

**DETERMINANTS OF PERFORMANCE OF YOUTH OWNED  
MICRO AND SMALL SCALE ENTERPRISES: A CASE OF  
MAKUENI COUNTY, KENYA.**

**BY**

**MARY MUMO MAKEWA**

**A project report Submitted in Partial Fulfillment of the Requirements  
for the Award of the Degree of Masters of Arts in Project Planning and  
Management, University of Nairobi**

**2017**

**DECLARATION**

This project is my original work and it has not been submitted to any other University for academic credit.

Signature.....

Date.....

MARY MUMO MAKEWA

L50/84862/2016

The project has been submitted with my approval as the University supervisor.

Signature.....

Date.....

DR. DOROTHY NDUNGE KYALO

Senior Lecturer, School of Open and Distance Learning

## **DEDICATION**

I am dedicating this project to my husband in Russia-Moscow, Nelson Matheka Mbithi, my father Joseph Muoki, my mother Dorothy Mwikali and my two daughters Alexia Neema Matheka and Shantel Amani Matheka.

## **ACKNOWLEDGEMENT**

I express my gratitude for the guidance, mentoring and intellectual support provided to me by my supervisor; Dr. Dorothy Ndunge Kyalo. My respect for her will never be dwindled and will continue to grow, not forgetting Dr. Angeline Mulwa who also a supportive Academic Staff.

This study would not have been possible without the support of my parents Mr. Joseph Makewa Muoki and Dorothy Mwikali Makewa for their continual support and love that gave me the strength to achieve my goals.

Special thanks goes to my sisters and brothers who encouraged me all through my entire period of my study.

Special recognition goes to my fellow classmates faith Kasili and Salome Kioko for their guidelines and support in the development of this project.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	ii
<b>DEDICATION</b> .....	iii
<b>ACKNOWLEDGEMENT</b> .....	iv
<b>TABLE OF CONTENT</b> .....	iv
<b>LIST OF FIGURES</b> .....	x
<b>ABBREVIATIONS &amp; ACRONYMS</b> .....	xi
<b>ABSTRACT</b> .....	xii
<b>CHAPTER ONE: INTRODUCTION</b> .....	1
1.1 Background to the study .....	1
1.2 Statement of the Problem.....	4
1.3 Purpose of Research.....	5
1.4 Objectives of the Study.....	5
1.5 Research questions.....	5
1.6 Significance of the Study .....	6
1.7 Limitation of the Study .....	6
1.8 Delimitations of the Study .....	7
1.9 Basic Assumptions of the Study .....	7
1.10 Definition of Significant Terms .....	8
1.11 Organization of the Study .....	9
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	10
2.1 Introduction.....	10
2.2 Demographic Characteristics and Performance MSEs.....	10
2.2.1 Age of youth and performance of MSEs .....	10
2.2.2 Literacy level and Performance of MSEs .....	11

2.2.3 Gender and Performance of MSEs .....	12
2.3 Management Skills and Performance of MSEs .....	13
2.4 Sources of Funding and Performance of MSEs.....	14
2.5 Government laws and regulations and performance MSEs.....	16
2.6 Theoretical Framework.....	19
2.6.1 Max Weber’s Theory of Entrepreneurial Growth.....	19
2.6.2 Need for Achievement Theory of McClelland .....	20
2.7 Conceptual Framework.....	22
2.8 Summary of Gaps .....	24
2.9 Summary of the Literature Review.....	25
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>	<b>26</b>
3.1 Introduction.....	26
3.2 Research Design.....	26
3.3 Target population .....	26
3.4 Sample Size and Sampling Procedure .....	27
3.4.1 Sample Size.....	27
3.4.2 Sampling Procedure .....	27
3.5 Research Instruments .....	27
3.6 Validity and Reliability of Instruments.....	28
3.6.1 Validity of the Instruments .....	29
3.6.2 Reliability of Instruments .....	29
3.7 Data Collection Procedure .....	29
3.8 Data analysis .....	30
3.9 Ethical Consideration.....	30
3.10 Operational Definition of Variables.....	30

<b>CHAPTER FOUR: DATA ANALYSIS, PRESENTATION &amp; INTERPRETATION....</b>	<b>32</b>
4.1 Introduction.....	32
4.2 Response Rate.....	32
4.2.1 Demographic Characteristics of the Respondents .....	33
4.3 Influence of demographic characteristics on performance of small and micro scale business owned by youth.....	39
4.4 Business Management Skills and Performance of MSEs owned by Youth .....	41
4.5 Sources of Funding and Performance of MSEs owned by Youth .....	43
4.6 Influence of government laws and regulations on performance of youth owned small and micro enterprises.....	44
<b>CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>46</b>
5.1 Introduction.....	46
5.2 Summary of Findings.....	46
5.2.1 Findings on the performance of demographic characteristics on MSES owned by youth in Makueni County .....	47
5.2.2 Findings on business management skills on performance of MSEs owned by youth.....	47
5.2.3 Findings on the influence funding on performance of small and micro enterprises owned by youth .....	48
5.2.4 Findings on the influence of government laws on the performance of small and micro enterprises owned by youth.....	48
5.3 Discussions of the Findings .....	48
5.4 Conclusion of the Study.....	50
5.5 Recommendations of the Study .....	50
5.5.1 Recommendations for policy and practice.....	50
5.5.2 Recommendations for further research.....	51

<b>REFERENCES</b> .....	52
<b>APPENDICES</b> .....	56
Appendix I: Letter of Introduction.....	56
APPENDIX II: Questionnaire.....	57
APPENDIX III: The Interview Questions for youth leaders:.....	61



## LIST OF TABLES

Table 3.1: Operational Definition of Variables .....	31
Table 4.1: Distribution of the Respondents by Responses Rate .....	32
Table 4.2: Distribution of youth owned Small and micro Business Owners by Gender .....	33
Table 4.3: Distribution of youth Owners by Age .....	34
Table 4.4: Distribution of Respondents by Education Level .....	34
Table 4.5: Distribution of Respondents by their Status in the Business .....	35
Table 4.6: Distribution of Respondents by age of the Business .....	36
Table 4.7: Number of Employees in Business.....	36
Table 4.8: Type of Business.....	37
Table 4.9: Professional Business Training.....	37
Table 4.10: Distribution of respondents by the working experience .....	38
Table 4.11: Source of Business Capital .....	39
Table 4.12: Distribution of demographic characteristics on performance of small and micro scale business owned by youth. ....	40
Table 4.13: Frequency distribution of Business Management Skills and Performance of MSEs owned by Youth.....	42
Table 4.15: Distribution table on Funding and Performance of MSEs owned by Youth.....	43
Table 4.16: Distribution table on influence of government laws and regulations on performance of youth owned small and micro enterprises.....	44

## LIST OF FIGURES

Figure 1: Conceptual framework .....	23
--------------------------------------	----

## **ABBREVIATIONS & ACRONYMS**

<b>GDP</b>	Gross Domestic Product
<b>N-Ach</b>	Need for Achievement
<b>MSEs</b>	Small and Micro Scale Enterprises

## ABSTRACT

Small and Micro Enterprises (MSEs) in Kenya have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of Kenya. This situation has been of great concern to the government, citizenry, operators, practitioners and the organized private sector groups. The study was conducted in Makueni County Sub-county in Makueni County, Kenya. The purpose of this study was to establish the determinants of performance of Small and Micro Enterprises in Makueni County, Kenya. The study had the following objectives: To establish how demographic characteristics of the youth influence the performance of small and micro scale enterprises owned by youth in Makueni County; To determine how business management skills influence the performance of small and micro scale enterprises owned by youth in Makueni County Sub-county, Makueni County; To establish how source of funding influence performance of small and micro scale enterprises owned by youth in Makueni County; To determine how Government laws and regulations on business influence the small and micro scale enterprises owned by youth in Makueni County. The study employed descriptive research design whose purpose was to determine the determinants of performance of small and micro enterprises in Makueni County, Kenya. The study used Max Weber's theory of entrepreneurial growth to describe the drivers of growth of MSEs. The focus was on religious beliefs and ethical issues in the society. It also used the Need for Achievement Theory of McClelland. McClelland outlined the drivers for achievement in a business such as Need for Achievement, Need for Power and Need for Affiliation. The sample size consisted of 105 MSEs obtained from a 30% total population of 350 registered MSEs under Single Business Permit. The respondents were selected through simple random sampling techniques and the businesses were categorized through stratified random sampling. The research instruments that were used are questionnaire and youth interview schedules. The questionnaire consisted of open ended questions that required respondents to give descriptive answers and closed ended questions that required a definite answer. Data collected was analyzed in tables and frequency. Responses were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 20.0 programme. Descriptive statistics was applied to analyze the data from the questionnaire to mean, standard deviation, and percentages which was presented on frequency distribution tables. It is believed this study will be significant to the youth owners and entrepreneurs and the policy developers in Counties. The study was aimed at finding if demographic characteristics influence the performance of youth owned small and micro enterprises. Cost of financing and source of financing greatly influence youth owned small and micro scale businesses. County regulations, number of licenses and county taxes influence youth owned small and micro scale businesses significantly. The study also established the acquisition of management skill and its influence on the youth owned small and micro businesses. The study further focused on establishing demographic characteristics, management skills, funding and government laws and regulations among youth owned small and micro scale enterprises influence their performance in Kenya. Findings from the study indicate that MSEs don't require huge amounts of initial capital to start. Also majority of the MSEs were run operated by males as compared to females and with no or minimum number of employees. Further findings show that respondents strongly agreed that business management skills, sources of funding and government laws and regulations influence the performance of MSEs owned by Youth. The study recommends that there is need for the government to reduce the county taxes so as to accommodate all the businesses and ensure that they do not take a larger percentage of the businesses profits. The youth owned small and micro scale businesses ought to maneuver own ways of progress mostly in finding market for their products, increasing capital and improving customer motivation. Although the study attained these, it mainly focused on One County that is Makueni County. Therefore, there is need to conduct a similar study which will attempt to find out the challenges facing small and micro scale business owned by youth in Kenya.

## **CHAPTER ONE INTRODUCTION**

### **1.1 Background to the study**

Small and Micro Scale Enterprises are part of the sectors of the economy which play an important role in economic development (Ahmed, S. 2010). There has been a great discussion to transform from capital intensive and large-scale industrial projects based on the perception of import development to Small and Micro Scale Enterprises which has better opportunities for developing the general economy thus providing high-quality goods and services. Ojo O. (2009) argued that the major challenge of development in the developing countries is the encouragement of entrepreneurial development scheme.

The demand for economic development has been a major priority of many developing nations of the world. Developing countries face several problems such as high rate of poverty and joblessness which have continued to hinder the achievement of socio-economic development. For any nation to experience development, industrialization and employment are important tools used as a measurement of economic development. This is often reflected by income per capital, equitable distribution of income, the standards of life enjoyed by the citizen of that nation. Small and Micro Scale Enterprise has prevailed to be the main tool used by the developed nations to achieve socio- economic development. In the past, small-scale industrial sector is considered to be the key player in the economy. History shows that before the late 19th century, cottage industries, mostly small and micro scale businesses dominated the economy of Europe. The Industrial Revolution transformed the whole concept and introduced mass production (Thomas, 2001). The twin oil shocks during the 1970s underestimated the mass production model, which led to the unexpected function of the role and importance of small and micro enterprises in the global economy (Wendrell, 2003).

According to Financial Sector Deepening Journal (2007), small and micro enterprises employ between 1-99 people regularly and the sector is attributed to small scale level of activity, self-employment, with a large number of family workers and learners from their experience, low level of access to organized markets, little capital and equipment, labour intensive technologies, minimum knowledge, and skills. The development of small and micro

enterprises is believed to be a desirable end as the major drivers of job creation and the boost of the economic. However, the growth of small and micro enterprises has been hindered due to the difficulties encountered when sourcing capital because of the pre-occupation of the microfinance institutions which insist on collateral security before lending (Hossain, 2000). For small and micro enterprises to grow, develop, expand, and prosper both internal and external financial resources are required. Small and micro enterprises heavily depend on internal finance. However, the entrepreneur's own and family accumulated savings and wealth often appear to be limited to cover all the financing requirements of their business (Berger and Udell, 1998). Moreover, the poor performance and the unstable income of MSEs also make internal financing challenging. As a result, this attempts the increasing demand for external sources of finance. However, several empirical pieces of evidence witnessed that accessing external finance is still a challenge for small firms than it is for large firms (Pandula, 2011; Beck and Demirguc, 2006). This problem is globally true, but it is worse in the case of developing countries.

According to Beck (2007), the study shows that a firm's demographic factors, ownership type, and sector of operation influence the access to funding. These studies demonstrate that small firms have a minimum chance for funding by financial institutions than large firms (Beck 2007; Fatoki 2010; Pandula 2011b). This is supported by the fact that small firms are often owned and operated by private individuals and their structure has no legal obligation to report financial performance or either to regularly audit their books of finance. Also, small firms have fewer assets to provide as collateral. To add on, smaller firms are perceived to have high rates of failure as compared to large firms. The above highlighted factors increase moral hazard, as well as anticipated risk associated with lending (Pandula, 2011). On the aspect of the age of firm, studies show that older firms have easier access to financing than new firms. According to Pandula (2011), being in business for a longer period implies that the firm has built a strong foundation which reflects its track record or reputation and has a competitive advantage. Such firms also have lower informational hindrance, and any information required by financial institutions is easily obtained. On the other hand, new firms may not have accumulated enough assets and may not meet the compulsory requirements of financiers thus makes it becomes a challenge for them to access loans.

In Kenya, joblessness has been growing overtime with the youth being the most individuals affected. Despite numerous introduction and implementation of policies, poverty and unemployment continue to be the core challenge to many Kenyans. In an attempt to solve the unemployment crisis, the Government of Kenya established the Youth Enterprise Development Fund (YEDF) in the year 2006. This was aimed at increasing increase economic opportunities and participation by Kenyan youth through enterprise development and strategic partnerships (African economic outlook, 2012).

Kenya has implemented policies and established Enterprise and Economic Development Agencies to promote and coordinate investment activities across the counties with an aim to trigger economic growth (Omolo, 2012). Industrial development and expansion of Small and Micro Scale Enterprises is an example of such developmental strategies. The current government has emphasized on the contributions of the internal developed economy of the devolved government through the encouragement of MSEs (UNDP, 2005).

However, despite the efforts and contributions of past and current government towards promoting MSEs in the counties, the contribution of this sector to the economy remain relatively small regarding its impact on Gross Domestic Product (GDP), joblessness and poverty alleviation (African economic outlook, 2012). Makueni County attributed the lack of credit as one of the major constraints to the realization of the benefits of SME (National Treasury, 2014). In the light of the above, this research attempt to examine the influence of MSEs on youth on the economic development of Makueni County. It is against this background that the researcher will take into account aspects of demographic such as age, sex, and gender; business management skills and how they impact the development of MSEs and the various sources of funding to run MSEs.

## **1.2 Statement of Problem**

Slow growth and development in the Small and Micro scale enterprises regardless of increasing targeted government aid streamlined to benefit firms operating in this sector. Some historical government policies gave entrepreneurship developments priority as a way of winning its trust on MSEs (Nyarko, 2005). The government recommended MSEs as the key to economic improvement especially targeting the youth to undertake such activities (GoK, 2014). This is in conjunction with vision 2030 and facilitation of the Acts of the constitution draft 2010.

According to the Economic Survey (2006), small and micro enterprises created over 50% of new jobs in the year 2005. Despite their significance, previous statistics reveal that three out of five SME businesses are unsuccessful thus shut down within the first few months of operation (KNBS, 2007). However, little evidence exists that these small firms grow into micro-size firms employing up to 50-100 workers. Further evidence shows that many of these small firms have the potential to grow and add one to five employees (Fadahunsi, 2012).

Previous global research found that some of the factors that cause the development of entrepreneurship which can be perceived as examples of entrepreneurial outcomes include; Resources (Duijnhouwer, 1994); Ethnicity (Edna, 1980); Location (Orloff, 2002); socio-cultural environment (Rajesh, 2006); The presence of other entrepreneurs (Davidsson & Wiklund, 1997; Mueller, 2006); mentoring (McCabe, 2002) and entrepreneurship education (Kaburi, 2012). Statistics show that there are high business birth rates of enterprises, however, the failure or stagnation of these ventures is equally high (Rigito, 2010). While the informal sector constitutes to over 80% of total employment in Kenya, it only contributes to 18.4% of the GDP (GoK, 2011). The small and micro enterprise sector is believed to be the driving force in economic growth and employment opportunity in both developing and developed countries (Sunter, 2000). While MSEs generate employment and wealth, the majority are unable to grow vertically, thus resulting in the gap between MSEs and the large enterprises (Moturi, 2006).



### **1.3 Purpose of Research**

The purpose of this study was to establish the determinants of performance of small and micro scale enterprises owned by youth in Makueni County. In particular, the study determined and described how the independent variables that is; funding, legal, demographic characteristics and business management skills influence performance of MSEs owned by youth in Makueni County, Makueni County.

### **1.4 Objectives of the Study**

The study was guided by the following objectives:

- 1) To establish the extent to which demographic characteristics of the youth influence the performance of small and micro scale enterprises owned by youth in Makueni County.
- 2) To determine how business management skills influence the performance of small and micro scale enterprises owned by youth in Makueni County.
- 3) To establish how access to sources of funding influence performance of small and micro scale enterprises owned by youth in Makueni County.
- 4) To ascertain the extent to which Government laws and regulations on business influence the small and micro scale enterprises owned by youth in Makueni County.

### **1.5 Research questions**

This study seeks to answer the following questions:

- 1) How do the demographic characteristics of the youth influence the performance of small and micro scale enterprises owned by youth in Makueni County?
- 2) How does the major management skills influence small and micro scale enterprises owned by youth in Makueni County?
- 3) How does access to sources of funding influence small and micro scale enterprises owned by youth in Makueni County for investment?
- 4) To what extent does government laws on business ownership influence the performance of small and micro scale enterprises owned by youth in Makueni County?

### **1.6 Significance of the Study**

The capital required in operating MSEs is limited in supply and very few of them have access to the funding considering the type of collateral security demanded by the banks which must be fulfilled before granting loans. Since financial institutions act as intermediaries between surplus and deficit of the MSEs, at the end of this research youth who own MSEs can be able to know some sources of finance and choose the best available option.

In addition, it will contribute to the field of knowledge about Small and Micro Scale Enterprise the research will benefit the government, and the County residents recognize the importance of the development of MSEs.

This research also can be a springboard for further research and reference material to learners covering similar research. There is a high possibility of discovering new materials during and after the study on development on MSEs.

### **1.7 Limitation of the Study**

The researcher faced the challenge of administering questionnaires to respondents due to their geographical distribution which made it difficult to locate. The researcher, therefore, exercised patience and used quite a number of research assistants to help in conducting the study. Financial constraint is another limitation. The researcher had to request for financial aid from family members to support the entire process of the study. The interviews conducted during data collection consumed more time, were costly and the researcher overcome this by setting timeframes within which the interviews were to be conducted to save time and reduce costs. Finally, there were difficulties in tracing some important, relevant information from libraries or from primary sources and problems of finding respondents, particularly who emerged to have inadequate information.

### **1.8 Delimitations of the Study**

This study was limited to Makueni County in scope. Questionnaires were issued to youth who own MSEs who were randomly selected from a stratum of a population sample size. All youth entrepreneurs under the category of Sole Proprietorship, Partnership, and Public Limited Companies were of interest.

### **1.9 Basic Assumptions of the Study**

This study was carried out against the following assumptions; the target respondents were familiar with the research objectives of the study, they emerged to be cooperative and thus gave voluntarily, accurate information. The study also assumed that all the respondents were to be available during the period of questionnaire administration.

### **1.10 Definition of Significant Terms**

**Business Management skills:** Practice of understanding, developing and deploying people and their skills through multi-tasking, effective communication, motivation and proper decision-making.

**Demographic factors:** Socioeconomic characteristics of a youth population expressed statistically, such as age, sex, education level, income level, marital status, occupation, religion, birth rate, death rate, average size of a family, average age at marriage.

**Entrepreneur:** An entrepreneur can be defined as a youth who sets and starts their own small business enterprise.

**Economic Growth:** Economic growth is defined as a sustained increase in a nation's gross national income per capital over a long period.

**Economic Development:** Economic development is defined as the structural transformation of all the economic indexes from a low to the high strata.

**Financing:** Financing is the process of sourcing for fund or acquisition of funds for financial support of MSEs.

**Small and Micro Enterprises Growth:** SME growth is often closely associated with firms' overall success and survival. The growth is the most appropriate indicator of the performance for surviving small firms. Moreover, growth is an important precondition for the achievement of other financial goals of business.

**Youth:** UN definition of a youth is a person between the ages of 15 and 24 years. The Kenyan constitution seals the clarity of who is a youth by providing a definition in Article 260. This is an individual who has attained 18 years but is below 35 years.

### **1.11 Organization of the Study**

This study was organized in five chapters. Chapter one described the background to the study, statement of the problem, the purpose of the study, the objectives, research questions, significance of the study, delimitation of the study, the limitations of the study, definition of significant terms used in the study, and assumptions of the study. Chapter two comprised of literature review that is relevant to the research topic by relating the independent variables with the dependent variable. Chapter three consisted of the research methods that were used in carrying out the study. It included research design, target population, sampling procedures, sample size, research instruments, validity and reliability of research instruments, data collection procedures and data analysis techniques. Chapter four provided data analysis and discussions while chapter five contained the summary of study findings, conclusions, and recommendations of the study.

## **CHAPTER TWO LITERATURE REVIEW**

### **2.1 Introduction**

This chapter discusses literature relevant to Small and Micro-scale Enterprise development by youth in Makueni County. The literature was reviewed from books, journals, academic publications, the internet, newspapers and government statistics. This chapter looked at the principles and concepts that have been explored and brought out by various authors in existing literature on entrepreneurship.

### **2.2 Demographic Characteristics and Performance MSEs**

Demographic is the statistical data about the composition and characteristics of a population such as literacy level, age, gender, religion, and level of income. The demographic characteristics of people direct and relate their behaviour towards entrepreneurship. Most studies have highlighted the role of demographic characteristics towards peoples' entrepreneurial traits and the performance of the firm (Welmilla et al., 2011; Ahmad, 2007; Davidsson, 1995). In this case, the researcher will explore only age, literacy level and gender in this study.

#### **2.2.1 Age of youth and performance of MSEs**

Age has been used as the key variable in contemporary social science research to categorize individuals and explain differences among them (Aapola, 2002). Age is a time of life and certain qualification arises as individual ages. The skills of people might improve with age (Welmilla et al., 2011) because they are past the learning curve and learn to manage time as expected (Korpunen & Nápravníková., 2008). According to previous studies, a person's age has been considered as an important demographic characteristic in understanding their entrepreneurial behaviors and intentions (Reynolds, 1997). Rose et al. (2006) have related the age of individuals positively to the success of MSEs while Bosma (2000), has related it positively with knowledge rather than the success of the business. They pointed out that, age is positively related to knowledge and that knowledge leads to a successful business (Rose et al., 2006; Bosma et al., 2000). According to Tanveer et al. (2013), age is a complicated and complex factor. According to them, the probability to become an entrepreneur as the age increases is minimum, but age is

positively related to SME success. Consistent with a similar view, Raposo et al. (2008), stated that youth up to the age of 24 do not have the drive to invest in business as entrepreneurs. Their argument was that entrepreneurs have an open door of opportunities as their age increases, but their willingness to become entrepreneurs decrease as they grow older. Similarly, some of the studies have revealed that in most of the developing countries the entrepreneurs are aged between 25-34 at an early stage, and individuals between age 35-44 are successful and serious entrepreneurs in the developed countries (Bosma et al., 2007; Karadeniz & Özçam, 2009). They further pointed out that, between age 18-24, the rates of early entrepreneurial willingness are relatively low, though are highest between 25-34 age groups but then above the age of 44 sharply decline. Levesque and Minniti (2006) highlighted that at early age individuals start a business but the drive to sustain and operate the business decreases thereafter. Sinha (1996) also conducted a study in India which revealed that younger entrepreneurs are more successful than older entrepreneurs. Contrarily, Antoncic (2009) had a different opinion compared to other researchers and stated that age is directly related to the success of the business and concluded that a person's age is not related to business success, but the time of existence of the enterprise matter. Thus, it is observed that researchers have diverse results regarding age and its relationship with business success.

### **2.2.2 Literacy level and Performance of MSEs**

Literacy level is one of the most widely studied entrepreneurial variables. It is a controllable factor as compared to age and gender. According to (Kasseeah & Thoplan, 2012) literacy level is measured with the ordered category as; primary level, secondary level, and tertiary level. Mostly, literacy is related to knowledge, skills, problem-solving ability, discipline, motivation, and self-confidence (Cooper, 1991). These may enable the MSEs owners and managerial entrepreneurs to cope with problems and thereby are more successful. However, it may be that more educated entrepreneurs and MSEs owners/managers face a higher opportunity cost in staying with a small business. The outcome could lead to a higher magnitude of performance in order to stay with a project (Cooper, 1997).

Education is needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Kenya do not have the right training and knowledge. The study indicates that those who have acquired education and business

training have a higher chance to be successful in running the MSEs (King and McGrath, 2002). As such, for small businesses to do well in Kenya, people need to be well informed regarding basic entrepreneurial knowledge. Small and micro enterprises in ICT appear to be doing well with the emerging of many commercial colleges offering a wide range of computer courses. Further, studies show that most of those running MSEs in this sector have at least attained college-level education (Wanjohi and Mugure, 2008).

### **2.2.3 Gender and Performance of MSEs**

Several studies have examined the role of gender in the field of entrepreneurship (Raposo, 2008; and I. Verheul, 2004). Türetgen (2008), argued that inequalities in gender exist due to the diversity of cultures that exist in continents, countries, and regions. Some studies have outlined gender differences regarding entrepreneurial capabilities, potentials and major entrepreneurial attributes (Shinnar, 2012; Díaz-García and Jiménez-Moreno, 2010). These studies engaged more males in entrepreneurship with the belief they would be more successful than females (Grilo and Thurik, 2005; Verheul et al., 2004). Additionally, other studies have portrayed gender as an important determinant of entrepreneurial behavior and intention. The study revealed that males have more willingness towards entrepreneurship compared to females (Crant, 1996; Wilson, 2007; Davidsson, 1995; Tkachev and Kolvereid, 1999). Most women work towards economic and personal independence but are less capable and confident to start and operate a business (Raposo et al., 2008). To add on, another study indicated that females have 50% less possibility to start and run a business as an entrepreneur than males (Reynold et al., 2002). On the other hand, females in developing countries struggle more to engage in entrepreneurship due to the fact that they want to better their family's welfare and living standards which is impossible while doing low-level jobs. That's why women are motivated to engage in MSEs (Van der Kuip and Verheul, 2004). Ferk et al. (2013), analyzed the abilities of male and female regarding leadership and management and concluded that females could be better entrepreneurs because women generally have the added advantage of managerial competencies than males. Zeffane (2012), nevertheless provided statistical evidence that both females and males have more or less entrepreneurial skills and potentials. A few recent studies aimed at female entrepreneurship revealed that



females have the drive and are taking more interest in the recent entrepreneurial activities in developing countries (Madichie& Gallant, 2014).

### **2.3 Management Skills and Performance of MSEs**

Jay (2007) defines management as an approach to managing people for full utilization of available resources for the continuous achievement of organizational objectives. According to Govender and Parumasur (2010) managers have to continuously come up with new competencies to manage challenges and enhance entrepreneurial success. Camphor (2008) urges that development of managerial skills and competencies is essential for MSEs to attain their objectives. According to Lefebvre (2002), innovative and managerial capabilities of the management team are strongly related enterprise growth. This has also been identified by Martin (2008) in his study managerial competencies in a small firm. The study findings showed that lack of managerial experience, skills and personal qualities, adverse economic and political conditions, lack of strategic business plans and scarcity of resources are found as the main reasons why the set-up of MSEs difficult. The distinguishing feature of fast growing and slow growing small firms is the education, training, and experience of senior managers.

Most of the small and micro enterprises owners do not have adequate managerial training and experience. The right owners of small businesses come up with their own approach and strategy to management, incorporating the trial and error process. As a result, their style of management reflects a more intuitive approach rather than analytical one, which is more concerned with day-to-day operations which give short-term strategic issues than long-term issues. Also, the approach is more opportunistic than strategic in its concept (Hill, 1987). However, this attitude is the most important aspect at the start-up stage of any business because it provides the creativity needed. On the other hand, it may present problems in the process of making complex decisions. A consequence that arises due to poor managerial ability is small and micro enterprise owners are not fully prepared to curb challenges and work on changes in the business environment and to work on the appropriate shift in IT. The majority of youth who run MSEs are ordinary lot who are educated but lack managerial skills and training. Thus they may not be well equipped to handle managerial routines for their enterprises (King and McGrath, 2002).Inadequate technical and business skill within a business environment is another factor that determines the performance of MSEs. Human

resource training and development is crucial to improving performance and local economic development. This issue is especially critical in respect of MSEs which are often seen as less likely to participate in the human resource development, thus interfering with their own and local economy's futures. Wilson (2007) describes how links between; product and service, specification and quality, and human resource skills, at minor and major scales, can interact in a vicious circle as follows: "Products do not meet standards because the two skills; to produce which meet the standards are often lacking, and the skills are poor because current product market strategies, do not demand high levels of skill and because work has been organized, and jobs are designed that need low levels of skill and discretion. Minimum wages can also result in a further reinforcing factor, limiting consumer demand for more highly specified products and services."

#### **2.4 Sources of Funding and Performance of MSEs**

Starting and running a small business involves a win-lose chance, a possibility of success or even failure. Due to their limited size, a minor management mistake is most likely to result in the sure death of the enterprise hence no opportunity to learn from its experience. Lack of planning, improper financing, and poor management have been observed as the main causes of failure of small enterprises (Longenecker, 2006). Inadequate credit has also been identified as one of the most serious challenges facing MSEs and hindering their growth (Oketch, 2000; Tomecko and Dondo, 1992; Kiiru, 1991).

Financing mechanism is important for investment and stimulating business productivity which is the main objectives for any businesses. This item is used to examine the challenges faced by respondents in getting access to bank financing schemes and the reason they avoided these schemes. Various studies have documented the difficulties faced by micro entrepreneurs to get financial assistance from local micro credit schemes which include the lack of knowledge in a loan application and high legal documentation (Nurbani., 2010).Capital is any resource required to start or run a business. A crucial element in the growth of any SME is access to funding (Carpenter, 2001). Unfortunately, most MSEs are faced with many challenges in accessing funding. In developing

countries, most MSEs rate access to funding as a major constraint. They may not access funding from local banks at all or get a lesser amount than they apply for due unfavourable lending conditions. Traditionally, banks did not provide any financial services, for instance, loans, to customers with little or no income-earning. This is especially true in developing economies that lack a strong financial system. Banks incur substantial costs to manage a client account, regardless of how small the sums of money involved is. Also, most of the unwealthy people have few assets that can be considered by a bank as collateral security. As documented extensively by De Soto (2003), if someone happened to own land in the developing world, they may not have a legitimate title to it. This meant that the bank would have limited recovery measures against defaulting borrowers.

Several studies have shown that financing is a greater obstacle for small-scale and micro-scale firms than it is for large firms, especially in the developing world. The studies further revealed that access to finance unfavorably affect the growth of the SME sector compared to that of large companies (Schiffer and Weder, 2001), (Beck et al., 2005). Most studies by the World Bank show that access to funding by MSEs is perceived as one of the key obstacles to their development. The international development community has listed SME access to funding as an important policy priority. Inadequate financial resources lead to significant challenges for SME growth. Cook and Nixson (2000), noted that the inability to recognize the role of small and micro enterprises in the development process in many developing countries, MSEs development was often hindered by the limited availability of financial resources to satisfy a variety of operational and investment needs.

A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker, 1995). Levy (1993) also found that access to financial resources available to smaller enterprises was limited compared to larger organizations thus the consequences for their growth and development. The role of finance has been viewed as a critical element for the development of MSEs (Cook &Nixson, 2000).Most young entrepreneurs have great difficulty in gaining access to

sources of financing because they tended to have little experience, usually few assets, therefore, financial institutions tended to see them as too risky despite the modest amounts of investment they may require. Another reason is they are starting from scratch; they are often too insignificant to be of interest to most huge venture capitalists and investors. Governments, therefore, should support alternative methodology and institutions that give young entrepreneurs an opportunity to access the capital they require to start and grow their enterprises (G-20 Young entrepreneur summit 2010).

### **2.5 Government laws and regulations and performance MSEs**

The government can be viewed into two dimensions that is: devolved government and the national government. Rondinelli and Cheema (2001) define Devolution as a form of government at the county level given certain functions by the national/central government and create new units of government outside control. Anex (2000) defines government as an institution that sets and administers policies and exercises sovereign, executive, and political power through customs and laws within the constitution and state. Small and micro enterprises are important both to the individual and to the nation. Outlining the benefit they accrue to an individual, they are a major source of employment and improve the living standard of both employers and employees. On the other hand, they complement the nation with large-scale modern sector enterprises. They also utilize agricultural, and other raw materials thus minimizing waste, serve limited or closed markets that are assured of only small scale production, they gather resources that are left out of the limelight formal mobilization channels. Finally, they provide the necessary platform for transformation into large-scale modern production by many indigenous Kenyans (Bwisa, 2011). According to Okafor (2006), small and micro enterprises are the mainstream of job creation in developed and developing countries consisting of over 90% of African business operations and contributing to over 50% of African job creation and gross domestic product. The small and micro enterprises play a key role in the economy of Kenya. According to the economic survey (2006), the sector contributed up to over 50% of new jobs in the year 2005.

As much as contributions of small businesses to development are identified and appreciate, SME investors face many obstacles that hinder their long-term survival development and growth. Research findings on small business growth and development have shown that there is a higher rate of failure in developing countries than in the developed countries (Arinaitwe, 2002). Past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007).

Government assistance has been clear to step in and play a crucial role in planning and implementing MSEs in Kenya. As much as some MSEs have received assistance, many are still small and face challenges. MSEs can be of great improvement in economic growth as reflected in Indonesia where MSEs reciprocated 98% of employment creation and growth with Japan and Thailand having their MSEs contributing 81% and 78% to GDP (Okoh, 2009). This variation has led the researcher to carry out an examination on the influence of Small and Micro Scale Enterprises on youth empowerment in Makueni County, Kenya. This is as well as the relation to the forms and roles of government in supporting MSEs.

Small and micro enterprises are widely acknowledged for their role in the political, social and economic growth and development. The major reasons as to why they are important to the society is due to their ability to provide reasonably priced products, services, generate income and revenue and offer employment to several people (Kauffmann, 2006). As a result, this has been a growing concern and area of interest by the government and development agencies for the improved result and growth of the small and micro enterprises. In recognition of the important role of the MSEs sector, the Kenya government prepared the Economic Recovery Strategy for Wealth and Employment creation, 2003-2007 which outlines a recovery centred on a rejuvenated private sector. Rehabilitating the private sector activities and investment and specifically small and micro-sized enterprise development, feature by a great extent in the Government's strategy for raising incomes and employment. More recently the Government has outlined its economic development policy in the Vision 2030 which aspires to make

Kenya a globally competitive and prosperous nation by the year 2030. In the Vision, the government has committed to the development and creation of at least five SME industrial parks. Government policies should work towards encouraging and promoting the development of local IT. Emphasis should be on the promotion of the local tool industry to reduce dependence on imports. Small and micro enterprises are said to face a “liability of smallness.” Because of their size and resource limitations, they are unable to enjoy economies of scale to develop new technologies or to make necessary changes in existing ones. Furthermore, there is enough evidence that MSEs have the ability to initiate minor technological innovations to suit their circumstances. For MSEs to fully develop and utilize this potential, they need modified policy measures that promise technology services and infrastructure are provided (Wanjohi, 2009). The policy starts by rejuvenating the SME sub-sector and should not be only government engineered, but all the stakeholders in development arena should be part and parcel. Despite the statistics, in the Kenyan sector, they usually operate on small-scale, locally at a subsistence level and marginalized areas. They employ very few individuals (especially home-based enterprises), they run for a shorter period and have limited access to water and electricity, and few function outside the establishments where the entrepreneurs live (World Bank, 2006).

In conclusion, the four major objectives discussed in the literature review give a picture on how the variables may play an important role in determining the performance of MSEs. Previous studies show that youth are active in engaging in entrepreneurship whereas literacy level may influence the performance (Cooper, 1997). In the case of government laws and regulations, it is clear that MSEs are not an exception. Most youths face a challenge in funding their business ideas since they don’t have any reliable sources of funds (G-20 Young entrepreneur summit 2010).

It is, therefore, the mandate of the government to ensure that it offers partial capital as well as setting favourable policies that don’t hinder MSEs from their ease of operation, ensure gain of profit and provide a conducive workplace for operation. The youth should also adhere to the rules and ensure they have the right certification and license of

operation. They should seek proper training to improve their technical skills and managerial skills.

## **2.6 Theoretical Framework**

Ornstein and Hunkins (1993) defined a theory as a way of understanding, opposing and combining established concepts then adapting them to fit data set therefore guiding the reader to learning new and more powerful ideas. A theoretical framework then compares on a current research on a rational basis and then create a connection among the theoretical facets and how the study applies practically.

### **2.6.1 Max Weber's Theory of Entrepreneurial Growth**

Max Weber in his theory states that religion has a large influence on entrepreneurial development. According to Weber, some religions have basic beliefs to earn and acquire money and some have less of it. He calls them a 'spirit of capitalism' and 'adventurous spirit'. The former is generated when mental attitude in the society is favorable to capitalism. According to Max Weber, driving entrepreneurial energies are generated by the adoption of exogenously-supplied religious beliefs. These beliefs are the ones which produce intensive exertion in occupational pursuits, the systematic ordering of means to ends, and the accumulation of assets. His theory suggests the belief systems of Hinduism, Buddhism and Islam do not encourage entrepreneurship. According to Jones and George (2011), most Kenyans tend to base their entrepreneurial ability on demographic influence. Religion has affected the mental attitude of young people into venturing into business. In Kenya, 82% is Christian population while 11% is Muslims. Of the Christians, 57 percent is Protestant, 29 percent Roman Catholic, and 14 percent other Christian. Most of the Muslim population in Kenya occupy the North-eastern and Coastal regions, where religion and ethnicity are often linked (International Religious Freedom Report, 2014). There are exceptions of the interaction of both Christians and Muslims in Eastleigh, Kenya where business has been a boom, but on the contrary, in Makueni County the interaction does not prevail as such.

The rapid growth of entrepreneurship in India since independence proves that Hinduism is not averse to the spirit of capitalism and adventurous spirit. This is also the case in Kenya, whereby Indians have dominated the business sector be it large or Small-scale entrepreneurship. Many thinkers have accepted Weber's analysis of linkage between religious belief and entrepreneurial growth. But this view is not accepted universally. Samuelson criticized Weber's view on the ground that capitalism also developed in those societies where Protestant ethic was not prevalent. Hoselitz (2001) argued that Protestant could not develop industries in France because they were not given political security. It can be concluded in the words of Carroll that "ethical values have some effect on entrepreneurial growth but to consider them all in all would be unrealistic."

### **2.6.2 Need for Achievement Theory of McClelland**

McClelland elucidated that the characteristics of an entrepreneur have two features; first doing things in a new and better way and second making decision under unexpected circumstances. McClelland emphasizes achievement orientation as most important factor for entrepreneurs. Individuals with high achievement orientation are not motivated by considerations of money or any other external incentives rather they are merely yardsticks of measurement of success of entrepreneurs with high achievement orientation. People with high achievement (N-Ach) are not influenced by money rewards as compared to people with low achievement.

Professor David McClelland, in his book 'The Achieving Society', has explained a theory based on his research that entrepreneurship ultimately depends on motivation. It is the need for achievement (N-Ach), the sense of doing and getting things done, that promote entrepreneurship. According to him, N-Ach is more of a stable personality attribute discovered in experiences in middle childhood through family socialization and child-learning practices which stress standards of excellence, independent training, material warmth, and low father dominance. According to him, a person acquires three types of needs as a result of one's life experience.



The Need for Achievement ought to have a drive to excel, advance and grow. Basic attributes are such as strong need to set and accomplish challenging goals, taking calculated risks to accomplish their goals, desire to receive regular feedback on their progress and achievements. Individuals often like to work alone.

The Need for Power ought to have a drive to dominate or influence others and situations. Individuals are attributed to control and influence others, win arguments, enjoy competition and winning, enjoy status and recognition. They are more determined and loyal to the organization they work for or own. Need for power should not always be taken negatively. It can be viewed as the need to have a positive effect on the organization and to support the organization in achieving its goals.

The Need for Affiliation ought to have a drive for friendly and close inter-personal relationships. Individuals want to belong to the group, wants to be liked, and will often go along with whatever the rest of the group wants to do, favors collaboration over competition and doesn't like high risk or uncertainty.

McClelland found that particular societies tended to produce a large number of people with high achievement. He pointed out that individuals and societies that possess the need for achievement will have higher levels of economic well-being than those lacking.

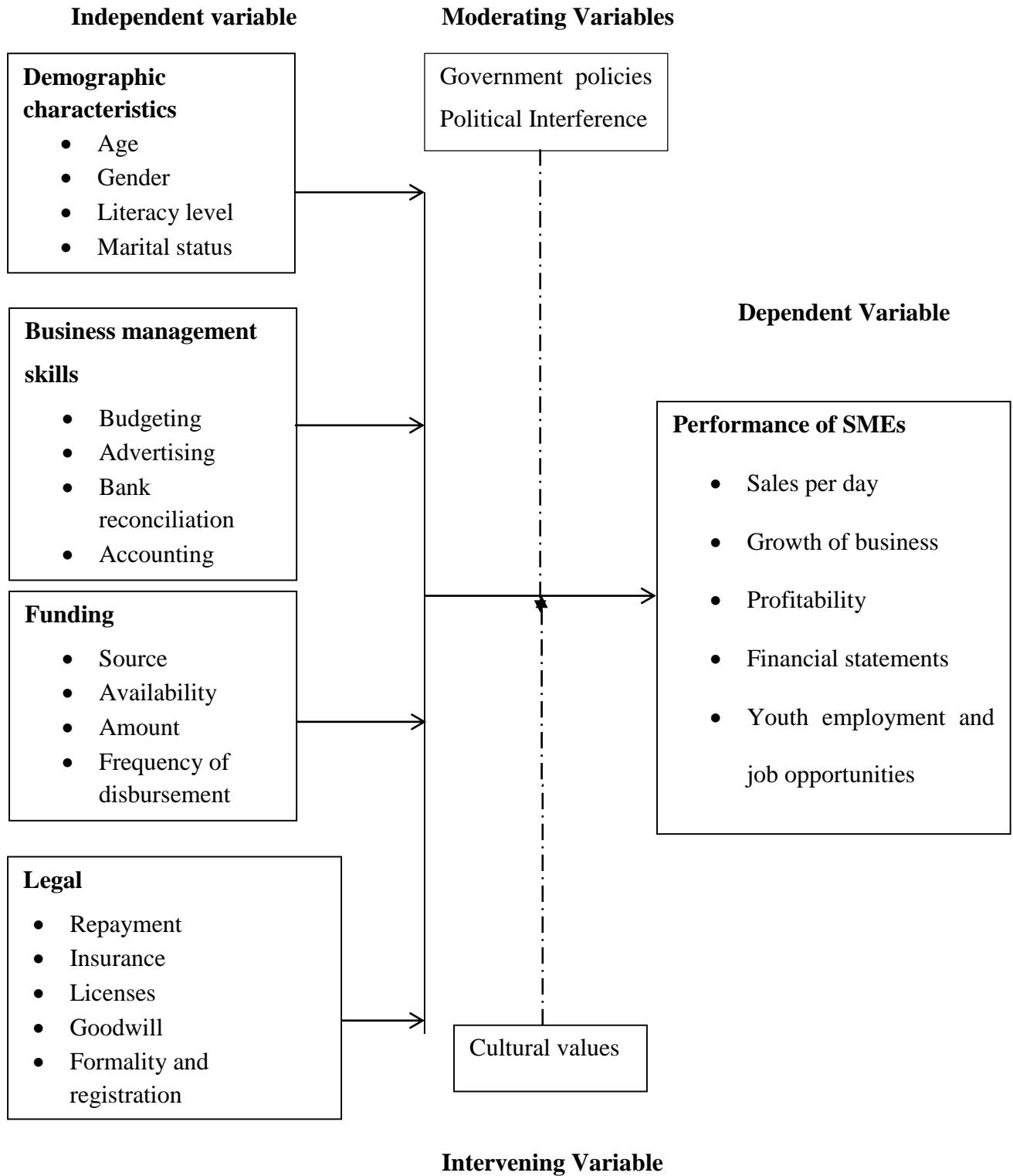
According to McClelland, skills, motivation, abilities and pleasant environment, all combine to ensure entrepreneurship. Since entrepreneurial motivation and abilities are long run sociological issues; He stated that it is better to make political, social and economic environments pleasant for the growth and development of entrepreneurship in underdeveloped and developing countries.

According to Jullieflavia (2012), availability of funds, technology, infrastructure and appropriate knowledge and skills are the key drivers in ensuring investment by Kenyan youth. The aspect of the need for achievement cannot be attained if there is the absence of such drivers. Success can place an entrepreneur in a position that makes them exercise power and dominance. Most youths want to start today and be successful without a going through

the growth process (Jeffery Koinange, 2013). Youth need to be trained to adapt to the conditions of the business environment as well as adhering to the set policies by the government. The county government can provide incentives to new youth entering the market. This may be through tax reduction, free electricity, and infrastructure (Jullieflavia, 2012).

### **2.7 Conceptual Framework**

Matten and Moon (2008) defines a conceptual framework as a diagrammatical research tool intended to assist the researcher to develop awareness and understanding of the situation under scrutiny. Within this framework, several determinants of performance are identified to categorize success enterprise based on business management skills, sources of finance, government regulations and demographic characteristics. A conceptual framework will be used in this research to outline possible courses of action and present the best approach to an idea or thought. These variables and their relationships are illustrated in the following figure below:



**Figure 1: Conceptual framework**

In this study the conceptual framework illustrates how the independent variables influence the dependent variables. The demographic characteristics dictate the performance of MSEs regarding profitability, sales per day and growth of the business. On the other hand business management skills influence in terms of growth of the business, financial statement and profitability. Legal requirements and Funding depicts how the youth are willing to engage in entrepreneurship.

The independent variables and moderating variables also interplay. The aspect of rules and regulations illustrates how government policies play in the development and growth of MSEs by youth. Additionally, funding by government determines the availability of funds in the county, amount required by youth and frequency of disbursement and the level of political interference that might hinder allocation of such funds. Literacy level depicts the cultural values whether there is depreciation in culture or adoption of different one with respect to the performance of MSEs.

## **2.8 Summary of Gaps**

Unstable political and economic environment, complicated taxation systems, corruption, and poor law and order systems are common problems faced by the developing countries. Therefore, the small businesses in a majority of developing countries have to face some problems due to similar reasons (Benzing, 2009). Chu (2007) reported that African entrepreneurs face long waiting times for approval of licenses and registrations. These bureaucratic hurdles and delays result in increased cost of doing business mainly owing to the corrupt practices (Gray, Cooley, and Lutabingwa, 1997; Kiggundu, 2002; Stevenson, 1998). Many entrepreneurial researchers agree that scarcity of financial resources is one of the major problems faced by small business owners in the developing countries (Cook, 2001; Levy, 1993; Peel and Wilson, 1996). According to National Bureau of Statistics (2014), 72% of the youth at the county level in Eastern Kenya have the need to engage in MSEs but face a problem of licensing, bureaucratic procedures and difficulty in accessing loans from financial institutions.

## **2.9 Summary of the Literature Review**

It is evident from the literature that the major cause that seems to pose a hurdle to the youth who are willing to run MSEs is inadequate of financial support. This chapter discusses the two theories; Max Weber theory of Entrepreneurial Growth and Need for Achievement Theory of McClelland, that seem to play a part in describing the drive by youth in owning MSEs and the existing literature on the determinants of MSEs. The conceptual framework seeks to illustrate the relationship between the independent variables; business management skills, sources of finance, government regulations and demographic characteristics, and performance of MSEs.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter focused on the research techniques that were used to get the data for the study. It covered the research design, population, sampling frame, sample and sampling techniques, instruments, data collection procedure and data processing and analysis.

#### **3.2 Research Design**

Creswell (2003) defines research design as the general plan of how one goes about answering the research questions. The study adopted a descriptive research design. According to Bell (2003), a descriptive research design is more investigative and focuses on a particular variable factor. This design is analytical and often singles out a particular subject and goes into detail in describing them. Descriptive studies discuss the variables by answering who, what, and how questions (Bernard, 2011). This research design helped in gaining information about the relationship between the development of Small and Micro Scale Enterprise by youth and their performance determinants in Makueni County. It examined how the determinants influenced MSEs owned by youth with respect to demographic factors, management skills, government regulations and SME funding. Descriptive research design involves surveys and fact findings inquiries of different kinds.

#### **3.3 Target population**

For target population to be reliable and realistic; it should be explicitly and unequivocally defined (Mugenda and Mugenda 2003). The target population consisted of all the 300 registered MSEs owned by youth under Single Business Permit Registration in Municipal and County Councils of Makueni (Republic of Kenya Business Licensing Portal, 2017). Makueni County is one of the diverse and emerging counties in Kenya bordered by several counties and as a result exposed, and experienced youth are most likely to be found. This made it suitable for a research study.

### **3.4 Sample Size and Sampling Procedure**

A sample is the part (sub-set) of a population. Sampling is a process of selecting subjects or cases to be included in a study of the representatives of the target population (Mugenda & Mugenda, 2006). The sampling technique should be effective and reasonable in order to conduct the research with ease.

#### **3.4.1 Sample Size**

The method of sampling that was used is stratified random sampling. This method was effective because it allowed control in the sample size and increase statistical efficiency hence it was easy to show the findings of data collected with respect to determinants of performance of Small and Micro Scale Enterprise owned by youth. According to Mugenda and Mugenda (2006), a subset of 30% of the target population is solely considered enough to provide data pertaining the research. Therefore, from the records of licensed and registered businesses in the sub-county of Kilungu, 300 businesses have the license of operation. This translates to 100 businesses sampled for the study according to Kothari 2008, the proposal of 30% of the target population.

#### **3.4.2 Sampling Procedure**

The research used stratified random sampling in selecting respondents. This was guided by the fact that the study population is not homogenous as it comprised youth carrying business from different scopes of entrepreneurship. The population was segregated into several mutually exclusive sub-populations or strata. The research further then applied proportionate stratification that was based on the stratum's share of the total population that came up with the sample in each stratum, according to Kothari (2004)

### **3.5 Research Instruments**

The research instruments that were used in conducting this research are questionnaire and interview schedules. The questionnaire as a tool was used because most people are familiar with it (Berdie, Anderson, and Niebuhr, 1986). When respondents received the questionnaire in their emails', they were given the freedom to fully fill them according to their convenient schedule. A questionnaire is one of the most appropriate instruments,

especially where the target population to be handled is large because it facilitates efficient and fast derivation of information within a short time (Kerlinger, 2004). The structured (closed-ended) and unstructured (open-ended) questionnaires were used so as to obtain information from respondents that need to answer the objectives of the study. The closed-ended questions provided a greater uniformity, and they were easy to process (China and Oteng'i, 2007). Structured questionnaires were provided together with a list of all possible options from which respondents selected the suitable answer they agreed or disagreed their situation by ticking (Mugenda and Mugenda, 2003). The questionnaires were administered by the researcher with the help of the research assistants to avoid misinterpretation of questions by 'drop and pick' technique. The responses were gathered in a standardized way. It was relatively quick to collect information using a questionnaire.

The researcher also employed interview schedules since it provided face-to-face interaction with respondents. This enabled the researcher to ask the questions precisely, clarify doubts and ensure that the questions were properly understood, by repeating and/or rephrasing the questions. The researcher also noted nonverbal cues from the interviewees. This tool also provided the researcher with an opportunity to get a chance to investigate the key informants on issues that may not be captured in the questionnaire. Before taking part in the interviews, the researcher gave respondents an opportunity to adequately prepare themselves for the interview. It was anticipated that this enabled the interviewees to give accurate and relevant information.

### **3.6 Validity and Reliability of Instruments**

The success of any research depends on clarity, the efficiency of the instruments and how they related to the objectives of the study (Mugenda and Mugenda 2003). Research conducted without confirmation by the supervisor on validity is most likely to yield to ambiguous findings (Bellah 2014). To ensure this study gave the correct findings, validity and reliability of research instruments were ensured.



### **3.6.1 Validity of the Instruments**

Validity refers to the degree to which the content of the items reflects the content domain of interest (Miller, 2003). Best and Khan (2005) proposed that the validity of an instrument is asking the correct questions designed from the least ambiguous way and based on study objectives. The instruments were agreed upon to the supervisor comments and recommendations before being administered. The main aim was to establish whether the items were adequate in content and logically arranged.

### **3.6.2 Reliability of Instruments**

Reliability is a measure of the degree or extend to which a research instrument gives consistent outcome or data after repeated tests (Mugenda and Mugenda, 2003). Before beginning such a full research project, researchers needed to know that their study was valid and the study's design was able to capture the data they were looking for. To determine the reliability of the research instruments, the researcher, with the help of the supervisor assessed its clarity to improve the quality of the research instruments by increasing its reliability. A test re-test method was employed to ensure reliability of instruments (Hussey, 2003). This method was administered to a selected population of the study. It was an appropriate method of measuring reliability and consistency of results over time. Meaning the researcher was to give the same test to the same people in special occasions. The data to be collected was analyzed and the results correlated to determine their Cronbach's Alpha Coefficients values which range in value from 0 to 1. The standard minimum value of alpha of 0.7 is recommended Gupta (2004) as the minimum level for item loading.

### **3.7 Data Collection Procedure**

The researcher requested for a research permit and a research authorization letter from the University of Nairobi and Ministry of Higher Education before embarking on data collection process as dictated by ethics. The respondents were requested for their time before sending the questionnaire for filling. This ensured the reliability of the data collection instruments used. After the amendment of the final questionnaire, the researcher will explain the purpose of the research. The final questionnaires were

distributed to the respondents with the help of research assistants. This enhanced the speed of data collection. Each completed questionnaire was treated as a unique case and a sequential number given to each. The collected data was edited, coded entered into the Statistical Package for the Social Sciences (SPSS) software to enable the carrying out of the analysis.

### **3.8 Data analysis**

According to McDanile and Gates (2001), descriptive analysis involves a process of transforming a mass of raw data into charts and tables with frequency distribution, mean, standard deviation and percentages, which are a crucial part of making sense of the data. Data analysis involved computation of descriptive statistics. Data were analyzed with the use of the Statistical Package for Social Sciences (SPSS) computer program. The percentages were used to express the degree of response to a given opinion. Cross-tabulation was used to understand two different survey items and how they relate. Inferential statistics like Pearson correlation coefficient was used to show the association between independent variables and determinants of performance of MSEs owned by youth.

### **3.9 Ethical Consideration**

The major ethical problem in this study was to ensure the privacy and confidentiality of the respondents. To get a valid sample, there must be access to specific list and files which is an infringement on the privacy and confidentiality of the respondents. However, the respondents had the freedom to ignore items that they did not wish to respond to.

### **3.10 Operational Definition of Variables**

This section looks to define key variables used in the study and the statistical tools that were used to analyze the data that was collected from the County youth in order to show how they relate.

**Table 3.1: Operational Definition of Variables**

<b>Research Objectives</b>	<b>Independent Variables</b>	<b>Dependable Variable</b>	<b>Statistical Tool</b>
To establish how demographic Characteristics of the youth Influence the performance of MSEs in Makueni County.	Demographic Characteristics	Performance of MSEs	Descriptive and Pearson correlation Coefficient
To determine how business Management skills influence Performance of MSEs in Makueni County.	Business Management skills	Performance of MSEs	Descriptive and Pearson correlation Coefficient
To establish how funding Influence performance of MSEs owned by youth in Makueni County.	Funding	Performance of MSEs	Descriptive and Pearson correlation Coefficient
To determine how government Laws and regulations on business Influence MSEs owned by Youth in Makueni County.	Government Laws and Regulations	Performance of MSEs	Descriptive and Pearson correlation Coefficient

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.1 Introduction**

This chapter seeks to discuss the key issues related to data presentation, analysis, and interpretation. This chapter is presented in two sections. The first section presents the demographic information while the second section analyses the variables that are deemed to influence the performance of youth-owned small and micro scale enterprises in Makueni County. The research response rate has been computed and presented, and the demographic characteristics of the participants have been described. The findings on the four key objective areas of the study have been presented and interpreted. The response was analyzed using descriptive and inferential analysis. The data has been presented in tables.

#### **4.2 Response Rate**

**Table 4.1: Distribution of the Respondents by Responses Rate**

<b>Response Rate</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Returned	95	90.5
Not returned	10	9.5
<b>Issued</b>	<b>105</b>	<b>100.0</b>

Out of 105 questionnaires which had been administered to the interviewees, 95 of them were returned for analysis while 10 were not returned. This was because the respondents were not available during the period of collection of questionnaires due to unavoidable personal reasons. From Table 4.1 tabulation this translated to 90.5% percent response rate from the respondents.

#### 4.2.1 Demographic Characteristics of the Respondents

The respondents in this section of the study were youth owners of small and micro business enterprises operating in Makueni County from diverse categories. The categories were characterized by gender, age, academic achievement, and status of business.

**Table 4.2: Distribution of youth owned Small and micro Business Owners by Gender**

<b>Gender</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Female	42	44.8
Male	53	55.2
<b>Total</b>	<b>95</b>	<b>100.0</b>

From the results in Table 4.2, 55.2% of the majority were male while 44.8% were female according to 95 youth owners of Small and micro enterprises who participated in the study.

The findings indicate that most of the small and micro businesses owned by youth in Makueni County were dominated by the male, but this was by a small margin of 0.4%. This indicates that also the women have been empowered and are engaging in small and micro-scale businesses. Women also said to have been motivated for developing their activities to more sustainable and profitable levels. This is as opposed to the cultural environment of small and micro enterprises that made it difficult for women to start and run enterprises due to the expectations and demands of their traditional reproductive roles. These women's traditional reproductive roles when combined with business activities, left little energy and time for the latter.

**Table 4.3: Distribution of youth Owners by Age**

<b>Age</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Below 20 years	2	2.0
21-25 years	47	49.0
25-30 years	35	37.0
Above 30 years	11	12.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

It is evident from the data shown in Table 4.3 that, a majority of the respondents who participated in the study represented by 49.0% were aged between 21-25 years. On the other hand, 37.0% of the youth were 25-30 years, 12.0% above 30 years and 2% below 20 years. The findings indicate that most youth engaged in small and micro enterprises at age 21-25 which according to the 8.4.4 system of education is just after secondary level of education.

**Table 4.4: Distribution of Respondents by Education Level**

<b>Academic Achievements</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Primary	27	28.0
Secondary	44	47.0
Diploma	15	16.0
Undergraduate	7	7.0
Entrepreneurial Course	2	2.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

The results from Table 4.4 indicate that, almost half of the respondents 47.0% have attained secondary level of education, 16.0% have attained diploma level of education, 28.0% have attained up to primary level of education, 7.0% have attained undergraduate level of education, and the minority 2.0% has gone through entrepreneurial course. The findings give an implication that majority (72%) of small business owners may not have undergone entrepreneurial or business management education either in tertiary education or as a course on its own.

**Table 4.5: Distribution of Respondents by their Status in the Business**

<b>Status in Business</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Owner	93	98.0
Manager	2	2.0
Employee	0	0.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

The findings from Table 4.5 indicate that 98.0% of the respondents were owners of the businesses on the other hand 2.0% were managers who represented owners who mostly didn't participate in the general operations of the business but were investors in the MSEs. This gives an implication that the findings were a true reflection of the businesses as majority of them were owned and managed by the youth as sole-proprietors of the business. Majority wanted to maintain the status of ownership to control all the operations as well as enjoy profit accrued and bare liabilities. The findings further indicated that most small and micro business owners didn't have the capacity to employ. Just a few formed partnerships or managed the enterprises for other individuals who didn't participate in day-to-day activities of the business but control it financially and decision- making.

**Table 4.6: Distribution of Respondents by age of the Business**

<b>Age of Business</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
0-1 year	45	47.0
2-5 years	36	38.0
5-10 years	14	15.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

The findings in Table 4.6 show that 47.0% of the respondents had been operating the business for less than a year, 38.0% had been operating for 2-5 years whereas a significant number 15.0% had been operating for 5-10 years. The findings indicate that most of the small and micro enterprises were operated for a short period and then shut down due to external factors. Also, those which had been operating for more than five years were due to the fact that the idea of small and micro enterprises was not common and was not perceived as the right approach.

**Table 4.7: Number of Employees in Business**

<b>Employees</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Less than 5	94	99.0
5-10 employees	1	1.0
11-15 employees	0	0.0
<b>Total</b>	<b>95</b>	<b>100.0</b>



The findings in Table 4.7 show that 99% of the small and micro businesses had less than 5 employees, only 1% had between 5-10 employees, and no small and micro businesses had more than 11 employees. The findings show that the small and micro enterprises don't incorporate the aspect of employment but rather self-employment since they don't have the large structures of operations as opposed to large enterprises.

**Table 4.8: Type of Business**

<b>Type business</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Sole proprietorship	82	86.0
Partnership	13	14.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

It is evident from the data shown in Table 4.8 that majority of the small and micro youth owned businesses whereby 86.0% involved sole proprietorship while 14% involved partnership. The findings imply that youth considered working unaccompanied, setting up structures as an individual and self-acquisition of funds favorable to get there ideas and enterprises on the move. Most of the youth did not consider partnership because they did not appreciate the procedures that were involved in setting up the structures and policies that govern partnership.

**Table 4.9: Professional Business Training**

<b>Business training</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Yes	33	35.0
No	62	65.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

It is evident from the data shown in Table 4.9 that 65.0% had not received any professional business training before setting up their businesses while 35% indicated to have had professional business training. These findings show that majority of youth engage in business without acquisition of professional training required for general operation of the businesses.

**Table 4.10: Distribution of respondents by the working experience**

No .of years	Frequency (F)	Percentage (%)
0-1year	36	38.0
2-5 years	44	46.0
5-10 years	15	16.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

The findings in Table 4.10 indicate that majority of the respondents had been in business for 2-5 years 44 shown by 46.0%. Further findings show that, 36 (38.0%) had been in business for 0-1 year as compared to 15 (16%) who had been in business for more than 5-10 years.

This indicated that most respondents had acquired some experience, knowledge and skills to understand the challenges faced by small and micro enterprises in Makueni County. The results seemed to indicate that experience, knowledge, competencies and skills increase with increase in years of performing the tasks. Competencies can be thought of as the state or quality of being well qualified to perform a task.

**Table 4.11: Source of Business Capital**

<b>Source of Capital</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Bank/Sacco loan	27	28.0
Personal saving	42	44.0
Family and friends	13	14.0
Chama	13	14.0
<b>Total</b>	<b>95</b>	<b>100.0</b>

The findings from Table 4.12 indicate that majority of the respondents (42) shown by 44.0% stated their source of business capital was personal savings whereas 28.0% of them stated that their source of capital was from banks and Sacco loans. A relatively significant number indicated that they obtained their capital from family and friends 13 (14.0%) and finally 14% of them stated their source was ‘chamas’ (merry go rounds). The findings imply that small and micro businesses did not require heavy funding to start. Entrepreneurs could easily fund their business from their saving while others visited financial institutions for capital funding.

#### **4.3 Influence of demographic characteristics on performance of small and micro scale business owned by youth**

The study sought to establish the influence of demographic characteristics on performance of small and micro scale business owned by youth. Aggressiveness, the level of patience in poor performance, risk-taking and level of experience and performance by age were key factors that were used to establish the research question.

Respondents were asked to respond to the question on a 5 point Likert scale whereby; 1- Strongly agree 2-Agree 3-Undecided 4-Disagree 5-Strongly disagree

**Table 4.12: Distribution of demographic characteristics on performance of small and micro scale business owned by youth.**

	<b>Strongly Agree (%)</b>	<b>Agree (%)</b>	<b>Undecided (%)</b>	<b>Disagree (%)</b>	<b>Strongly Disagree (%)</b>
Young people are usually very aggressive in business than older people	43.0	17.0	12.0	6.0	22.0
Young people are impatient especially if the business is not performing.	55.0	23.0	8.0	3.0	6.0
Most young people are not willing to take risks in business unlike the older people.	18.0	21.0	26.0	14.0	21.0
Many young people may not be trained as they run their business nor have any experience before operating a business.	31.0	34.0	9.0	15.0	11.0
Older people are more experienced than young people in running of the MSEs.	60.0	16.0	13.0	8.0	4.0
Most of the successful MSEs are owned by young men as compared to Female in the county.	43.0	27.0	4.0	16.0	10.0

Table 4.13 shows that 43% of the respondents strongly agreed that young people were more aggressive in business as opposed to 6% and 22% who disagreed and strongly disagreed respectively. Further findings show that 55% of the respondents strongly agreed that young people were so impatient when the business was not performing as required. On the aspect of risk taking 26% of the respondents were not sure whether or

not youth are willing to take risks. To add on, 18% and 21% of the respondents agreed and strongly agreed while 14% and 21% disagreed and strongly disagreed respectively. Also, 31% and 34% of the respondents strongly agreed and agreed that young people did not have the right skills and know-how of running a business. Additionally, 60% of the respondents strongly agreed that older people were more experienced in running the enterprises as opposed to young people whereby the response from respondents was 4% who strongly disagreed. Finally, 43% of the respondents strongly agreed that the male were capable of running business successfully compared to the female in the Sub-county. Findings imply that young people are willing to engage in MSEs at an early stage. Although, they do not have the right skills and experience for them to handle challenges that arise in the due course. The results show that the youth do not have the right skills required to run and operate the enterprises. Most of the successful MSEs were owned by young males as compared to Female in the county.

#### **4.4 Business Management Skills and Performance of MSEs owned by Youth**

The study sought to establish the influence of business management skills on the performance of small and micro enterprises owned by Youth. Variables such as knowledge on budgeting, management training for the youth, financial book keeping, advertisement of business products, perception of management training by the youth and code of conduct were put into consideration in establishing the influence.

Respondents were asked to respond to the question on a 5 point Likert scale whereby; 1- Strongly agree 2-Agree 3-Undecided 4-Disagree 5-Strongly disagree

**Table 4.13: Frequency distribution of Business Management Skills and Performance of MSEs owned by Youth**

	<b>Strongly Agree (%)</b>	<b>Agree (%)</b>	<b>Undecided (%)</b>	<b>Disagree (%)</b>	<b>Strongly disagree (%)</b>
Adequate knowledge on budgeting in the organization greatly influence performance of MSEs owned by youth	34.0	20.0	11.0	17.0	18.0
Most youth operate their business without undergoing the basic management training required to operate a business	31.0	24.0	20.0	9.0	16.0
Most youth don't keep financial records due to lack of financial and accounting management skills	63.0	30.0	8.0	6.0	1.0
Advertisement of business products by the marketing team improve the growth and performance of MSEs	60.0	29.0	4.0	1.0	6.0
Most youth perceive management training as a waste of time and expensive rather they can run the MSEs with in-born traits and past experience.	41.0	19.0	13.0	5.0	22.0
MSEs has a code of conduct that guide the operation of the business	18.0	21.0	21.0	14.0	26.0

Table 4.14 shows that 34% of the respondents strongly agreed that adequate knowledge on budgeting greatly influences performance of Small and Micro Enterprises owned by youth. 31% strongly agreed that most youths operate their business without undergoing the basic management training required to operate a business. 63% of the respondents strongly agreed that majority of the youth don't have the skills of keeping financing

records. On the aspect of advertising 60% of the respondents strongly agreed that marketing was essential in helping the growth of business. 41% of the respondents strongly agreed that most of the youth considered management training as a waste of time and not affordable. 18% of the respondents strongly agreed that small and micro enterprises had a code of conduct, 21% agreed, 21% were not sure whether or not MSEs had a code of conduct. However, 14% disagreed and 26% strongly disagreed.

#### 4.5 Sources of Funding and Performance of MSEs owned by Youth

In this case, the study sought to establish the sources of funding and its influence on the performance of small and micro enterprises owned by youth in Makueni County. Aspects such as the frequency of disbursement of funds, the amount and the major constraints of funding were key in establishing the influence of funding.

Respondents were asked to respond to the question on a 3 point Likert scale whereby; 1-Yes, 2-No, and 3-Undecided.

**Table 4.15: Distribution table on Funding and Performance of MSEs owned by Youth**

	Yes (%)	No (%)	Undecided (%)
Source of funding of the business influence performance	63.0	21.0	16.0
The frequency of disbursement of funds attributes to performance of the business	46.0	29.0	23.0
Amount of capital in business influences profitability	80.0	16.0	4.0
Youths experience financial constrains in running their business	56.0	32.0	12.0

Table 4.15 shows that 63% of the respondents agreed that source of funding of the business influence performance, 21% disagreed while 16% of the respondents were undecided. 46% of the respondents agreed that frequency of disbursement of funds had an influence on the performance of the business on the other hand 29% disagreed and 23% were undecided. On the question on whether or not the amount of capital influence profitability, 80% agreed, 16% disagreed, and 4% of the respondents were undecided. Response to financial constraints, 56% of the respondents agreed, 32% disagreed and 12% were not sure whether youth experience financial constrains in running their business.

#### **4.6 Influence of government laws and regulations on performance of youth owned small and micro enterprises**

The researcher seeks to establish the influence of government laws and regulations on the performance of youth-owned small and micro enterprises. The scope included repayment period of loans by government, influence as a result of income taxes and collection of revenues, licensing and formality and registration of businesses.

Respondents were asked to respond to the level they agreed on a 3 point Likert scale whereby; 1-Yes 2-No 3-Undecided

**Table 4.16: Distribution table on influence of government laws and regulations on performance of youth owned small and micro enterprises**

	Yes (%)	Undecided (%)	No (%)
Repayment period of loans by government enhance the performance of MSEs owned by youth	56.0	32.0	12.0
Income taxes and collection of revenues from the government agents hamper the running of the MSEs	45.0	26.0	29.0
Licensing positively influence the performance of MSEs	30.0	42.0	28.0
Formality and registration requirements hinder the setup of MSEs by youth	48.0	37.0	15.0



Table 4.16 reveals that 56% of the respondents agreed that the repayment period of loans by government enhance the performance of the business. On the other hand, 32% disagreed and 12% were undecided. Furthermore, on the question on influence due to income taxes and collection of revenues 45% of the respondents agreed, 26% disagreed and 29% were undecided. 30% of the respondents agreed that licensing positively influence the performance of the business, 42% disagreed and 28% of the respondents were undecided. The question on whether or not formality and registration hinders the setup of small and micro enterprises by youth; 48% agreed, 37% disagreed while 15% were undecided.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The basic purpose of this chapter is to give a summary, discussions, conclusions, and recommendations of the study. This was based on the research findings that were presented and discussed in the previous chapters. The study established several findings which make a direct contribution to knowledge and policy formulation. Recommendations both for further research as well as policy and practice have been made.

#### **5.2 Summary of Findings**

This study aimed at the determinants of performance of youth owned businesses in Makueni Count; Makueni County, Kenya. The purpose included; establishing the extent to which demographic characteristics influence on performance of MSEs enterprises owned by youth; to determine how business management skills influence performance of youth owned enterprises; to establish the influence of sources of funding on performance of small and micro enterprises and finally establishing the influence of government laws and regulations on MSEs owned by youth. The study reviewed previous studies with a view to establish academic gaps which the present study sought to bridge. This was done through library research.

This study adopted a descriptive research design and employed quantitative research as the main approach to guide the study. The sample population for this study was 105 of which 95 respondents returned their questionnaires. The research instrument used in data collection was the questionnaire to obtain information from the respondents. Expert opinion was used to ensure validity of the instruments. Data analysis was done immediately after collection of data. Data was analyzed into frequencies and percentages and presented in tables. This section comprises of discussions based on the specific research objectives of the study.

### **5.2.1 Findings on the performance of demographic characteristics on MSEs owned by youth in Makueni County.**

The objective was to establish whether demographic characteristics influence the performance of MSEs owned by youth in Makueni County. The measurement of this objective was based on the following indicators; the level of experience, age, gender and training. The study findings revealed that majority of the respondents were youth aged between 21-25 years who had completed the 8.4.4 secondary system of education. The findings also revealed that majority of the respondents were youth owners of the business who had been in business for 1-3 years. Majority of the businesses were operated and managed by the male than female, but the difference was slightly insignificant. The study findings further revealed that almost all small scale business had less than five employees. To add on, a majority of the small scale business were under sole proprietorship management and the operators had not received any professional business training prior to setting up their businesses. However, the study revealed that those who had received business training their main objective was business management as their professional training and marketing. The study also revealed that majority of respondents agreed that level of education and skills/knowledge/training in business contributes towards the establishment of MSEs businesses. The study findings revealed that majority of the respondents indicated their source of business capital as own contribution and few of them relied on loans and reimbursement from the county government which was not reliable but of great help once disbursed.

### **5.2.2 Findings on business management skills on performance of MSEs owned by youth**

The objective was to establish whether business management skills influence the performance of small and micro scale business owned by youth. The measurement of this objective was based on these indicators namely adequate budgeting, lack of basic training, keeping of financial records, advertisement on media and code of conduct that guide operation. The study findings revealed that majority of the respondents agreed to the fact that most youths do not keep financial records also most youths were not trained on basic management skills of running a business. The findings further revealed that adequate

budgeting and advertisement on media contributed greatly to the performance of MSEs owned by the youth.

### **5.2.3 Findings on the influence funding on performance of small and micro enterprises owned by youth**

The objective was to determine how sources of funding influence performance of SME owned by youth. The measurement of this objective was based on four indicators that include the source of finance, frequency of disbursement, amount of capital and the financial constraints youth experience. The findings indicated that majority of the youth strongly agreed to the fact that amount of capital one invests in a business affects the performance of the business towards profitability. Other findings indicated that most youths run their business with their savings since county government took a long time to release their quantity of reimbursement to the youth from the so-called youth development fund. Further on the findings revealed that most youths undergo financial constrains due to high cost of goods, low income earned and high taxes thus affecting the performance of their business.

### **5.2.4 Findings on the influence of government laws on the performance of small and micro enterprises owned by youth.**

The objective was to establish whether government laws influence performance SME owned by youth. The measurement of this objective was based on three indicators; regulations, licenses and revenue collection, repayment period and formality and registration requirements. The findings on this objective revealed that the government regulations, the number of licenses and taxes influence performance of SME owned by youth. Other finding revealed that short periods of repayment scheduled by government affects the performance of SME owned by the youth.

## **5.3 Discussions of the Findings**

Previous literature revealed that a person's age had been considered as an important demographic characteristic in understanding his or her entrepreneurial traits and intentions (Reynolds, 1997). Mostly, literacy is related to knowledge, skills, problem-solving ability, discipline, motivation, and self-confidence (Cooper, 1991). This may

enable the MSEs owners and managerial entrepreneurs to cope with problems and therefore leading to business success.

The findings further reveal that management skills influence performance of MSEs owned by the youth. The study findings revealed that adequate budgeting and frequent advertisements by the media influenced performance. Jay (2007) defines management as an approach to managing people for full utilization of available resources for the continuous achievement of organizational objectives. According to Govender and Paramour (2010) managers have to continuously come up with new competencies to manage challenges and enhance entrepreneurial success. Camphor (2008) urges that development of managerial skills and competencies is essential for MSEs to attain their objectives. According to Lefebvre (2002), innovative and managerial capabilities of the management team are strongly related enterprise growth.

Capital is any resource required to start or run a business. A crucial element in the growth of any SME is access to funding (Carpenter, 2001). Unfortunately, most MSEs are faced with many challenges in accessing funding. Meanwhile, young entrepreneurs have great difficulty in gaining access to sources of financing because they tended to have inadequate experience and few assets, financial institutions tended to see them as too risky despite the modest amounts of investment they may require. And because they are starting from scratch, they are often too small to be of interest to most angel investors and venture capitalists. Alternative mechanisms and institutions should therefore be provided by the government that aid young entrepreneurs with the capital they require to start and grow their businesses (G-20 Young entrepreneur summit 2010).

The study findings also revealed that government laws and regulations influence performance of SME owned by the youth. The findings on this objective revealed that the repayment period, number of licenses and income taxes and revenue collection influence establishment of SME significantly. The findings that are in line with Government policies should aim at promoting and encouraging the development and growth of local technologies. Much attention should be directed to the promotion of the local tool industry to reduce overdependence on imports. Small and Micro Enterprises are said to

face a challenge of scale due to their resource limitations and size, they are not capable of developing new technologies or to make crucial changes to the ones that exist. At the same time, there is evidence that MSEs have the potential to come up with minor technological innovations to handle the problem at hand. However, for MSEs to fully develop and use this potential they need specific policy approaches to ensure that infrastructure and technology services are provided (Wanjohi, 2009). Policy initiatives in revitalizing the SME sub-sector should not be only government engineered, but all the stakeholders in development arena should take frontline.

#### **5.4 Conclusion of the Study**

The study concludes that performance of MSEs improves with experience and age. Additionally, the right source of funding such as government, youth group funding, savings, and ample period of paying loans improve the performance of MSEs. However, inadequate skills and professional training do not help improve the performance of MSEs rather leads to failure or inefficiency and ineffectiveness. Proper government rules and regulations such as creation of a favorable environment for operation lead to great performance of MSEs. Therefore it is right to conclude that demographic characteristics, sources of funding, professional training on business management and government regulations and law influence the performance of MSEs.

#### **5.5 Recommendations of the Study**

On the basis of the above conclusions, the following recommendations were made for determinants of performance of SME owned by youth in Kenya.

##### **5.5.1 Recommendations for policy and practice**

The study recommends that the government should reduce taxes on small and micro enterprises so as to accommodate all the willing investors and ensure that they do not take a larger percentage of the businesses profits. They should also play a leading role in educating and training the small and micro businesses entrepreneurs on the incentives available to them and how to access them. Such incentives should be delivered through

an establishment that cares for the success and sustainability of the businesses in the country.

The SME businesses should not rely on government agencies; they should develop their ways of progress by relying on strategies which enable them to access new markets, increase their revenue and expand their customer base. The businesses should also come up with strategic alliances with other businesses or try networking with other businesses that they share the same goals with. By identifying and cooperating with these partners, the small and micro scale businesses can gain access to other local markets, gain technological know-how, increase sales and revenue, access external sources of funds, and become more resilient and stronger to withstand domestic and foreign competitive forces among other benefits. The businesses should also invest in market research, Research and Development, and innovation in order to increase their competitiveness. This will help them deliver superior value to customers, and more than their competitors are able to do which in turn will increase customer retention rates.

#### **5.5.2 Recommendations for further research**

This study sought to establish the determinants of MSEs owned by youth in Makueni County, Makueni County, attempting to bridge the gap in knowledge that existed. Although the study attained these, it mainly focused on One County that is Makueni County. Therefore, there is need to carry out the study using many other Counties in Kenya in an attempt to compare the findings. Therefore, there is need to conduct a similar study which will attempt to find out the challenges facing small and micro scale business owned by youth in Kenya.

## REFERENCES

- Aaberge R. (2012). Theory and evidence on mergers and acquisitions by small and micro enterprises, *Journal for small and micro enterprises growth*. 5, 76-78.
- AERA, APA & NCME.(2000). *Standards for educational and psychological tests*.
- Ajagu, A. (2005). *SMEs Do Not Enjoy Any Form of Incentive, Business day, Business day Media Ltd, Lagos*.
- Akwaja, C. (2004). *Why Small Businesses Have Not Thrived*, Financial Standard, Millennium Harvest Ltd, Lagos.
- Alawode, O. (2005). Nigeria/Vietnam Relations to Benefit MSEs.*Small Business Journal*, Business day, Business day Media Ltd, Lagos.
- Amyx, C. (2005). Small Business Challenges - The Perception Problem: Size Doesn't Matter. *Washington Business Journal*.
- Asadurian T., Ferrontino M., Forden E., Fravel D., Fukui T., Peterson J., Serletis G., Signoret J., and Whang Z. (2010). Small and micro sized enterprises: Characteristics and performance. *Journal of United States International trade commission*. 2, 15-26.
- Audretsch E. and Fritch (1994).*Impeded Industrial Restructuring: The Growth Penalty* Rotterdam: Research paper, and Center for Advanced Small Business Economics, Erasmus University.
- Avendano R, Boehm N, and Calza E, (2013). Why scarce small and micro enterprise financing hinders growth in Latin America. *Journal of the role for public policies*.2,112-114.
- Ayyagari M., Beck T. and Demirguc-Kunt, A. (2007).Small and Micro Enterprises across the Globe.*Small Business Economics* 29 , 415 - 434.
- Barness M.L, Coultton T, Dickson T., Dransfield S., Fisher N, Saunders I, and Shaw D. (2000). *A new approach to performance measurement for small and micro enterprises*. CSIRO, Australia 4, 17-21.
- Beck T., Demerguc-Kunt A. and Levine R. (2005). MSEs Growth and Poverty: Cross-Country Evidence. *Journal of Economic Growth* 10 , 199 - 229.
- Biggs T. and Shaha K. M, (1998).African small and micro enterprises. USA. *Journal of networks, and manufacturing Performance VA-22102; 5, 56-61*
- Blum, L. (1995). *Free Money - For Small Businesses and Entrepreneurs*, 4th Edition, John Wiley and Sons, Inc.



- Bokea, C., Dondo A., and Mutiso J. (1999). 'Physical infrastructure.' In: A. Mullei and C. Bokea, eds. *micro and Small Enterprises in Kenya: Agenda for Improving the Policy Environment*. Nairobi: International Centre for Economic Growth. 57-80.
- Boyett, Joseph H. and Boyett, Jimmie T. (1996). *Essential Strategies for the New American Corporation Beyond Workplace 2000*.
- Carpenter, C. (2001). Making small business finance profitable in Nigeria SME finance in Nigeria. Retrieved on 18th March. 2007 from the website: [www.nipc-ng.org](http://www.nipc-ng.org).
- Davis, S. J., Haltiwanger, J., & Schuh, S. (2001). *ideas*. Retrieved July 26, 2013, from repec: [www.ideas.repec.org/a/kap/sbusec/v8y1996i4p297-315.html](http://www.ideas.repec.org/a/kap/sbusec/v8y1996i4p297-315.html)
- Gay, L.R. (1981). *Educational research: Competencies for analysis and evaluation*. New York: McGraw-Hill.
- GoK(2008). Co-operative Societies Act of 12 of 1997. Nairobi: Government Printer.
- Kiiru, W. K. (1991). *A Review of the institutional lending to the Jua Kali and small enterprise sector in Kenya*. Geneva: International Labour Organisation.
- King, K. & McGrath S. (2002) Globalisation, Enterprise and Knowledge: Educational Training and Development, *International Review of Education*, Vol. 50(1), 74-76(3).
- Kirui M. (2012). Challenges of MSEs in Kenya, Study mode.com. retrived o5, 2013, from [http://www.studymode.com/essays/Challenges\\_of\\_Small-and-Micro\\_Enterprises-1182214\\_1](http://www.studymode.com/essays/Challenges_of_Small-and-Micro_Enterprises-1182214_1), 7-9.
- Kothari, C.K. (2003). *Research Methodology: Methods and Techniques*. Second Edition. Longenecker, J. G., Petty, C. W., Moore, J. W. and Palich, L. E. (2006). *Small Business Management, An entrepreneurial emphasis*. London: Thomson South Western.
- Mateev M. and Anastasov, (2010). Determinants of small and micro size fast growing enterprises in central and eastern Europe, Blagoevgrad, Bulgaria.
- McIntyre R. (2001). The role of small and micro enterprises in transition: *Growth and entrepreneurship*, UNU World Institute for economic research (UNU/WIDER), a research and training centre of the United Nation, New York USA.
- Mead, D. C. (1998). *Micro and Small Businesses tackle poverty and growth (but in different proportions)*. Paper presented at the conference on Enterprises in Africa:

- between poverty and growth. Centre for African Studies, University of Edinburgh, 26-27 May
- Mordi, F. (2005). *SMEDAN Promises MSME Operators a Better Deal*, Business day, Business day Media Ltd, Lagos.
- MUer, J. M. (2003). *Content Validity*, November, 2003.
- Mugenda, M. and Mugenda, A.G. (2003). *Research Methods: Quantitative and qualitative approaches*. African Centre of Technology Studies, Nairobi, Kenya.
- Nassiuma, D.K. (2000). *Survey and sampling methods*, University of Nairobi press: Nairobi
- National Baseline Survey.(1993, 1995). *National micro and Small Enterprise Baseline Survey*. Nairobi: GEMINI Studies.
- National Baseline Survey.(1999). *National micro and Small Enterprise Baseline Survey*. Nairobi: ICEG and K-REP.
- Nguyen T, Alam Q, and Prajogo D ( 2010). *Developing the small and micro enterprises from theory to practice: An operational model for Vietnamese MSEs*.
- Nnanna, G. (2005). *National Policy on SME Development to Take Effect in 2005*, *Small Business Journal*, Business day, Business day Media Ltd, Lagos
- Nunnaly, J. (1978). *Psychometric Theory*. New York: McGraw-Hill.
- OECD (2009) *Proceedings of 6th International Business and Social Sciences Research Conference 3 –4 January, 2013, Dubai, UAE*, ISBN: 978-1-922069-18-4
- Oketch, H. O. (2000). *Gender Equity*. In A. Mullei and A. Bokea (Eds), *micro and small Enterprises in Kenya: Agenda for improving the Policy Environment*. Nairobi: ICEG.
- Olugbenga A, and Ekiti A, (2012). *Policy support and performance of small and micro enterprises in South west Nigeria, Adaramola, Nigeria*.
- Ongore, V. O. (2001). *Management Responses of the Co-operative sector, the Case of SACCOs in Nairobi*, Unpublished MBA Thesis. University of Nairobi
- Ronge. E., Ndirangu. L. and Nyangito, H. (2002). *Review of government policies for the promotion of micro and small scale enterprises in Kenya*. KIPPRA Discussion paper.
- Sekaran, U. (2004). *Research methodology in Business*. New York: McGraw-Hill.

- Stone, A., Levy B., and Paredes, R. (1992). *Public institutions and private transactions: the legal and regulatory environments for business transactions in Brazil and Chile*. Policy Research Working Paper No. 891, World Bank.
- Sweeney, P. (1998). *The Celtic tiger; Ireland's Economic Miracle Explained*. Oak Tree Press Dublin
- Uche, C. (2005). MAN Decries Poor Infrastructure, Financial Standard, Millennium Harvest Limited, Lagos.
- Udoh, H. (2005). Every micro -enterprise requires a Business Plan, Business day, Business day Media Ltd, Lagos.
- Ugwu, S. (2005). Chamber of Commerce to Solve Industrial Problems, Business day, Business day Media Ltd, Lagos.
- Uzodike, Ajulu. (1999). *Survival Strategies for Coping with Turbulence in the Small and Micro Industry Sub-sector*. Washington DC: American Psychological Association, American Educational research Association, National Council on Measurement in Education.
- World Bank, Various years. Enterprise Analysis Surveys. The World Bank, Washington DC. <http://www.enterprises>.
- Zheng M, and Connie S(2013). Human resource management and enterprise performance in small and micro enterprises in China, China center for economic research, Pecking University 5, 14-17.

## **APPENDICES**

### **APPENDIX I: Letter of Introduction**

Dear respondent,

I am a postgraduate student undertaking Masters of Arts in Project Planning and Management at the University of Nairobi. I am carrying out a study on the Determinants of Performance of Small and Micro scale Enterprises owned by youth in Makueni County, Kenya. I am using the attached questionnaire to collect information for the study.

It is my kind request that you fill the questionnaire, providing the relevant information to facilitate the study. Please use the space provided to fill in the information required as objectively and honestly as possible. The information provided will be treated with strict confidentiality for the purpose of this study only.

Thank you.

Yours Faithfully,

Mary Mumo Makewa

**APPENDIX II: Questionnaire**  
**PART 1: Instructions**

Please answer each question as objectively as possible.

Tick appropriately []

Information given will be treated with confidentiality.

**PART II: Personal Information**

1. Kindly indicate the name, the nature and the location of your business in Makueni County

Name ..... Nature .....

Location.....

2. Age bracket

[a] 18-24     []

[b] 25-30     []

[c] 31-35     []

3. For how long has the business been in operation?

[a] Less than 5 years   []

[b] 5-10 years         []

[c] 11-15 year        []

[d] 16-20 years       []

[e] over 20 years     []

4. Kindly state the number of employees in your business .....

**PART III: Demographic Characteristics and Performance of MSEs owned by Youth**

Using the scale below, to what extend do you agree or disagree with following characteristics with respect to MSEs owned by youth in the county?

**1-Strongly agree    2-Agree    3-Undecided   4-Disagree    5-Strongly disagree**

		1	2	3	4	5
5	Young people are usually very aggressive in business than older people					
6	Young people are impatient especially if the business is not performing					
7	Most young people are not willing to take risks in business unlike the mature people					
8	Many young people may not be trained as they run their business nor have any experience before operating a business.					
9	Older people are more experienced than young people in running of the MSEs					
10	Most of the successful MSEs are owned by young men as compared to Female in the county					
11	Education plays an important role in transferring cultural values from one generation to another hence influencing the performance of MSEs.					

**PART IV: Business Management Skills and Performance of MSEs owned by Youth**

On a scale of 1-5, rate the extent to which you agree or disagree with the following level of management skills in relation to performance of MSEs owned by youth.

**1-Strongly agree      2-Agree      3-Undecided      4-Disagree      5-Strongly disagree**

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
12	Adequate knowledge on budgeting in the organization greatly influence performance of MSEs owned by youth					
13	Most youth operate their business without undergoing the basic management training required to operate a business					
14	Most youth don't keep financial records due to lack of financial and accounting management skills					
15	Advertisement of business products by the marketing team improve the growth and performance of MSEs					
16	Most youth perceive management training as a waste of time and expensive rather they can run the MSEs with in-born traits and past experience.					
17	MSEs has a code of conduct that guide the operation of the business					

**PART V: Funding and Performance of MSEs owned by Youth**

18. What is the main source of funding of MSEs by youth in the County?

.....

Other sources .....

.....

19. State the range of initial capital required to start MSEs Kshs

.....

Do the youth meet the above stated initial capital easily?.....

20. What is the frequency of disbursement of funds to youth by organizations that support youth programs in the county?

[a] Quarterly [ ]

[b] Semi-annually [ ]

[c] Annually [ ]

[e] No disbursement at all [ ]

21. Do you think the amount of funds allocated to youth to facilitate MSEs influence their performance in terms of growth and profitability? .....

If Yes, state the range of amount of funds KSh..... to .....

22. Do you have financial constraints in your business?

[a]Yes [ ] [b]No [ ]

If Yes, state the financial constraints.....  
 .....

**VI: Government rules and regulations and Performance of MSEs owned by Youth**

23. Mostly, do you think government rules and regulations favors the growth of MSEs owned by youth in the county? .....

Give a reason for your opinion.....  
 .....  
 .....

Do you think the following legal policies influence the growth of MSEs owned by youth?

**1-Strongly agree    2-Agree    3-Undecided    4-Disagree    5-Strongly disagree**

		1	2	3
24	Repayment period of loans by government enhance the performance of MSEs owned by youth			
25	Income taxes and collection of revenues from the government agents hamper the running of the MSEs			
26	Licensing positively influence the performance of MSEs			
27	Formality and registration requirements hinder the setup of MSEs by youth			



**APPENDIX III: The Interview Questions for youth leaders:**

1. What are the determinants of performance of MSEs owned by youth in Makueni County sub-county, Makueni County?

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

2. What are the challenges youth face when running MSEs in Makueni County , Makueni County?

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

3. What is the perception of youth on engaging in MSEs as compared to corporate or county employment?

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

4. What can be done to improve the performance of MSEs owned by youth in Makueni County?

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