FACTORS INFLUENCING PERFORMANCE OF MICRO FINANCE INSTITUTIONS FUNDING YOUTH ENTREPRENEURSHIP PROJECTS IN KENYA: A CASE OF KIBRA SUB COUNTY, NAIROBI

BY

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A Research Project Report Submitted in Partial Fulfilment of the Requirement for the Award of the Degree of Master of Arts in Project Planning Management, University of Nairobi

2017

DECLARATION

This research project is my original work and has not been submitted to any university for any award.

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

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DEDICATION

To my husband Lawrence Kibet and son Kylan for their support and patience during the time of writing this project.

ACKNOWLEDGEMENT

I would like to thank my supervisor Prof. Harriet Kidombo for her guidance and supervision throughout this period of study. I wish to thank my other lecturers for the skills that have enabled me to come up with this research project.

More appreciation goes to the Nairobi Extra Mural Centre staff for making the environment conducive for learning. Special thanks the 2016 Project Planning and Management Masters class for the learning experiences, and constructive criticism that has sharpened my focus.

I also want to express my gratitude to my family and friends for the continued emotional, time and financial support towards the completion of this research project.

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ABBREVIATIONS AND ACRONYMS

ADB	**:** African Development Bank
EBT	**:** Enterprise Based Training
GDP	**:** Gross Domestic Product
GEM	**:** Global Entrepreneurship Monitor
ILO	**:** International Labor Organization
MCEETYA	**:** Ministerial Council on Education, Employment, Training and Youth Affairs
MFI	**:** Micro-Finance Institutions
MOU	**:** Memorandum of Understanding
MSE	**:** Micro and Small Enterprises
OECD	**:** Organization for Economic Co-operation and Development
SMEP	**:** Small & Micro Enterprise Programme
SMEs	**:** Small and Medium Enterprises
SWOT	**:** Strengths, Weaknesses, Opportunities and Threats
YEF	**:** Youth Enterprise Fund
UN	**:** United Nations
UNCTAD	**:** United Nations Conference on Trade and Development
UNDP	**:** United Nations Development Programme

ABSTRACT

The world population of youth is the largest in history. Three billion people in the world are estimated to be at the age of 25 out of these, approximately 1.3 billion young people are between the ages of 15 and 24 representing 25 percent of the world's working population and comprising half of the world's unemployed and live on less than $2 a day as estimated by the United Nations. Reducing youth unemployment is one of the major challenges being faced by most governments in the world. Micro-finance as the provider of financial services to the low income-households and micro and small enterprises provide an enormous potential to support economic activities of the poor thus contribute to poverty alleviation. The purpose of this study was to establish the factors influencing performance of micro finance institutions funding youth entrepreneurship projects in Kenya under these objectives: to establish whether micro finance institutions funding youth entrepreneurship projects in Kenya have the required financial capacity; to find out if the financial products offered by micro finance institutions funding youth entrepreneurship projects in Kenya enable the youth access credit and accumulate savings; to assess whether micro finance institutions offer entrepreneurial training skills among the youth and to investigate how micro finance institutions funding youth entrepreneurship projects in Kenya increase entrepreneurial culture among the youth in Kibra sub-county. The study has reviewed existing literature on these factors and identified a knowledge gap to be addressed through a cross-sectional survey; targeting youth projects funded by micro finance institutions registered by Central Bank of Kenya: Faulu Kenya, Kenya Women Finance Trust, Kenya Small Traders and Entrepreneur Society, Ecumenical Loans Fund, Jitegemee Trust, Kenya Post and Savings Bank, Jamii Bora and Platinum Credit. This study was conducted using a descriptive research design, and a self-administered questionnaire was piloted and pretested after which it was administered to all participants on consenting to be part of the research. Probability sampling procedure proportionate to size procedure was used to get sample size of 123 respondents to form part of the study. Quantitative data was entered and coded into Statistical Packages for Social Scientists (SPSS Version 22.0) and analyzed using descriptive statistics. The study found that MFIs financed youth enterprises in Kibra and the average loans given to a youth enterprise was 50,000 -150,000. In regards to financial products, credit was the common product amongst the MFIs. The length of loan repayment period influenced youth entrepreneurship in Kenya. Entrepreneurial training was conducted and as the youth enterprises had benefited in planning their enterprises and also in marketing their products. A number of youth had started their businesses without training could negatively affect the performance of their businesses. The study recommends that MFIs should look for ways of increasing their financial capacity so as to be able to support more youth enterprises and also to finance bigger enterprises with sufficient capital so as to enable the youth grow their business. MFIs should seek to diversify their product range to include services like savings, remittances and insurance. MFIs should identify those businesses within its members that were started without training and offer value adding training.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The world's youth population is the largest in history. Three billion people in the world are below 25 years and almost 1.3 billion youths of age between 15-24, representing 25 percent the employed population in the world and comprising half of the world population out of employment. Half live on less than $2 a day, as estimated by the United Nations (UNDP, 2013).

The weakening of the global recovery in 2012 and 2013 has further intensified the youth jobs crisis; both developed nations and emerging economies alike are grappling to build avenues to employment for their young citizens (ILO 2013). In the advanced economies, the figures are identically troubling. In the European Union, the rate was the highest in 10 years with 22.6 percent in 2012 with Greece recording shocking 54.2 percent and Spain at 52.4 percent. In the United States 16.3 percent of the youth was unemployed.

Increasing unemployment among young people is one of the main problem being encountered by most nations all over the world, there is therefore need for targetted efforts towards job creation for the youth. There is no standard defination of youth because variations arise depending on countries where diffecrent factors such as social, cultural orientations, economic and also political factors play a big role in determining who can be reffered to as a youth. According to the United Nations a youth is defined as one between the age of 15-24 years. According to the International Labour Organization (ILO), it is estimated that half of the worlds total population is under the age of 25 out of which 85% between 15 and 24 live in developing countries. It has also been established that 25% of the working age globally is made up of young people yet in they form the majority of the unemployed at 44%.

The definition of youth and the society perspective differs across time, place and societies. In developing countries in Africa, the meaning of youth has an insistent encounter given the social, economic and political factors in which youth are defined and branded in program design (Jennings, 2011). Africa Youth Charter (2011) distinct youth as persons of aged between 15 to 35 years. Kenya National Youth Policy (2006) defines youth as person's inhabitant in Kenya in the age of 15-30 years considering physical, mental, social, biological and administrative definitions. Young people represent an important statistical grouping globally. According to United Nations Program on Youth (2012), young people between the ages 15 to 35 represent approximately 34% of the global population, nearly 2.4 billion people. In Africa, youth population represents 30% whereas in Kenya the youth total to around 9.1 million and made up to 32% of the residents (World Bank, 2006; AYC, 2011 & AU, 2008). Young people characterize a huge percentage of human resources for unindustrialized nations which represent up to 85% of the people in developing countries where majority are working as casual laborers. Limited education chances for youth are frequently developed through learning. However, most youth remain jobless or underemployed which bound their prospect economic chances that rest on earning the necessary skills through experience. Youth require access to a variety of services to put up their competence which include funding. Latest holistic structure is now promoted by youth specialists which stand on three related domains which are increasing access to capital, growing opportunities for employment and venture for youth growth (Geetha 2005).

Youth population forms the major supply of employment (Kirby & Bryson, 2008). They are being placed on the margin and not fully utilized for social, economic and political development (Anderson & Sandman, 2009; Jennings, 2006; Oliver, *et al.*, 2006; Roth & Brooks, 2004). Quite a number of the youths who are industrious and energetic continue without work or underemployed and experience poor health, drugs and substance abuse and not have adequate maintenance. As a result, they are tapped in a "low productivity-low income-low wealth" vicious cycle of poverty (Gilead, *et al.*, 2008).

Micro finance providing monetary services to the poor households and micro and small businesses give adequate prospective to carry out financially viable activities of the unfortunate thus add to poverty mitigation (George, 2005). Micro finance is the practice of giving financial services which include credit, saving or insurance to disadvantaged persons by serving them to build up usably huge sums of funds thus growing their business and reducing the threat they encounter. Savings and credit organizations that have been in existence for long comprise of the Susus of Ghana, chit funds of India, tandas of Mexico, arisan of Indonesia, cheetu in Sri Lanka, tontines in West Africa and pasanaku in Bolivia (Rieneke, 2010).

According to Yunus (1998), establishment of Grameen bank in 1983 has since been a basis of encouragement for like microcredit institutions in more than 100 countries. The bank works on the belief that even the poorer can control their individual fiscal dealings and development in a conducive environment. The tool is microcredit small long term loans on simple conditions. In 2006 Grameen bank had approved more than 7 million borrower's micro loans, amounting 100 dollars and refund being higher. At the close of 2008 the bank had given out more than USD 7.6 billion to the underprivileged and had open 2100 branches.

Overall, Micro-Finance institutions in Africa are active and rising. Out of the 163 MFIs, 57% were formed over the last 8 years of which 45% in the last 4 years. African MFIs emerge to provide the wide financial requirements of their customers. Different trends in most areas around the world show that more than 70% of the coverage on African MFIs offer investments as a core financial service for customers and apply it as a vital basis of finances for lending. MFIs in Africa have a tendency to report lower levels of success as calculated in terms of return on assets compared to MFIs in parts of the world. Amongst the African MFIs 47% show positive unadjusted proceeds; regulated MFIs account the utmost return on assets of all MFI types, ranging around 2.6% on average (Patricia, 2004). MFIs have assisted the poor in starting up businesses, acquire assets, expenditure and risk management (CGAP, 2010). In developing countries where poverty levels are high, the youth employment challenge is not only one of unemployment but of poor employment quality as well. Africa, especially sub-Saharan Africa, presents relatively high youth unemployment rates linked to high levels of poverty, which suggests that working is a must for many young people (ILO, 2013).

The youth fund was formed in the year 2006 by the government as a strategy to reduce unemployment which is a great problem facing the young people. The objective of the fund is to boost business opportunities for the kenyan youth in participating in building the nation by establishing income generating activities and partnering with various entities. The fund is focussed to all youths running individual entreprises, firms, organizations, cooperatives and any other forms of legal entities in Kenya. The government budgeted 1 billion kenya shillings for tha period 2006/07 to boost this initiative (GOK, 2008).

The government believes that better reach to and continuous run of fiscal services, mostly credit to the small income individuals and small enterprises is vital to poverty mitigation. Consequently, suitable plan, lawful and regulatory outline to support a feasible and sustainable scheme of micro finance in the nation was put in place under the micro finance Act of 2006. The Act was in place by 2nd May; 2008. The main purpose of micro finance act is to control the formation of enterprises and activities of micro finance institutions in Kenya by licensing and regulation.

The Act allows deposit taking Micro Finance Institutions approved by the CBK to drum up investments from the public, hence promoting achievement, competence and accessibility. It is therefore probable that the micro finance sector will take part in a key role in deepening financial markets and attracting accessibility to financial services and products by many Kenyans (MF Act, 2006). Main players in the segment include, micro finance banks such as Jamii bora bank, Sidian bank and equity bank. Other deposit taking MFIs in Kenya are Rafiki DTM, Kenya Women Finance Trust, Faulu Kenya, Small and Medium Enterprise programme. Others include; Ecumenical Loans Fund, Kenya Small Traders and Entrepreneur Society, Jitegemee Trust, Pride limited, Makao Mashinani, Platinum Credit, Yike, Yehu and Real people among others (CBK, 2013).

1.2 Statement of the Problem

Inadequate employment is the most overwhelming economic troubles that Kenya is experiencing. As a result, the government has prioritized job creation in its policy agenda. Young people make up 61 percent of the uemployed, several of them have no work knowledge past the basic education. Therefore, being joblessness is not the lack of opportunities, but the short of work skill required due to shortfall of guidance and lack of the means to acquire skills as a result of poverty (Kimando, Njogu and Kihoro, 2012).

According to Yaron (2007) the social goal is not to have sustainable micro finance organizations but rather to exploit probable shared value and less social charge reduced with time. In principle sustainability is not compulsory or enough for social use but in sustainable organizations lean towards to increase social well-being. The greatest micro finance organizations impose costs on the underprivileged in the future at the expense of the improvements realized by the poor today. Sustainability is not a conclusion in itself however it is a means to improved social welfare. In order to sustain the performance of MFI an increase in productivity and income rather than consumption need to be checked.

As a result, the system anticipated the notion of established funding as a means of responding to the problem of youth unemployment. The idea is grounded on the presumption that the development of MSEs will have the largest effect on job opportunities. The question asked today is whether microfinance has the prospective to aid as an active approach to achieve the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs). Consultative Group to Assist the Poor (CGAP) (2003) claimed that micro finance has an important role in meeting the MDGs by eliminating poverty and training of the youth to enable acquire relevant business skills and competence in whatever projects they may decide to undertake.

The Global Goals, are a worldwide appeal to culminate poverty, safeguard the globe and make sure that all individuals adore peace and affluence. The SDGs comprise an ambitious 17 objectives and do not obviously focus financial attachment but better reach to financial facilities is a key enabler for many of them (Allen et al. 2016). Studies on the success of micro-financing for youth entrepreneurship are few and whose findings are yet to be utilized, especially at the constituency level. Therefore, there is insufficient evidence on the factors that drive projects funded through youth entrepreneurship. This study sought to fill the gap by examining the factors influencing micro finance institutions funding youth entrepreneurship projects in Kenya: a case of Kibra sub-County, Nairobi.

1.3 Purpose of the Study

The purpose of this study was to establish the factors influencing performance of micro finance institutions funding youth entrepreneurship projects in Kenya: a case of Kibra sub-County, Nairobi.

1.4 Objectives of the Study

The study was guided by the following objectives:

i. To establish the effect of financial capacity on the performance of Micro Finance Institutions funding youth entrepreneurship projects in Kenya;

ii. To assess the influence of financial products on the performance of Micro Finance Institutions funding youth entrepreneurship projects in Kenya;

iii. To assess the influence of training skills on the performance of Micro Finance Institutions funding youth entrepreneurship projects in Kenya;

iv. To examine the influence of entrepreneurial culture on the performance of Micro Finance Institutions funding youth entrepreneurship projects in Kenya;

1.5 Research Questions

This study sought to answer the following research questions:

i. Does financial capacity influence the performance of micro finance institutions funding youth entrepreneurship projects in Kenya?

ii. Do the financial products offered by micro finance institutions influence the performance of microfinance institutions funding youth entrepreneurship projects in Kenya?

iii. To what extent does entrepreneurial training skills influence the performance of micro finance institutions funding youth entrepreneurship in projects Kenya?

iv. At what level does entrepreneurial culture influence the performance of micro finance institutions funding youth entrepreneurship in Kenya?

1.6 Significance of the study

Self-employment done by providing micro-finance has been witness in both the emerging and gradually more in the established countries frameworks as a probable key to youth's unemployment, poor payment and employment uncertainty. Hence, the findings of this study would be useful in the development of strategies that will help increase access and utilization of the potential of youth entrepreneurship in Kenya. It is hoped that the research would be important to potential young entrepreneurs to identify options available to them as they embark on starting or growing their businesses, access funding opportunities available to young entrepreneurs and how they can benefit from them. It is also hoped that the government of Kenya would benefit from the project in informing future successful implementation of youth entrepreneurship projects and other government projects such as the Youth Enterprise Fund. Lastly, it is hoped that the findings would build on the exiting body of knowledge on youth entrepreneurship and be used as a source of further research in microfinancing for the youth in the country.

1.7 Limitation of the Study

The study was limited data collected from the microfinancing institutions which resulted to lack of interest by some of the respondents. This was addressed by the researcher selecting only the interested respondents who filled in an anonymous self-administered the questionnaire. Since this was a study on MFIs, participants may be unwilling to give information out of fear but this was overcome by obtaining a permit from National Council of Research and Technology to authenticate the study as well as by informing the respondents that all information would be treated with utmost confidentiality.

1.8 Delimitation of the Study

The study was delimited to the factors influencing the performance of micro finance institutions funding youth entrepreneurship projects in Kenya, a case of Kibra sub-County, Nairobi. The sample was similar in nature to other micro finance institutions in the development of youth entrepreneurship in Kenya. The scope was delimitated to the micro finance institutions registered by Central Bank of Kenya.

1.9 Assumptions of the Study

The study targeted only respondents from the selected micro finance institutions registered by Central Bank of Kenya, it was assumed they were ready to contribute and would provide genuine response. The study also assumed that there were minimum three staff in every institution in the sampled interventions. Another assumption was the availability of the staff to respond to the questions raised in the questionnaires. The last assumption was that the finances allocated for this study would be enough to cover the scope and time allocated to gather credible data.

1.10 Definition of Significant Terms

Performance - The act of execution; implementation, success or fulfillment.

Micro Finance Institutions - Providing micro loan to low income earners (basically those are neglected by banks, microfinance provides them loan facility), and offer financial services to small businesses and entreprenuers who in most cases have limited access to mainstream banking.

Financial capacity - The financial ability of a firm or an entreprise to take in losses with its own resources without any trouble.

Financial products – These are the various offerings that a financial institution makes available to its customers to aid either in saving, getting loans or even access to insurance. Financial institutions that offere these products include; banks, microfinance institutions and insurance companies among others.

Entrepreneurial culture – A way of life that encourages people to venture into businesses by taking higher than normal risk to get things done.

Training - Organized activity intended to pass knowledge with a view of enhancing the trainee's performance.

Skill - The capability to do something well; know-how

Youth entrepreneurship – It is the practical inventive qualities in a young person to venture out into business driven by creativity and the willingness to take risk.

1.11 Organization of the Study

This study is composed of five chapters. Chapter One introduced the study with a clear set up of the study background that led to the identification of the study problem. The purpose of the study was stated and objectives that would aid in achieving the purpose of the study were clearly listed. The importance of the study, assumptions made, limitations of the study as well as operational definition of terms were presented.

Chapter Two consist of literature review related the factors influencing the performance of micro finance institutions funding youth entrepreneurship projects in Kenya: a case of Kibra sub-county, where these concepts; financial capacity, access to credit, entrepreneurial training skills and entrepreneurial culture will be discussed as well as the theoretical and conceptual framework of the study.

Chapter Three presents the research methodology and serves as a guide to how the study was conducted. The subsections included were research design that the researcher adopted to aid in data collection, target population, sample size, sampling technique, research instruments and their reliability and validity. Finally, data collection prodcedure and analysis and techniques were presented

Chapter Four consist of data analysis, presentation of findings and interpretation of findings. It also includes the summary of the chapter. Chapter Five gives a summary of findings, discussions, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examined empirical literature on factors influencing performance of micro finance institutions funding youth entrepreneurship projects in Kenya. The theme was to establish the influence of financial capacity on performance of micro finance institutions funding youth entrepreneurship projects in Kenya, to assess the influence of financial products on performance of micro finance institutions funding youth entrepreneurship projects in Kenya, to assess the influence of training skills on performance of micro finance institutions funding youth entrepreneurship projects in Kenya and to examine the influence of entrepreneurial culture on performance of micro finance institutions funding youth entrepreneurship projects in Kenya.

This chapter provides a review of studies that have been previously assessed and gave foundation upon which the findings will be discussed and conclusions drawn. The chapter also gives the setting and the theory upon which the study is anchored. A summary of knowledge gaps as obtained from the empirical literature is also shown.

2.2 Performance of Micro Finance Institutions funding youth entrepreneurship projects in Kenya

Micro finance is a term often applied in reference to small-scale financial services primarily credit, savings and insurance. It is a tool that has been acceptable over time to provide access to fundamental financial services which include, give a loan, investments, money sending and insurance cover. In Kenya, Micro finance as a concept has been applied exclusively in attaining financial inclusion of parties earlier excluded from the formal financial system. The industry has various players that range from formal and regulated enterprises to non-formal MFIs. Hellin *et al.*, (2007).

While academics continue to grapple with the macro finance economy nexus, some policy makers and practitioners would argue that some institutional and governmental regulations play a big role than the fundamentals of macro economies in determining the operations and the performance of the financial market as well as financial institutions. Coleman (2008). Despite huge investments in the micro-finance sector in Kenya, it's becoming increasingly clear that existing products and methodologies do not allow the sector to have an extensive reach as the need for the services demands. Mullei, A and Bokea, C (1999)

Deposit taking microfinance bill specifies three levels of micro finance institutions, it also states who should oversee and govern them: The first one includes deposit-taking MFIs that receive payments from the general public and are controlled and supervised by the central bank of kenya via the anticipated deposit taking micro finance bill. The bill empowers the CBK to legalize, regulate and manage officially constituted micro finance institutions that intending to receive deposits from members of the public. Definite performance parameters and suitable guiding principles are developed to ease control of this group of MFIs. These collections of MFIs are also members of the Deposit Protection Fund Board in order to have a deposit insurance plot protection of depositor's deposit of up to Kshs. 100,000.

The second one constitute of credit only MFIs that do not receive deposits from the public but admit cash guarantee tied to loan contracts. They are regulated and foresee by Micro Finance Unit in the Ministry of Finance through policies issued by the Minister for Finance for the moment in time. The anticipated Deposit Taking Micro Finance Bill and the legislation forming the Micro Finance Unit can allow it to implement conformity with its established regulations.

Lastly, it encompasses MFIs similar to rotating savings and credit associations (ROSCAs), club pools and financial services associations (FSAs) and not supervised by an external agency of the Government. Well wishers, banks and government agencies from which they get funds or that sustain them carry out due diligence and make well-versed decisions about them.

The following are the factors influencing the performance of micro finance institutions on youth entrepreneurship in Kenya:

2.3 Financial Capacity and Performance of Micro Finance Institutions Funding Youth Entrepreneurship Projects in Kenya

Micro finance is a vital tool for poverty decrease in several parts of the sphere. Micro finance institutions aim the unfortunate especially the youth who form the largest global population of the unemployed by use of inventive tactics which include group loaning, advanced lending, regular payment plans and security alternatives. There has been an improved undertaking from financial institutions on credit services targeting small merchants. Various banks have begun projects and put a lot of funds aim to appeal these traders.

The Government of Kenya recognizes accessibility and sustainable flow of MFI services, particularly credit to the youth to eradicate poverty. Appropriate program, lawful and guiding structure to encourage a sustainable system of micro finance in the country was formed under the micro finance Act of 2006. Across the world over 10,000 micro finance institutions serve in excess of 150 million clienteles, and over 100 million being the poorest. Global demand stands at 500million families meaning that there is still a long way to go (World Bank, 2005).

The major players in the micro finance sector in Kenya include, Micro finance Banks are Equity bank and Sidian Bank. Micro finance institutions listed by Central Bank of Kenya with authorization to take credit are Faulu Kenya, Kenya Women Finance Trust, Rafiki DTM, Kenya Small Traders and Entrepreneur Society, Ecumenical Loans Fund, Jitegemee Trust, Kenya post and savings bank, Pride limited, Jamiibora, Makaomashinani, Platinum Credit, Yike, Yehu, Real people among others (CBK, 2013). Raising finance has been acknowledged as a main challenge for entrepreneurs (Read, 1998). For many entrepreneurs funding their businesses seems to be the major problem faced (Collerete and Aubry, 1990; Carter and Cannon, 1992) with the lack of adequate start-up finance being one of the most prominent impediments to youth enterprises (Schoof, 2006).

Empirical suggestion shows that youth participate in business to resolve socio-economic difficulties such as joblessness, income generation and coping with poverty (Chigunta, 2001). Youth enterprise decreases crime, poverty and income disparity. This ultimately encourages a setting for national and regional monetary growth and advancement (Mutezo, 2005). The initiative for youth entrepreneurship in Kenya is set on the necessity to get young people gainful employment and contribute to the economy, in spite of the unavoidable encounters like financing. To support the assertion, the government of Kenya has come up with programmes like the Youth Enterprise Fund and Uwezo fund to complement the youth entrepreneurs by channeling the funds though micro financial institutions for easier access by the youth (Kiberenge, 2013).

Past studies have focused on entrepreneur characteristic which include entrepreneur's age, sex, work experience and education backgrounds as main influences to accessibility to micro finance services leading to the growth of micro and small enterprises. They are selected because several scholars establish a substantial association between the factors and the development of SMEs (Storey, Wiklund & Shepherd 2003). Education qualification is an asset to a person in every field. It not only gives confidence but also help in solving various problems. According to Hirsch, Krueger (1993), education attained by the entrepreneurs assist to have enhanced information and abilities on financial issues which add achievement of their undertakings. In addition, Lussiers & Pferfer (2001) empirically found that entrepreneurs with higher levels of education and competencies were more successful accessing financial services and growing their businesses as compared to entrepreneurs with little or no education.

Kim (1996) conducted a study involving entrepreneurs in Singapore and demonstrates that entrepreneurs with advanced levels of education were prosperous in acquisition of micro-financial services and products since higher education provided acquaintance and up-to-date decision-making skills enabling them more cognizant of the business environment and thus in a a better level to use their knowledge capabilities to negotiate for favorable products and services from financiers.

Working experience in accessing finances is generally considered to be an important asset as it provides an individual with useful knowledge and skills. According to Reynolds (2002) experience is the paramount analyst of business victory especially when the new business is linked with massive experiences. Industrialists with more understandings in financial and running business are more proficient of discovering means to acquire financial aid to start business ventures compared to workers with unlike ways. Correspondingly, a study found that Kenyans having at 7 years of labor involvement extended their businesses through seeking micro financial products faster than persons without such experience (Mead & Loedholm, 1998). Work experience contributes to SME expansion by increasing the ability of business owners and workforce through the acquisitions of expertise by intensifying entrepreneur's common association with stakeholders (Nichter, 2005).

2.4 Financial Products and Performance of Micro Finance Institutions Funding Youth Entrepreneurship Projects in Kenya

Micro-finance products are credits, investments enrolment and preparation in micro enterprise venture services extended to poor people to allow them start self-employment undertakings that make income. Micro-finance came into existence from the acknowledgement that micro entrepreneurs and some poorer clients can refund both the principal and interest on time and also make reserves provided the financial services are custom-made to suit their requirements (Von, 1991). Non-financial services involve preparation in micro enterprise savings and talents. Micro finance incorporates credit, savings and insurance (Roth, 2002).

Specific loan schemes are progressively overriding traditional funding arrangements where the loan method includes the provision of interest free or small interest loans through a rotating fund, to young entrepreneurs (White and Kenyon, 2001). There are generally no security requests but some worthiness standards that include business plan, commitment, responsibility and proof of ability to repay the loan (White and Kenyon, 2001). Some programs even consider the experience and abilities as a key requirement when giving out money to young entrepreneurs (Honaghan, 2008). The giving of a loan in some cases is certain to a compulsory enterprise training paid for in some instances.

According to Chigunta (2002) deficiency of efficient microcredit programs for young entrepreneurs is still experience predominantly in emerging nations to stimulate effective micro credit programs. These programs are design to meet the requirements of prospective young entrepreneurs by handling youths as clientele rather than being beneficiaries and this shift the concentration from product-centered to customer-based programs and making innovative requirements for new forms of security such as business plan, level of education, residence status and youth credit schemes in LDCs.

Selling thoughts and goods is an entrepreneurial ability that cannot be ignored, attractive presentation and salesmanship are activities that an entrepreneur must be able to undertake very well. This can be enhanced through seeking for more training and more so through practice which helps in developing the necessary skills to perform better. Customer orientation skills that assist meet the requirements of their clients, these customers are the determinants of whether the business will success or fail and hence the need to manage them well. Buckely (1993) stated that it is easy and more cost effective to keep existing customers happy than trying to win new ones.

For young business men and women, micro credits are new micro finance ventures in both the formal or informal sector of the economy given by micro finance institutions and require low capital with small or no security and not so expansive business experience for the borrower (Beck and Demirguc-Kunt, 2006). According to Behr and Guttler (2007) traditional banks do not favor small scale financing as the interest profit fall below the operation expenses. Micro-loans are attractive to young entrepreneurs in developing countries due to the conditions offered favoring them.

There are insufficient microcredit programs for young entrepreneurs, especially in developing countries. According to Chigunta (2002) enabling efficient micro credit programs, the programs have to address the needs of upcoming young entrepreneurs by treating youth as customers and not mere beneficiaries; theis will help in shifting the focus from product-centered to customer-based programs; creating innovative requirements for new forms of security, such as business plan, level of education, and residence status; and de-politicizing micro or youth credit schemes, especially in LDCs.

Loan guarantee plans are effective means that enable youth access conventional banking finance (Honaghan, 2008). The aim of these plans is to get financing for small enterprises that may not otherwise be able to obtain it, but which still have a good chance of succeeding (Honaghan, 2008). History show that public funds, used to support credit guarantees systems, is a very effective tool and has a much bigger multiplying effect than other tools (Colombo and Grilli, 2007). These loans often have less stringent requirements than bank loans, making them an attractive to start-ups and young enterprises.

However, there are often basic qualifications that one needs to meet e.g. the ability to repay the loan from cash flow, some business or management experience and owner's equity contributions. Start-up grants specifically target to promote the setting up of new enterprises for young unemployed youth by securing their income during the period estimated for starting and stabilizing the business (Schoof, 2006). Grant-based schemes are a common approach for stimulating entrepreneurship and start-up activity among young people. However, as White and Kenyon (2001) point out, the question of grant finance for self-employment projects is a vexed one. On the one hand, it can be an important aid for people who have been turned away by other conventional financiers while on the other hand, many experts believe that programs should help young people deal more directly with the problem of access to funding, instead of giving them non-refundable or free money. Grant-based schemes are therefore increasingly restricted to stringent eligibility criteria, terms (approved business plan, additional funding sources, necessity proof etc.) and selection procedures.

Entrepreneurs, businesses and governments have access to funds for different periods of time. The maturity of the interest rate depends on the nature of the expenditures being financed (Lawrence & Summers, 2010). Many enterprises take mortgages that are long term while items with short lives such as automobiles and home appliances are financed with much shorter-term loans. A business borrowing also varies with time ranging from loans as short as several days to or for as long as thirty years. Governments borrow for periods as short as a few days to raise cash in anticipation of tax receipts as well as for much longer periods when financing development projects. IOUs with original maturities of one year or less are exchanged for funds in the money market.

Borrowing and lending normally involve a degree of risk and uncertainty which are reflected in the level of interest rates as well as in the tempo of activity in financial markets. The risk and uncertainty surrounding financial activities includes receiving only partial payment or receiving payment whose purchasing power has diminished (Siwadi & Mhangami, 2011). Since a borrower repays the principal and interest, inflation over the course of the loan will make the amount the lender receives worth less in terms of the goods and services money can buy.

2.5 Training skills and Performance of Micro Finance Institutions funding Youth Entrepreneurship Projects in Kenya

According to Rasmussen and Sorheim (2006) entrepreneurship exercise has conventionally focused on coaching individuals, but many enterprises are increasingly satisfying more action-oriented, stressing knowledge by achievement. This cases are an indication that entrepreneurship education is more on activity based learning which is conducted in groups, very minimal learning is conducted in a classroom because the target is to get the entrepreneur make decisions based on real life situations.

According to Cole (1997), training is a learning activity directed towards acquisition of specific knowledge and skills for the idea of an occupation. Development is a learning activity which is more dedicated towards future needs rather than present needs of the organization and is concerned with career growth and immediate performance (Cole, 1997).

Most developing countries are faced with challenges when it comes to industrial development due to lack of the necessary skills, the development and implementation of new programs has become an impediment due to lack of expertise in different fields. This is a reflection of the gap that exist between the skills and knowledge requirement in the market place and what is actually offered in the classrooms. Effective training should be targeted towards achieving the needs of the organization as well as developing the individual (Bernardin, 1998). Development refers to providing learning opportunities that enable the employees to grow in different dimensions, these opportunities are not limited improving employee's performance on their current jobs but on the overall development (Bernardin, 1998).

The Kenyan government acknowledged that investment in the development of entrepreneurial skills is essential in growing any business enterprise and especially the medium and small enterprises (Republic of Kenya, 2005). Entrepreneurs with necessary skills are well equipped to proactively pursue their aspirations and meet their objectives. They have the ability to persist in tough times which is normally a common challenge to small businesses and know how to manage work-life balance to avoid burn outs.

According to Rasmussen and Sorheim (2006), prosperous entrepreneurs self-driven and very passionate about realizing their dreams, they will do what it takes to make it in their business. The strong will propel them to thrive in difficult situations. According to Mokaya (2010), the entrepreneur does not lose hope in the face of challenges that would pull them back but instead they are persistent in their quest to meet their goals. They take risks as part of the process to achieving their goals and hence the attribute is natural though it is also taken very carefully. Their positive mentality while going against the odds helps in the endurance process and the passion that they undertake their work with helps a great deal in meeting their targets. The conviction that they have in regards to their opinions is also key in remaining focused (Rasmussen & Sorheim, 2006).

In regards to strategy, the entrepreneurs marshal the efforts of the workforce and place key people in the organization to support in the strategy implementation. They do not lose focus of the vision and hence concentrate on meeting their main reason for existence. They learn to delegate so as to create time for strategy development and growth. Being at the apex of the organization, they should possess all-round knowledge to be able to lead the entire organization. Through communicating and empowerment of their team members the entrepreneur is able to realize benefits of each member's contribution to the organization. The entrepreneur should also be able to handle complains that arise either from the employees or even customers (Gakure, 2001).

Mwirigi (2007) asserts that some of the outstanding attributes of an entrepreneur are hard work and resilience. They are able to work for long hours and get out of their way to realize their dreams. They are not afraid to set high targets because they are willing to stretch and meet those targets. They are willing to lead even in times of crises and do not shy away from responsibilities They are good in selling their ideas as well as their products in order to get others adopt them which is a key entrepreneurial skill. Captivating exhibitions or direct selling are tasks that entrepreneurs must be able to undertake, this can be achieved through practice or also enhancing knowledge through undertaking marketing classes.

Hisrich (2005) posits that entrepreneurial traits tend to be inherited and hence an entrepreneur is likely to have entrepreneur parents who inspire them. The author states that process starts early in age where the child learns to be independent and also to be flexible through observation and also what they hear their parents say. As the child grows they tend to admire the independence and sense of responsibility that is demonstrated by the parents. In this case then the support from parents for such entrepreneurs is key in their success.

2.6 Entrepreneurial Culture and Performance of Micro Finance Institutions Funding Youth Entrepreneurship Projects in Kenya

Entrepreneurial success depends on environs appearance and continued or future business operations in those locations (Thapa et al 2008). Orthodox regional development theory states that urban areas have favorable supply side conditions for firm development (Keeble, 1997). Businesses located in urban areas normally have a relative ease of access to customers and the inputs required to produce goods or services and may benefit from "agglomeration economies" and spatial externalities (i.e. specialized infrastructures, information, network of suppliers, specialized labor, specialized knowledge, concentration of existing exporters) (Malmberg et al., 2000; Parr, 2002).

Chevassus-Lozza and Galliano (2003) detected that urban firms benefiting from external agglomeration economies were more likely than rural firms to be exporters due to the costs associated with most inputs which are generally higher in urban areas, which may constrain business growth. Cortes (1987) suggests that enterprises situated in urban areas might face different shutting possibilities than their rural counterparts. According to Strassmann (1987) home-based businesses in commercial areas generate more income than same enterprises in more remote areas. North and Small (2000) found that firms in remote rural areas were less active on various dimensions of innovation which may be influenced by the fact that most rural areas have less well developed financial and business service sectors than urban areas. Further, lower awareness and usage of external business advice have been reported by firms located in rural areas (Keeble, 1993).

Orthodox regional development theory fails to explain the counterfactual case of the existence of successful SMEs located in peripheral and resource-sparse environments which can benefit from protective greenhouse conditions (lower densities of economic activity and a smaller number of potential competitors). While SMEs located in rural areas may encounter greater resource constraints than urban SMEs. This environmental resource scarcity in fact stimulates them to exhibit greater proactive entrepreneurial behavior (Vaessen & Keeble, 1995). Tighter external selection pressures generally make it more difficult for a firm to be established in a resource-sparse environment. Only the best among potential entrepreneurs may attempt to establish and develop businesses.

A sense towards independent plan decision making on their being and career is the motivational factor behind this push. Saddled with household tasks and family responsibilities women want to get independence. Under the pressure of these factors the women entrepreneurs prefer a profession as a challenge and as an urge to do something different. Such situation is described as pull factors. While in push factors women engaged in business activities due to family pressure and the responsibility is push upon them. Women have limited access to vocational and technical training in Kenya than men which can only be developed on a strong foundation of basic primary and secondary education. Kenya is characterized by low enrolment among women in education, high dropout rates and poor quality of education (Morris, 2006).

Sexton and Similor (1997) explained entrepreneural education as an official structured instruction that communicate entrepreneurial know how and helps in developing a mind that is able to grab opportunities by recognizing and creating new businesses or innovations. These kind of education focuses on developing people that are enterprising at the same time building self reliance through employing learning processes that are appropriate. Deakins, et.al (2005) acknowledged that role of entrepreneurship education is to develop a culture among the youth that will positively influence their career choices.

Entrepreneurship education is vital in helping young people to build up entrepreneurial skills, attributes and behaviors and to develop enterprise awareness, to recognize and appreciate entrepreneurship as a career option. The Australian Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) defined enterprise education as “Learning aimed at developing in young people with skills, competencies, understandings, and attributes which furnish them to be innovative in order to identify, create, initiate and successfully manage personal, community, business and work opportunities, including working for themselves” (Schoof, 2006)

2.7 Theoretical Framework

Market Segmentation Theory (MST) deals with the supply and demand in a certain maturity sector, which determines the interest rates for that segment. The first official proposal of market segmentation theory (MST) appeared in J.M. Culbertson's "The Term Structure of Interest Rates," an article in the Quarterly Journal of Economics in 1957. MST stipulates that the markets for bonds of varying maturities are separate and segmented, so that short- and long-term interest rates do not directly impact one another. The proponents of this theory believe that the most influential actors in the bond market, such as commercial banks, insurance companies and investment trusts, dominate different maturity lengths. Banks primarily focus on short-term bonds for liquidity reasons, while insurance companies and trusts can deal in long-term bonds.
(Michaelsen, 1963)

It can be used to explain every type of yield curve a young investor can come across in the market. An offshoot to this theory is that if a young investor wants to go out of his sector, he will want to be compensated for taking on that additional risk. Investors set preferences that concern the length of maturities of their loans as they invest (Barr, 2004). MST recognizes that there are institutional limits on the asset side and hedging pressures on the liability side which allow for very little substitutability between bonds of different maturities. Some of these restrictions result from government regulation, company policy, Securities and Exchange Commission regulations, goals and objectives, and fiscal and operational considerations (Michael, 2011).

The issue of high interest rates being charged on borrowers of funds has brought a huge challenge to young entrepreneurs who can only borrow in small amounts. In most cases, this has brought either closure or stagnation of their business and those who have not started the business investments end up not starting one due of lack of lack of capital. MSEs suffer from loss of profitability and lack of investments, which promote growth, due to poor credit offered to them and non-access to bank loans (Giancarlo, 2012). According to Giancarlo (2012), the markets are relatively formed by creditors' strategies for selection of possible borrowers and for addressing resourceful behavior stimulated by the inter-temporal nature of loan agreements. These complications are harmful in the developing countries where facts unevenness are more prevalent specifically among the resource base. Financial markets in such countries (Kenya) tend to be highly dualistic and fragmented with weak linkages between the formal and informal components.

The proper segment of the markets is characterized by the market flawlessness with high concentration ratios and only a small number of financial institutions applying considerable market control. Attempts to safeguard investors against corporate extremes often lead to share capital requirements that work against the need to support rivalry (Brian, 2011). On the demand side, firms decide between outside and inside financial sources in concern of the need to make the most of profits.

2.8 Conceptual Framework for factors influencing performance of Microfinance Institutions funding Youth entrepreneurship Projects in Kenya

The conceptual framework shows the relationship between the independent and dependent variables, in this study factors that influence the performance of microfinance institutions were the independent variables whereas performance of micro finance institutions was the dependent variable.

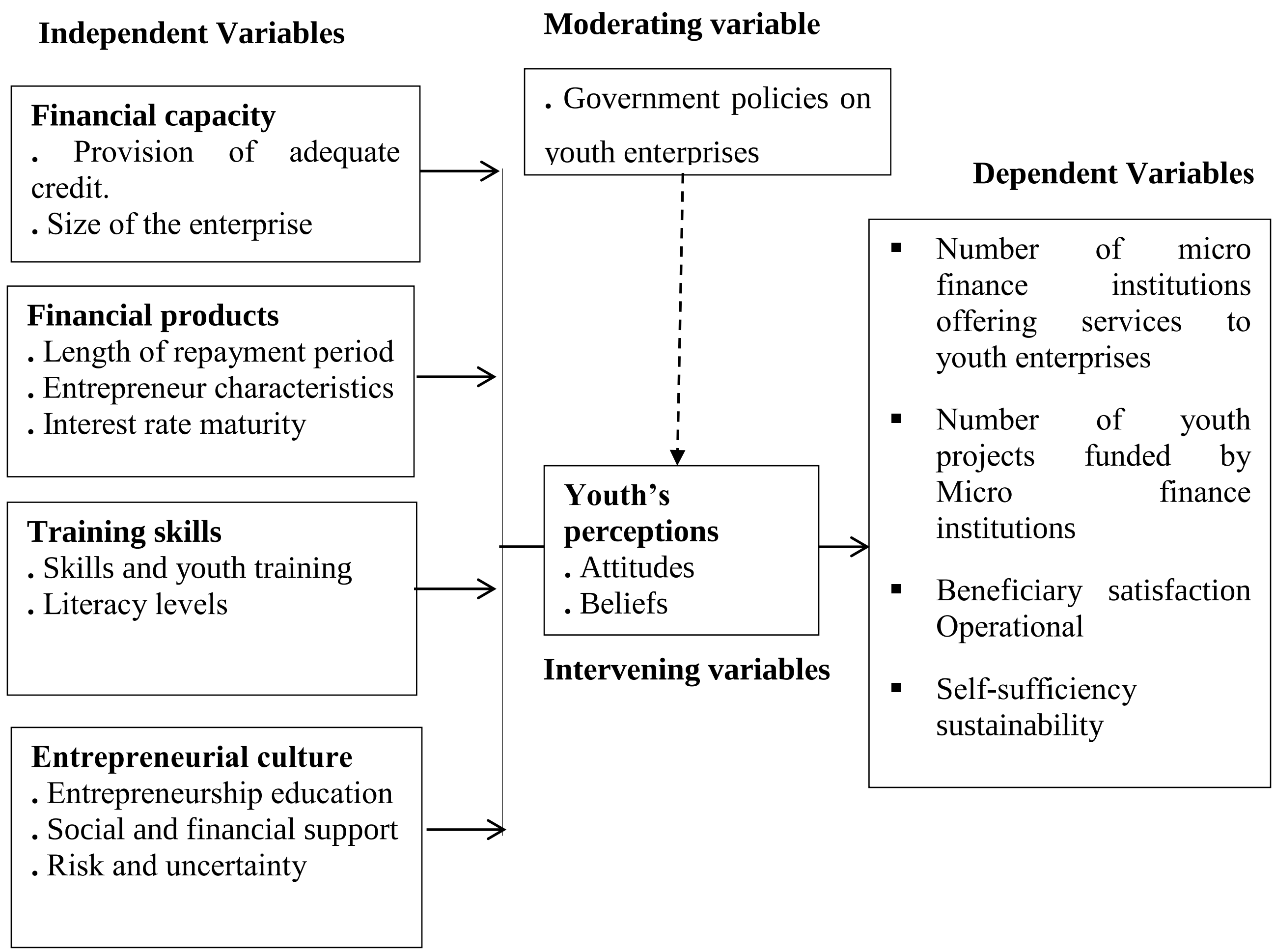

Figure 2.1: Conceptual Framework.

The perceived conceptual framework covered the factors influencing the performance of micro financing for youth entrepreneurship in Kenya, and encompasses variables and their patterns of influence on each other and eventually how they affect financial institutions in the country to which the youth access these services from.

2.9 Knowledge Gaps

This study intends to address gaps in the literature which do not account for continuity in order to improve the utilization of the funds meant for youth entrepreneurship. Micro finance has turned into a vital tool for poverty reduction in many parts of the world. Micro finance institutions target the poor especially the youth who form the largest global population of the unemployed through innovative approaches which comprise of group lending, progressive lending, regular repayment schedules and collateral substitutes to fight against poverty.

2.10 Summary of the Reviewed Literature and Knowledge gaps

Literature supports that many youth entrepreneurs have to experience the issues from support agencies. Various researchers have addressed different aspects of utilization of micro finance, and the variables studied review the role micro finance in economic empowerment of the youth.

The Kenyan government recognizes that greater accessibility to and sustainable flow of MFI services to the youth as critical to poverty alleviation. Therefore, appropriate policy, legal and regulatory framework to promote a viable and sustainable system of micro finance in the country was developed under the micro finance Act of 2006 and micro finance regulation issued there under setting out legal, regulatory and supervisory framework for the industry in Kenya. Specific loan schemes are increasingly overriding traditional grant schemes. The loan approach involves the provision of no or low interest loans to young entrepreneurs normally through a revolving fund. They present a number of action based on the notion that entrepreneurial coaching is focused on activity based learning that is normally conducted in groups with the view of creating networks as opposed to classroom setup where normal learning takes place. Entrepreneurship education communicates entrepreneurial skills while creating awareness on the need of the trainee to spot or even create opportunities that would lead to establishment of new ventures. In view of these, the main aim of these kind of education is to cultivate a culture of self reliance through the use of appropriate teaching skills.

Table 2.1: Knowledge Gaps

Variable	Literature Source	Findings	Knowledge gap
Financial capacity	Lussier, R.N. & Pfeiffer's. (2010). A cross national prediction model for business success. *Journal of Small Business Management,* 39(3). Kikwatha, R. W (2011). *Factors influencing the performance of self-help groups in managing microfinance funds for development: A case of Kikuyu District, Kenya.* Retrieved from erepository.uonbi.ac.ke	Found that entrepreneurs with higher levels of education and competencies were more successful accessing financial services and growing their businesses as compared to entrepreneurs with little or no education. The study found that funds were not adequately available which affected the performance in management of micro economic fund	There exists a section of the highly education youth who believe in only formal employment/white collar jobs instead of entrepreneurship. The study focused on the performance of self-help groups and not microfinance institutions.
Financial products	White, S. & Kenyon, P. (2001). *Enterprise-Based Youth Employment Policies, Strategies and Programmes*: *Initiatives for the development of enterprise action and strategies*. Geneva: ILO Kingsley, D.T., Lock, L.O.W & Khin, A.A (2017). Influence of microfinance services on entrepreneurial success of women in Sri Lanka.	This study states that the loan approach involves the provision of no or low interest loans, normally through a revolving fund, to young entrepreneurs. The survey found that the outreach of microfinance services in Sri Lanka is considerable, especially so with regard to savings and deposit products, despite the	The study did not focus on political goodwill, and proper management skills as the prerequisites for sustainability. The study was carried out in Sru Lanka and focused on women. The current study

	African Journal of Business Management, 11(14), 337-346,	access to credit remains below its potential and barriers still exist for the lower income groups. Further, the market was found to be characterized by traditional financial products (savings, loans) with few products and services beyond these (for example; insurance, money transfer services).	focuses on the local scenario of youth entrepreneurship
Entrepreneurial training skills	Cole, G.A. (2004). *Management: Theory and Practice* (6th. ED.). Padstow, Cornwall, London: TJ International Countries. UN-Habitat Publication RasRasmussen, E.A. & Sorheim, R. (2006). Actionbased entrepreneurship education. Technovation, 26 (2), 185-194	They defined development as a continuous activity that involves learning that is more focused on the future as opposed to the current needs in the organization. It is focused on career growth of the individual and also the current performance. Entrepreneurship education focuses less on teaching individuals in a classroom setting and more on learning-by-doing activities in a group setting and a network context.	Entrepreneurs require financial access and social support besides the acquisition of skills. The study was conducted in Norway which is a developed country. The local scenario maybe different and hence the

			need to establish the influence of training skills on the performance of micro finance institutions funding youth entrepreneurship projects in Kenya
Entrepreneurial culture	Sexton, D.L., & Bowman, N.B. (1986). Validation of a personality index: comparative psychological characteristics analysis of female entrepreneurs, managers, entrepreneurship students, and business students. *Frontiers of entrepreneurship research*. Wellesley, MA: Babson College. Simba, A. (2013). The role of microfinance institutions in enhancing women entreneurship: the case study of FINCA Tanzania, Kinondoni municipality	The study observed that the major objective of enterprise education is to develop enterprising people and inculcate an attitude of self-reliance using appropriate learning processes. The study revealed that the loans given by FINCA had impact in women entrepreneur's lives as agreed by 98% respondents as it enables them to grow as business women and also workers in the society.	Youth and community members should be educated and supported to fully understand and take up entrepreneurship opportunities. The focus of the study was on women entrepreneurship and not youth entrepreneurship.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes and explains the research methodology used which include data collection and the procedures. This chapter discusses the research design, population, sampling techniques, data collection tools and procedure and data analysis.

3.2 Research Design

Descriptive research design was used in this study as it enables a researcher to gather data and systematically gathers information that describes the characteristics of respondents for the purpose of building generalizations about the population they represent. Ngechu (2004) stated that descriptive studies are more formal and normally well structured to provide clarity on the research objectives by providing a clear description of the phenomenon or characteristics associated with a subject population, estimates of proportions of a population and discovery of associations among different variables. The factors influencing micro financing institutions for youth entrepreneurship in Kenya was a cross-sectional study and used a quantitative research approach.

3.3 Target Population

The target population was the Micro finance institutions registered by Central Bank of Kenya funding youth projects within Kibra sub-County. These are: Faulu Kenya, Kenya Women Finance Trust, Rafiki DTM, Kenya Small Traders and Entrepreneur Society, Ecumenical Loans Fund, Jitegemee Trust, Kenya Post and Savings Bank, Pride Limited, Jamii bora and Platinum Credit.

3.4 Sample Size and Sampling frame

Mugenda and Mugenda (2003) suggested that a sample of 10-30% is good enough if well-chosen and the elements in the sample are more than 20. This study used proportionate sampling technique proportionate to size to select a sample of 30% of the population. This gave a sample size of 123 respondents. Among these respondents were project managers, finance managers and field officers since they were directly involved in project decision making and implementation respectively. The study targeted MFI finance managers, loans officers and research and marketing officers from the 41 sampled projects funded by the MFIs to make a sample of 123 respondents.

3.4.1 Sampling Frame

The study was drawn from sample Faulu Kenya, Kenya Women Finance Trust, Rafiki DTM, Kenya Small Traders and Entrepreneur Society, Ecumenical Loans Fund, Jitegemee Trust, Kenya Post and Savings Bank, Jamii bora and Platinum Credit. The sample will be as follows: -

Table 3.1: Sampling Frame

Micro Finance Institutions in Kibra Sub-county	**Number of Projects sponsored**	**Sample Proportion**	**Sample Size**
Ecumenical Loans Fund	11	30%	3
Entrepreneur Society	8	30%	2
Faulu Kenya	21	30%	6
Jamii bora	13	30%	4
Jitegemee Trust	10	30%	3
Kenya Post and Savings Bank	12	30%	4
Kenya Small Traders and Entrepreneur Society	12	30%	4
Kenya Women Finance Trust (KWFT)	18	30%	5
Platinum Credit	20	30%	6
Rafiki DTM	13	30%	4
Total	**138**		**41**

Source: Central Bank of Kenya (MF Act, 2006)

3.4.2 Sampling Size

The sample size was arrived at multiplying each of the sampled projects by the 3 groups (finance managers, loans officers and research and marketing officers) proportionately to arrive a sample of 123 respondents as shown in this table.

Table 3. 2: Sample Size

Micro Finance Institutions in Kibra Sub-county	Number of Projects sponsored	Sample Proportion	Sample Projects	Sample Size
Ecumenical Loans Fund	11	30%	3	9
Entrepreneur Society	8	30%	2	6
Faulu Kenya	21	30%	6	18
Jamii bora	13	30%	4	12
Jitegemee Trust	10	30%	3	9
Kenya Post and Savings Bank	12	30%	4	12
Kenya Small Traders and Entrepreneur Society	12	30%	4	12
Kenya Women Finance Trust	18	30%	5	15
Platinum Credit	20	30%	6	18
Rafiki DTM	13	30%	4	12
Total	**138**		**41**	**123**

3.4.3 Sampling Procedure

The study applied proportionate sampling technique where 30% of the population in each sampling frame was selected to participate in the study. Simple random sampling technique was used to ensure that exact individuals participate in the study as it offered every member of the population an equal chance of being selected in the sample.

3.5 Research Instruments

A self-administered questionnaire was used as a research tool to collect primary data and was administered through the drop and pick-later method for the three MFIs officials funding youth enterprises in Kibra sub-county; to give the respondents ample time to answer the questions. It contained three major sections, section one entailed sociodemographic characteristics; section two contained questions derived from the study objectives; namely: 1) financial capacity, 2) financial products, 3) entrepreneurial training skills and 4) entrepreneurial culture. Lastly, section three was on the factors influencing performance micro finance institutions for youth entrepreneurship in Kenya.

A five-point Likert Scale was used for the closed-ended questions where (1) Strongly agree, (2) Agree, (3) Uncertain (4) Disagree and (5) Strongly disagree. The strongly agreed responses were scored at 5 for direct positive high scores while those of strongly disagree were scored at 1 for direct low/ negative responses. Closed ended questions were used because they are easier to administer and to analyze.

3.5.1 Piloting the Instruments

Piloting was done to ensure that the questionnaire was free from vagueness and that the data generated was meaningfully analyzed in relation to the stated research questions. This was done by purposively selecting a few staff attached to youth projects funded by similar institutions, administer the questionnaire to them. After piloting, adjustments were made to address areas of concern. According to Orodho (2004) piloting establishes whether the questions measure what they are invented to measure, the respondents understand all questions in the same manner, and also helps eliminate potential research bias.

3.5.2 Validity of the Questionnaire

Content validity was used to measure the degree to which the items represented specific areas covered by the study. Validity was ascertained by checking that the questions measure what they are supposed to measure such as the: clarity of wording and whether the respondents interpreted all questions in the similar ways to eliminate parts possible to cause misperception and ambiguity.

Validity of the questionnaire was enhanced by appraising the research instruments by the supervisor to evaluate the applicability and suitability of the content and sufficiency of the instruments from a research viewpoint. The corrections on the identified questions was included in the instrument and a field test was conducted whereby randomly selected officers from MFIs in Kibra Sub-county that were not part of study were selected to ensure content of the research instrument. Then the questionnaires were distributed and administered by experienced research assistants.

3.5.3 Reliability of the Instruments

Reliability refers to the consistency of measurement and is frequently assessed using the split-half test reliability method (Ngechu, 2004). The researcher selected a pilot group of 10% of the total of the target population so as to test the reliability of the research instrument. One of the advantages of conducting this piloting study is to give advice and warnings about where the main research project failed. The aim was to correct inconsistencies arising from the instruments, which ensured that they measure what was intended. The survey instruments were subjected to overall reliability analysis. A Cronbach's alpha coefficient of 0.70 or more implies that there is a high degree of data reliability.

3.6 Data Collection Procedure

Data collection was undertaken using questionnaires. The questionnaires were administered in the selected population within the sampled groups. The procedure for collecting data involved personal administration of the questionnaire. Two visits were made; the first one was for the distribution of the questionnaires and the second visit for the collection of the filled in questionnaires. Data collected through questionnaire was prepared, organized and classified for easier analysis.

To collect data, a letter of introduction was obtained from the which was presented to the project leads in the sample to obtain permission after securing a permit from the National Council for Science and Technology (NACOSTI). The researcher, with the help of a trained research assistant issued the questionnaires to the respondents on the dates agreed upon through direct contact with the respondents after obtaining informed consent. Instructions were cautiously explained to the respondents prior to filling questionnaires following assurance them that the information given would be not to be disclosed and was used only for the purpose of the study.

Sufficient time was given each respondent to get suitable answers to the questions after which the complete questionnaires were crisscrossed for completeness and precision. The data collection took approximately 10 days after which the data was entered into a Statistical Package for Social Sciences (SPSS) Version 22.0 database for cleaning and editing.

3.7 Data Analysis Technique

Before data processing, data preparation was done on the completed questionnaires by editing, coding, keying and clean-up of data. The data collected was analyzed using descriptive statistics. The descriptive statistical tools assist in describing the data and determining the respondents' degree of agreement with the different statements under each factor. Data analysis was completed using Statistical Package for Social Sciences (SPSS) version 22.0 to generate quantitative reports which were then presented in the form of frequency tables, percentages, mean and standard deviation.

3.8 Ethical Issues

According to Mugenda (2008) participation in research is voluntary and subjects are at free will to pull out from the study at any time without any consequences. The researcher communicated this to the respondents before the start of the study. According to Bryman and Bell (2007) plagiarism refers to taking and using another person's thought and work as if they were your own and, claiming acclaim for the same. Maximum concern was taken to make sure that all work borrowed from other scholars was acknowledged and cited accordingly.

Obtaining a research permit from Kenya National Council for Science and Technology to carry out this research authenticated the study. The letter of transmittal was given to the respondents, seeking to explain what the study was about and assured the respondents that the research was purely for academic purposes. The findings would be shared to any respondent who wishes to know the outcome of the research.

3.9 Operationalization of Variables

This is a table that in more explicit ways shows the variables and their operational indicators. These study variables are as shown in this table.

Table 3.3: Operationalization of Variables

Objectives	Variable	Indicators	Measurement	Scale	Data collection Method	Data Analysis
1. To establish the influence of financial capacity on performance of micro finance institutions.	**Independent variable** -Provision of adequate credit	-Provision of adequate credit -Size of the enterprise	Number of projects with adequate credit	-Nominal -Ordinal	Questionnaire	Mean, standard deviation
2. To assess the influence of financial products on performance of micro finance institutions on youth enterprises.	**Independent variable** **-** Length of repayment period	-Length of repayment period -Entrepreneur characteristics -Interest rate maturity	Length of repayment period	-Nominal -Ordinal	Questionnaire	Mean, standard deviation

3. To assess the influence of training skills among the youth on performance of micro finance institutions.	**Independent variable** - Skills and youth training	-Skills and youth training -Literacy levels	Number of youth with skilled training	-Nominal -Ordinal	Questionnaire	Mean, standard deviation
4. To examine the influence of entrepreneurial culture among the youth on performance of micro finance institutions.	**Independent variable** - Entrepreneurial education	- Entrepreneurship education -Social and financial support -Risk and uncertainty	Number of youth with entrepreneurial education	-Nominal -Ordinal	Questionnaire	Mean, standard deviation
5. Performance of MFIs	**Dependent variable** - Creation of employment	. Beneficiary satisfaction . Operational self-sufficiency . Sustainability . Number of youth accessing funds	Number of micro finance institutions offering services to youth enterprises	Ordinal	Questionnaire	Mean, standard deviation

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the research findings in line with the research objectives and methodology. Data analysis, presentation and interpretation on the factors influencing performance of micro finance institutions on youth entrepreneurship in Kenya are presented. The data was collected exclusively from questionnaires. The findings are presented in form of tables and figures and explanation given in prose form.

4.2 Response Rate

The study targeted 123 respondents out of which 96 fully filled and returned their questionnaires as represented on Table 4.1.

Table 4. 1: Response Rate

Category	Frequency	Percent
Response	96	78
Non-response	27	22
Total	**123**	**100**

From Table 4.1, the response rate was 78% while the non-response rate was 22%. According to Mugenda and Mugenda (2003) the statistically significant response rate for analysis should be at least 50%.

4.3 Demographic Information of the Respondents

The demographic information of the respondents is presented in this section which include age, gender, level of education, Name of MFI they are currently working for, length of serviced loans and the type of business financed by the MFI.

4.3.1 Age Distribution of the Respondents

The respondents were required to indicate their age. The findings are as shown in Table 4.2.

Table 4. 2: Age Distribution of the Respondents

Category	Frequency	Percent
20-30years	22	23
31-40years	52	54
41-50years	17	18
51-60years	4	4
61 years and above	1	1
Total	**96**	**100**

From the findings in Table 4.2, 54% of the respondents were between 31-40 years; 23% were between 20-30 years; 18% were between 41-50 years; 4% were between 51-60 years and only 2% were 61 years and above. The majority of the respondents were between 31-40 years. These findings cut across all the age distribution of the Kenyan working population thereby providing relevant and reliable information for the study.

4.3.2 Gender of the Respondents

The respondents were asked to indicate their gender distribution. The findings are presented on Table 4.3:

Table 4. 3: Gender of The Respondents

Category	Frequency	Percent
Male	52	54
Female	44	46
Total	**96**	**100**

The study findings indicated that 54% of the respondents were male while 46% were females. This finding indicates that both male and female gender in the micro finance institutions. This shows that all genders were included thus provided good representation for the study.

4.3.3 Highest Level of Education

The respondents were requested to indicate the highest level of education attained. The findings are as presented on Table 4.4.

Table 4. 4: Level of Education of the Respondents

Education level	Frequency	Percent
Secondary School	2	2
Certificate Level	13	14
Diploma Level	36	37
Graduate Level	45	47
Total	**96**	**100**

Findings on Figure 4.4 show that 47% of the respondents had attained education as follows: graduate level, 37% diploma level, 14% certificate while 2% had attained secondary school level. This implies that all the respondents were well educated and were therefore able to read and respond to the questions raised in the questionnaire.

4.3.4 Microfinance Institution

The respondents were asked to indicate the microfinance to which they were attached to. The findings are shown on Table 4.5.

Table 4. 5: Microfinance Institutions

Micro Finance Institutions	Frequency	Percentage
Ecumenical Loans Fund	5	5
Entrepreneur Society	6	6
Faulu Kenya	14	15
Jamii bora	9	9
Jitegemee Trust	8	8
Kenya Post and Savings Bank	10	11
Kenya Small Traders and Entrepreneur Society	7	7
Kenya Women Finance Trust	12	13
Platinum Credit	17	18
Rafiki DTM	8	8
Total	**96**	**100**

Results on Table 4.5 shows that 18% of the respondents were from Platinum credit, 15% from Faulu Kenya, 13% from Kenya Women Finance Trust, 11% Kenya Post and savings bank, 9% from Jamii Bora, Jitengemee trust and Rafiki DTM had 8% each while Kenya Small Traders and Entrepreneur Society, Entrepreneur Society and Ecumenical Loans Fund had 7%, 6% and 5% respectively. This is an indication that the respondents were spread across the different MFIs operating in Kibra Sub-County and hence a good representation for reliable results.

4.3.5 Length of Service at MFI

The respondents were required to indicate the length of time that they had worked at their respective MFIs. The results are presented on Table 4.6.

Table 4.6: Length of Service at MFI

Category	Frequency	Percent
Less than 1 year	0	0
1-3 years	17	18
3-6 years	33	34
Over 6 years	46	48
Total	**96**	**100**

As indicated on Table 4.6, 48 % of the respondents had worked for over 6 years, 34% for 3 to 6 years while 18% had worked for 1 to 3 years. The findings indicate that the respondents had worked with MFIs long enough to understand the factors influencing performance of micro finance institutions funding youth entrepreneurship projects in Kenya and hence their ability to respond to the issues addressed in the questionnaire.

4.3.6 Type of Business Financed

The study further sought to establish the type of business financed by MFI. The findings are presented on Table 4.7.

Table 4.7: Type of Business Financed

Category	Frequency	Percentage
Food and Beverages	26	27
Agri-businesses	21	22
Salon & Barber	13	14
Hotels, Fast food joints & bars	17	18
Electronics and repair	3	3
Furniture dealers	4	4
Clothing	12	12
Total	**96**	**100**

As indicated on Table 4.7, 27% were in Food and Beverages, 22% were in agri-businesses, 14% were in Salon & Barber business, 18% were in Hotels, Fast food joints & bars, 12% were in clothing, 4% were furniture dealers while 3% were in electronics and repair business.

4.4 Financial Capacity

The following subsections present findings on the influence of financial capacity on the performance of Micro Finance Institutions funding youth entrepreneurship projects in Kenya.

4.4.1 Number of Enterprises financed

Study findings on Table 4.8 show the number of enterprises financed by the MFIs.

Table 4. 8: Number of Enterprises Financed

Category	Frequency	Percent
Less than 10	2	2
11-20	13	14
21-30	24	25
Over 30	57	59
Total	**96**	**100**

From the results on Table 4.8, 59% of the respondents indicated that their MFIs financed over 30 enterprises in Kibra, 25% indicated between 21 and 30, 14% indicated between 11 and 20 while 2% indicated less than 10.

4.4.2 Legal Status of Business

Study findings on Table 4.9 show the legal status of the MFIs.

Table 4.9: Legal Status of Business

Category	Frequency	Percent
Sole Proprietor	0	0
Private Limited Company	56	58
Partnership	12	13
Self Help Group	20	21
Informal	8	8
Total	**96**	**100**

Results on Table 4.9 indicate that 58% of the MFIs were private limited companies, 21% were Self-Help groups, 13% were Partnerships while 8% were informal.

4.4.3 Financing Youth Enterprises

The respondents were asked to indicate the year when their MFI started financing Youth enterprises. The findings are as a presented on Table 4.10.

Table 4.10: Year the organization commenced financing youth Enterprises

Category	Frequency	Percent
Before 2000	6	6
Between 2001-2005	14	15
Between 2006-2010	42	44
Between 2011-2015	34	35
Total	**96**	**100**

Results on Table 4.10 show that 44% of the institutions started financing youth enterprises between 2006 and 2010, 35% between 2011 and 2015, 15% between 2001 and 2005 while 6% started before 2000. This implies that most of the MFIs were in the business for long enough thus the information they provide was helpful in achieving the objectives of this study.

4.4.4 Motivation for MFI

The respondents were asked to state what motivated their MFIs, from the responses majority were motivated by the need to provide mutual support and advice to the borrowing client and offer saving products. Another reason given was the need to help the poor to be self-reliant and economically empowered. Finally, the respondents indicated that they were motivated by the need of meeting financial needs of special groups that had been left out by the main stream banking in accessing financial services; such groups included the women and the youth.

4.4.5 Frequency of Loans

The study sought to determine how many times in a year the MFI gave out loans to youth enterprises. The findings as presented on Table 4.11.

Table 4.11: Number of Times in a Year that MFI gave out Loans to Youth Enterprises.

Category	Frequency	Percent
Once	23	24
Twice	36	38
Thrice	34	35
More than 3 times	3	3
Total	**96**	**100**

The results on Table 4.11 show that 38% of the MFIs gave out loans to youth enterprises twice a year, 35% gave thrice a year, 24% gave once a year while 3 gave more than three times. This is an indication that most of the MFIs were actively involved in financing youth enterprises.

4.4.6: Average Loan

Study findings on Table 4.12 show the average loan given to a youth enterprise.

Table 4. 12: Average Loan Given to a Youth Enterprise

Category	Frequency	Percent
50,000-100,000	47	49
101,000 -150,000	30	31
150,001- 200,000	14	15
Above 200,000	5	5
Total	**96**	**100**

The findings in Table 4.12 shows that, 49% of the respondents indicated that the average loans given to a youth was 50,000 -100,000, 31% indicated 101,000 -150,000, 15% indicated 150,001 to 200,000 while 5% indicated above 200,000. This implies that the amounts advanced to youth enterprises were quite minimal.

4.4.7 Uses of Loans

The study further sought to determine the uses of the loans that youth enterprises applied for from the MFIs. The findings are presented on Table 4.13.

Table 4.13: Uses of Loans

Category	Frequency	Percent
Start a Business	16	17
Expand the Business	73	76
Change of Business	7	7
Total	**96**	**100**

Results on Table 4.13 indicate that 76% of the loans were taken to expand businesses, 17% were taken to start businesses while 7% were taken for change of business.

4.4.8 Contribution of MFIs Financial Capacity to Youth Entrepreneurship

Three statements on the contribution of MFIs' financial capacity on youth entrepreneurship in Kenya were identified and the respondents were required to point out their level of conformity with a range of statements. A scale of 1-5 was provided as follows: 1= not at all, 2=small extent, 3= some extent, 4= large extent, 5= very large extent. Mean and standard deviation were calculated for ease of explanation and generalization of findings. The findings are illustrated on Table 4.14.

Table 4.14: Contribution of MFIs Financial Capacity on Youth Entrepreneurship

Status	Mean	Std. Deviation
Provision of adequate credit.	3.762	.932
The youth receive funds on time	3.433	1.368
The size of the enterprise qualifies for credit facilities	3.285	1.421

From the finding, the respondents agreed to a large extent that MFIs had helped in the provision of adequate credit with a mean of 3.762 and a standard deviation of .932, they also agreed to some extent that the youth received funds on time had a mean of 3.433 and standard deviation of 1.368. The respondents further agreed to some extent that the size of the enterprise qualifies for credit facilities had a mean of 3.285 and standard deviation of 1.421.

4.5 Financial Products

The following subsections present findings on the influence of financial products on the performance of micro finance institutions on youth entrepreneurship in Kenya.

4.5.1 Financial Product Commonly Offered

The study sought to establish the nature of financial products is commonly offered by the MFIs. The findings are presented on Table 4.15.

Table 4.15: Financial Product Commonly Offered

Category	Frequency	Percent
Savings	18	19
Credit	59	62
Payment Facilities	6	6
Remittances	5	5
Insurance	8	8
Total	**96**	**100**

Results on Table 4.15 show that 62% of the respondents indicated credit, 19% savings, 8% insurance, 6% payment facilities while 5% indicated remittances. This is an indication that most of the MFIs offered credit facilities.

4.5.2 Repayment Period

The study further sought to establish the length of repayment period for credit extended to borrower. The study findings are on Table 4.16.

Table 4.16: Length of Repayment Period

Category	Frequency	Percent
1 Year and below	29	30
2 years	31	32
3 years	23	24
More than 4 years	13	14
Total	**96**	**100**

The findings on Table 4.16 shows that, 32% of the respondents indicate that the loan repayment period was 2 years, 30% indicated 1 years and below, 24% indicated 3 years while 14% indicated more than four years. This is an indication that the loan repayment period was relatively short for the youth enterprises.

4.5.3 Interest Rate Maturity Period

The respondents were requested to indicate if the interest rate maturity period given was sufficient. The findings are presented on Table 4.17.

Table 4. 17: Interest Rate Maturity Period

Category	Frequency	Percent
Yes	50	52
No	46	48
Total	**96**	**100**

The study findings on Table 4.17 show that 52% of the respondents indicated that the period was sufficient while 48% said it was not sufficient. This implies that there was a very divided opinion on the maturity period.

4.5.4 Influence of Financial Products on Youth Entrepreneurship

Three statements on the influence of financial products offered by MFIs on youth entrepreneurship in Kenya were identified and the respondents were asked to specify their level of agreement or disagreement with the statements. A scale of 1-5 was provided as follows: 1= not at all, 2=small extent, 3= some extent, 4= large extent, 5= very large extent. From the responses, mean and standard deviation were used for simplicity of explanation and generalization of findings. The findings are illustrated on Table 4.18.

Table 4.18: Influence of Financial Products on Youth Entrepreneurship

Category	Mean	Std. Deviation
Length of repayment period	3. 604	1.032
Entrepreneur characteristics	3.866	0.895
Interest rate maturity	3.538	1.297

From the findings on Table 4.18 the respondents agreed to a large extent that length of repayment period influenced youth entrepreneurship in Kenya with a mean of 3.604 and a standard deviation of 10.32, they also agreed to a great extent that entrepreneur characteristics influenced youth entrepreneurship with a mean of 3.866 and a standard deviation of 0.895. They further agreed to a great extent that interest rate maturity influenced youth entrepreneurship had a mean of 3.538 and standard deviation of 1.297.

4.6 Entrepreneurial Training Skills

The subsection presents study findings on the influence of training skills among the youth on the performance of micro finance institutions on youth entrepreneurship in Kenya

4.6.1 Other Incentives Offered

The respondents were asked to indicate other incentives offered by their micro-finance Institution apart from loans. The findings are presented on Table 4.19.

Table 4.19: Other Incentives Offered

Category	Frequency	Percentage
Training	53	55
Skills development	26	27
Business development	10	11
Interpersonal Skills	7	7
Total	**96**	**100**

As shown on Table 4.19, 55% of the respondents pointed that they offer training, 27% indicated skills development, 11% business development while 7% indicated interpersonal skills. This is an indication that most of the MFIs offered general training to its members.

4.6.2 Benefits of Training

The study findings on Table 4.20 show the benefits of training to the youth enterprises**.**

Table 4.20 : Benefits of Training

Category	Frequency	Percentage
Planning the business	48	50%
Marketing products	36	38%
Political/local groups leadership	12	12%
Total	**96**	**100**

From the study findings on Table 4.20, 50% of the respondents indicated that the youth had benefited in planning their businesses, 38% had benefitted in marketing their products while 12% had benefited in political/local groups leadership.

4.6.3 MFIs on Empowering the Youth

The study sought the respondents' opinions on the performance of MFIs programs in empowering the youth. Table 4.21 shows the findings.

Table 4. 21: Level of Performance

Category	Frequency	Percentage
Excellent	12	12
Very good	13	14
Good	36	38
Fair	28	29
Poor	7	7
Total	**96**	**100**

Study findings on Table 4.21 show that 38% of the respondents said that the level of performance of MFIs programmes in empowering the youth was good, 29% said it was fair, 14% said it was very good while 12% and 7% said it was excellent and poor respectively. This is an implication that the performance was relatively good.

4.6.4 Training on Skills and Management

Respondents were asked to point out if the members of youth groups had been effectively trained on various skills and management of micro-finance projects. Table 4.22 presents the results.

Table 4.22: Training on Skills and Management

Category	Frequency	Percentage
Yes	76	79
No	16	17
Don't Know	4	4
Total	**96**	**100**

Results on Table 4.22 show that 79% of the respondents agreed that members of youth groups had been well trained on different skills and managing of micro-finance projects. 17% said no while 4% said that they did not know. This was an indication that there was effective training on members by the various MFIs.

4.6.5 Effectiveness of Training

The study further sought to establish if the training programs been efficient in creation of initiatives readily understood by members.

Table 4.23: Effectiveness of Training

Category	Frequency	Percentage
Yes	62	64
No	18	19
Don’t Know	16	17
Total	**96**	**100**

The results on Table 4.23 shows that, 64% of the respondents stated that the trainings had been effective in in making initiatives readily understood by members, 19% said no while 17% said that they did not know. This is an implication that even though there was a lot training conducted on members, it was not fully effective in making initiatives readily understood by members.

4.6.6 Youth’s Entrepreneurial Training and Youth Entrepreneurship

Three statements on youth’s entrepreneurial training skills and their influence on youth entrepreneurship in Kenya were identified and the respondents were required to show their level of concurrence with the various statements. A scale of 1-5 was provided as follows: 1= not at all, 2=small extent, 3= some extent, 4= large extent, 5= very large extent. From the responses, mean and standard deviation were used for simplicity of interpretation and generalization of findings. The findings are illustrated on Table 4.24.

Table 4.24: Influence of Youth's Entrepreneurial Training on Youth Entrepreneurship

Category	Mean	Std. Deviation
Entrepreneurship education	3.655	1.367
Social and financial support	3.824	1.011
Risk and uncertainty	2.746	1.289

Results on Table 4.24 indicate that the respondents agreed to a large extent that entrepreneurship education had influence on youth entrepreneurship with a mean of 3.655 and a standard deviation of 1.367, they also agreed to a great extent that social and financial support had influence on youth entrepreneurship with a mean of 3.824 and a standard deviation of 1.011 while risk and uncertainty had a mean of 2.746 and a standard deviation of 1.289. This indicates that despite the help that the MFIs give to the youth in terms of training, social and financial support, the element of risk and uncertainty was still a challenge.

4.7 Entrepreneurial culture

This subsection presents findings on the influence of entrepreneurial culture among the youth on the performance of micro finance institutions.

4.7.1 Participation in Entrepreneurial Education and Training

The respondents were asked to indicate if the youth taken part in any entrepreneurial education and training program before starting their businesses. Table 4.25 shows the results.

Table 4.25: Participation in Entrepreneurial Education and Training

Category	Frequency	Percentage
Training	53	55
Skills development	26	27
Business development	10	11
Interpersonal Skills	7	7
Total	**96**	**100**

From Table 4.25 48% of the respondents said yes while 52% said no. This is an indication that a number of youth started their businesses without training which could negatively affect the performance of their businesses.

4.7.2 Factors Contributing to Growth of Entrepreneurial Culture

Three statements on factors that contribute towards the growth entrepreneurial culture in the country were identified and the respondents were required to signify their level of agreement or disagreement with the diverse statements. A scale of 1-5 was provided as follows: 1= not at all, 2=small extent, 3= some extent, 4= large extent, 5= very large extent. From the responses, mean and standard deviation were used for ease of understanding and generalization of result. The findings are illustrated on Table 4.26.

Table 4.26: Factors Contributing to Growth of Entrepreneurial Culture

Category	Mean	Std. Deviation
Entrepreneurship education	3.973	.826
Social and financial support	4.216	.631
Business growth and continuity	4.328	.644

As shown in the findings on Table 4.26, the respondents agreed to a large extent that entrepreneurship education, social and financial support and business growth and continuity contributed to growth of entrepreneurial culture in the country with a mean of 3.973, 4.216 and 4.328 respectively. This indicates that the three factors were key in the growth of entrepreneurial culture in the country.

4.8 Performance of Micro Finance Institutions Funding Youth Entrepreneurship Projects in Kenya

Four key factors were identified and the respondents were required to point out their level of concurrence to the extent to which these factors influenced microfinancing for youth entrepreneurship in Kenya. A scale of 1-5 was provided as follows: 1= not at all, 2=small extent, 3= some extent, 4= large extent, 5= very large extent. Mean and standard deviation were used for simplicity of explanation and generality of findings. The findings are illustrated on Table 4.27.

Table 4.27: Performance of Micro Finance Institutions on Youth Entrepreneurship in Kenya

Category	Mean	Std. Deviation
Financial capacity	3.615	1.166
Financial products	3.269	1.398
Entrepreneurial training skills	3.387	1.485
Entrepreneurial culture	3.012	1.256

Results on Table 4.27 indicate that financial capacity of a MFI influenced youth entrepreneurship in Kenya to a large extent with a mean of 3.615 and a standard deviation of 1.166, Financial products had a mean of 3.269 and a standard deviation of 1.398, entrepreneurial training skills had a mean of 3.387 and a standard deviation of 1.485 while entrepreneurial culture had a mean of 3.012 and a standard deviation of 1.256. This implies that financial capacity of MFIs had the greatest effect on youth entrepreneurship.

4.9 Correlation Analysis

In order to establish the factors influencing performance of micro finance institutions on youth entrepreneurship in Kenya, Pearson's correlations analysis was conducted at 95% confidence interval. Table 4.28 shows the correlation matrix between the factors (financial capacity, financial products, entrepreneurial training and skills, entrepreneurial culture and performance of micro finance institutions).

Table 4.28: Correlation Matrix

		Performance of Micro Finance Institutions	Financial Capacity	Financial Products	Entrepreneurial Training and Skills	Entrepreneurial Culture
Performance of Micro Finance Institutions	Pearson Correlation	1				
	Sig. (2-tailed)					
Financial Capacity	Pearson Correlation	.866	1			
	Sig. (2-tailed)	.134				
Financial Products	Pearson Correlation	.790	.990**	1		
	Sig. (2-tailed)	.210	.010			
Entrepreneurial Training and Skills	Pearson Correlation	.796	.977*	.976*	1	
	Sig. (2-tailed)	.204	.023	.024		
Entrepreneurial Culture	Pearson Correlation	.786	.983*	.995**	.949	1
	Sig. (2-tailed)	.214	.017	.005	.051	

From the correlation matrix, there is a positive relationship between financial capacity, financial products, entrepreneurial training and skills, entrepreneurial culture and performance of micro finance institutions. The correlation between financial capacity and performance of micro finance institutions was of magnitude 0.866 with a p value of 0.134. There was positive correlation between financial products and performance of micro finance institutions of magnitude 0.790 with a p-value of 0.210. The correlation between entrepreneurial training and skills and performance of micro finance institutions had a magnitude of 0.796 and a p-value of 0.204. The correlation between entrepreneurial culture and skills and performance of micro finance institutions had a magnitude of 0.786 and a p-value of 0.214. The positive relationship indicates that there was strong positive correlation between the factors influencing performance of micro finance institutions on youth entrepreneurship in Kenya.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMENDATIONS

5.1 Introduction

This chapter provides the summary of the key findings, discussions, conclusions, gives recommendations and suggestions for further research based on the objectives of the study. The purpose of this study was to establish the factors influencing performance of micro finance institutions on youth entrepreneurship in Kenya: A case of Kibra sub-county.

5.2 Summary of the Findings

On financial capacity, 59% of the respondents indicated that their MFIs financed over 30 enterprises in Kibra, it was also found that 58% of the MFIs were private limited companies whereas 21% were Self-Help groups. It was further revealed that 44% of the institutions started financing youth enterprises between 2006 and 2010 while 35% started between 2011 and 2015. The average loans given to a youth enterprise was 50,000 - 150,000 as indicated by 80% of the respondents. MFIs had helped in the provision of adequate credit had a mean of 3.762 and standard deviation of 0.932 and also provided the youth with funds on time had a mean of 3.433 and standard deviation of 1.368. This was an indication that a good number of MFIs in Kibra had the financial capacity to finance youth enterprises and the turnaround time was good.

In regards to financial products, 62% of the respondents indicated credit while 19% indicated savings. It was also established that the loan repayment period was up to 2 years with 62% of the in agreement. 52% indicated that the period was sufficient while 48% said it was not sufficient. The length of repayment period influenced youth entrepreneurship in Kenya with mean of 3.604 and standard deviation of 10.32. The study also revealed that entrepreneur characteristics influenced youth entrepreneurship with mean of 3.866 and standard deviation of 0.895. Interest rate maturity influenced youth entrepreneurship with mean of 3.538 and a standard deviation of 1.297. This means that the common product offered by microfinance institutions was credit but the repayment period was too short and hence posed a challenge to the entrepreneurs.

On entrepreneurial training skills, 55% of the respondents indicated that they offered training, while 27% indicated skills development. The training had benefitted the youth enterprises in planning their enterprises as shown and also in marketing their products as indicated by 38% of the respondents. The study further revealed that the level of performance of MFI programmes in empowering the youth was good as indicated by 38% of the respondents and 14% and 7% who stated that it was very good and excellent respectively. Members of youth groups had been efficiently trained on several skills and management of micro-finance projects as indicated by 79% of the respondents. Sixty-four (64%) of the respondents stated that the trainings had been operational in in making initiatives readily agreed by members. The respondents agreed to a large extent that entrepreneurship education had influence on youth entrepreneurship which had a mean of 3.655 and a standard deviation of 1.367, social and financial support had influence on youth entrepreneurship had a mean of 3.824 and a standard deviation of 1.011 while risk and uncertainty had a mean of 2.746 and a standard deviation of 1.289. This means the MFIs have invested a lot in training and developing the youth skills on entrepreneurship and this has had a positive effect on the youth in terms of entrepreneurship.

On entrepreneurial culture, the study found out that a number of youth had started their businesses without training as indicated by 52% of the respondents which could negatively affect the performance of their businesses. Entrepreneurship education, social and financial support and business growth and continuity contributed to growth of entrepreneurial culture in the country with a mean of 3.973, 4.216 and 4.328 respectively. This means whereas many businesses may have been started without training, through the initiatives of the MFIs there has been increased move by youth enterprises to adopt the entrepreneurial culture through education, social and financial support.

5.3 Discussions

On financial capacity, 59% of the respondents indicated that their MFIs financed over 30 enterprises in Kibra. This finding is in line with Carter and Cannon (1992) who stated that for numerous new entrepreneurs funding their businesses appears to be the main problem. Further Schoof (2006) stated that the shortage of adequate capital was one of the greatest barriers to youth enterprises. The average loans given to a youth enterprise was 50,000 -150,000 as indicated by 80% of the respondents and hence MFIs had helped in the provision of adequate credit with having mean of 3.762 and a standard deviation of .932 while providing the youth with funds on time had a mean of 3.433 and a standard deviation of 1.368. Enabling environment for such financial support has been created by the government through legal and regulatory framework to support a viable and sustainable system of micro finance that was established under the micro finance Act and regulation give out.

In regards to types of financial products, 62% of the respondents indicated credit which is in line with White and Kenyon (2001) who stated that specific loan schemes are more and more overriding traditional funding schemes. The lending approach involves the provision of no or small interest loans, usually through a revolving fund to young entrepreneurs. The purpose of these schemes is to safeguard financing for small enterprises that may not be able to obtain it, but which still have a good possibility of succeeding (Honaghan, 2008). The loan repayment period was up to 2 years as indicated by from the response of 62% while 52% indicated that the period was sufficient. The repayment period for loans differ according to the purpose of the loan according to Lawrence and Summers (2010) who assert that the maturity of the interest rate depended on the type of the expenditures being financed.

The length of repayment period influenced youth entrepreneurship in Kenya had mean of 3.604 and a standard deviation of 10.32. The finding corresponds with Barr (2004) who stated that in most cases investors set preferences that concern the length of maturities of their loans as they invest. The study also revealed that entrepreneur characteristics influenced youth entrepreneurship having mean of 3.866 and a standard deviation of

0.895. Sexton (2007) observed that entrepreneur's personality traits as the dominant reason for success or failure of a new business. It further concurs with Rasmussen and Sorheim (2006) who successful entrepreneurs exhibit the following entrepreneur skills.

On entrepreneurial training skills, the study established that there was training offered generally and also specifically on skills development. This finding concurs with recognition by the Kenyan government that entrance to innovative skills improvement is input to the expansion and improvement of any business and more so the MSEs (Republic of Kenya, 2005). Trained entrepreneurs have capabilities to chase their visions and obtain their goals.

The training had benefitted the youth enterprises in planning their enterprises and also in marketing their products. Entrepreneurship education is significant in helping youthful people to acquire entrepreneurial skills, attributes and behaviors and develop venture awareness, identify and to value entrepreneurship as a profession option. Members of youth groups had been successfully educated on various skills and running of micro-finance projects thus enhancing social and economic support. This finding concurs with Nichter (2005) who stated that work experience contributes to SME growth by expanding the capabilities of SME owners and employees through the acquisitions of skills and knowledge and by growing entrepreneur's social set-up with financial providers.

On entrepreneurial culture, the study found out that a number of youth had started their businesses without training. This was contrary to the recommendations by Schoof (2005) who stated that entrepreneurship culture should be largely focused on opening a business and successive sustainability of such entities seeking affordable finances from micro finance institutions. He further stated that entrepreneurship is not an easy option for everyone.

5.3 Conclusions

The following conclusions were made from the study;

On financial capacity, MFIs have been instrumental in financing youth enterprises. The financing has been sufficient enough to support the enterprise and the funds are disbursed in good time to meet the needs of the youth enterprises. The finances provided are used to grow business owned by youth and hence the ability to earn an income that can be used to repay the loans and also save with the same Micro finance institutions enabling good performance of the MFIs.

The most common type of financial product offered by MFIs is credit, which is in line with the motivation of most of the MFIs which is to empower to the less privileged economically. The loan repayment period plan was accommodative of the youth enterprises and was tailor made to suite the type of business venture the youth were involved in. Entrepreneur characteristics influence youth entrepreneurship as such it is an important attribute when considering a youth enterprise to finance on the part of the MFIs.

Training on entrepreneurial skills is offered by MFIs in line with the acknowledgment by the Government of Kenya that access to entrepreneurial skills improvement is answer to the expansion and improvement of any venture. The youth enterprises have benefited from the training in planning their enterprises and also in marketing their products. Entrepreneurship teaching is vital in helping youth to widen entrepreneurial skills, attributes and behaviors and to build up project knowledge, to identify and to value entrepreneurship as a profession option.

A number of youth had been started without training which poses as sustainability challenge since lack of necessary information and skills could easily lead to wrong business decision that could prove to be very costly to the business. Entrepreneurship is best appropriate to those with the essential skills and judgement.

5.4 Recommendations

The study made the following recommendations based on the findings of the study;

MFIs should look for ways of increasing their financial capacity so as to be able to support more youth enterprises and also to finance bigger enterprises with sufficient capital so as to enable the youth grow their business. This move will ensure that small businesses grow to the next level, make more profits and the ability to repay their loans for efficient operations of the MFIs.

Besides giving credit facilities, the MFIs should seek to diversify their product range to include services like savings, remittances and insurance so has to have an all-inclusive financial services to cater for the various financial needs of their members. Before advancing credit to youth enterprises, the MFIs should look into entrepreneurial characteristics in the youth group, these characteristics are key in determining the success or failure of the business

The MFIs should identify those businesses within its members that were started without training and offer training that will add value to the business. Training should be tailor-made to the needs of the particular business.

5.5 Suggestions for Further Study

The study focused on the factors influencing performance of micro finance institutions on youth entrepreneurship in Kenya: a case of Kibra sub-County. The study suggests that further investigations on the subject should be done with samples drawn from other locations to enable comparison.

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APPENDICES

Appendix I: Letter of Transmittal of Data Collection Instruments

Naomi Chebet Kosgei

P.O Box 18418-00100

Nairobi.

August 8th, 2016.

Dear Respondent,

<u>RE: FACTORS INFLUENCING PERFORMANCE OF MICRO FINANCE INSTITUTIONS ON YOUTH ENTREPRENEURSHIP IN KENYA</u>

I am a student at the University of Nairobi undertaking a Master's degree in Project planning and management currently conducting a research study as entitled above.

You have been selected as one of the respondents to assist in providing the requisite data and information for this undertaking. I kindly request you to spare a few minutes to answer the attached questionnaire.

Your information alongside other respondents will be used strictly for academic purpose and will be treated as confidential. You do not need to write your name on the questionnaire.

Thanking you in advance,

Yours Faithfully,

Naomi Chebet Kosgei.

Appendix II: Questionnaire

MICROFINANCING FOR YOUTH ENTREPRENEURSHIP IN KENYA QUESTIONNAIRE

For each section kindly respond to all items using a tick (√) or filling in the blank spaces where appropriate in the space provided.

SECTION 1: DEMOGRAPHIC CHARACTERISTICS

1. What is your age? _____________ Years

2. What is your gender? a) Male b) Female

3. What is your marital status?

a) Married b) Divorced c) Widowed d) Never-Married

4. What is the highest level of education you have completed?

a) Secondary school b) Certificate level c) Diploma level d) Graduate level

5. Which micro-financing institution are you attached to?

a)	Ecumenical Loans Fund	f)	Kenya Post and Savings Bank
b)	Entrepreneur Society	g)	Kenya Small Traders and Entrepreneur Society
c)	Faulu Kenya	h)	Kenya Women Finance Trust
d)	Jamii bora	i)	Platinum Credit
e)	Jitegemee Trust	j)	Rafiki DTM

6. How many years have you worked for MFI?

a) Less than 1 year b) 1-3 years c) 3-6 years d) Over 6 years

7. What type of business does your MFI finance? …………………………………………

SECTION 2: Financial capacity

8. How many enterprises does your institution fund? ……………………………………

9. What is the legal status of your business? (Please tick one)

a) Sole Proprietor b) Private Limited Company c) Partnership

d) Self Help Group e) Informal

f) Other (please explain) ………………………………………………………...

………………………………………………………………………………………

………………………………………………………………………………………

10. Which year did your MFI start financing Youth enterprises? …………………

11. What motivated your MFI? ………………

12. How many times does your MFI give out loans in a year?

a) Once b) Twice c) Thrice d) More than 3 times

13. What has been the average loan given to a youth enterprise?

a) 50,000-100,000 b) 100,000-150,000

c) 150,000-200,000 d) Above 200,000

14. What are the uses for loans applied for through MF? (Tick one)

a) Start a business b) Expand the business c) Change of business

15. Please indicate your degree of agreement with the following statements in the contribution of MFIs' financial capacity on youth entrepreneurship in Kenya

Category	**Very large extent**	**Large extent**	**Some extent**	**Small extent**	**Not at all**
Provision of adequate credit.					
The youth receive funds on time					
The size of the enterprise qualifies for credit facilities					

SECTION 3: Financial products

16. Which financial products is commonly offered by your institution?

a) Savings b) Credit c) Payment facilities d) Remittances e) Insurance

17. If your answer is b) Credit, what is the length of the repayment period?

a) Below 1 year b) 2 years c) 3 years d) More than 4 years

18. Do you think the interest rate maturity period given is sufficient? a) Yes b) No

19. Please indicate your degree of agreement with the following statements in the financial products offered by MFIs and their influence on youth entrepreneurship in Kenya.

Category	Very large extent	Large extent	Some extent	Small extent	Not at all
Length of repayment period					
Entrepreneur characteristics					
Interest rate maturity					

SECTION 4: Entrepreneurial training skills

20. Apart from loans, what other incentives is offered by your micro-finance Institution?

(a) Training (b) Skills development (c) Business development (d) Interpersonal skill

21. How has the training helped the youth?

a) Planning the business b) Marketing products c) Political/local groups leadership

22. What is your opinion on MFIs programmes in empowering the youth?

a) Excellent b) Very good c) Good d) Fair e) Poor

23. Have members of youth groups been effectively trained on various skills and management of micro-finance projects? a) Yes b) No c) Don't know

24. Have the training programs been effective in making initiatives readily understood by your members? a) Yes b) No c) Don't know

25. Please indicate your degree of agreement with the following statements in the youth's Entrepreneurial training skills and their influence on youth entrepreneurship in Kenya.

Category	Very large extent	Large extent	Some extent	Small extent	Not at all
Entrepreneurship education					
Social and financial support					
Risk and uncertainty					

SECTION 5: Entrepreneurial culture

26. Have the youth taken part in any entrepreneurial education and training program before starting their businesses? a) Yes b) No

27. Please indicate your degree of agreement with the following statements in their contribution towards the growth entrepreneurial culture in the country:

Category	Very large extent	Large extent	Some extent	Small extent	Not at all
Entrepreneurship education					
Social and financial support					
Business growth and continuity					

SECTION 6: Performance of Micro Finance Institutions on youth entrepreneurship in Kenya

28. To what extent do you think financial capacity, financial products, entrepreneurial training and entrepreneurial culture have impacted on performance using the following performance indicators on a scale of 1-5 where 1=very large extent, 2=large extent, 3=some extent, 4= small extent, 5=not at all.

	Very large extent	**Large extent**	**Some extent**	**Small extent**	**Not at all**
Number of micro finance institutions offering services to youth enterprises					
Number of youth projects funded by Micro finance institutions					
Beneficiary satisfaction					
Operational self-sufficiency					

Thank you for your participation