SOCIAL ECONOMIC EFFECTS OF MICROFINANCE ON YOUTH MICRO ENTERPRENEURS: A CASE STUDY OF THIKA TOWNSHIP

BY

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DECLARATION

I declare that this research project is my original work and has not been submitted for any award in any other university.

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This research project has been submitted with my approval as the university supervisor

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DEDICATION

This study is dedicated to my dear wife Mercy and my adored daughter Abigail. Thank you for the love, care and support you have given me throughout my studies. Am truly thankful my dear family and May God richly bless you.

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LIST OF ABBREVIATIONS

GDP	- Growth Development Product
ME	- Micro Enterprise
MFI	- Micro Finance Institution
CGAP	- Consultative Group to Assist the Poor
UNDP	- United Nations Development Program
MDG	-Millennium Development Goals
NGO	-Non Governmental Organization
USAID	-United States Aid
SSA	-Sub-Saharan Africa
TA	-Technical Assistance
EU	-European Union
FAO	-Food and Agriculture Organization (of the UN)
SPSS	-Statistical Program for Social Scientist
KCB	-Kenya Commercial Bank
K-Rep	-Kenya Rural Enterprise program

ABSTRACT

The study focused on the Social Economic effects that Micro finance has on youth Micro entrepreneurs. Specifically, the research aimed at establishing the effects on individual livelihoods, the effects on the performance and sustainability of micro enterprises and the effects of training on youth micro enterprises.

The study was conducted in Thika Township in Kiambu County among youth micro entrepreneurs. A sample of sixty one (61) respondents who were youths operating micro enterprise businesses within the township were interviewed. The key informants included four (4) business development officers from K-rep bank. For the Youth Micro entrepreneurs, questionnaires with open and closed ended questions were administered through face to face interviews and for the key informants an interview guide was used. The data was analyzed by use of statistical package for social scientists (SPSS)

The study findings indicated that majority of youth micro entrepreneurs had positively improved their lives and that of their businesses due to the loans and other services granted to them and micro finance had also positively improved the knowledge and management skills of the business owners due to the training programs. Results further noted that the businesses improved positively in terms of expansion, high sales and increased profits. This was revealed by the increase of number of employees and improved family living standards to the youth after the consumption of micro finance products.

The study also found out that some youth micro entrepreneurs experienced very little or no positive change after consumption of micro finance as indicated by their responses on business performance and livelihood standards. The study concludes that credit alone cannot serve youth and take them fully out of poverty; this is only one of the many elements on a menu of possible interventions to generate income and possibly alleviate poverty. The study recommends that more campaigns be conducted by micro finance providers to make as many youth aware of their products and services.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

People living in poverty like everyone else needs a diverse range of financial instruments to run their businesses, build assets, stabilize consumption and shield themselves against risks .Micro-finance concept incorporates micro-services like micro-insurance, micro savings and microcredit. It also insists on attitude change on the beneficiary (social attitudes) towards education, nutrition, and women involvement in decision making and not just financial matters.

Microfinance is not a new global concept. Most societies and cultures have a rich history of traditional and credit arrangements. The “susu” of West Africa, “chit funds” in India, Tanda in Mexico and partner in Jamaica. It has been there in most parts of the world since the introduction of currency. Up to 80% of people in developing countries derive their incomes from the informal sector, thus the need for good financial mechanisms to support wealth creation and financial services in this sector The origin of present microfinance can be traced back to 1976, when Muhammad Yunus set up the Grameen Bank, as experiment on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh. The aim was to provide collateral free loans to poor people especially in rural areas, at full-cost interest rates that were repayable in small frequent installments. Borrowers were organized into groups and peer pressure among them reduced the risk of default (Khan, R., 2007).

In many cases, basic business skills training should accompany the provision of micro loans to improve capacity of the poor to use funds .Micro financing should address capital investment decisions, general business management and risk management. In the world over, provision of microfinance services to the youth has been considered an innovative and sustainable approach to youth financial and micro enterprise activities empowerment leading to income generation so as to improve their livelihoods and contributes to social economic growth. Debates on extending the reach of microfinance to the poor people increasingly focus on savings facilities where they are first trained on savings as they build up their security in preparation for credit and other services. For many youth, microfinance facilities are essential in increasing the amount of income under their control and building assets. In remote areas, mobilization and intermediation of member savings maybe crucial first steps before accessing external loan funds. This is usually through merry go rounds and table banking which enhances group cohesion and confidence of members to borrow and share ideas about other microfinance product and services (Allen 2005; Murray and Rosenberg 2002; Khan 2007).

Access to micro finance has the potential to assist the poor in earning income from micro enterprises, smooth their income earning and consumption and help households diversify their income sources (Anand, 2005). According to Mosley (2001) Micro finance makes a considerable contribution to the reduction of poverty. It helps increase income earning and asset building opportunities which makes households less reliant on a single asset type and consequently deal with disasters (Anand, 2005). According to Hassan (2002), many Grameen Bank borrowers were actually building larger houses. Panganiban, (1988) advances that the income of borrowers had risen and their asset base had widened. Investments made by loans appear to have been extremely productive and have contributed significant improvements in household outputs, income and consumption (Ghai , 1984).

Of the world's population, more than 3 billion people are estimated to be under the age of 25; approximately 1.3 billion are between the ages of 15 and 24. Just under half of these young people live on less than two dollars a day. The persisting global inequalities leave the young people vulnerable in many ways. Unemployment, especially amongst them leads to high risk behavior of crime, drugs and spread of HIV and AIDs. Micro finance, the provision of a wide range of financial services has allowed many families throughout the developing world to make significant progress in their own efforts to escape poverty (Wright , G.A.N, 2005)

In Kenya, poverty situation remains high with over 37% of the population being youth. Youth account for about 55% of the unemployed in Kenya, implying that unemployment is a predominantly a youth issue. Young people are particularly affected by unemployment, lack of proper housing and health challenges. Poverty affects educational levels and children from poor families have been known to be much less likely to attend school than those of rich families. Poorer educational levels imply poor chances of gainful employment which affects social economic live hoods of the poor and their families negatively. In the absence of opportunities in the formal labor market, many young people are engaged in the informal sector which is largely unregulated and are subjected to hazardous conditions for low earnings and long working hours, without formal contract. Through many government programs such as Princess Enterprise program (PEP) in Britain, National Youth Development Agency (NYDA) in South Africa and youth Enterprise Development fund (YEDF) in Kenya, youths have managed to start and sustain viable businesses and attain financial independence and stability (Odhiambo , 2013)

Given that the vision of microfinance is to promote the growth of micro enterprises, MFIs and other financial intermediaries have experienced rapid growth and innovation towards supporting the youth financial requirements. Institutions such as Kenya Rural Enterprise Program (K-REP), a non –governmental organization that was started in 1984 under the funding of the USAID are some of the microfinance providers. Today, K-REP is fully licensed as a bank and offers a full range of banking services in additional to its micro finance specialty. A number of MFIs and financial intermediaries including K-REP , Equity bank, Family bank , Cooperative bank, Kenya Women Finance Trust (KWFT) , FAULU , Small Micro Enterprise Program (SMEP) etc have since then come up to provide micro finance services to the low income groups for purposes of starting or developing income generating activities. Related to this is the indication that MSEs access to credit has increased greatly from 7.5% in 2006 to 17.9% in 2009 (Simeyo 2011)

In view of the increasing micro finance provision in the world targeting the poor , majority of whom are youth , with anticipation of an increase in social economic empowerment , particularly in developing countries , and more so in Kenya as evidenced by the above study efforts ; this research sought to find out the social economic effects of microfinance on youth micro entrepreneurs in relation to their individual livelihoods , the business performance and sustainability as well as the effects of training on youth enterprises in Thika Township in Kiambu county.

1.2 Problem Statement

Microfinance continues to gain credence as an effective poverty alleviation tool from practitioners, donors and policy makers. The international summits and all stake holders have therefore focused on poverty alleviation among the poor as one of the millennium development goals (MDGs). The poor need financial products and services to build assets, stabilize consumption and shield themselves against risk. Many writers and policy makers have often looked at microfinance as the bridge to low income population excluded from traditional banking system (Fotabong & Akanga, 2005)

In Kenya, poverty situation remains high with over 37 % of the population being youth. Of the thirteen (13) million youth population, less than 50 % are in gainful economic activities in the formal, informal and public sectors of the economy while majority are unemployed and live on less than 2 dollars a day. Consequently, they have gotten way into crimes, drugs and substance abuse and commercial sex to cope with the situations (Eduardo 2013; Simeyo 2011)

The provision of credit has increasingly been regarded as an important tool for raising incomes of the youth in Kenya. Poverty has continued to prevail among them even with such loans (Odhiambo, 2013). Youth agenda on micro finance in Kenya have had a great focus including creation of a government ministry with a full department to handle it. This focus was also prominently featured in all political party manifestos in the Kenyan general elections 2013. Micro enterprise funding has become popular with commercial banks and other financial institutions developing products targeting to fund the youth in their businesses. To sample but a few , these includes Vijana biashara loans from equity bank, Bizwise loans from cooperative bank, Jenga Bizna group loan and vijana boost loans from family bank, Ungana and Yes loan from k-rep bank, soko cash and mkopo biashara from faulu , Bankika from KCB among others. These efforts seem not to solve the issue because poverty levels still remain rampant in Kenya among the youth.

In view of social economic challenges facing the youths in Kenya , this study sought to investigate how micro finance affects their individual livelihoods , performance and sustainability of their businesses and the effects of training by microfinance providers to youth micro enterprises. Previous microfinance researches according to literature reviewed in this paper in Kenya and outside are general and do not narrow on the youth despite the challenges experienced by this group. There was also limited information on previous research on this topic in Thika township.This research therefore sought to address this gap and build on the existing body of knowledge with youth as the focus group.

1.3 Research Questions

i. What are the effects of microfinance on the individual livelihoods of the youth micro enterprise borrowers?
ii. How does microfinance contribute to the performance and sustainability of the business of youth micro finance borrowers?
iii. What are the effects of training on youth micro enterprises?

1.4 Objectives of the Study

The major objective of the study was to establish the social economic effects of microfinance on youth micro entrepreneurs. The specific objectives of the study were:

i. To examine whether microfinance has effects on individual livelihoods of the youth borrowers.
ii. To find out whether microfinance has effects on performance and sustainability of the business of youth Micro finance borrowers.
iii. To examine the effects of training on youth micro enterprises.

1.5 Significance of the Study

This study is motivated by the fact that despite increased microfinance targeting the youth in Kenya, poverty levels are still rampant among the Kenyan youth. The effects of these products and services on changing the life of youth social economically and consequently poverty reduction can only be determined by the effects on the recipients. The study provides insights for policy makers in the Kenyan government, its partners and other relevant actors who are interested in understanding how microfinance can be used as an important tool of employment creation, poverty reduction and social economic effects on youth micro entrepreneurs. The study findings can help the government and other microfinance providers to review successes, failures and gaps in the follow up phases in adjusting the programs and modalities for optimum effects. It will also be useful to academic institutions and youth groups who share an interest in learning more about micro finance.

1.6 Scope and Limitations of the Study

The study specifically focused on youth micro enterprises as defined above which include businesses that employ up to 10 persons including the working owner and was conducted in Thika Township. The respondents were restricted to those within the age bracket of 18 to 35 years and selected 5 categories of youth microenterprises namely barbers, hair salonists , green grocers , cyber café and second hand clothes youth dealers. Micro finance is a wide field of study but this research specific motivation was to find out the social economic effects that microfinance has on the youth micro entrepreneurs. The study adopted descriptive design which employed both qualitative and quantitive measures through administration of questionnaire to the selected sample of respondents.

The researcher obtained most of the study information from previous researchers, government working papers and online journals published by other scholars and relevant authorities. The study was limited to youth entrepreneurs affiliated to k-rep bank which was purposively selected by the fact that it has its history as an NGO, a Microfinance Institution and currently a fully licensed commercial bank. Its range of microfinance product and services accommodates group client using the grameen model which is widely covered in the literature review and it also serve individual clients like all other commercial banks. Their services also go beyond finance access to include training, business progress monitoring and evaluation among others. The institution works with heterogeneous groups which meet on monthly basis to make contributions, training and follow up of loans. The study was also limited by geographical location of other bank branches that are far from each other, thus making the researcher to concentrate only on the youth owned businesses within Thika Township.

1.7 Definition of Key Terms

1. Micro Finance

Microfinance refers to a range of financial services including credit, savings, insurance, money transfers and other financial products provided by different service providers, targeted at poor and low income people (Chad , B . 2013)

2. Youth

This research considered the youths as individuals between ages 18 and 35 years undergoing a series of transitions from adolescence to adulthood and from dependence to independence and from being recipient of society's services to becoming contributors to national economic, political and cultural life (AYC 2006)

3. Livelihoods

A person's livelihood refers to their means of securing basic life necessities like food, shelter and clothing for self and his/her household on a sustainable basis with dignity. This definition was adopted for this study.

4. Micro Enterprises

These are small businesses involved in sale of vegetables, dress making, tailoring, retailing clothes and food that employ up to 10 persons including the working owner Mutai , (2011)

5. Training

Training is the acquisition of knowledge, skills and competencies as a result of teaching of vocational or practical skills and knowledge that relate to specific useful competencies with specific goals of improving one's capability, capacity, productivity and performance (Gary, M. 2008)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to the proposed study. This was important for purpose of creation of identification of gaps in knowledge and creation of an entry point for the study to be done. The literature was reviewed from both published and unpublished sources like journals, newspapers, textbooks, internet and unpublished thesis and dissertation done by researchers from other countries and in Kenya. The literature was reviewed under various subheadings related to the social economic effects of microfinance on youth micro entrepreneurs which focused on individual livelihood of the borrowers, the business performance and sustainability as well as the factors determining business success. These are the concept of microfinance, historical background of microfinance, and the social economic effects of microfinance among the youth.

2.2 The Concept of Microfinance

Microfinance refers to provision of small scale savings, credit, insurance and any other financial services to those who cannot access them from formal financial institutions. It also claims on social attitude change in the beneficial towards education, nutrition, women involvement in decision making and not just financial matters. Therefore the definition is both financial and social intermediation (Mosley, 2001).

National governments and NGOs have launched actions and programs to address the social well being of individuals. Donors are concerned with the individual aspects in definition of poverty. Thus social poverty refer to deprivation in essential health care, sanitation and basic hygiene gender weakness, infant mortality, unemployment, food and malnutrition and not mere shortage of income (Ghalib .A.K, 2007).

Microfinance has proven to be a powerful tool for poverty reduction. Unfortunately, it has not sufficiently served the very poor category of the society who lives on less than a dollar per day. The international summits and all stakeholders have therefore focused on poverty alleviation among the poor as one of the millennium goals. This is done through funding to start microenterprise programs in order to alleviate poverty, get a source of income and create employment among the rural poor (Adjei ,2009).

2.3 Historical Background of Microfinance

Micro finance is not a new development. It's origin can be traced back in 1976 when Muhammad Yunus set up Grameen Bank as experiment on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh with aim of providing free collateral loans to poor people especially on rural areas at full cost interest rates that were repayable in frequent installments. Borrowers were organized in groups and peer pressure among them reduced the risk of default (Khandler, S.R.,2007) . Micro finance has proved valuable to poor people, especially the youth and women on a sustainable basis. Access to financial services has allowed many families throughout the developing world to make significant progress in their own efforts to escape poverty (Wright , G.A.N, 2005)

Micro finances should not only be involved in funding but also basic business skill training should accompany the provision of microcredit loans to improve the capacity of the poor to use funds (Bernes, 2001b). Micro financing should also address capital investment decisions, general business management and risk management. In the world over, provision of microfinance services to the youth has been considered as an innovative and sustainable approach to the youth financial microenterprise activities and empowerment leading to generation of income so as to improve their livelihoods and contribute to economic growth. For youth, savings facilities are essential in increasing the amount of income under their control in building assets. In remote areas, mobilization of member savings may be crucial first steps before accessing external loans funds. Most societies and cultures have a long rich history of tradition or informal credit arrangements. The susu’s focus of West Africa ,‘chit funds’ in India, ‘tandas’ in mexico and partner in Jamaica. It has been there in most parts of the world since the introduction of currency (Khan ,R. , 2007).

In the nineteenth century large types of formal savings emerged in Europe and were organized amongst the rural and urban poor. The institutions were referred to as people’s banks, credit unions, housing societies among others. By late 1970’s and 1980’s it saw the emergencies of microenterprise lending programs which targeted very poor people who were often women borrowers. The early focus of microfinance programs was upon proving that poor were credit worthy (Marguerite ,R., 2001)

In the 1990’s provision of credit to the poor has emerged as probably the most popular and high profile of all development sectors in terms of volumes and resources invested in it and poverty alleviation attributed to it. At the same time the microenterprise lending began to be replaced by a new term which included credit, saving and other financial services. Microfinance emerged as the term of choice to refer to a wide range of finance services to the poor. It included not only credit but also saving, insurance and occasionally transfers. The 1990’s also saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. There is a global campaign underway under the banner of microcredit summit to extend the reach of world’s poorest micro-entrepreneurs by 2015 (UN, 2005)

2.4 The Social Effects of Microfinance on youth micro entrepreneurs

Social impact is an effort of judging the social consequences that are likely to follow from policies, action and programs launched by an organization. It is a process of gathering, analyzing, in cooperating social information by which transition of different social aspects are determined as a result of development action taken (Zohil, M. 2004).

The social development is unavoidable in any economic development. This is because if a client is illiterate, unhealthy and starved, their income increase and savings through involvement in microfinance cannot be sustained. This is because vision and thoughts are usually downwards for those socially lagging behind. It hinders overall human development. With this realization of microfinance, programs target both human developments that are geared towards economic and social uplifting of the people (Ghalib A.K, 2007).

The microfinance programs have laid emphasis on social development with a view to protect loan investments (Wright, G.A.N, 2000). This is because respondents can give false information in their income level (Mansen- cited in Wren E., 2005). Wider social impacts assessments are necessary because conventional impact ignores the possible positive externalities on spheres beyond households (Zeller,M, and Meyer ,R.L.2002).

2.4.1 Effects of Microfinance on Health and Nutrition on Youth Micro Entrepreneurs

In some instances there is a negative correlation between the microfinance operations and better health and nutrition of the clients. Poor clients were found to have ill health (Matin, 1998, cited in Wright, G.A.N, 2000). The microfinance programs have significant positive effects on health, nutrition and other social services when the clients meet regularly and at the same venue.

According to findings of study done by Wright G.A.N, (2000) Microfinance operations have health and nutrition indicators. The health and nutrition seem to improve where microfinance programs have been working. Members are more likely to use contraceptives than nonmembers and therefore downsize their family size.

Microfinance clients were given health care instructions, breast feeding and family planning. The clients were noted to have better health care practices than non clients with 95% of clients improved health care and nutrition practices for their children as opposed to 72% of non-clients. The study findings also indicated that poor people invested their tiny borrowing for payments of children health care (Harper M.(2003) According to (BRAC , 2005), women who are clients of microfinance programs were noted to have a larger control over their fertility, decreased mortality, improved nutrition and sustainable environment. The findings indicated higher child survival rates higher nutrition status.

Clients of microfinance institutions are able to improve the welfare of household by increasing calorie intake and improved nutrition status of children. Clients of microfinance especially from the poor households have increased investment in health insurance and expenditure on healthcare itself (Adjei and Arun,2009). Membership in microfinance resulted to improved health of children of clients in terms of protective behaviors, sleeping under mosquito nets and nutritional status. Borrowers have better nourished children than non-clients control groups. A study on sexual health behavior of AIDS orphans in South Africa found significant improvement in young savers due to intervention of micro savings (Ssemawamala, 2000).

There is a negative correlation between microfinance operations and better health and nutrition of the clients. Poor clients were found to have ill health (Matin 1998 cited in Wright, G.A.N, 2000). Nevertheless microfinance has a significant positive effect on health and nutrition and other social services if they meet regularly and at the same venue.

2.4.2 Effects of Micro Finance on Education to youth micro entrepreneurs

The available evidence on impact of microcredit on education is varied with limited evidence for the positive impact. There is considerable evidence that microfinance may be doing harm by impacting negatively on the education of clients children (Barnes, 2001a). There is also a significant positive outcome .Micro savings provision for AIDS related orphans in Uganda among the young people has shown increase in their intention to attend secondary school and their certainty to get fruit(Ssemawala,2010).The young people did relatively well in primary leaving exams.

Evidence of microcredit impact on school enrollment is both positive and negative. Studies show that participation in microcredit program has increased expenditure on children’s education (Adjei and Arun, 2009).

Mixed results with varied positive and negative effects on expenditure on education depending on the region have been noted (Manor, 2008). There was decreased primary school attendance amongst borrower's children leading to repetition of primary grades in young boys and delayed or lack of enrollment by young girls (Shimamura and Lastarria-cornhiel, 2009).

Client households were significantly more likely than non client households to have been unable to pay school fees charges for one term during previous two years; hence children had to drop out of school (Barnes, 2001b). The findings suggested that a small core of client households experience financial hardship that kept school aged children from returning for further education (Barnes, 2001a).

The length of time within the credit program fails to increase positive impacts on expenditure on education (Adjel and Arun, 2009). Another study found that there was a decreased children enrolment. The on-going borrowing reduces children's enrollment in school, with the proportion of the households girls aged 6-16 years in school decreasing more than for departing clients and non-clients (Barnes, 2001a).

There was a positive impact on enrollment of boys between the ages of 6-16 years of age. Cumulative loans increased clients stay in school up to ages 6-21 years. The household income per capita intake of clients was also higher. Among the caste women in India, there is positive improvement in education but women were noted to be few compared to men. This enrollment levels in education institutions, literacy levels and education development was found to be low (Watson N.D cited in microcredit campaign, 2006). Reasons for insignificant social effectiveness of microfinance programs were found to be lack of economic resources, feeling of shame, fear and embarrassment.

2.4.3 Effects Micro Finance on Housing to youth Micro Entrepreneurs

Data on housing is limited, but all the studies done suggest that microcredit and micro savings have a positive effect on clients housing. Village savings and loan association participants in Zanzibar are more likely to own their homes and make investments in the quality of their home than control groups (Brannen, 2010). According to Hassan (2002), many Grameen Bank borrowers were actually building larger houses.

Client recipients were found to have made more improvements to their homes than the non-clients (Lacalle, 2008). Greater proportion of clients households, compared to non client households became owners of the place in which they reside. Clients were also more likely to have increased the number of rental units owned than non clients households. The beneficiaries of microfinance credit were noted to have better residential houses for their families (Barnes, 2001 b).

2.4.4 Effects of Micro Finance on Job Creation to Youth Micro Entrepreneurs

According to study, done by Gupert and Roubaud,(2005) found that by 2001 the effects of microcredit on employment was positive and significant; but by 2004, though positive, it was statistically insignificant. Data from Zimbabwe also showed that microcredit has no impact on employment levels in businesses (Barnes, 2001b). In both cases, political unrest and economic crises may have played a role in these results.

Rahmant, (2004) in a study done in Bangladesh focused on microcredit and employment. The findings show that it has created positive effects on employment for the clients, which in turn contributed to socio investments and socio empowerment. In Kenya the MSE sector after being financed by microfinance programs, it has led to increased growth in the employment. Employment opportunities of casuals, semi-skilled and skilled employees were created. Growth in business also translates into auditing, taxation and insurance matters therefore auditors, lawyers, under writers and other professionals will be engaged. As such, entrepreneurship has been responsible for generation of employment opportunities to millions of people. It further helps in growth and development of country's national economy. Today, there are many individuals who have established businesses of their own and are offering employment to many, thereby reducing unemployment crisis in the country (Khan, 2007).

2.5 Micro Finance Economic Effects on Youth Micro Entrepreneurs

The first detailed research of economic effects of microcredit program was Mahabub Hossain work on Grameen bank in 1983/84. Hossain, (1988) noted that the most direct effect of Grameen Bank has been accumulation of capital by the poor. The amount of working capital employed by members enterprise increased by an average of three times within 27 months. The investment on fixed assets is about 2.5 times higher for borrowers with more than three years membership than those who joined during the year of survey.

According to Mosley (2001), Micro Finance makes a considerable contribution to poverty reduction. It helps increase income earning and asset building opportunities which makes households less reliant on a single asset type and consequently deal with disasters. Ghai (1984) advances that income of borrowers had raised and their asset base widened, investments made by loans appear to have been productive and contributed significant improvement in household output, income and consumption.

Microfinance plays a major role in asset acquisition due to access to microfinance services. The microfinance beneficiaries are able to change their lifestyles like make better residential houses, afford vehicles and buy land (Zeller, M. and Meyer , R.L , 2002). There is also some evidence for a general improvement in economic status of microfinance clients in Rwanda (Lacalle, 2008). However, this is self reported data about families' economic situation which is a direct function or being given credit.

A study in South Africa reports a clear pattern of improvement across all nine indicators of economic well being, including household asset value, ability to repay debts, credit worthiness and ability to meet basic household needs (Pronyk, 2008). This is contradicted by data from Uganda, which reveal that microcredit and micro savings had not improved the well being of client status, relative to that of non-clients. Clients who have participated for more than 3 years saw negligible value addition to their well being status (Lakwo, 2006). Clients made insignificant gains in natural and physical assets

(Lakwo, 2006). Nanor, (2008) in Ghana found no significant improvement on clients households when comparing them on poverty line.

2.5.1 Effects of Micro Finance on Income Growth and Vulnerability Reduction

There is some evidence that micro savings for women have a significant impact of their individual increase in expenditure. Food expenditure and private expenditure increased significantly for client youth women (Dupas and Robinson, 2008). According to findings of Hulme and Mosley, (1996) microfinance has a positive impact on expenditure in individual borrowers and growth of income .The study focused on microfinance and poverty eradication in Indonesia, India, Bangladesh and Sirlanka. The findings indicated that growth of income of borrowers exceeds that of control group.

Microfinance is found to alleviate poverty by up to 5% annually in Bangladesh. Microfinance helps to reduce extreme poverty by 18% (Khandler, 2003). It reduces vulnerability and has a smoothing consumption of poor households.

Studies in US show that microfinance served those in poverty margin and not the poor. (Scherner, (1999) found that microfinance is not a tool for effective poverty eradication in US because of weak social cohesion , though it may move people from welfare to self employment.

Mosley, (2001) using data from Latin American countries, found positive growth of income of borrowers. The income growth for better of borrowers was larger. However, there no evidence found on impact of microfinance on extreme poverty. There is a significant increase in income and the expenditure of borrowers in Bangaladesh (Rahmant ,2004)The findings show that the income of the borrowers has increased in range of 18- 40% which in turn contribute to employment.

According to findings of Hossain, M (1998) at Grameen bank, clients of microcredit programs had impressive income effects. Members had incomes about 43% higher than the target group in the control villagers and 28% higher than the target group non-participants in the projects villages. The positive income effect was noted to be highest for the absolutely landless, followed by marginal land owners. A more recent study conducted by world bank in Bangladesh, showed that Grameen bank not only reduced poverty and improved the welfare of participating households but also enhanced the households capacity to sustain others gains over the time.

Kamal, (1996) noted higher rates of income among microcredit programs borrowers compared to those who did not borrow. The members both men and women have more incomes in terms of amount and source. Similarly, households expenditure increased from an average of TK419 per week for members who had been members for 1-11 months to TK 528 members who had been member for 48 months or more increase of 28%

2.5.2 Effects of Micro Finance on Youth Micro Entrepreneurs Households Wealth

Findings of a study done in Zimbabwe show that over 2 years following departure from microcredit programs, clients have diversified their income sources .The clients had improved the households potential with greater income , security(Barnes,2001).Furthermore the greater diversification of income sources was not observed for the poorest A study done in Ghana , suggests that clients households has greater expenditure on non-food items than non-client households (Nanor 2008) .This is consistent with the study of microcredit in Rwanda where clients purchased more clothing, footwear, soap than then non-clients (Lacalle,2008). There is evidence from Uganda and Zanzibar that microcredit clients invests more in households assets like mattress, radios, stoves and beds (Brannen 2010). This is especially for male clients and is also significant for women borrowers.

Uganda clients' households are more likely to provide remittals and gifts than the non-clients. In a parallel study done in Zimbabwe there is no significant difference between gifts given by client and non-clients (Barners 2001b). In Bangladesh, according to findings of (Mosley, 1996) there is reported growth in household assets from an average of TK 10,959 for microfinance clients (between 1-11 months of membership to TK 23,230 clients who have been member for 48 months or more)

2.5.3 Effects of Micro Finance on Working Capital and Business Wealth/ Growth on Youth micro Entrepreneurs

In business growth refers to the concept of expanding sales operations assets (Holt, 2004). Business growth can be two edged sword. When it is uncontrollable, it can lead to financial failure. This is because it eats cash fasts especially if the business extends credit to customer and must cover payment floats while still financing the business expansion. A business venture grows in many different way, this include higher sales volume increase in forms assets based, improved profits meet competition or satisfy the entire entpreneurs dream of heading a large organization (Hulme, 1997)

Indicators of growth in business include growth on sales, assets, number of employees, high value added and effective performance. Other indicators include growth of new markets, high employment morale high turnover new product developments and readiness to innovate.

There is mixed evidence on microcredit relationship with greater investments. In business microcredit clients are more likely to have added new products and services to their current businesses substitute enterprise but not a second business, clients also get involved in other income generating activities (Brannen,2010) .Clients improve business management, increase productivity, smooth income flow ,enlarge and diversity their micro business (Marguerite ,2001)

A study done in Uganda suggests microfinance clients are more likely to have more diverse sources of income than non-clients (Barnnes 2001). In Kenya and Uganda, saving clients invest more money on land for cultivation. They also increase the number of crops and their income from crop production (Dupas and Robinson, 2008). In

Zimbabwe and Madagascar, the findings of the study done show that microcredit did not provide client with spurt of growth (Barnes 2001 b)

2.6 Theoretical Frame work

This study is supported by social capital theory based on the ideas of Pierre Bourdieu, James Coleman and Robert Putnam. Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition (Bourdieu, 1992). This influential French Sociologist (1930-2002) was interested in the ways in which society is reproduced, and how the dominant classes retain their position. For Bourdieu , this could not be explained by economics alone. Reflecting on this work, he said that a general science of the economy of practices that does not artificially limit itself to those practices that are socially recognized as economic must endeavor to grasp capital, that 'energy of social physics' in all it's different forms and showed that capital presents itself under three fundamental species namely; economic capital, cultural capital and social capital.

Where other writers see social capital as a heartwarming network of social connections, Bourdieu uses it to explain cold realities of social inequality. Social capital reflects the worst side of saying, 'it's not what you know, it's who you know'. His term points towards a world where elite jobs go to the posh men, who went to the exclusive schools. Here, social capital is another tool in the armory of the elite, deployed to ensure that the 'wrong' people do not enter their circles (Bourdieu ,1986) . This is well supported by this research in the fact that despite micro finance being a strong poverty eradication tool , the poor are segregated and locked out by high cost of credit and other unfavorable conditions and requirements by many providers and so the poor continues being poor as the rich continue being richer. Youth may have a lot of business ideas but they need to know micro finance and make use of the available products and services to actualize their ideas in starting, growth and sustenance of businesses.

James Coleman, the eminent American sociologist and the founder of foundations of social theory takes a different approach from that of Bourdieu that leads to a broader view of social capital, where it is not seen only as a stock held by powerful elites, but notes its value for all kinds of communities, including the powerless and marginalized. Coleman seeks to develop a version of sociology which borrows from both sociological and economic approach , taking in particular the economist's idea of a rational individual engaging in purposive action , but using it to account not only for actions of individuals in particular contexts but also for the development of social organization (Coleman ,1988). He has also widely contributed and helped in developing a more formal model of rational choice theory alongside other theorists (Homas, Blau and Cook) which states that people are often motivated by their personal wants and goals and are driven by personal desires. Since it is not possible for individuals to attain all of the various things that they want, they must make choices related to both their goals and the means for attaining those goals. Individuals must anticipate the outcomes of alternative courses of action and calculate which action will be best for them. In the end, rational individuals choose the course of action that is likely to give them the greatest satisfaction. This is well supported by this study in that the poor uses microfinance to get out of poverty. Micro finance is an available vehicle to the poor, powerless and marginalized and it can be made use of to uplift ones way of life and living standard and escape from poverty.

Coleman proposes a model in which social capital is one of the potential resources which an actor can use, alongside other resources such as their own skills and expertise (human capital), tools (physical capital), or money (economic capital). Unusually, though, social capital is not necessarily 'owned' by the individual but instead arises as a resource which is available to them. So, for example, if you live on street where you can rely on your neighbors to look out for your children, then you have an access to a form of social capital which other people, in less trusting or well bonded streets, do not. Furthermore, this is not a resource you could give or sell to your friend on the other side of town. To get access to it, you have to move into that street (or one like it) and establish some relationships with neighbors –all of which would take time and effort – because social capital is a resource based on trust and shared values, and develops from the weaving- together of people in communities. This agrees with this research in that microfinance is not spontaneous in business growth and is not an end by itself. It is a process that needs time, training, relationships and other factors before positive results are realized. Youths can start business in one field and fail due to many factors like demand and locations and the same business can still succeed in another location.

Coleman also highlights the role of social capital as a source of useful every day information, and of norms and sanctions, which can facilitate certain kind of actions but can also be restrictive (Coleman, 1988). In particular he singles out one effect of social capital that is especially important: its effects on the creation of human capital in the next generation. This is 'Human capital', such as a secure sense of self identity , confidence in expressing one's own opinions , and emotional intelligence , enables young people to become better learners and so to be more successful in school and in society. This human capital emerges out of social capital, because this kind of development depends upon relationships, most obviously within the family or other social network.

Social capital is an important resource for individuals and may affect greatly their ability to act and their perceived quality of life. They have the capability of bringing it into being, yet, because the benefits of actions that bring social capital into being are largely experienced by persons other than the actor, it is often not in his interest to bring it into being (Coleman, 1988: 118). Despite its general use, "Social Capital" has come to mean very different things to different authors and there is no general agreement about what exactly should be understood by "Social capital" (cf.Adler and Kwon, 2002 , Inkpen and Tsang , 2005). However, what seem to be recurring aspect of many definitions is the facts that a social phenomenon that is labeled social capital is assumed to generate some "positive" outcome .To illustrate this; consider for example the description by Putnam and Burt:

“By analogy with notions of physical capital and human capital- tools and training that enhance individual productivity-“social capital” refers to features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit. “Social structure is a kind of capital that can create for certain individuals or groups a competitive advantage in pursuing their ends. Better connected people enjoy higher returns” (Putnam, Robert D., 2001)

In both descriptions, social capital is considered to have positive outcome: facilitating “coordination and cooperation” or generating “higher returns”. This is appealing to social scientists in general because it highlights the importance of social aspect, as opposed to more individual aspects, and specifically focuses attention on the interaction between actors.

However, in many cases the general positive effect expected from such social phenomena, that are considered social capital, might not extend to all individuals involved. Indeed the presence of social relations does not always have beneficial effects for all actors in a group, but can generate situations where one actor gets ahead at the expense of another.

The same social phenomena that generate benefits at one point in time can also generate demands and restrictions and thereby might become disadvantageous to the same actor at a later point in time. Strong pressure in a group for one person to help others, and a high density of advice among these actors can be useful for an actor in need of advice to resolve a problem but the same situation can later generate largely negative effects, when advice is not needed and others start asking favors from this person, thereby actor may vary extensively depending on situational contexts. The general research question that this study seeks to answer is what aspects of individual livelihoods and business that microfinance impacts on the youth borrowers and factors determining these impacts. Many writers and policy makers have often looked at microfinance as the bridge to low income population excluded from traditional banking system as captured in literature review, some researchers confirm positive effects and others negative and hence the conclusion that social capital theory is supported by this research.

2.7 Conceptual Frame work

The goal of this conceptual frame work is to categorize and describe concepts relevant to this study and map relationships. The conceptual frame work for this study is figuratively depicted under figure 1 below. A conceptual framework shows how a researcher conceptualizes the relationship between the research variables in the study and shows such relationship (KIM, 2009).

The conceptual frame that guided this study suggest that micro finance services provided to Youth micro enterprises by micro finance institutions had socio economic Effects on the micro entrepreneurs. Answers to the research questions: What are the Effects of Micro Finance on the individual livelihoods of youth micro enterprise borrowers, does micro finance contribute to performance and sustainability of the businesses of youth Micro entrepreneurs and the effects of training on youth micro enterprises. Research was designed, data collected and analyzed, conclusions and recommendations made with this framework as the guide.

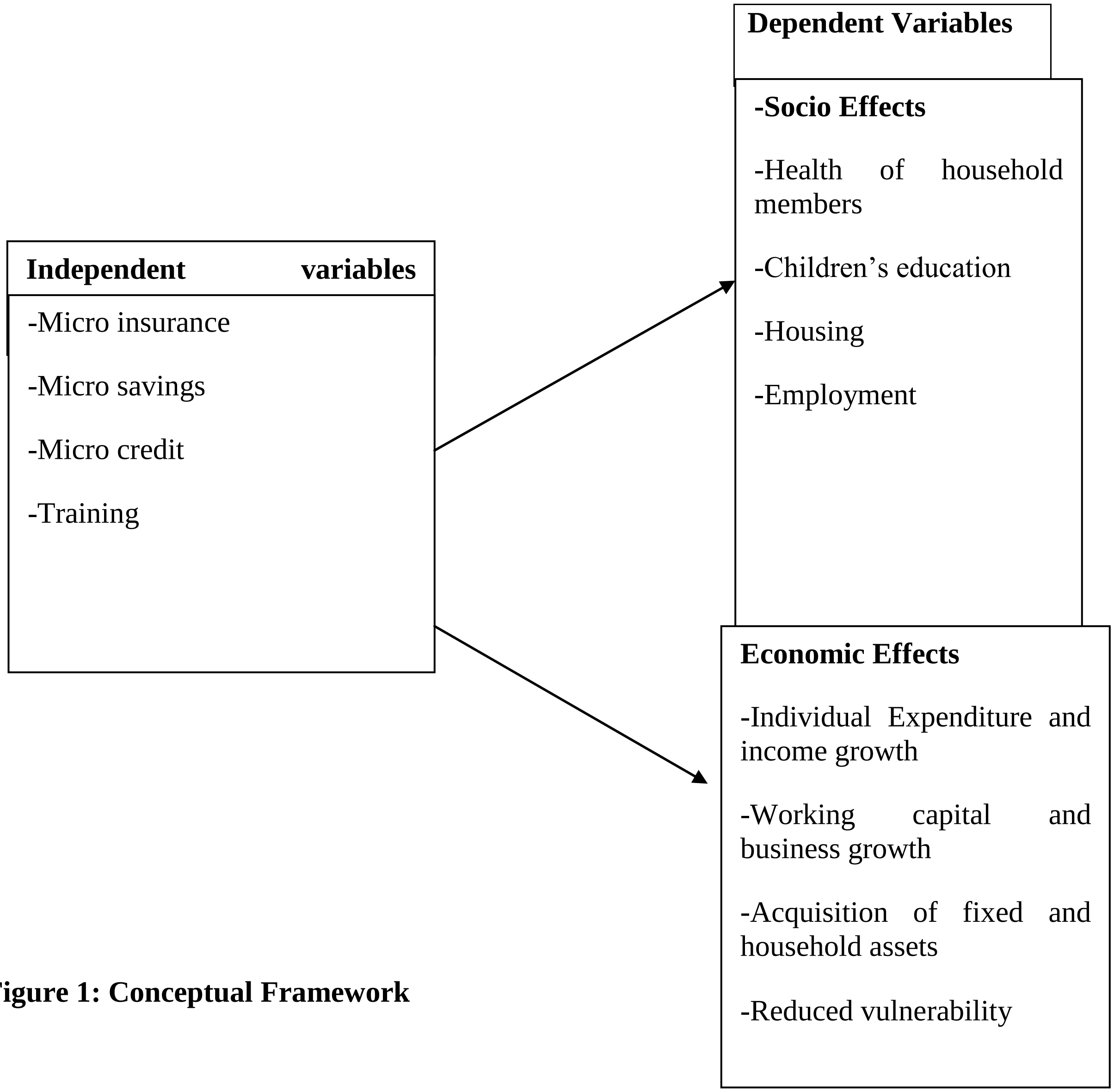

Figure 1: Conceptual Framework

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The study utilized both primary and secondary data to collect relevant information from Thika Township which was the study area. The section of methodology therefore includes description of study site, research design, Sampling design, and sample size and data collection procedures. It also includes data sources and data analysis tools.

3.2 Research Design

Research design refers to how data collection and analysis are structured in order to meet the research objectives through empirical evidence economically (Cooper and Schindler, 2006).

The research design for this research was a descriptive survey. The design involved collection of data from respondents by administration of questionnaires to a sample of individuals regarding how micro finance had impacted on their individual livelihoods, the growth and sustainability of their businesses and effects of trainings they had received and finally conclusions and recommendations were made.

3.3 Study Locale

The locale of the study was Thika Township. The target total population was 219 youth enterprise clients. Out of the 219 youth enterprise clients, 16 barbers were sampled out of a population of 33 clients, 18 saloons were sampled out of a total population of 37, 32 green grocers were sampled out of the total population of 64, 9 cyber clients were sampled out of a total population of 19 and 33 second hand clothes clients were sampled out of a total population of 66 making a total sample size of 108 respondents.

Thika Township was selected through purposive sampling technique (Judgment sampling). Purposive sampling also known as judgmental sampling is one that is selected based on the knowledge of a population and the purpose of the study. The subjects are selected because of some characteristics. This sampling conform to a certain criteria set by researcher where the sample is processed on the basis of judgment (Mbwesa, 2006). The judgment was made on the basis of familiarity with the locale which offers an advantage of entry into the field. The other reason was its proximity to Nairobi and easy accessibility by use of the super highway, and the fact that its population has people who live and do their businesses within town while others live in the Rural areas of Gatanga, Gatundu , Kandara , Makuyu and Ithanga and do their businesses in the town. So the population is Rural urban and results obtained can be used to make decisions in other Rural and urban areas of Kenya.

3.4 Target Population

Population refers to an entire group or elements with common characteristics that meet certain criteria for inclusion in a study. Target population consists of all members of a real or hypothetical set of people events or objects from which a researcher wishes to generalize the results of their research while accessible population consists of all the individuals who realistically could be included in the sample (Kothari ,2003)

The target population of this study was youths in Thika Township with microenterprises businesses. The population consisted of adult male and female youths aged between 18-35 years from 5 categories of youth- enterprises in Thika Township. There are approximately 219 business units owned by the youths in the five categories and the list was obtained with the help of the key informants who had data in their system.

3.5 Sampling Technique and Sample Size

Sampling involves selecting a subset (portion of cases in order to generalize information gathered). Sample is a small part of the large population which part of the large population which represents the larger population. KIM (2009), a sample is a proportion of population to be researched while Kothari (2003) defines a sample as the selected respondent representing the population. This study used stratified sampling, simple random sampling, convenient and purposive sampling technique. The business owners were stratified into five strata of the businesses they operate. The strata are those of Barbers, Saloons, Green grocers, Cyber café and Second hand clothes. Within each stratum, simple random sampling was used to identify individual entrepreneur respondents. The names of the entrepreneurs from each strata was written down in pieces of paper and put in plastic containers and shaken well separately, a blind folded research assistant was used to pick the required number of entrepreneurs randomly from each stratum from the well mixed up names from the containers.

The key informants who included four (4) business development officers from K-rep bank thika were interviewed in the course of carrying out their duties. They were therefore interviewed through convenient sampling technique. These are the people who know products they offer well and interact more with youth micro entrepreneurs when offering them their services as they visit them to their businesses or at the bank.

3.5.1 Sample Size

Kothari (2003) describe a sample as a collection of units chosen from the universe to represent it. The target sample size for this study was 108 youth micro entrepreneurs. The target sample was 50% of the population/business owners and since this is a descriptive study, according to Mugenda & Mugenda (2003), 10% or more of the accessible population is considered as adequate sample for descriptive studies. The sample for the study comprised 16 barber enterprises, 18 hair salons, 32 greengrocers, 9 cyber café entrepreneurs, and 33 second hand clothes sellers from the 5 categories of entrepreneurs selected.

Table 3.1: Sample Size of Different Categories of Youth Entrepreneurs

Category	Target population	Sample size	Percentage sample
Barbers	33	16	48.4
Salons	37	18	48.6
Green grocers	64	32	50
Cyber café	19	9	47.5
Second hand clothes	66	33	50
Total	**219**	**108**	**49.3**

3.6 Research Instruments

Research instruments are tools the researcher used to enable him gather information from the respondents. For the purpose of this study, the researcher used primary data. Kothari (2003) defines a questionnaire as a document that consists of a number of questions printed or typed in a definite order on a form or set of forms. There are three basic types of questionnaires; closed ended, open-ended or a combination of both. Closed-ended questionnaires are used to generate statistics in quantitative research while open-ended questionnaires are used in qualitative research, although some researchers will quantify the answers during the analysis stage. Questionnaires comprised both open and closed ended items that allowed the respondents to give data independently without being manipulated.

The Questionnaire was divided into 4 sections. Section A contained directory information of the 5 different types of entrepreneurs information. Section B, C and D gathered information in line with the objectives. The questionnaire allowed anonymity, efficient use of time and confidentiality since it is done on a piece of paper with no respondents' identity hence no chance of bias (Orodho, 2003). The instrument was piloted before issuing to different respondents.

Questionnaires with closed and open ended questions were administered to the selected youth micro entrepreneurs through face to face interviews at their business premises.

(See appendix 1. An interview guide was used for discussions with key informants at their offices who helped in identification of respondents. (See appendix 2). Research assistants were taken through an orientation process to ensure they understood how to administer the tools and how to handle the respondents' in a professional manner and that the ethical principals were adhered upon. There reached a point when information shared to the researcher by the respondents got repetitive and contained no new ideas. This made the researcher become reasonably confident that inclusion of additional respondents was unlikely to generate any new ideas and decided to work with 61 responses and not the intended 108 due to data saturation. The information gathered from the key informants, from the pilot test and from the 61 respondents was to a great extent agreeing and became very repetitive. Data saturation is reached when no new or relevant information emerges and collection of more data sheds no further light on the issue under investigation (Mason, 2010).

Secondary sources included relevant published and unpublished documents on social economic impacts of microfinance on youth micro entrepreneurs which included books, research reports, journals and other materials obtained online.

3.7 Pilot Test

To check the validity and reliability of the questionnaires in gathering the data required for purposes of the study, a pilot study was carried out. The purpose of pilot testing was to establish the accuracy and appropriateness of the research design and instrumentation (Saunders, Lewis & Thornhill (2007) states that the importance of field piloting cannot be overemphasized; you will almost always find that there are questions that people fail to understand or interpret in different ways, places in the questionnaire where they are not sure where to go next, and questions that turn out simply not to elicit useful information.

Piloting was done in Thika Township using 3 different categories of youth micro-entrepreneurs that include milk bars, mobile phone accessories and second hand shoe entrepreneurs. The 3 categories of youth entrepreneurs were selected through simple random sampling where every category in the population has an equal chance of being selected (Orodho 2003).

The 3 categories of entrepreneurs operated their enterprises within the same environment with the study enterprises. These 3 enterprises were not part of the actual study in the sample population.

Piloting is crucial for identification of vague questions through getting variety of answers. It will give room for respondents to comment and give suggestions concerning the study for improvement (Mugenda, 2003). Deficiencies like clustered questions and unclear instructions will be revealed and adjusted accordingly. The results of the pilot study enabled the researcher to have an idea of the kind of results to expect.

3.8 Validity

According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of inferences, which are based on the research results. In other words validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Validity exists if the data measures what they are supposed to measure. In order to test and enhance the validity of the questionnaire, the researcher issued the instruments to the professional guiding the researcher on the topic of study. He assessed whether the instruments measure the concept it purported to measure in order to meet the study objectives. This was aimed to assess the content validity of the questionnaire. The tool was then reviewed and incorporated to enhance the validity of the questionnaire.

3.9 Reliability

Reliability is the consistency of a set of measurement items (KIM , 2009). Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of measurement. A measure is considered reliable if a person's score on the same test given twice is similar. Ten questionnaires were piloted by issuing them to business owners who were not included in the final study sample and the key informant discussion was considered in line with the objectives.

3.10 Data Analysis

Data Analysis is the processing of data to make meaningful information by reducing and organizing it to produce findings that require interpretation by the researcher. Data processing involves translating the answers on a questionnaire into a form that can be manipulated to produce statistics. This involves coding, editing, data entry, and monitoring the whole data processing procedure (Saunders, Lewis and Thorn hill 2007)

After data was collected through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keying into Statistical Package for Social Sciences (SPSS) computer software for analysis. Qualitative data from close ended questions was analyzed qualitatively, presented inform of themes in line with the objectives.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1: Introduction

This chapter presents the findings obtained from data collected from youth micro entrepreneurs in Thika Township. Key informants also provided information that supported the data collected from Youth micro entrepreneurs. The findings are discussed on the basis of analysis of quantitive and qualitative data collected. The focus of the study was to find out the social economic effects of micro finance on the: individual livelihoods of youth micro entrepreneurs; the performance and sustainability of the youth micro enterprises and the impacts of training on youth micro enterprises.

4.2 Demographic Characteristics of Youth Micro Entrepreneurs

This section analyses the demographic characteristics of the respondents. The demographic characteristics of the youth micro entrepreneurs that were explored in this study include: gender, age, marital status, number of nuclear family members and level of education. They are indicated on table 1. They are discussed throughout this chapter in view of their role to youth micro entrepreneurs.

Table 4.1 Demographic Data

Category	**Frequency**	**Percentage (%)**
Gender		
Female	27	44.2
Male	34	55.8
Totals	**61**	**100**
Age (yrs)		
18-25	22	36
26-35	39	64
Totals	**61**	**100**
Marital status		
Married	22	36
Single	33	54
Separated	6	10
Totals	**61**	**100**
Nuclear family members	37	60.7
1 to 4	24	39.3
5 to 9		
Totals	**61**	**100**
Level of Education		
Primary Level	9	15
Secondary level	22	36
Tertiary Level	21	34
University level	9	15
Totals	**61**	**100**

This study collected data from 61 youth micro entrepreneurs comprising of 27 females and 34 males with all the respondents aged 18 to 35 years. On marital status 33 of the respondents were single, 22 married and 6 were separated. On number of nuclear family members 37 of the respondents had between 1 to 4 family members while 24 had 5 to 9 members. On education 9 had only primary education, 22 had reached up to secondary level, and 21 had tertiary education with diplomas or certificates and 9 University degrees. Those with certificates, diplomas and degrees indicated that they had all the necessary skills and trainings and were willing to work and looking for jobs, but they decided to start small businesses because formal jobs were hard to get. Those who had up to secondary school education were willing to grow their businesses , accumulate savings and continue with education to higher levels and look for more stable and decent jobs of their dreams and were positive that their businesses will enable them achieve the dreams. Those who were single responded that they were willing to marry and settle in family but their financial situations could not allow for the moment and some had children of their own and younger siblings that depended on them. The young men were positive that business will enable them build up savings for dowry and initial settlement in family life when they marry. The study found out that these were young , energetic trainable and employable people who had young families depending on them for their welfare and majority are single and not yet settled in life.

4.3 Information on the youth micro enterprises and loans borrowed

The respondents issues relating to their businesses and impacts of micro finance on them discussed under this research include: Type of business and period in it, sources of startup capital, and other micro finance services consumed apart from loans, purpose of loan taken, loan amount and how loan was spent. They are indicated in Table 4.2 and discussions of the same are on the below the table.

Table 4.2 Business and Loan Information

Information	**Frequency**	**Percentage (%)**
Type of Business		
Barbers	11	18
Salon	21	34
Green grocers	11	18
Cyber café	3	5
Second hand Clothes	15	25
Totals	**61**	**100**
Period in business (yrs)		
0-4	33	54
5-10	25	41
Over 10	3	5
Totals	**61**	**100**
Source of startup capital		
Own Savings	40	65
Family	15	25
Micro Finance Loan	6	10
Totals	**61**	**100**
Other micro finance services consumed		
Savings		
Insurance	55	90
	6	10
Totals	**61**	**100**
Purpose Of Loan Taken		
Adding Stock	33	54
Buying Machinery & Equipments	22	36
Capital Investment (land, livestock, construction)	3	5
Diversification to other product lines	3	5
Totals	**61**	**100**
Loan Amount		
20,000 to 30,000	19	31
31,000 to 50,000	39	64
Over 50,000	3	5
Totals	**61**	**100**
How loan given was spent		
All on business	52	85
Diverted to other uses (school fees , clothes , furniture etc)	9	15
Totals	**61**	**100**
How profit made was utilized:		
Ploughed back to business	37	61
Invested in other productive activities(buying shares , Merry go Rounds and chamas)	15	25
Those that used it for consumption	6	10
Acquisition of assets	3	5
Totals	**61**	**100**

Of the businesses covered by the research; 21 of the respondents had ventured into saloon, 15 indicated second hand clothes, 11 were barbers, 11 had green grocery businesses and 3 had cyber cafés. 33 of the respondents had been in business between 0 to 4 years, 25 indicated between 5 to 10 years and only 3 had been in the business for over 10 years. The research found that most of the respondents were still young in the business sector and hence the need for financial assistance to expand their businesses. They also needed training on various business issues on how to manage their cash, marketing and record keeping.

On startup capital, 40 of the respondents used their own savings to start the businesses, 15 obtained capital to start from their families and 6 from micro finance loans. The research found that the respondents at the time they started their businesses had some savings which implies further that they might had bank accounts or they could not meet standards to borrow or the financiers do not fund starters and hence the buildup of savings to start up , stabilize and then seek for credit. The key informants had indicated that they do not fund people to start businesses, they finance business that has been in existence for at least six (6) months for the reason that these are young businesses that have determined entrepreneurs and have learnt the strengths ,weakness opportunities and threats that exist and are therefore in need of cash to stabilize and grow.

On other micro finance products consumed by the entrepreneurs apart from loans, the research found out that majority 55 of the respondents had consumed their savings and 6 indicated they had consumed their insurances. The need for insurance within this group is big to cushion them against vulnerabilities when they and their family members get sick. This is because most of them indicated that they use business cash to cater for medical expenses and this seriously affects the cash flows and general business management and operations. Micro finance is not just loans but also include savings insurance, transfers and other services.

Respondents who had taken loan to add stock were 33, while 22 indicated to buy machinery and equipment and 3 indicated for capital investments for example commercial plots, constructions and livestock. The other 3 indicated for business diversification to other product lines. This shows that youth do not only borrow for business capital but also for other reasons that grow them social economically in wealth creation and growth.

The respondents who had taken loans in the year 2012 were 30 with 18 on their second loans and 12 their first loans, while 25 indicated 2013 with 9 on their first loans , 10 on their second loans and 6 on their third loans and 7 indicated 2011 with 4 on their third loan and 2 on their fourth loans. The findings found that the respondents have been in business hence they know the challenges that face young businesses. The study also found that these were small unsecured micro loans repayable over a period of not more than one year in small frequent installments and hence confirming what the Key informants had indicated.

Thirty nine (39) respondents had borrowed between 31,000 to 50,000 shillings, while 19 indicated between 21,000 to 30,000 and 3 indicated over 50,000 shillings. The amount of loans taken was small indicating that these are micro enterprise businesses.

Fifty two (52) of the respondents spent all the amount of loan given in the business and 9 indicated they did not use the whole amount of loan given in the business. The findings found that most of the respondents had the urge to grow and expand their businesses hence total commitment in channeling the loan in the business. However, there are few diversions to meet other costs of live like education, health and other consumptions.

Thirty seven (37) of the respondents agreed that they used the profits by ploughing it back into business, 15 indicated invest in other productive activities such as buying of shares and joining SACCOs, merry go rounds and chamas which creates sustenance , stability and reduces vulnerability . 6 of the respondents spent it on consumption and 3 on acquisition of assets like electronics and Furniture. The findings indicate that the respondents were not only in need of working capital but also needed finances to build up assets and create wealth.

Table 4.3: Effect of Loan on Business Growth

Information	Frequency	Percentage (%)
Number of employees Before the loan: No employee 1 to 10 employees	 50 11	 82 18
Totals	**61**	**100**
Number of employees after loan No employee 1 to 10 employees	 18 43	 30 70
Totals	**61**	**100**
Sales Performance after loan Very successful Fairly successful Neutral	 27 32 2	 44 51 5
Totals	**61**	**100**
Meeting Business Financial Obligations after loans: Fully met Not Met	 49 12	 80 20
Totals	**61**	**100**
Business growth Attributed to Loan Yes No	 56 5	 95 5
Totals	**61**	**100**
Business Diversification and Reduction of Vulnerability: Those that agreed Strongly Those that Agreed Those that fairly Agreed	 31 21 9	 51 34 9
Totals	**61**	**100**

Fifty (50) of the respondents had no employees before taking the loan and 11 said they had between 1 to 10 employees. The research found that most of the respondents were in charge of their businesses hence no need to employ any other persons because businesses were still small. After the loans, 43 of the respondents had employed between 1 to 10 employees and 18 had employed none. The research found that the businesses were expanding hence the need to bring other employees on board. This could have been due to management knowledge gained from training and the motivation and determination due to the fact that there is an obligation to pay back loan given which contributed to growth.

On sales performance after the loans, 27 of the respondents said that sales were very successful, 32 said fairly successful and 3 did not register any change. This research found out that some micro entrepreneurs experienced a remarkable growth while others were still struggling to grow their sales. Some sectors of the economy are doing well than others or it could be a mix of many factors such as demand, business location, experience, marketing and others.

On business financial obligations, 49 of the respondents said that their businesses had met most of financial obligations after the loans while 12 had not. This was in relation to stock levels, paying suppliers, paying of workers and other bills. The research found out that not all businesses could meet their obligations even after being funded by micro finance institutions.

Fifty six (56) of the respondents said that the loans had caused business growth and 3 of the respondents indicated there was no any effect on their business growth. The research found that there was some expansion in business in terms of sales growth and increased profit. To some few maybe due to lack of experience, diversion of loans and market forces there was no effect experienced. The key informants had highlighted that diversion of borrowed capital was a major challenge that caused a lot of strain in loan repayment and even loan defaults. This shows that credit alone cannot wholly remove youths from poverty but is just a tool that needs to be combined with others such as training, insurance and savings for sustainability.

The respondents who said that their businesses had met financial obligations were asked whether this was attributable to loan facilities taken. 49 of the respondents attributed the trend of business meeting its financial obligation to loan facility. This research found that these respondents were able to meet their business financial obligations due to the loans being offered to them by micro finance institutions. This was due to new capital injections and the training obtained from the loaning institutions

The respondents were asked to indicate whether micro finance funding has helped them to diversify their business and reduce vulnerability. 31 of the respondents strongly agreed, 21 agreed and 9 fairly agreed that micro finance funding has helped them to diversify their business and reduce vulnerability. This shows that slightly over half of those funded managed to diversify their businesses and reduce vulnerability which indicates a gap to find out why this is so. Some respondents indicated high interest rates and charges, others indicated short repayment period with no grace period given by the financiers which brought strain to their incomes as indicated by key informants as the major areas of customer complaints. This indicates that funding youth micro entrepreneurs is not enough to eradicate poverty all by its own, it is a combination of all these other factors which financiers should look into to ensure their products obtain optimum desired impacts.

Table 4.4 Social economic Effects on individual livelihoods of youth micro entrepreneurs

Indicator	Frequency	Percentage (%)
Improved Nutrition		
Yes	56	95
No	5	5
Totals	**61**	**100**
Better Housing / Shelter		
Yes	52	85
No	9	15
Totals	**61**	**100**
Better clothing		
Yes	49	79
No	12	21
Totals	**61**	**100**
Affordability of health care		
Yes	45	74
No	16	26
Totals	**61**	**100**
Better schools for the children		
Yes	33	54
No	28	46
Totals	**61**	**100**

This research found out that micro finance had impacts on individual livelihoods of youth micro entrepreneurs and confirmed what the key informants had indicated that majority of their customers benefit social economically from their products in terms of education and health from business, health and school fees loans and savings. Fifty six of the respondents said that they could afford balanced diet for their families from the profits made by the businesses. This was majorly noted on the green grocers where majority fifty six (56) respondents reported that they had improved nutrition status of their children by increased calorie intake. They said that after selling and making profits they carry some groceries home and buy meat and other foods.

Fifty two (52) of the respondents said that they could afford to rent spacious houses and in good neighborhoods than before the loans. Sixteen (16) said that they had bought plots and were saving so that they build their own houses while 11 had already build their own houses.

Forty nine (49) of the respondents said that they could afford better clothes for themselves and their families than before they joined micro finance programs. Forty four (44) of these were the second hand clothes dealers who said they had learnt where to source for quality and affordable clothes.

Forty Five (45) of the respondents said that they had improved on their health status of their families due to increased investment in health insurance and expenditure on health itself. Membership in micro finance resulted to improved health of children of clients in terms of protective behaviors, sleeping under mosquito nets, hand washing trainings and clean drinking water from hygienic tanks that they bought through these programs.

Thirty three (33) of the respondents said that they could afford to take their children to better schools after enrolling for microfinance programs; they could afford private academies unlike before where they could only take their children to congested and not well equipped public schools. From their business proceeds they could also afford to enroll for part time programs in colleges and universities.

4.5 Training effects on success and sustainability of youth micro entrepreneurs

The respondents were asked to indicate whether the microfinance institution that loaned them offered any training. The findings revealed that the micro finance institution offered training to the respondents so as to have the basic management skills on how to manage their businesses and allocate the resources well as revealed by the key informants. The specific areas of training offered and their impacts are as discussed below:

Table 4.5 Training

Training offered	Frequency	Percentage (%)
Business Record Keeping Those Trained Not Trained	 49 12	 80 20
Totals	**61**	**100**
Marketing Those trained Not Trained	 40 21	 66 34
Totals	**61**	**100**
Advertising Techniques Trained Not Trained	 34 27	 51 49
Totals	**61**	**100**
Sales Promotion Trained Not Trained	 27 34	 49 51
TOTALS	**61**	**100**
Packaging / Product display Trained Not Trained	 22 39	 64 36
Totals	**61**	**100**
Effect of training on management skills: Improved Record keeping: Those who had improved Those who had not improved	 46 15	 75 25
Totals	**61**	**100**
Increased sales volume: Those improved Not improved	 37 24	 61 39
Totals	**61**	**100**
Improved packaging / Product display: Those improved Not Improved	 18 43	 71 29
Totals	**61**	**100**
Cash management : Those improved Not Improved	 49 12	 80 20
Totals	**61**	**100**
Good Banking Practice : Those improved Not Improved	 52 6	 85 15
Totals	**61**	**100**

Forty nine (49) of the respondents indicate they were trained on business record keeping, 40 indicated they were trained on marketing, 34 were trained on advertising techniques, and 27 were trained on sales promotion while 22 were trained on packaging or product display. The findings revealed that the respondents were trained on the areas of their concern as most of them had ventured into saloons and barber businesses which needed more of record keeping and promotions as opposed to areas like packaging. This shows the trainings offered are purposively selected as revealed by the key informants.

The respondents were asked to indicate the effect of training on their management skills 46 of the respondents indicated that after training they improved their record keeping of sales and purchases, 37 said that after training there was increase in sales volume, 49 indicated there was improved knowledge on separation of business and owners cash. However, 43 of the respondents indicated that there was no improvement on packaging and product display since there was little training on that area. 52 of the respondents opened bank accounts for business which would help them in cash separation and were practicing good banking. This enabled them to build on turnovers which would support future borrowing requests and be grounds for future credit appraisals and approvals. This research found out that basic business skills training are important and should accompany the provision of micro loans to improve the capacity of the youths to use these funds.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The objective of the study was to establish the social economic effects of microfinance on youth micro entrepreneurs. This chapter covers summary of findings, conclusions and recommendations for policy. This will be done with justification from the data that was collected and analyzed.

5.2 Summary of Findings

The responses of this study were made up of 61 respondents comprising of youth micro entrepreneurs, 34 of the respondents were male and 27 being female. The respondents were aged between 18 to 35 years of age and majorities were single. From the study it was evident that most of the respondents held secondary education.

The first objective of the study was to find out whether microfinance has effects on individual livelihoods of the borrowers. The study findings indicated that the micro enterprise entrepreneurs had positively improved their lives due to the loans granted to them by the microfinance institutions. This was evidenced by the kind of responses given by the respondents on how the finances had led to better schooling 33 responded that there was improvement, on shelter 52 responded there was improvement, on nutrition 56 responded that there was improvement, on clothing 49 responded there was improvement, Heath care affordability 45 responded there was improvement and on family planning 12 responded there was improvement , 56 of the respondents also indicated that their family living standards had improved. Micro finance had also improved the knowledge and management skills of the business owners due to the training programs. There were a substantial number of respondents who said that they had not benefited much from microfinance with 28 recorded no impact on children education , 9 no impact on shelter 3 no impact on nutrition 12 no impact on clothing 16 no impact on health care and 49 no impact on family planning. Credit alone cannot serve the youths and take them out of poverty, this is only one of the many elements on a menu of possible interventions to generate income and possibly alleviate poverty (Parker and Pearce 2001). Kiiru,(2007) found out that there are more important constraints that face clients of microfinance such as individual product prices , land tenure , technology , and market access. These problems place a lot of responsibility on government and other policy makers to create an enabling environment as well as the framework conducive not only for rural financing but also in market development.

The second objective of the study was to assess whether microfinance has effects on performance and sustainability of the business of Micro finance borrowers. The study findings indicated that a big portion of businesses improved positively in terms of expansion, high sales and increased profits. This was evident by the increase of number of employees and the betterment and improved way of family living. However some businesses did not experience as much growth 56 of the respondents said their businesses experienced growth while 5 there was no growth at all 43 of the respondents employed employees due to growth experienced while 18 did not , 27 responded that business sales performance was very successful , 32 fairly successful and 2 recorded no change. 49 responded that businesses had met financial obligations while 12 had not. The poor mainly go for loans with different motives; some may be looking for immediate funds to smooth consumption while others may be interested in operating small scale enterprises. Practically, it has been easy for youth micro entrepreneurs to acquire loans through micro finance. However a major challenge still remains unresolved on the demand of the products on offer by the micro entrepreneurs. Without demand for products on offer by the youth micro entrepreneurs, then the potential for micro entrepreneurship to improve household and youth incomes is highly compromised.

The third objective of the study was to analyze the factors determining business success of micro finance business borrowers. The study findings revealed that there were various factors that determined the success of micro finance borrowers. This included the training offered, which covered topics such as book keeping, advertising techniques, profit utilization and investments as well as sales promotion. Results further revealed that the business borrowers sharpened their management skills hence improved in the ways they were handling business and investments. 46 indicated that they had improved on record keeping while 15 had not, 37 responded that they had recorded improved sales volume due to training and 24 did not, 18 had improved on improved packaging and display while 43 did not, 49 had improved on cash management while 12 did not, 52 had improved on banking practice while 9 did not. This shows that micro entrepreneurship could be a successful income generation strategy if there is a good business project idea, the abilities necessary to develop it and capital to finance it. The training was purposively conducted and entrepreneurs were only trained on areas that were relevant to their businesses on need basis.

5.3 Conclusion

This study sought to examine the social economic effects of micro finance on youth micro entrepreneurs. The finding of this study was that micro finance services have had positive effects on individual livelihoods and businesses of the youth micro finance beneficiaries though not to all of them.

On the first objective which sought to determine whether micro finance has effect on individual livelihood of the youth borrowers, a big number of responded that micro finance had positive impacts socially and economically but to some it had no impact (see table 4.4). This research concluded that micro finance alone cannot serve youths and take them out of poverty, its only one of the many available interventions to generate income and possibly alleviate poverty.

On the second objective which sought to find out whether micro finance had effects on the performance and sustainability of the youth micro enterprise businesses, a big number of respondents agreed that micro finance was of positive impact to the performance and sustainability of their businesses but to others it was of no or little effect (see table 4.3). This research concluded that micro finance alone is not the ultimate solution to youth micro enterprises performance and sustainability. A major challenge still remains unresolved on the demand of the products on offer by the youth micro entrepreneurs. Without demand for products on offer, then the potential for micro entrepreneurship to improve household and youth incomes is highly compromised.

The third objective sought to find out the effects of training on youth micro enterprises. Majority of the respondents responded that trainings obtained from the funders improved their management skills on how to manage their business and finances and this had contributed positively to the improvement to their businesses but to some there was little or no effect (see table 4.5). This research concluded that micro entrepreneurship could be a successful income generation strategy if there is a good business project idea, the abilities necessary to develop it and capital to finance it.

5.4 Recommendations

Following the study conclusions it was possible to recommend that the micro finance institutions to campaign more about financial information awareness so as to make the youth aware of the options they have in securing financial loans. The institutions are also recommended to ensure that they share information with the youth about the terms and conditions, requirements needed when securing loans and the criteria followed when securing a loan.

More training for the youth is recommended on entrepreneurship and related social economic activities to enable them attach great significance to these activities for which more often than not they get loans only to divert them elsewhere. The research also recommends monitoring and evaluation and impact assessment studies by various micro finance providers to establish the social economic impacts their services creates to the youth because micro finance is not just giving credit.

5.5 Recommendations for Further Research

The study recommends further studies on the access of formal credit by micro enterprises. Such study should focus on Merry go rounds and table banking and how they can be trained to take advantage of micro finance for growth. Future studies should also focus on the financial management practices of micro enterprises. This is because the proper working capital management may influence the growth, profitability and the consequent ability to access finance from all sources. Future research should also examine whether micro finance is reaching the real poor in terms of the providers willing to reach the marginalized and remote or they concentrate on the urban and reachable rurals with profit making being the main motivation.

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Appendix 1

APPENDIX 1: QUESTIONARE

SECTION A: PERSONAL INFORMATION

1. Your name…………………………………………..[optional]
2. Gender of respondent:

   ( ) Male

   ( ) Female
3. Age of respondent:

   ( ) 18-25 years

   ( ) 26-35 years

   ( ) Over 35 years
4. Marital status of the respondent:

   ( ) Single

   ( ) Married

   ( ) Separated

   ( ) Divorced
5. Number of Nuclear family members:
6. What is the highest level of formal education attained?

( ) Primary School

( ) Secondary

( ) Tertiary College [certificate/Diploma]

( ) University [Graduate / above]

SECTION B: BUSINESS BACKGROUND

7. Business Name ………………………………………………

8. Year Business started …………………………………………

9. Type of Business………………………………[barber, saloon , green grocer , cyber café , second hand clothes]

10. For how long have you been in business?

( ) 0-4 years

( ) 5-10 years

( ) over 10 years

11. What was the source for start up capital for your business?

( ) Micro finance loan

( ) Own Savings

( ) Friends

( ) Family

( ) others [specify]

12. Have you consumed other microfinance services:

( ) Savings

( ) insurance

( ) others [specify]

13. Kindly explain(12) above

SECTION C: **Socio Economic impacts of microfinance on youth owned microenterprises in thika Township**

14. The Microfinance loan taken in the year 2011 to 2013, was for what purpose

( ) Adding stock

( ) Buying machinery /equipment

( ) capital investment [eg. Commercial plot, construction, livestock]

( ) Diversification to other product lines

( ) Others [specify] ....

15. What date did you get the loan?

Month: 2012

Month:...2012

16. How much was the loan in ksh? [indicate the total if more than once]

( ) Less than ksh. 10,000

( ) 11,000- 20,000

( ) 21,000- 30,000

( ) 31,000- 50,000

( ) over 50,000

17. Did you spend the whole amount of loan received in your business?

( ) Yes

( ) No

18. In your own opinion did the loan affect the growth of your business?

( ) Yes

( ) No

If yes, in what ways? [e.g increased assets, stock , sales etc]

....

....

....

....

....

....

If No, give suggestions on how these financing programs could be improved to serve you better.

....
....

19. Employment: No. of employees

Category	Before Loan	After the loan
Part time		
Full time		
Family		
Total		

20. How would you rate the sales performance of your business after the loan acquisition?

( ) Very successful

( ) Fairly successful

( ) Neutral

( ) Not successful

( ) unsuccessful

21. Has the business been able to meet all its financial obligations after the loan acquisition?

( ) Yes

( ) No

22. If yes, do you attribute this trend to the loan facility?

( ) Yes

( ) No

23. If no, what would you attribute the failure to meet financial obligations?

....

24. In your own opinion, has the loan facility in any way helped to improve your family's way of life?

( ) Yes

( ) No

25. If yes, indicate below the areas concerned:

( ) Better schools for the children

( ) Better shelter / Housing

( ) Better nutrition / Food

( ) Better clothing

( ) Affordability of health care

( ) Others [specify]...

26. Does the microfinance institution that loaned you train the beneficiaries of the program?

( ) Yes

( ) No

27. If yes, Does the areas of training include either of the listed below ? Tick where applicable

( ) Business record keeping

( ) Marketing

( ) Advertising techniques

( ) Sales promotion

( ) Packaging / product display

( ) Others [specify]...

28. How did the training affect your management skills?

	Before the loan	After the loan
Record keeping e.g sales and purchases		
Increased sales volume		
Improved packaging / product display		
Separation of business and owners cash		
Bank account for business		

29. When you make profit, what do you do with it?

( ) Plough back into the business

( ) Invest in other productive activities [specify]...

( ) Spend it for consumption

( ) Acquisition of assets [specify]..

( ) Spend it for leisure

( ) Other [specify]...

30. Micro finance funding has helped you to diversify your business and reduce vulnerability?

( ) Strongly agree

( ) Agree

( ) Fairly agree

( ) Disagree

( ) Strongly disagree

31. Explain your reasons for your response above

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

Appendix 2

Key Informants Questionnaire

1. Who are your main clients :
2. What are the main product and services that you offer to your customers?
3. Do you have products and services offered to the youth?
4. Do you offer any training to your customers
5. Do you think these training are of any impact to your clients
6. Do you conduct impact assessment of your product and services that you give to your clients?

If yes kindly explain in relation to:

-Individual Livelihoods in terms of health, Education, Housing and any other

-Their businesses in terms of profitability, expansion, management skills and any other

-Training

7. Do you deal with customers complaints?

If yes kindly explain areas where they complain oftenly

Thank you for your response and God bless you