0	0	0	1	35000
	1	5	12	3	26	6	1	3	0	1	0	0	50000
20000	7	5	18	3	25	2	1	1	0	1	0	0	20000
25000	5	6	14	3	23	2	1	1	0	1	0	0	10000
50000	1	6	22	4	35	8	1	1	0	0	1	0	50000
25000	1	1	10	3	25	5	1	3	0	1	0	0	50000
30000	5	2	8	3	30	5	1	2	0	1	0	0	50000
25000	2	5	15	3	35	4	1	3	0	1	0	0	50000
20000	2	4	10	4	28	3	0	2	0	0	1	0	40000
25000	1	1	16	3	32	6	0	1	0	1	0	0	80000
25000	1	6	10	3	21	6	0	2	0	1	0	0	20000
20000	2	2	15	3	33	4	1	2	0	1	0	0	30000
25000	10	13	18	3	31	10	0	3	0	1	0	0	50000
100000	7	2	10	4	30	8	0	3	0	0	1	0	500000
25000	3	1	20	4	31	6	1	2	0	0	1	0	32000
50000	3	1	20	3	34	2	1	1	0	1	0	0	40000
25000	3	1	20	3	33	2	1	1	0	1	0	0	50000
50000	3	2	20	3	34	4	1	1	0	1	0	0	75000
30000	2	10	14	4	27	6	0	2	0	0	1	0	26000
75000	1	3	12	5	28	2	1	2	0	0	0	1	60000
25000	3	5	8	4	26	3	1	1	0	0	1	0	30000
50000	1	6	15	3	33	6	1	3	0	1	0	0	40000
3000000	4	15		5	31	6	1		0	0	0	1	600000
400000	4	6		4	30	5	0		0	0	1	0	90000
680000	3	5		4	35	4	1		0	0	1	0	260000
500000	3	14		5	34	5	1		0	0	0	1	200000
200000	3	10		2	31	5	1		1	0	0	0	160000
25000	7	3	20	3	35	6	1	3	0	1	0	0	50000
100000	2	10		5	29	3	1		0	0	0	1	85000
100000	1	8	12	3	33	3	1	2	0	1	0	0	180000
130000	5	10	20	4	36	6	1	3	0	0	1	0	250000
300000	3	9		5	31	8	0		0	0	0	1	150000
2500000	4	20		5	35	10	1		0	0	0	1	1.50E+07

Appendix II: Survey questionnaire

Research Title: IMPACT OF YEDF ON THE PERFORMANCE OF YOUTH OWNED ENTERPRISES IN RUARAKA CONSTITUENCY, NAIROBI COUNTY

Principal Investigator: Ratemo, Hebisiba Kemunto

Organization: University of Nairobi, School of Economics

Introduction: I am going to give you some information and then invite you to be part of this research. The information I shall give is to basically help you make a decision whether or not you want to participate in this study. Should there be words that you do not understand please feel free to ask and I will take time to explain. If you have questions later, you can ask me.

Purpose of research: We want to identify the determinants of youth owned enterprises growth and success. We are therefore collecting information which will be studied and a report written on the same. The names of participants will not be mentioned in the report. The report of this study shall be shared with policy makers and hopefully used to make recommendations which will then be used to enhance and improve on the design and implementation of existing government policies on youth enterprise development.

Participant selection: We are inviting all youth entrepreneurs between the ages of 18 to 35 years to participate in this study.

Voluntary participation: You are free to choose to participate in the study and you may choose to stop participating at any time. Your participation is completely voluntary. If at any time during the interview you want to stop participating, for any reason, just let me know and I will stop asking questions. If you want to answer some questions, but not others, you can do that too. It's entirely your decision. The interview should take approximately 30 minutes.

Confidentiality: If you agree to participate, I shall conduct the interview. I will ask you a series of questions about your life and experiences and put down your responses on the questionnaire. After the interview all the filled questionnaires will be handed back to the lead researcher. I will not keep any copies and will not talk to anyone except the lead

- e) Cohabitation ()
- f) Others (Specify) -----
4. Location of the youth enterprise Sub-location.....
Location.....
5. How many members does your group have?
6. Age of your group (if applicable) 1-2 years ()
3-4 years ()
Above 4 years ()
7. When was the group registered by the ministry of social services?
.....
8. Highest level of formal education attained by the respondent(Owner of youth enterprise)
- | | |
|----------------------|-----|
| None | () |
| Primary education | () |
| Secondary education | () |
| Tertiary/College | () |
| University Degree | () |
| Postgraduate & Above | () |
| Other | |
- qualification.....
9. What kind of enterprise do you operate?
- | | |
|--------------|------------------|
| Agricultural | () |
| Business | () Specify..... |
| Other..... | |
10. When did you start your enterprise?
11. Has it been growing in scale since (Turnover wise)?
- | | |
|--------|-----|
| a) Yes | () |
| b) No | () |
12. How long have you been in business?.....

13. How long have you been in this business?.....

14. What is your enterprise turnover/gross in kshs?.....

15. What is your enterprise net in kshs?.....

16. Do you keep any records?

a) Yes ()

b) No ()

PART B (FUNDING DETAILS):

1. Have you received any credit?

a) Yes ()

b) No ()

2. How much credit overall have you accessed since you started your enterprise?

.....

3. What is your primary source of income?.....

4. Do you have any other sources of income?

Yes ()

No ()

5. If the answer is Yes in no. 2 above, please specify.....

Have you heard of YEDF?

a) Yes ()

b) No ()

6. How did you know about YEDF?

7. Have you received any funding from YEDF?

a) Yes ()

b) No ()

8. How much funding have you received from YEDF?

9. How long did it take to process the loan?

a)0-3 months ()

b) 4-6 months ()

c)Over 6 months ()

10. What was the loan for?

Start up ()

Expansion of business ()

Other, please Specify.....

11. How would you rate the loan amount given for the business venture you were intending to have?

a) Excessive ()

b) Sufficient ()

c) Insufficient ()

12. What comment can you give on the charges of the YEDF loan?

.....
.....

13. What effect did the YEDF loan have in regard to your enterprise's growth and success?

.....
.....

PART C (MARKET LINKAGES):

1. How many markets is your enterprise linked to?.....

2. What is the area of coverage of your operations?

Within the Location ()

Within the Constituency ()

Within the County ()

Within the Country ()

Internationally ()

3. How many of the markets your enterprise is linked to were through YEDF?

.....

4. Have you participated in any market fair/exhibition organized by YEDF?

Yes ()

No ()

(If the answer is No above, please skip to Part D)

5. How would you rate the YEDF facilitated market linkages as regards to the following aspects on a scale of 1-5?

Criteria	Strongly Agree	Agree	Disagree	Disagree Strongly	Undecided
No. of market fairs and exhibitions organized by YEDF are sufficient					
Participating in market fairs and exhibitions connected the enterprise to new customers					
The market fairs and exhibitions met my expectations					
The frequency of the market fairs and exhibitions is sufficient					

6. Did the market linkages have any positive impact on your enterprise turnover?

- a) Yes ()
b) No ()

PART D (TRAINING IN BUSINESS SKILLS):

- How many trainings have you attended in business/entrepreneurship skills?
.....
- How many of them were facilitated by YEDF?
(If the answer is none above, please skip to Part E)
- How would you rate the YEDF facilitated business development skills training as regards to the following aspects on a scale of 1-5?

Criteria	Strongly Agree	Agree	Disagree	Disagree Strongly	Undecided
No. of business trainings attended are sufficient					
The business trainings were relevant to my needs					
The length of the trainings was sufficient					
The frequency of the trainings was sufficient					
Content was well organized and easy to comprehend					
The training met my expectations					

4. Did the business development skills training have any positive impact on your enterprise turnover?

c) Yes ()

d) No ()

PART E (ENTERPRISE GROWTH):

1. How many employees does your enterprise have beside you?

a) Permanent.....

b) Casual.....

c) Seasonal.....

d) Contract.....

2. How many additional employees did you employ since funding by YEDF?

.....

3. What was the value of your enterprise assets at the beginning (in KSHS)?
.....
4. What is the current value of your enterprise assets?
.....
5. Did you have any prior business experience?
 - a) Yes ()
 - b) No ()
 Specify no. of years.....
6. Was it in the same field as your current business?
 - c) Yes ()
 - d) No
 Specify.....
7. What would you say is the overall effect of YEDF on your enterprise?
.....
.....
8. What would be your recommendation on how to improve the impact of YEDF on youth enterprises?
.....
.....
.....
9. Any additional comment as regards to the performance of youth enterprises?
.....
.....
.....