

**INFLUENCE OF MICROFINANCE SERVICES ON
PERFORMANCE OF YOUTH OWNED ENTERPRISES IN
WEST POKOT SUB-COUNTY, KENYA**

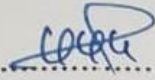
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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF PROJECT
PLANNING DEGREE OF THE UNIVERSITY OF NAIROBI**

2019

DECLARATION

This research project report is my original work and has not been presented for the award of a degree in any other university.

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ACKNOWLEDGEMENT

I want to convey my sincere gratitude and special thanks to my Supervisors Dr. Ronald Kikechi and Dr. Ismael Oduor who gave me advice, technical support and guidance during proposal drafting, data collection, analysis and final report writing. In addition, I want to thank my lecturers for the great efforts put to enable me achieve academic excellence.

I also want to pass my gratitude to the university librarian for her support during literature review for the research study. Special thanks also go the University of Nairobi for giving me the opportunity to study. I also want to thank my classmates whom I worked with during group discussions. Thank you all for your contribution and positive criticism. Mr. Kelima typed the research proposal and final project report. Thank you for the good work and dedication.

Special thanks also go my Wife Tecla, Children Mideva, Kelvin, Juliet and Hyvine for giving me encouragement and humble time to be able to accomplish this work. This research work would not have been possible without the support and motivation of West Pokot County Government staff that have been the source of my motivation and inspiration. Lastly, special thanks to the Almighty God for His love and providence and for giving me strength and wisdom to accomplish this work.

DEDICATION

I dedicate this research work to my loving wife, Tecla who has been very supportive throughout my course work, to my daughters Mideva, Juliet and Hyvine and my son Kelvin for their love and kindness and all teachers of the world.

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ABBREVIATIONS AND ACRONYMS

| | |
|--------|--|
| AGPO | Access to Government Procurement Opportunities |
| CIDP | County Integrated Development Plan |
| DEF | Development and Employment Fund |
| KIHBS | Kenya Integrated Budget Household Survey |
| MFI | Microfinance Institutions |
| MTP | Medium Term Plan |
| PWDs | Persons with Disabilities |
| SMEs | Small Medium Enterprises |
| SPSS | Statistical Package for Social Sciences |
| UNCTAD | United Nations Conference on Trade and Development |
| US | United States |

ABSTRACT

Youth small and medium enterprises have the power to create self-employment opportunities and economically empower young people. But limited access to capital finance from financial institutions and government programmes, regional inequalities and inadequate capacity among the youth in West Pokot Sub-County remains a great challenge. There are also challenges facing youth beneficiaries with capital from financial institutions and government as repayment rates is very low. The purpose of the study was to analyze the effects of microfinance services on growth of youth- owned enterprises, a case study of West Pokot Sub-County. The problem that the study aims to resolve is limited access, inequity and capacity gaps in microfinance services which has led to high unemployment levels, high poverty levels, underdevelopment and low investment among the youth in West Pokot Sub-County. The specific objectives of the study were; to establish the effects of microfinance savings and loan products on performance of youth owned enterprises in West Pokot Sub-County, Kenya; to assess the influence of microfinance group guarantees on performance of youth owned enterprises in West Pokot Sub-county, Kenya; to determine influence of microfinance remittances on performance of youth owned enterprises in West Pokot Sub county, Kenya and to evaluate influence of microfinance training services on performance of youth owned enterprises in West Pokot Sub-county, Kenya. Generally, the study is a source of indepth information to existing and potential youth in micro and small enterprises to alleviate the problems that youth face. It has brought out areas that require support from policy makers in order to enhance youth involvment and participation in micro and small enterprises. The study has been informed by the Theory of Performance,Stakeholder Theory,Games Theory of Microfinance and Financial Sustainability Theory. The study adopted a descriptive research design with a target population of 959 youth owned groups. The study also adopted simple random sampling technique with a sample size of 288 respondents. The researcher used questionnaires and interviews as tools of collecting data. SPSS was used for data analysis and findings presented using tables, pie charts amongst many others.In summary, microfinance services (loans, savings, training and advisory services) have significantly influenced growth of youth owned businesses in West Pokot, Kenya. Conversely, Microfinance remittances have not played a significant role in performance of youth owned enterprises in West Pokot Sub-county.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

According to the United Nations Conference on Trade and Development report, global youth unemployment rate was projected to rise to 12.8 per cent in 2018 with growing regional disparities. As the economic downturn persists, there is growing recognition among governments and international organizations that youth entrepreneurship is a relevant strategic tool to address unemployment challenge (UNCTAD, 2018).

The Kenya Constitution is emphatic on gender equality and the uplifting of the lives of all vulnerable groups. Since Kenya's population is predominantly young, special programs dedicated to the youth have become increasingly urgent. This is essential in the realization of human rights and sustainable development. The youth (15-35years) comprise about 35.7 per cent of the population in Kenya. The population of West Pokot County in the 2009 census was 512,690. This population comprised of 255,136 males and 257,554 females giving a sex ratio of 100:101. The county population is estimated at 777,180 persons in 2019 and is projected to grow to 987,989 and 1,338,990 in 2022 and 2030 respectively. From the Census, youth population accounted for 31 per cent of the total population in the county. This cohort is projected to increase to 242,340 in 2018, 308,076 in 2022 and 417,526 in 2030 respectively (CIDP 2018-2022). Poverty levels in county remain high at 57.3 percent (KIHBS, 2016).

Microfinance has been playing an important role in many developing countries of the world. Many households have multiple sources of income and carry out small scale income generating activities. Above all microfinance service helps low income people to reduce risk, improve business management, raise productivity, obtain higher returns on investments to increase their income and thus increase the quality of their lives (Knight, 1921, Goldberg, 2005).

The beginning of formal micro finance programs can be traced back to the 1950s after World War II. They proliferated in the 1960s and 1970s and in the process, lending methodologies suitable for low income clients in both rural and urban areas were developed (United Nations Development Program [UNDP], 1998). In the 1970s and 80s, inspired by Grameen's success

social innovators and organizations around the world begun to experiment with different products to bring financial services to the poor. Microfinance Institutions proved that it was possible to build viable business through lending to the poor. The number of microfinance institutions increased rapidly (Morduch, 1998).

In early years of Microfinance most organizations lending to the poor were funded by private or government grants (Morduch, 1998). In 1990s it became apparent that microfinance institutions would be unable to sustain their rapid growth rates if they depend solely on grants for funding. Many microfinance institutions started to restructure their operations to make themselves attractive to investors. Majority of the microfinance institutions offer and provide credit on a solidarity-group lending basis without collateral. Micro-credit is the provision of working capital for the world's poorest in the form of small loans which are used for income generating activities. The borrower pays back through installments which include interest on these loans. Many micro-credit providers target women as their clientele because a disproportionately high population of the poor is women as they are in a disadvantageous position regarding access to education, employment, and productive resources such as land and credit. There are numerous institutions that have successfully expanded the delivery of micro-credit. Grameen Bank of Bangladesh and FINCA, an American non-profit institution, are two of the representative case.

The MTP III notes the following emerging issues on the youth in the country that need to be addressed during the plan period; unemployment, under-employment and skills mismatch; youth radicalization; high youth vulnerability to HIV/AIDS and sexually transmitted infections; increased youth involvement in gambling, cyber-crime, abuse of social media, increased drug and substance abuse among the youth and limited awareness on opportunities on 30 per cent in AGPO. The MTP III further notes that partnership approach is key for effective and efficient implementation of programmes and projects in the youth sector; that involvement of men and boys in gender issues is essential for realization of gender equality and women empowerment and that the demographic dividend provides an opportunity that can be harnessed to spur economic growth and sustainable development.

1.2 Statement of the Problem

Youth micro and medium enterprises have the power to create self-employment opportunities and economically empower young people. But limited access to capital finance from financial institutions and government programmes, regional inequalities and inadequate capacity among the youth in West Pokot Sub-County remains a great challenge. There are also challenges facing youth beneficiaries with capital from financial institutions and government as repayment rates is very low. Despite the important role played by MFIs in economic growth and development, majority of youth owned SMEs stop their operations because they are undercapitalized. Youth in all the sub-counties in the West Pokot County are characterized by high unemployment levels, high poverty levels, underdevelopment and low investment due to challenge of capital access, inequity and low capacity among others. This has slowed down the growth of youth enterprises. Studies carried out in the past suggested the need to increase financial support to SMEs to ensure sustainable growth and development of business enterprises.

1.3 Purpose of the Study

The purpose of the study was to assess the influence of microfinance services on performance of youth owned enterprises in West Pokot Sub-County, Kenya.

1.4 Objectives of the Study

The specific objectives of the study were;

- i. To establish the influence of microfinance savings and loans on performance of youth owned enterprises in West Pokot Sub-County, Kenya.
- ii. To assess influence of microfinance group guarantees on performance of youth owned enterprises in West Pokot Sub-County, Kenya.
- iii. To determine influence of group financial remittances on performance of youth owned enterprises in West Pokot Sub-County, Kenya.
- iv. To evaluate influence of microfinance training services on performance of youth owned enterprises in West Pokot Sub-County, Kenya.

1.5 Research Questions

The study was guided by the following questions;

- i. How does microfinance savings and loans influence performance of youth owned enterprises in West Pokot Sub-County, Kenya?
- ii. How does microfinance group guarantees influence performance of youth owned enterprises in West Pokot Sub-County, Kenya?
- iii. How does group financial remittances influence performance of youth owned enterprises in West Pokot Sub-County, Kenya?
- iv. How does microfinance training services influence performance of youth owned enterprises in West Pokot Sub-County, Kenya?

1.6 Significance of the Study

Generally, the study is a source of in-depth information to national and county governments, existing and potential youth in micro and small enterprises on how to contribute to alleviating the problems that youth face. It has brought out areas that require support from the policy makers in order to enhance youth involvement and participation in small and medium enterprises. The outcomes of the research study will assist development of youth owned enterprises during formulation and review of youth policies and programmes by government, private sector and other stakeholders dealing on youth issues. Assured growth of youth enterprises shall be a boost for employment and hence enhancement of economic growth of the county and country. The study has also bridged the existing gap and added new knowledge for use by various stakeholders.

1.7 Delimitation of the Study

The research study was carried out in West Pokot Sub-County. The study was carried out in October, 2019 covering a sample of 288 youth owned enterprises in the sub-county. It covered all the six wards in West Pokot sub-county. The study examined microfinance savings and loans,

group guarantees, group financial remittances and microfinance training services as study variables. The main reason for having a study on contribution of microfinance finance services on growth of youth owned businesses is to resolve the problem of poor financial performance, unemployment and high poverty levels among the youth in the county.

1.8 Limitations of the Study

The researcher was faced with the following challenges during the process of carrying out the study; It was difficult to get some respondents to grant opportunity for interviews within stipulated time as some of them were very busy; some of the target population were not willing to give information that was considered to be confidential in nature; the researcher was also faced by time constraints since the research was carried out while undertaking official duties; and the researcher also experienced financial constraints as a fairly large sum of money was required to facilitate the research process. However, at all times the researcher remained focused, optimally use the available time and saved money to facilitate the research process.

1.9 Assumptions of the Study

The assumptions for this study were as follows: that the respondents would be receptive to the study especially in responses to the research questions, interviews and discussions and that collected data, analysis and interpretation were truthful and factual in all aspects.

1.10 Definition of Significant Terms

| | |
|------------------------------------|---|
| Micro-finance services | Microfinance services include provision of loans, savings, checking accounts; remittances, micro- group guarantees; training services and payment systems |
| Youth-owned enterprises: | Business ventures carrying out activities with the aim of making profits carried out by groups of persons under the age of 35years |
| Growth of youth-owned enterprises: | Increase in size, profits , number of enterprises and market brands of youth enterprises |

| | |
|---------------------------------|--|
| Microfinance | These are funds available on credit basis for lending in manageable amounts to small and micro enterprises. It is a type of banking service that is provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. |
| Micro-finance training services | Training services embedded in microfinance include personal development, leadership skills, financial and social literacy and health |
| Youth | These are individuals below the age of 35 years. |
| Enterprises | This is a business venture carrying out activities with the aim of making profits. |
| Micro-finance Loans | These are individual or youth group borrowings |
| Micro-finance Savings | These are individual or group money deposits for future investments or guarantees |
| Micro-finance remittances | A remittance is a transfer of money by a foreign worker to his or her home country. |
| Micro-finance group guarantees | This is the protection of low-income people where an individual or member groups provides security in case of loan default. |

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The reason of preparing this literature review is to investigate what has been done by other researchers about the effects of microfinance on performance of youth owned enterprises. This review also helps the researcher to understand the problem in order to explain it better. A more precise knowledge of what has been accomplished helps the researcher to avoid duplication of work and brings out familiarity with the existing body of knowledge from a system which the researcher's findings are to be defined and interpreted accordingly to overcome problems of past studies.

2.2 Concept of Performance of Youth Owned Enterprises

Attanasio et.al (2015) in their paper on the impacts of micro-finance found out that both the intensity of the treatment in terms of the number of loans and probability of borrowing was higher in villages in Mongolia. Thus microfinance increases loan uptake in terms of volumes and even intensity that goes a long way in growing enterprises.

Jovanovic's Learning Effect Model (1982) asserts that firms learn about their efficiency overtime. New firms entering the market are unaware of their true efficiencies immediately but as they mature, they are able to uncover their productive efficiencies (Staines, 2005). Empirical implication derived by this model is that young firms have accumulated less information than older ones about their managerial abilities. For this reason there will be more exists among young firms than older firms.

A successful manager is one who understands his business environment, both internal and external. He or she does not only understand, but is prepared, equipped and ready to handle any turbulence that emanates from the environment. These include competitors, suppliers, customers, government agencies, labour organizations, and financial institutions *etc.* (Hisrich *et al*, 2010, Certo and Peter, 1993). What makes management of MSEs difficult is the enormity of the range of issues confronting the owner-managers, which they have to deal with personally. In his multi – functional role as a manager, he/she is in charge of planning and implementation, production,

human resource (recruiting and firing of employees), marketing and finances (Stokes, 1995, Stokes and Wilson, 2010). All these demands his attention simultaneously, and in most cases he/she ends up tackling the most immediate first, which may mean overlooking a less obvious but more significant problem which has a critical impact. Even with all these responsibilities and challenges, the majority of the owner-managers of MSEs were not trained or poorly trained or unskilled in the various disciplines.

According to the training needs assessment on Jua Kali (GOK, 1997), the owner-managers were found to not only lack financial management skills but also methods of identifying staff with appropriate skills and effective decision making. Bullock *et al* (2004) found that informal management structure and the owner – manager’s personal control of strategic and operating decisions hinder MSEs output growth significantly. He further found that MSEs that adopted a more less formal structure and those that were more innovative depicted higher rate of growth and more especially where the entrepreneur of such firms had undertaken formal training. Orser (2000) further found a positive correlation existed between performance and high level of management skills.

The characteristics of the entrepreneur are widely accepted as vital ingredient that influences growth. Research indicates that particular characteristics of the entrepreneur that are associated with growth of the enterprise include motivation, previous management experience and demographics of the entrepreneur (age, education). If the entrepreneur’s reasons for starting the business originated in pull or opportunity driven motivates rather than ‘push’ or necessity driven motivates, the resulting enterprise is more likely to grow. Research in developed countries has shown that an entrepreneur’s level of education may be associated with MSEs’ characteristics, such as growth and performance. This is because higher levels of education are associated with greater verbal communication and comprehension skills, all of which are important in business decision making and management (McCormick and Pedersen, 1996). Previous experience from an entrepreneurial activity or occupation is considered to be an incentive for one to become a successful entrepreneur. McCormick and Pedersen (1996) found that entrepreneurs with no previous occupation began firms which were relatively small and remained in the smallest category. On the other hand it was found that the largest enterprises were almost entirely set up by entrepreneurs with previous experiences either in manufacturing or in the retail trade.

According to entrepreneurial choice theory (Papadaki and Chami, 1982), people have certain characteristics that are associated with the propensity for entrepreneurial behavior. Individuals who have more of these characteristics are more likely to grow faster than those who have fewer ones (Papadiki and Chami, 2002). In other words the attitude of the individual in taking risks, motive of going into self-employment, his or her managerial abilities to raise capital and perceive new markets, will determine the growth of the firm.

2.3 Influence of Micro-Finance Services

A study on the influence of microfinance on small enterprise growth was conducted in Nigeria and according to results found strong evidence that getting access to microfinance does not help in the growth of small business in Nigeria and that business size and business locations are some of the characteristics that are found to have a good effect on enterprise growth. Microfinance is an effective way for the economic active poor to increase their economic security and thus reduce poverty (Taiwo, Alege and Olokoyo, 2016). Data were sourced through questionnaires administered to 198 MFBs in Lagos and Ogun State Nigeria.

A growth analysis was carried out using a loan demand model specified and estimated using the Ordinary Least Squares (OLS) econometric technique. Also, a linear Probability model was specified and estimated to measure the log of odds of obtaining loans from the microfinance banks by the customers (Taiwo et al 2016). The study found that the micro enterprises experienced positive percentage change as well as positive annual sales growth as a result of micro financing. Another interesting finding was that the enterprises owned by male micro-entrepreneurs generated more employment than those owned by their female counterparts while employment declined in the enterprises owned by those with no formal education. The study recommended that MFBs should seek long term capital from the Pensions and Insurance Companies in their country, Nigeria (Taiwo et al 2016).

Niskanen and Niskanen (2007) investigated the determinants of growth in a sample of small and micro Finnish firms. Firm growth was examined on a number of firm specific and relationship lending characteristics. The data set provides an excellent opportunity for investigating the effects that firm specific factors have on firm growth. The study investigated the relationship between firm growth and relationship lending variables.

They are also able to provide new information on the role that legal form has on firm growth by using more detailed ownership variables. The results on relationship lending effects suggest that an increase in the number of lending banks decreases growth rates in the larger firms and that an increase in the number of banks operating in the county where the firm is located enhances growth of the larger firms and decreases growth rates of the smaller firms. It could, therefore, be argued that close lending relationships enhance growth for all firms, but that only the larger firms in the sample benefit from more competitive banking markets (Niskanen and Niskanen, 2007).

Brown, Earle and Lup (2004), employed panel data techniques to analyze a survey of 297 new small enterprises in Romania containing detailed information from the start-up date through 2001. They found strong evidence that access to external credit increases the growth of both employment and sales, while taxes appears as constrain to growth.

The data suggest that entrepreneurial skills have little independent effect on growth, once demand conditions are taken into account. The evidence for the effectiveness of technical assistance is weak: only assistance provided by foreign partners yields a positive effect. A wide variety of alternative measures of the business environment (contract enforcement, property rights, and corruption) are tested, but none are found to have any clear association with firm growth (Brown, Earle and Lup, 2004).

2.3.1 Microfinance Savings and Loan Products

Micro financing plays a significant role in fostering savings among the poor populations, with considerable benefits both for the savings and for the programs. According to Harper (2003), “Domestic Savings provide the assets for the economy’s investment in future production. Without them, the economy cannot grow unless there are alternative sources of investment”. People’s propensity to save varies significantly. Common astuteness states that as a person’s disposable income increases, so does his or her capacity and willingness to save. Persons, who are living at subsistence or near subsistence levels, often we call them low-income groups, thought to be among those who are least able to contribute to economic savings. It is demonstrated that most of the developing countries, where the poor constitute the great majority, have a lower propensity to save. It has been concluded that ‘the poor cannot save’ (Harper, 2003).

There is enormous literature available, based on surveys, case studies, regional and cross country analysis, focusing on the nature of the savings capacity and ways of saving of poor. Many affirm that not only do the poor save, but their savings have substantial implications for policy and resource mobilization for financial markets and national economies. Savings mobilization is an interesting issue among the poor for various reasons. Mobilizing savings lift up important considerations for development programs that are working to boost productive income and employment among low-income groups.

One of the best-known institutions for lending and saving money, in Bangladesh, is the Grameen Bank (Khanker, 1998). Grameen Bank mainly target women (98% of the clients are women) on the basis that women repay their loans better than men and due to the oppression they need more favor. It is believed that loans expanded to women benefit the entire household members with improved level of food intake, health, and education. Average loans range from US\$100 to US\$200 for a period of 3-12 months. The loan amount varies from country to country. Average loan amounts tend to be higher (\$500 or more) in countries in transition of adapting to this system (Cheston, 2002).

According to a study on the impacts of microfinance in Mongolia, the reason of individual and group credit was to give women access so as to fund small enterprise activities. The focus was to help in the expansion and creation of business. Credit lasted for a period of 2-3 months and the

interest rate was 2% each month and reduced by 0.1% after every successful loan cycle. Other incentives are the possibility to increase the credit amount and maturity each loan cycle (Attanasio, Augsburb, De Haas, Fitzsimons, & Harmgart, 2015). Thus, microfinance presents various loan products such as group loans, individual loans, joint liability lending amongst many others.

The study by Attanasio et al (2015) found similarities in interest rates between different loan programs that do not have to be repaid weekly during meetings. This brings uncertainty on the theory that micro-finance interest rates are high because of frequent group meetings. This is evidence of the different microfinance repayment approaches for loans advanced to clients. Interest rates influence access to microfinance by businesses. It may affect majorly the youth who are likely not in possession of collateral. Even if security is available, it may not be a strong one to enable enjoyment of low interest rates.

Microcredit is the name given to small loans made to poor people who are regarded as bad financial risk, by conventional banks, as they have insufficient savings or assets to obtain a loan. Despite the diversity of definitions the word microcredit generally means: small size loans, shorter repayment periods, flexible and easy to understand regulations financial intermediation that includes savings mobilization is an integral part of credit delivery to targeted sectors or groups, so that targeted programs learn to depend on markets rather than solely on donors for funding, loan contracts are enforced through social and economic incentives or other means such as group pressure, grants or subsidized funds are given as seed capital for a limited period of time to support institutional development. (Khandker, 1998).

Another research on effects of microfinance on micro and small business growth was done in Nigeria whose objectives were to examine the effects of different loan administration practices (in terms of loan size and tenor) on small business growth criteria and the ability of Microfinance-Banks (given its loan-size and rates of interest charged) towards transforming micro-businesses to formal small scale enterprises (Babajide, 2012). Another research that was carried out to determine the effects of microfinance on business performance in Addis Ababa-Ethiopia, found out that a few of the entrepreneurial youth reported growth of earnings from their enterprise operations (Jolen, 2006). There are many countries supporting microfinancing which is using it as an antipoverty tool because it helps to decrease unemployment, thereby

increasing income connected with consumption and therefore reducing poverty. In mostly islamic countries microfinancing improve the situation not just for the poorest but also for the women generally. Therefore many MFIs provide special programs for women

2.3.2 Microfinance Group Guarantees

According to Khanker (1998), village banking is a kind of financial service model that assists poor communities to establish their own credit and saving associations, or village banks. Village bank provides non-collateralized loans to its members and a place to invest savings and promote social solidarity. The sponsoring agency provides loan for the village banks and village banks in turn provide individual loans to its members. Peer pressure and peer support among the members are considered as the bank guarantees of these loans, to ensure repayment where small working capital is repaid every four to six months by its borrowers. Borrowers start with a very small loan and gradually they establish loan ceiling. Loan sizes depend on the amount which borrower has saved. Member's savings are kept for the purpose of lending or investing to increase the resource base of the bank. Commercial standards are applied to determine interest rates and fees (Murray, 2002).

A research into the effect of micro-finance on youth enterprises longevity states that shareholder from both private and public sector are empowering youth own businesses in Kenya e.g. youth enterprise fund, building of youth empowerment centers, informal and formal financial support and well-wishers initiatives have been put in place (Kimathi,2016). All this aspects make that the MFIs create services better available to people. For example guarantee required in commercial bank means lack of financial services for most of the poor. What the MFIs do offer for improving access to the financial services? There are different ways of guarantees in various MFIs. Mostly there are no guarantees required, usual just the fact that the client can get arrested while defaulting.

Some MFIs use just confidence in the client as a tool of quarantine (e.g. Middle East Micro Credit Company).Of course there are some conditions which have to be fulfilled for taking a microcredit. For example for Development and Employment Fund is necessary condition presentment of project by people asking for a loan. Therefore lending money by DEF are connected just with improving employment in the area and development of business. Every

applicant for loan is also valued according to Credit Scoring System. If there is a project which is beneficial for whole area then it is possible to take a bigger loan. All projects are under screening control. In case money are used for another function than for project then the interest rises from 5% up to 10%.Between (1991-2006) DEF total lending amounted to JD (75,2) million to finance more than 30,700 beneficiaries.

2.3.3 Microfinance Remittances Services

Research has shown that there is a direct correlation between financial exclusion and poverty (Alianza, International, 2007). An estimated two billion or 38 per cent of working-age adults globally have no access to financial services delivered by regulated financial institutions, with 73 per cent of poor people unbanked. Among the financially excluded are migrant workers and their families in their home countries.

As the level of international remittances sent home to developing countries overtakes official development assistance and continues to rise, it is becoming dubbed by some as the new development finance. International agencies are recognizing the importance of remittances, and this article reflects on a conference organized by the World Bank and DFID on this subject which explored, among other issues, what governments and donors can do to enhance the positive impact of the remittance industry on the poor. Areas discussed include: lowering transfer costs by promoting competition, appropriate levels of regulation, researching underserved markets, widening access to rural communities and seeing the potential for boosting banking services among the previously un served (Dodge, Fullerton, & Robbins, 1994, Appleseed Network, 2007).

Foreign remittances must follow some channels for its impact to be clearly felt. This can only be through micro finance institutions. There has been a recent surge of interest to understand the effective channelization of this flow of remittances for providing a variety of financial services desirable to the poor households in the receiving regions, especially in rural pockets. An effective solution, by way of suggestion, especially by policymakers, has been a partnership between the formal money transfer agents and Micro Finance Institutions (MFIs). The

remittances and MFI nexus is seen as an important tool for development finance for the poor remittance receiving households (Sil, Milly and Guha, Samapti, 2013).

2.3.4 Microfinance Training Services

The importance of training as one tool for MSEs' growth has been recognized worldwide. Many studies have revealed that training contributes significantly in the growth of enterprises. Edgcomb (2002) established that training has significant impact on participant characteristics and final participant outcomes. Training adds to the skills of MSEs owners, change their behavior on how they perceive and conduct business activities and in turn enhance their ability to perform better (Carland, Boulton, & Carland, 1984). With the right skills; the SMEs owners can gain important edges even under stiff competitive environment. Through training, the enterprise owners can acquire networks, transfer technology, develop commercial entities and acquire new and better management techniques. This is because business training is mainly geared towards building entrepreneurial skills and traits of the recipients in order to better their business practices (Roomi *et al.*, 2009; CIDA, 1999).

Limited access to soft productive resources (particularly basic management and financial literacy) can restrict the capacity of business owners to participate effectively in business activities (Heino and Pagan,2001; Panjaitan-Drioadisuryo and Cloud, 1999). Moreover, different others advocate that the most impending and strategic factor inputs for MSEs are capital and business skills (Gebu, 2009; Kuzilwa, 2005; Kessy and Urrio, 2006). Microfinance programmes were introduced as a means to provide credit which is an important source of the needed capital. However, as argued above, provision of credit alone without business skills it will not be possible for enterprises to perform at an optimal level. It is also possible that the outcry from MSEs for credit could be reduced through enhanced business skills as the owners get exposed and gain more knowledge on how to better use/manage resources they have (Fasoranti, Akinrinola, and Ajibefun, 2006).

To test these theoretical explanations, a survey was conducted to 225 respondents in Tanzania to different MSEs to empirically test whether there is a difference on growth performance by making comparisons between enterprises owned by recipients of training against those owned by people without training. In assessing the performance on enterprises, three different measures i.e

sales revenue, number of employees and assets level were used for comparison. From findings, enterprises owned by clients who had received business and entrepreneurship training demonstrated a different growth level in terms of assets owned and revenues obtained compared to enterprises that owners had never been exposed to any form of business and entrepreneurship training. On the other hand, training had a minimum influence on the growth of enterprises when it is measured in terms of number of employees.

The results also showed the importance of using more than one indicator in measuring the growth of enterprises supported by microfinance institutions. The conclusion was that training has significant impact on growth of enterprises, although growth in terms of number of employees can be realized after a significant period of time. This is because the number of employees normally grows slowly and therefore can be observed after a sizable increase in sales revenue.

In Viet Nam, many associations combine the direct and indirect approaches to training by offering some training directly and serving as a broker for other trainings. The need to combine approaches arises in markets where a selection of service providers exists, yet unmet training needs remain. An association needs to carefully assess where it has a competitive advantage to offer services directly and where it can partner with external providers to offer quality services (Diaz, Lillian and Minh, 2007).

2.4 Theoretical Framework

The research work was guided by the following theories:

2.4.1 Theory of Performance

The theory of performance states and brings together six important concepts to make a systematic framework that is used to define performance and its improvements. Current level of performance depends holistically on six concepts. These concepts are; context, level of skill, level of knowledge, personal factors, fixed factors, level of identity (Borman, & Motowidlo, 1997). Three strategies are suggested for better performance improvements. These are the

immersion in an encouraging environment, the performer's mindset and involvement in reflective practice (Bowen, & Waldman, 1999).

To attain performance is to take a hard series of tasks that bring together skills and knowledge and produce a valuable result. In some cases the performer is an individual and in other cases the performer is a group of individual. Therefore improving performance capabilities is the main theme of this study. When people learn and grow, they are empowered to produce a valued result that makes a difference.

The Theory of Performance develops and relates six foundational concepts to form a framework that can be used to explain performance as well as performance improvements. To perform is to produce valued results. A performer can be an individual or a group of people engaging in a collaborative effort. Developing performance is a journey, and level of performance describes location in the journey (Borman, & Motowidlo, 1997).

2.4.2 The Stakeholder Theory

The word "stakeholder," the way we now use it, first appeared in an internal memorandum at the Stanford Research Institute (now SRI International, Inc.), in 1963. The term was meant to challenge the notion that stockholders are the only group to whom management need be responsive. By the late 1970s and early 1980s, scholars and practitioners were working to develop management theories to help explain management problems that involved high levels of uncertainty and change. Much of the management vocabulary that had previously developed under the influence of Weberian bureaucratic theory assumed that organizations were in relatively stable environments. In addition, little attention, since Barnard (1938), had been paid to the ethical aspects of business or management, and management education was embedded in a search for theories that allowed more certainty, prediction and behavioural control. It was in this environment that (Freeman, 1984) suggested that managers apply a vocabulary based on the "stakeholder" concept. According to this theory, business performance is defined on returns on investment. Financial results give a paramount interpretation on the creation of value most especially on terms of precise and measurable financial results. Organisations better understand what stakeholders want and need and how the firm has done by measuring performance through tangible and intangible factors (Barnett, 1997). This is a very important theory as firms are

supposed to focus on financial results as they make daily decisions and perform operational activities to impress stakeholders.

2.4.3 The Games Theory of Microfinance

The object of study in game theory is the game, which is a formal model of an interactive situation. It typically involves several players; a game with only one player is usually called a decision problem. The formal definition lays out the players, their preferences, their information, the strategic actions available to them, and how these influence the outcome. Games can be described formally at various levels of detail. A coalitional (or cooperative) game is a high-level description, specifying only what payoffs each potential group, or coalition, can obtain by the cooperation of its members. What is not made explicit is the process by which the coalition forms. As an example, the players may be several parties in parliament. Each party has a different strength, based upon the number of seats occupied by party members. The game describes which coalitions of parties can form a majority, but does not delineate, for example, the negotiation process through which an agreement to vote en bloc is achieved (Myerson,1991; Robert,1992).

The games theory supports the lending of groups among micro-finance institutions. It relies on debtors to jointly look and implement contracts among themselves. Members of the group together guarantee credit repayment. Access to loans depends on the successful repayment of all members of the group. These groups have shown to be effective in avoiding defaults as shown by the loan repayment rates gained by the organizations that use this model. This theory has contributed to the increase of social benefits because of the trust between group members that is in the core of this theory (Fudenberg, Drew and Tirole, 1991).

2.4.4 Financial Sustainability Theory

A micro-finance institution, so as to attain its objectives and goals, sustainability is a critical factor even for the long term survival of the institution. Sustainability in microfinance has both external and internal implications. External implications like loan distribution, community organization and access to funds. Internal implications include savings mobilization, financial performance, staff motivation etc. (Morduch, 2002)

2.5 Research Conceptual Framework

Independent Variable:

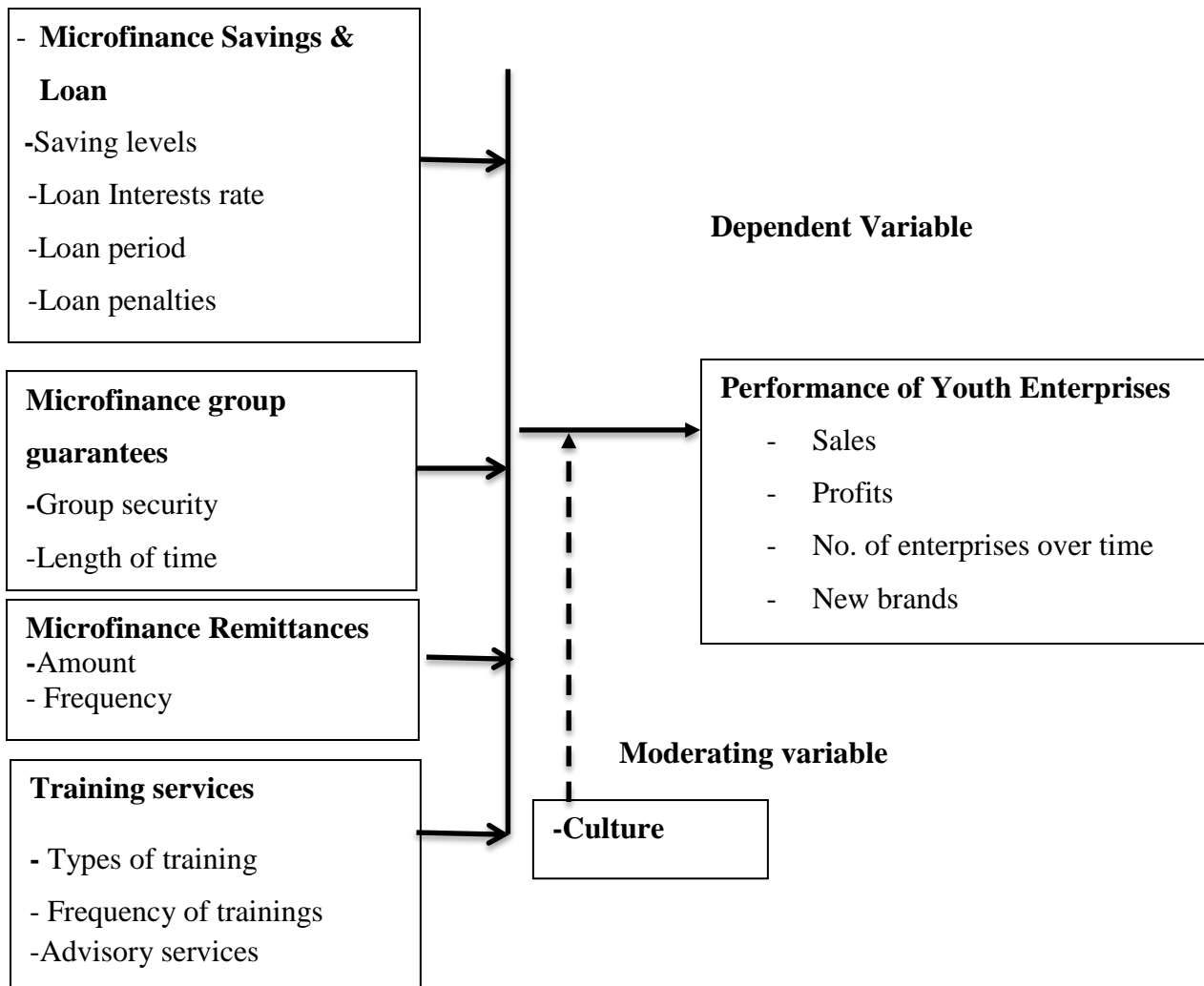


Figure 1; Conceptual Framework of the Linkages between Variables in the Study

Source: (Researcher, 2019)

Figure 1 is a clear demonstration on how the independent variables work out to inform the dependent variable in performance of the youth enterprises. This is moderated through culture. Microfinance Savings & Loan is a critical component in this framework in that any microfinance can effectively perform better if it utilises well all the financial resources at its disposal and vice versa. The same story can be told of guarantees, remittances and relevant trainings.

2.6 Summary of Literature Review

The effectiveness of microfinance programs as tools for poverty reduction depends, among other things, on whether and how successfully they address the real constraints faced by the poor. The main contribution of microfinance - savings, credit and insurance – is to help people to overcome financial constraints. The main assistance of microfinancing may be gathered as follows; promote investment in assets, facilitate activities to earn a livelihood and protect against income shocks. Support of local private sector by microfinancing helps to develop small and medium enterprises, leading to economic and social growth in a local area. The microfinance sector is still developing and extending.). The attitude of the individual or group in taking risks, motive of going into self-employment, his or her managerial abilities to raise capital and perceive new markets, will determine the growth of the firm.

2.7 Knowledge Gap

A research on effects of micro-finance on small business growth was done in Nigeria where the objectives was to investigate the influence of different credit practices on business growth methods and the capability of micro – finance institutions towards changing small businesses to conventional enterprises (Babajide, 2012). The current research is however different in that it focuses on the influence of microfinance services on performance of youth owned enterprises in West Pokot Sub-County, Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the design that the researcher used to carry out the study and the concepts used. It has the following key areas of the study; research design, target population, sampling methods and sample size.

3.2 Research Design

The study adopted a descriptive survey research design. Descriptive survey research design is the investigation in which quantitative/qualitative data is collected and analyzed in order to describe the specific phenomenon in its current trends, current events and linkages between different factors at the current time. The design was deemed appropriate because the main interest was to explore viable relationships and describe how the factors supported matters under investigation. A research design refers to the overall strategy that assists the researcher to integrate the different components of the study in a coherent and logical way. Orodho (2004) defines research design as a program which guides the researcher in collecting, analyzing and interpreting observed facts. Whereas Mugenda and Mugenda (2003) stated that the role of research design is to study and report the way things are. The researcher used descriptive survey research design due to the fact that people's views and opinions were sought and described appropriately and determined how microfinance services influenced performance of youth owned enterprises in West Pokot sub-county, Kenya.

Both qualitative and quantitative methods were used to supplement each other. Qualitative research was used to obtain specific information about the values, opinions, behaviors, and social contexts of particular populations. The main advantage with qualitative research is the ability to study and describe experiences and social phenomena (Silverman, 2006). Descriptive survey research design helped to describe the demographic characteristics of the target population at West Pokot in terms of age, gender and education levels. As explained by Attachariya, (2008), the use of descriptive statistics is a convenient way of description using tables organized to give suitable overall picture at a glance.

3.3 Target Population

The target population for the study was 959 owners of youth owned enterprises in West Pokot Sub-County. The listing of population elements were obtained from registered youth groups from West Pokot Sub-county Department of Social Services. All the population elements aged below 35 years. They were derived from 6 wards in the sub-county as provided in table 1.

Table 1: Target Population

| Ward | Total | % |
|-----------------------------------|------------|------------|
| Kapenguria Ward Youth Enterprises | 246 | 25.65 |
| Siyoi Ward Youth Enterprises | 240 | 25.03 |
| Mnagei Ward Youth Enterprises | 247 | 25.76 |
| Sook Ward Youth Enterprises | 120 | 12.51 |
| Riwo Ward Youth Enterprises | 57 | 5.94 |
| Endugh Ward Youth Enterprises | 51 | 5.32 |
| Total | 959 | 100 |

Source: (Researcher 2019)

3.4 Sample Size and Sampling Techniques

The sample size and sampling techniques are outlined below;

3.4.1 Sample Size

The sample size was 30 percent of the target population in every category as shown in the table below.

Table 2: Sample Size

| Ward | Target | 30% | Sample | % |
|-----------------------------------|--------|-----------|--------|-------|
| Kapenguria Ward Youth Enterprises | 246 | 30% X 246 | 73 | 25.69 |
| Siyoi Ward Youth Enterprises | 240 | 30% X 240 | 72 | 25 |
| Mnagei Ward Youth Enterprises | 247 | 30% X 247 | 74 | 25.69 |
| Sook Ward Youth Enterprises | 120 | 30% X 120 | 36 | 12.5 |

| | | | | |
|-------------------------------|------------|----------|------------|------------|
| Riwo ward Youth Enterprises | 57 | 30% X 57 | 17 | 5.90 |
| Endugh Ward Youth Enterprises | 51 | 30% X 51 | 15 | 5.21 |
| Total | 959 | | 288 | 100 |

3.4.2 Sampling Techniques

The sample design adopted was simple random sampling based on the wards in West- Pokot Sub-County, Kenya.

3.5 Data Collection Instruments

3.5.1 Questionnaires

Kothari (2008) noted that the replies from questionnaires usually are always in words of the respondent are commonly free from the partiality experienced during interview. There was sufficient time for the respondents to give well thought out responses. Questionnaires were used in this study because they can collect information from a very large sample faster and hence saved time. The unit of analysis which comprised business owners were administered questionnaires. The basis and determination of the elements within the questionnaires was pegged on the study objectives and variables as seen in the conceptual framework. The appropriateness of questionnaires for the study was considered because it was possible for the researcher to collect fixated information without interacting with the respondents. The questionnaire did actually contain five sections. Section A: provided information on the effects of microfinance savings & loan products on the performance of youth owned enterprises Section B focused on the influence microfinance group guarantees on the performance of youth owned enterprises. Section C yielded information on the effects of micro finance remittances on the performance of youth owned enterprises, Section D collected information on the fairness of microfinance repayment styles on the performance of youth owned enterprises while Section E

sought information on the performance of youth owned enterprises. A Five point Likert scale was of the tool was also used to rate questionnaire items where 1=Strongly Disagree (SD); 2=Disagree (D); 3=Undecided (UD) 4=Agree (A) and 5=Strongly Agree (SA).

3.5.2 Interview Schedules

Orodho (2009) postulate that many respondents prefer communicating orally and provide full information/data readily rather than writing on a questionnaire. The use of an interview schedule provides an investigator with opportunity to buoy up the subjects as well as deeply probing them towards the problem in question. There was therefore administration of structured interviews to business owners in west Pokot to supplement the data collected from the questionnaires. The method of collecting data where the researcher or his assistant meets face to face with the respondents and asks questions is known as interview. This was effectively used in the study since most business owners do not have time to sit down and write.

Instrument Validity

Validity is the correctness, accuracy, meaningfulness of inferences as well as soundness of conclusion results (Kothari, 2008). To determine content and construct validity, the researcher sought expert opinion. Comments solicited from the experts were very useful in improving research instruments before data gathering. Anastasi and Urbina (1997) referred to content validity is a non-statistical form of validity that encompasses the logical assessment of the test contents to discover whether or not it covers a representative sample of behaviour of population to be measured. The evidence of content validity comprises the extent to which the content material of the test suits the content domain related to the construct. This validity is constructed into a test by cautiously selecting an item to be included (Anastasi & Urbina 1997). Items are

selected in order to conform with the specifications of the test that's drawn up by the way of a comprehensive assessment of subject purview. Foxcroft (2004), noted that it may be improved by means of utilization of a pool of authorities to evaluation the check specifications and the selection of objects. The experts reviewed and commented on whether the items covered a representative sample of the sampled population. Testing the validity of the instrument used was done by availing the questionnaires to supervisors and a pool of skilled researchers in the University of Nairobi in an effort to overview the records series devices. To improve its validity, remarks from the professionals were integrated in the final instruments.

3.6 Pilot Study

Reliability may be defined as the consistency that an instrument exhibits whilst subjected to a comparable phenomenon repeatedly (Borg & Gall, 1993). The level of consistency or whether or not it may be relied upon to give similar outcomes applied repeatedly in an attempt to measure theoretical concepts. Questionnaire was piloted using of 30 businesses in west Pokot in a bid to determine the reliability of the instruments. The test-retest method was utilized to test the unwavering quality of surveys where the main test was regulated to the respondents and weeks after the fact, a subsequent test was managed to similar respondents. The tests were then analyzed separately and comparison made on the results.

A pilot study was carried out to test the validity and reliability of research instruments. A total of 20 questionnaires were administered to 20 respondents. The coefficient of reliability was computed using the Karl Pearson's coefficient of correlation formula given below;

$$r = \frac{\sum xy - \sum x \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2] [n \sum y^2 - (\sum y)^2]}}$$

Where

r = Coefficient of Correlation

n = number of respondents

x = total score of the test administration

y =total score of the retest administration

A coefficient of $r = 0.97$ was obtained hence test results confirmed reliability and validity of questionnaires.

3.7 Ethical Considerations

A letter of introduction was obtained from the University of Nairobi. Upon research proposal approval, a permit to carry out the research was obtained from the National Commission for Science, Technology and Innovation (NACOSTI) and thereafter, consent to carry out the study was obtained from the County Commissioner of West Pokot and once permission was given, data collection was carried out. The researcher guaranteed the respondents that the data they gave would be utilized for scholarly purposes only.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

In chapter four, the findings and the empirical data of the study were analyzed, and reported. The data for the research study collected from business owners or their representatives using questionnaires were presented, analyzed and then interpreted appropriately. The findings were presented in two sections according to tests that were done. The first section of the study is to explain the findings from youth owned enterprises in West Pokot Sub-County while the second section explains the findings from tests of associations between the dependent and independent variables.

4.2 Response Rate of Respondents

The study had a sample size of 288 potential respondents identified for administration of questionnaires. However, 284 respondents accepted to take part in the study. During data entry and cleaning, it was noted that 4 respondents gave inconsistent data hence the subjects were eliminated from further analysis. The remaining 280 respondents were thus considered valid and their responses analyzed in the study. This brought the rate of response to 97.2% which was considered sufficient for analysis.

The responses from youth owned enterprises or their representatives from the study included gender, age range, education level, number of years they had been running the small scale businesses as well as their awareness on the services offered by Micro Finance Institutions. The data was analysed in order to determine whether the respondents in the study were viable members for the study and for the information to help achieve the objectives of the study.

4.3 Demographic Characteristics of Respondents

In this section, the study classified all demographic characteristics of survey respondents by gender, age range, and education level. The aim of analysing the demographic characteristics was to see how these characteristics influenced response on the growth of youth-owned enterprises. The responses were presented in tables weighted to the population sample.

4.3.1 Gender of the Respondents

The data collected in the sample based on gender was used to determine how gender influence on access to microfinance services influenced performance of youth owned enterprises in West Pokot Sub-county.

Table 3; Gender of the Respondents

| Gender | Frequency | Percentage (%) |
|--------|-----------|----------------|
| Male | 182 | 65 |
| Female | 98 | 35 |
| Total | 280 | 100 |

Sixty five percent of youth owned enterprises were male as shown in the analysis, while female accounted for only 35 per cent. The study sought to determine how gender influenced those who had business and how MFIs had helped to offset solutions to gender disparity in setting up businesses. This was due to the evidence that men had previous access to capital for starting the business. However, with the emergence of the microfinance institutions in the area, more people are coming up to seek its services and more especially women who previously were hampered by lack of adequate capital to start-up businesses. The number of women compared to men engaged in small scale businesses was expected to increase because the microfinance institutions are providing a favourable investment climate to break the gender barriers experienced before in the area after all. As a result of capital provision through micro credit loans from MFIs, more women and men have become more involved in setting up of small scale businesses in West Pokot Sub-county than before. Significant variations also existed on youth owned enterprises by Wards with Endugh Ward having the lowest female ownership of youth owned enterprises at 5 percent.

4.3.2 Respondents' Age

An analysis of age distribution of the respondents was done considering four age ranges. These were ages between 18 to 22 years, 23 to 27 years, 28 to 32 years, and 32 to 35 years of respondents who are actively involved in owning and operating youth owned enterprises in the sub-county. The objective was to indicate how age influenced business ownership.

Table 4; Age of Respondents

| Age group | Frequency | Percentage (%) |
|------------------|------------------|-----------------------|
| 18-22 years | 38 | 13.6 |
| 23-27 years | 83 | 29.6 |
| 28-32 years | 79 | 28.2 |
| 32-35years | 80 | 28.5 |
| Total | 280 | 100 |

As shown in the table 4 above, majority of the respondents, (29.6%) were aged between 23 to 27 years followed by those with an age range of between 32 to 35 years at 28.5 percent. The age range from 18-22 years was the lowest in the study at 13.6 percent. Those participating and owning small scale businesses are mainly the mature youth in the age brackets of 23 to 35 years who have the potential to source capital from various avenues and investments. The younger population faces difficulty in raising capital explaining their smaller proportion in the study sample.

4.3.3 Education Level of the Respondents

In order to assess whether among other things the level of education affected youth owned enterprises or setting up new businesses, the respondents highest level of education was analysed.

Table 5: Level of Education of the Respondents

| Highest Educational Level | Frequency | Percentage (%) |
|----------------------------------|------------------|-----------------------|
| Primary school | 102 | 36.4 |
| Secondary/A-level | 124 | 44.3 |
| College/Polytechnic | 28 | 10 |
| University | 10 | 3.6 |
| None | 16 | 5.7 |
| Total | 280 | 100 |

A majority of the respondents (44%) had reached secondary level as the highest level of their education. Thirty six percent had reached primary education, 10 percent had college education and 5.6 percent had no formal education. Those with university education were the least at 3.6 percent.

4.3.4 Respondents’ Experience of Managing Business

The respondents were asked to state the period of time they have been running the business in order to assess whether longevity of service impact access to services provided by MFIs.

Table 6: Respondents’ Experience in Managing Business

| Years of Experience | Frequency | Percentage (%) |
|----------------------------|------------------|-----------------------|
| 0-3 years | 36 | 12.9 |
| 4-6 years | 71 | 25.4 |
| 7-10 years | 76 | 27.0 |
| 11-15 years | 78 | 27.6 |
| 16 years and above | 19 | 6.8 |
| Total | 280 | 100 |

As summarized in table 6 above, most of the youth owned enterprises, (27.6%) had 11-15 years of experience in business, followed by those with 7-10 years of experience. The number of youth owned enterprises with 0-3 years and (16 years and above) years of experience were the least at 12.9 per cent and 6.8 percent respectively.

4.4 Influence of Micro Finances Savings and Loan Products

In order to assess the role of micro finance services in youth owned enterprises, the study sought to identify the sources of capital and impact of loans and other services from micro finance institutions.

4.4.1 Sources of Capital

Initial capital is a vital need for any business as it determines its worth and ability to sustain itself as the business stabilizes. The respondents were asked to indicate their initial source of capital and responses were as summarized in table 7 below.

Table 7: Respondents' Source of Capital

| Source of Capital | Frequency | % |
|---------------------------------------|------------|------------|
| Personal Savings | 32 | 11.4 |
| SACCO Loan | 34 | 12.1 |
| Loans from Micro Finance Institutions | 166 | 59.3 |
| Loans from Commercial Banks | 48 | 17.1 |
| Total | 280 | 100 |

Fifty nine percent of the respondents sourced capital from microfinance institutions in form of loans while 17 percent got loans from commercial banks. Twelve percent and Eleven percent of respondents got their capital from SACCO loans and personal savings respectively. The response on the source of capital revealed that majority of youth owned enterprises sought loans from microfinance institutions to raise capital for their small scale enterprises in West Pokot Sub County. This number strongly points to great influence MFIs play in growth and development of youth owned enterprises in the sub-county.

4.4.2 Loans Borrowing from Microfinance Institutions

The respondents were asked whether they had previously taken loans from any MFIs and the results were as shown in table 8 below;

Table 8: Loans Borrowing from Microfinance Institutions

| Loans borrowing | Frequency | % |
|-----------------|-----------|----|
| No | 70 | 25 |
| Yes | 210 | 75 |

| | | |
|-------|-----|-----|
| Total | 280 | 100 |
|-------|-----|-----|

Seventy five percent of the respondents reported having previously taken loans from MFIs to finance current or other youth owned enterprises while twenty five percent said that they had never taken loans from MFIs.

4.4.2.1 Business Involvement before Borrowing Loans from Microfinance Institutions

Of those who responded that they had borrowed loans from MFIs, majority of them, 86% said that they had businesses of some sort before securing their first loan while 32% indicated that they had not been involved in business before as summarized in table 9 below.

Table 9: Business Involvement before Taking Loans from Microfinance Institutions

| Business Involvement | Frequency | Percent (%) |
|----------------------|------------|-------------|
| Yes | 143 | 86 |
| No | 23 | 14 |
| Total | 166 | 100 |

Some of those businesses included animal trading (cattle & chicken), cybercafés, small hotels, M-pesa shops, hawking, road side kiosks, and trading in second hand clothes. From this analysis, persons who have businesses stand a better ground in accessing loans than those who have never had businesses. This agrees with studies that have been done earlier for example, Ogbor, (2009), says that since MFIs can use a person’s business to assess their loan repayment ability, those with already established businesses can easily access the loans than those without any running businesses.

4.4.2.2 Business Performance before taking Loans from Microfinance Institutions

Small scale business persons who had been involved in businesses before securing the first loan were asked to categorize the performance of their businesses before benefiting from the MFI loans. This was aimed at identifying whether loans had an impact on their current businesses. The results of the responses were as summarized in table 10 below.

Table 10: Business Performance before Taking Loans from Microfinance Institutions

| Business Performance | Frequency | Percentage (%) |
|-----------------------------|------------------|-----------------------|
| Very Well | 32 | 11.4 |
| Well | 84 | 30 |
| Inactive | 155 | 55.4 |
| Collapse | 9 | 3.2 |
| Total | 280 | 100 |

A majority of the respondents at fifty five percent reported that their businesses were inactive before benefiting from the loans while thirty percent reported that they doing well in business. Eleven percent recorded that the businesses were performing very well. Three percent of respondents reported collapse of their businesses before taking the loans. Most of those who said the businesses were inactive or collapsed cited inadequate capital, poor location of business and lack of entrepreneurship culture as major challenges to business growth.

4.4.3 Capital Employed in Youth-Owned Enterprises

An analysis on the amount youth owned enterprises in West Pokot Sub County had employed in their businesses was done and is summarized in table 11.

Table 11: Capital Employed in Business

| Amount Employed(Kshs) | Frequency | % |
|------------------------------|------------------|------------|
| <15,000 | 5 | 1.8 |
| 15,001-25,000 | 12 | 4.2 |
| 25,001-25,000 | 14 | 5 |
| 25,001-35,000 | 16 | 5.7 |
| 35,001-45,000 | 35 | 12.5 |
| 45,001 and above | 198 | 70.7 |
| Total | 280 | 100 |

A majority of respondents, seventy percent had employed more than Ksh45, 000 while 12.5 percent had invested between Ksh. 35,001 and Ksh. 45,000. Cumulatively, 12 percent of the respondents had invested a maximum of Ksh.35, 000 as seed capital in business.

This analysis indicates a low initial capital employed in youth businesses in West Pokot sub-county which in turn leads to low returns and gives a reason why youth owned enterprises should be educated on how they can increase capital through borrowing from MFIs.

4.5.3.1 Employees in Youth Owned Enterprises

Majority of the youth owned enterprises indicated having had employees to help them in the running after accessing microfinance loans as shown in Table 12 below.

Table 12: Presence of Employees in Youth-owned Enterprises

| No. of Employees | No. of enterprises Before benefiting from MF Loan | No. of enterprises after benefiting from MF Loan |
|-------------------------|--|---|
| 0 | 184 | 18 |
| 1 employee | 90 | 198 |
| 2-3 employee | 4 | 56 |
| 4 and above (employees) | 2 | 8 |

184 enterprises in the study did not have any employees before benefiting from micro loans while 90 enterprises had one employee only. 4 enterprises in the study reported having 2-3 employees before benefiting from micro loans.

A majority of the enterprises had at least 1 employee after benefiting from access to micro finance. This is an indication that the loans received by youth owned enterprises from MFIs boost businesses, increase firms staffing levels and that the presence of MFIs in West Pokot Sub County is important to county economy.

4.4.3.2 Change in Business after Benefiting from MFI Loans

In order to evaluate the role of financial services provided by MFIs, respondents were asked whether their businesses had changed in any way after benefiting from the loans and their responses summarized in figure 13 below.

Table 13: Presence of Change in Business after Benefiting from MFI loans

| Presence of Change in Business | Frequency | Percent (%) |
|--------------------------------|-----------|-------------|
| Positive change | 258 | 92 |
| Negative change | 14 | 5 |
| No change | 8 | 3 |
| Total | 280 | 100 |

92 percent of the respondents admitted to witnessing positive improvement in their businesses after benefiting from the micro loans. Three percent indicated that they had not experienced any change while 5 percent reported having their businesses negatively. Changes seen ranged from increased sales and profits, ability to buy more stock, improvement in financial management and business expansion. One of the respondents noted that;

‘Indeed since I got loan for my business, I have increased my stock and hence attracted more clients to my business, I am happy, the business is doing well, I can’t regret’

This is a clear testimony that indeed business has done well since he acquired a loan for his business.

4.4.4 Loan Ratings

The respondents were asked to give rating on various characteristics of loans provided by MFIs that they had accessed and their responses were as summarized in table 14 below.

Table 14: Loan Ratings

| Loan Characteristic | Excellent | Very Good | Good | Poor | Very Poor | Total |
|----------------------------|------------------|------------------|-------------|-------------|------------------|--------------|
| Loan interest rates | 0 | 10(3.5%) | 54(19.3%) | 136(48.6%) | 80 (28.6%) | 280 |
| Loans processing charges | 4(1.4%) | 20(7.1%) | 97(34.6%) | 150(53.6%) | 9 (3.2%) | 280 |
| Loan processing speed | 35(12.5%) | 90(32.1%) | 132(47.1%) | 21(7.5%) | 2 (0.7%) | 280 |
| Penalties charged | 0 | 0 | 5(1.8%) | 219(78.2%) | 56(20%) | 280 |

Cumulatively, 77 percent of the respondents rated the loan interest rates as poor and very poor while only 23 percent rated it as good and very good. Similarly, majority of the respondents were of the opinion that loan processing charges and penalties charged were poor and very poor at 57 percent and 98 percent respectively. However, majority of the respondents indicated that loan processing speed was good as shown by a cumulative percentage of 91.7 percent.

From the responses on the ratings above, it is evident that although MFIs are playing a great role in offering financial services to youth-owned enterprises in West Pokot Sub-County. The enterprises are facing challenges with respect to high interest rates, high loan processing fees and penalties charged. This means that more youth owned enterprises would be willing to access the services if the MFIs consider finding solutions to these hurdles.

4.5 Influence of Micro Finance Group Guarantees on Performance of Youth Owned Enterprises

Respondents were asked to rate the influence of Micro Finance Group guarantees products in West Pokot Sub-county in order to ascertain whether they had impact on growth of their

businesses. The responses varied from those who strongly agreed to those who strongly disagreed. The results are summarized in table 15 below.

Table 15: Influence of Micro Finance Group Guarantees on Performance of Youth Owned Enterprises

| Statement | SA | A | N | D | SD |
|--|----------|----------|---------|---------|---------|
| Microfinance group guarantees assist performance of youth owned enterprises | | 161(57%) | 78(28%) | 39(14%) | 2(0.7%) |
| Microfinance group guarantees premiums you pay are flexibly good for performance of youth owned enterprises | 15(5%) | 139(50%) | 74(26%) | 51(18%) | 1(0.3%) |
| Microfinance group guarantees processing time for claims provides for continuity of youth owned enterprises when risks occur | | 100(36%) | 56(20%) | 25(9%) | 99(36) |
| Microfinance group guarantees present good long term solutions for sustainable performance of youth owned enterprises | 101(36%) | 115(41%) | 53(19%) | 4(1%) | 7(3%) |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

From the analysis, fifty seven percent of respondents agree that Microfinance group guarantees assist performance of youth owned enterprises. Twenty eight percent neither agreed nor disagreed. Fourteen percent of respondents disagreed that Microfinance group guarantees assist performance of youth owned enterprises.

50 percent of study respondents indicated that microfinance group guarantees premiums they pay are flexibly good for performance of youth owned enterprises. Only 5 percent agreed strongly while 26 percent neither disagreed nor agreed. 18 percent of respondents disagreed that

microfinance group guarantees premiums they pay are flexibly good for performance of youth owned enterprises

36 percent of study respondents agreed that microfinance group guarantees processing time for claims provides for continuity of youth owned enterprises when risks occur. 20 percent neither agreed nor disagreed while 9 percent disagreed. 36 percent strongly disagreed that microfinance group guarantees processing time for claims provides for continuity of youth owned enterprises when risks occur.

36 percent of respondents strongly agreed that microfinance group guarantees present good long term solutions for sustainable performance of youth owned enterprises. 41 percent agreed while 19 percent neither agreed nor disagreed. Only 1 percent and 3 percent of respondents disagreed and strongly disagreed respectively that microfinance group guarantees present good long term solutions for sustainable performance of youth owned enterprises.

One of the respondents confided in us by saying;

“The microfinance group guarantee has enabled me to access more credit for my business and this has greatly helped to grow my business”

4.6 Influence of Micro Finance Remittances on Performance of Youth Owned Enterprises

The respondents were asked to rate the influence of microfinance remittances in West Pokot Sub-county in order to ascertain whether they had impact on growth of their businesses. The responses varied from those who strongly agreed to those who strongly disagreed. The results are summarized in table 16 below.

Table 16: Influence of Micro-finance Remittances on Performance of Youth Owned Enterprises

| Statement | SA | A | N | D | SD |
|---|-----------|----------|----------|----------|-----------|
| Microfinance remittances assist performance of youth owned enterprises | | 9(3%) | 125(45%) | 47(17%) | 99(35%) |
| Microfinance remittances are flexibly good for performance of youth owned enterprises | | 3(1%) | 178(63%) | 99(35%) | |
| Microfinance remittances present good short | | 4(1.4%) | 194(69%) | 74(26%) | 4(1%) |

| | | | | | |
|--|--|-------|----------|---------|--------|
| term solutions for performance of youth owned enterprises | | | | | |
| Microfinance remittances present good long term solutions for performance of youth owned enterprises | | 8(3%) | 189(68%) | 64(23%) | 19(7%) |
| Microfinance remittances assist in flexible budgeting as a solution for performance of youth owned enterprises | | 6(2%) | 191(68%) | 61(22%) | 22(8%) |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

From the analysis, 35 percent of study respondents strongly disagree that microfinance remittances assist performance of youth owned enterprises. 17 percent disagreed while 45 percent neither agreed nor disagreed. Only 3 percent of study respondents strongly agreed that microfinance remittances assist performance of youth owned enterprises.

35 percent of study respondents disagreed that microfinance remittances are flexibly good for performance of youth owned enterprises. Only 1 percent agreed while 63 percent neither agreed nor disagreed.

26 percent of study respondents disagreed that microfinance remittances present good short term solutions for performance of youth owned enterprises. Only 1 percent agreed while a majority (69%) had no idea if microfinance remittances present good short term solutions for performance of youth owned enterprises.

23 percent of study respondents disagreed that microfinance remittances present good long term solutions for performance of youth owned enterprises. 7 percent strongly disagreed while only 3 percent agreed. A majority (68%) had no idea whether microfinance remittances present good long term solutions for performance of youth owned enterprises.

22 percent of study respondents disagreed that microfinance remittances assist in flexible budgeting as a solution for performance of youth owned enterprises. 8 percent strongly disagreed while a majority (68%) had no idea whether microfinance remittances assist in flexible budgeting as a solution for performance of youth owned enterprises. Only 2 percent agreed that remittances assists in flexible budgeting in a way that helps youth owned enterprises growth.

One of the respondents indicated thus

“Microfinance remittances have not had strong impact in my business.”

4.7 Influence of Training Services/Training Programs

Part of the services offered by MFIs includes training programmes to entrepreneurs with an objective of improving their knowledge and skills in managing their businesses. The study sought to evaluate the extent to which youth-owned enterprises had benefited from the MFIs training programmes. The responses show that a majority of respondents had not attended the trainings as represented in table 17 below.

Table 17: Attendance to Training Programs

| Attendance to Training Programmes | Frequency | Percent (%) |
|--|------------------|--------------------|
| Yes | 109 | 39 |
| No | 171 | 61 |
| Total | 280 | 100 |

Sixty one percent of the respondents had not attended training programs in MFIs while 39 percent had attended the trainings. Most small youth owned enterprises in West Pokot Sub-county have not fully benefited from useful programs run by MFIs in order to boost their businesses.

4.7.1 MFI’s Major Training Key Areas Attended by Youth owned Enterprises

Those who said they had attended training programs offered by MFIs were asked to identify the key areas of those trainings and their responses were as summarized in table 18 below;

Table 18: MFI’s Major Training Key Result areas Attended by Youth-Owned Enterprises

| Training Key Result Areas | Frequency | % |
|--|------------------|----------|
| Access to Government Procurement Opportunities | 55 | 50 |
| Savings and deposits facilities and their importance | 86 | 78.9 |
| Loan products, repayments and consequences of defaults | 98 | 89 |

| | | |
|--|----|------|
| Financial management skills & Record Keeping | 90 | 82.5 |
| Group mobilization, formation and registration processes | 67 | 61.4 |

A majority of the respondents had attended MFIs training programs on savings and deposit facilities and their importance, loan products and repayments, financial management and record keeping and group mobilization, formation and registration. Fifty percent had been trained on Access to Government Procurement Opportunities. This shows that MFIs are playing a great role in improvement of youth –owned enterprises in West Pokot Sub-County.

One responded indicated thus

“Yes, I have been trained on how to access the government job opportunities but I have not been lucky to get a chance to apply. But I have all it takes to do a government job”

This indicates that the MFI owners have been trained and they have the skills of doing the government opportunities but they are lacking opportunity to do the same.

4.7.2 Training Programmes by MFIs

The respondents were asked whether they would like the MFIs to continue offering the training programmes they offer in the sub- County and from their responses, majority said yes as shown in figure 19 below.

Table 19: Need for Continuity of Training Programs by MFIs

| Need for continuity of training | Frequency | Percent (%) |
|--|------------------|--------------------|
| Yes | 269 | 96 |
| No | 11 | 4 |
| Total | 280 | 100 |

Ninety six percent of the respondents agreed that MFIs should continue offering training programmes in West Pokot Sub-County while four percent said no. Those who agreed indicated that the training programs were helping them in financial management and giving them ideas on how to access credit facilities while for those who said ‘No’ complained that they still find difficulty accessing credit even after the trainings.

4.7.3 Other Services Sought by Youth-Owned Enterprises from MFIs

To be able to understand more on the contribution of MFIs to growth of youth entrepreneurs, an analysis on whether the business persons had sought other services from MFIs apart from micro loans was carried out.

Table 20: Other Services Sought from MFIs by Youth- Owned Enterprises

| Other Services sought from MFI | Frequency | Percent (%) |
|---------------------------------------|------------------|--------------------|
| Yes | 221 | 79 |
| No | 59 | 21 |
| Total | 280 | 100 |

From the analysis, 79 percent of the respondents said that they had sought other services apart from micro loans from MFIs while 21 percent had not. The analysis shows that a significant proportion of youth-owned enterprises have benefited from other services rendered by MFIs. However, there exists a huge gap in access to these services from MFIs when data is clustered by wards. Therefore there is need for MFIs to increase their presence to reach more in West Pokot Sub-County.

4.7.3.1 Kind of Services Sought from MFI by Youth-Owned Businesses

Those who had benefited from other services from MFIs were asked to mention the kind of services received from MFIs and the responses were as summarized in the following table 21.

Table 21: Kind of Services Sought from MFIs

| Service | Frequency | Percentage (%) |
|--|-----------|----------------|
| Financial literacy & management training | 96 | 43.4 |
| Advisory services on investment decisions(stock markets & government securities) | 68 | 30.8 |
| New business idea generation | 57 | 25.8 |
| Total | 221 | 100 |

From the analysis, Forty three percent had sought services on financial literacy & management, 31 percent had sought advisory services while 26 percent had sought services on new business idea generation. It is clear that MFIs are helping youth owned businesses in various ways than offering credit facilities in the sub-county.

4.8. Performance of Youth Owned Enterprises

The respondents were asked to rate the influence of MFIs in West Pokot Sub-county in order to ascertain whether they had impact on growth of their businesses. The responses varied from those who strongly agreed to those who strongly disagreed. The results are summarized in table 22 below.

Table 22: Performance of Youth Owned Enterprises

| Statement | SA | A | N | D | SD |
|--|---------|----------|----------|---------|---------|
| Performance of youth owned enterprises is influenced by micro finance loans and savings | 59(21%) | 130(46%) | 43(15%) | 41(15%) | 7(3%) |
| Performance of youth owned enterprises is influenced by microfinance capacity building & advisory services | 56(20%) | 122(44%) | 49(18%) | 51(18%) | 2(0.7%) |
| Performance of youth owned enterprises is influenced by | | 11(4%) | 128(46%) | 43(15%) | 98(35%) |

| | | | | | |
|---|--|----------|---------|---------|-------|
| microfinance remittances | | | | | |
| Performance of youth owned enterprises is influenced by microfinance group guarantees | | 156(56%) | 80(29%) | 35(13%) | 9(3%) |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

From the analysis, twenty one percent of the respondents strongly agreed that performance of youth owned enterprises is influenced by micro finance loans and savings. Forty six percent agreed while fifteen percent neither agreed nor disagreed. Another fifteen percent of the respondents and three percent disagreed and strongly disagreed respectively.

Twenty percent of the respondents strongly agreed that performance of youth owned enterprises is influenced by microfinance capacity building & advisory services. Another 44 percent agreed to this assertion. Eighteen percent of respondents neither agreed nor disagreed while another nineteen percent disagreed that performance of youth owned enterprises is influenced by microfinance capacity building & advisory services.

Forty six percent of study respondents had no idea if performance of youth owned enterprises is influenced by microfinance remittances. Thirty five percent strongly disagreed while another fifteen percent disagreed. Only Four percent of the respondents agreed that performance of youth owned enterprises is influenced by microfinance remittances. This is an indication of the low level of remittances to youth enterprises in the sub-county.

Fifty six percent of study respondents agreed that performance of youth owned enterprises is influenced by microfinance group guarantees. Twenty nine percent neither agreed nor disagreed to this assertion. Thirteen percent disagreed while three percent strongly disagreed that performance of youth owned enterprises is influenced by microfinance group guarantees.

4.9 Discussion of Findings

The study sought to determine how gender influenced those who had business and how MFIs had helped to provide solutions to gender disparity in setting up businesses. This is due to the evidence that men had previous access to capital for starting the business. Sixty five percent of youth owned enterprises were male, while female accounted for only 35 per cent. The results

show a steady increase towards gender parity with respect to ownership of youth enterprises in the sub-county. This could partly be explained by the fact that with the emergence of the microfinance institutions in the area, more people are coming up to seek its services and more especially women who previously were hampered by lack of adequate capital to start-up businesses. As a result of capital provision through micro credit loans from MFIs, more women and men have become more involved in setting up of small scale businesses in West Pokot Sub-county than before.

A majority of the respondents, (29.6%) were aged between 23 to 27 years followed by those with an age range of between 32 to 35 years at 28.5 percent. The age range from 18-22 years was the lowest in the study at 13.6 percent. Those participating and owning small scale businesses are mainly the mature youth in the age brackets of 23 to 35 years who have the potential to source capital from various avenues and investments. The age group 18-22years cohort continue to face difficulty in raising capital explaining their smaller proportion in the study sample due to their relatively high risk rating. Previously businesses were run by those who had inherited from rich parents but with the emergence of the microfinance businesses, even the young people at the age of 18 years as a result of rising unemployment are taking refuge in self-employment with small scale businesses as the last resort backed up by microfinance institutions (Sundaresan, 2008).

A majority of the respondents (44%) had reached secondary level as the highest level of their education. Thirty six percent had reached primary education, 10 percent had college education and 5.6 percent had no formal education. Those with university education were the least at 3.6 percent. Although most small scale business persons have attained secondary education or more, some have had only primary or vocational training and might lack the technical knowhow of managing the business. The microfinance institutions' training programs play huge role in the area to ensure entrepreneurs can set up viable businesses and effectively run them.

A majority of respondents, seventy percent had employed more than Ksh.45, 000 while 12.5 percent had invested between Ksh. 35,001 and Ksh. 45,000.Cumulatively, 12 percent of the respondents had invested a maximum of Ksh.35,000 as seed capital in business. This analysis indicate a low initial capital employed in youth businesses in West Pokot sub-county which in

turns leads to low returns and gives a reason why youth owned enterprises should be educated on how they can increase capital through borrowing from MFIs.

Fifty nine percent of the respondents sourced capital from microfinance institutions in form of loans while 17 percent got loans from commercial banks. Twelve percent and eleven percent of respondents got their capital from SACCO loans and personal savings respectively. The response on the source of capital revealed that majority of youth owned enterprises sought loans from microfinance institutions to raise capital for their small scale enterprises in West Pokot Sub County. This number strongly points to great influence MFIs play in growth and development of youth owned enterprises in the sub-county.

A majority of the respondents at fifty five percent reported that their businesses were inactive before benefiting from the loans while thirty percent reported that they doing well in business. Eleven percent recorded that the businesses were performing very well. Three percent of respondents reported collapse of their businesses before taking the loans. Most of those who said the businesses were inactive or collapsed cited inadequate capital, high dependency ratio, poor location of business and lack of entrepreneurship culture as major challenges to business growth. MFIs have boosted the businesses through the loan facilities.

Further from the analysis, a majority of the respondents (67%) agreed that performance of youth owned enterprises is influenced by micro finance loans and savings. 92 percent of the respondents admitted to witnessing positive improvement in their businesses after benefiting from the micro loans. Three percent indicated that they had not experienced any change while 5 percent reported having their businesses negatively affected. Changes seen ranged from increased sales and profits, ability to buy more stock, improvement in financial management and business expansion. This finding reaffirms the role of micro finance institutions and services in the development of county and national economy.

184 enterprises in the study did not have any employees before benefiting from micro loans while 90 enterprises had one employee only. 4 enterprises in the study reported having 2-3 employees before benefiting from micro loans. A majority on the enterprises had at least 1 employee after benefiting from access to micro finance. This is an indication that the loans

received by youth owned enterprises from MFIs boost businesses, increases firms staffing levels and that presence of MFIs in West Pokot Sub County is important to county economy.

Cumulatively, 77 percent of the respondents rated the loan interest rates as poor and very poor while only 23 percent rated it as good and very good. Similarly, majority of the respondents were of the opinion that loan processing charges and penalties charged were poor and very poor at 57 percent and 98 percent respectively. However, majority of the respondents indicated that loan processing speed was good as shown by a cumulative percentage of 91.7 percent. From the responses on the ratings above, it is evident that although MFIs are playing a great role in providing financial savings and loan products to youth-owned enterprises in West Pokot Sub-County. The enterprises were facing challenges of high loan processing, fees high interest rates, and penalties charged. This means that more youth owned enterprises would be willing to access loans if the MFIs pay more attention to these challenges.

Further, a majority of respondents either agreed or strongly agreed (64%) that performance of youth owned enterprises is influenced by microfinance capacity building & advisory services. This further reinforces the role of MFIs in the development of youth enterprises. There is however a significant proportion of respondents who were not aware of availability of capacity building & advisory services or may not have benefited from the trainings provided by MFIs due to other factors. There is therefore need for MFIs to reach out to more youth enterprises to enable them benefit from capacity building and advisory services they provide.

Forty six percent of study respondents had no idea if performance of youth owned enterprises is influenced by microfinance remittances. Thirty five percent strongly disagreed while another fifteen percent disagreed. Only four percent of the respondents agreed that performance of youth owned enterprises is influenced by microfinance remittances. This is an indication of the low level of remittances to youth enterprises in the sub-county. There was no evidence from respondents that remittances may have been made through other means. This therefore means that the sub-county may not be having many residents in the diaspora who could make remittances back.

Fifty six percent of study respondents agreed that performance of youth owned enterprises is influenced by microfinance group guarantees. Twenty nine percent neither agreed nor disagreed to this assertion. Thirteen percent disagreed while three percent strongly disagreed that performance of youth owned enterprises is influenced by microfinance group guarantees. This finding implies that although nearly half of respondents agreed, there remain a large number of respondents who had no idea about micro finance group guarantees. A significant number also disagreed implying that MFIs need to create more awareness to youth owned enterprises on the need and importance of Micro group guarantees. Respondents were also not satisfied with processing time of group guarantees claims when risks occur. MFIs need to improve on this.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, conclusions and recommendations from the study to inform policy makers and stakeholders on areas of improvement with respect to the provision of microfinance services in the county. In addition, the chapter provides suggestions on areas of future research that can be carried out to address assumptions made and limitations of the current study.

5.2 Summary of Key Findings

The purpose of the research study was to assess the influence of microfinance services on performance of youth owned enterprises in West Pokot Sub -County, Kenya. The sub-objectives were to assess the influence of Microfinance Savings, Loans, Group guarantees, Remittances and Non- financial services on performance of youth owned enterprises. The results show a steady increase towards gender parity with respect to ownership of youth enterprises in the sub-county. The findings also show that the age group 18-22years cohort of youth continue to face difficulty in raising capital explaining their smaller proportion in the study sample due to their relatively high risk rating.

Although most youth owned persons have attained secondary education or more, some have had only primary or vocational training and lack the skills of managing an enterprise. The microfinance institutions’ training programs play huge role in the area to ensure entrepreneurs can set up viable businesses and effectively run them.

A majority of the respondents sourced capital from microfinance institutions in form of loans. The response on the source of capital revealed that majority of youth owned enterprises sought loans from microfinance institutions to raise capital for their small scale enterprises in West Pokot Sub County. This number strongly points to great influence MFIs play in growth and development of youth owned enterprises in the sub-county.

A majority of the respondents at fifty five percent reported that their businesses were inactive before benefiting from the loans while thirty percent reported that they doing well in business. Most of those who said the businesses were inactive or collapsed cited inadequate capital, high dependency ratio, poor location of business and lack of entrepreneurship culture as major challenges to business growth. MFIs have boosted the businesses through the loan facilities.

Further from the analysis, a majority of the respondents (67%) agreed that performance of youth owned enterprises is influenced by micro finance loans and savings. 92 percent of the respondents admitted to witnessing positive improvement in their businesses after benefiting from the micro loans. Changes seen ranged from increased sales and profits, ability to buy more stock, improvement in financial management and business expansion. This finding reaffirms the role of micro finance institutions and services in the development of county and national economy. A majority on the enterprises had at least 1 employee after benefiting from access to micro finance loans. This is another indication that the loans received by youth owned enterprises from MFIs boost businesses, increases firms staffing levels and that presence of MFIs in West Pokot Sub County is important to county economy.

Cumulatively, 77 percent of the respondents rated the loan interest rates as poor and very poor while only 23 percent rated it as good and very good. Similarly, majority of the respondents were of the opinion that loan processing charges and penalties charged were poor and very poor at 57 percent and 98 percent respectively. However, majority of the respondents indicated that loan processing speed was good as shown by a cumulative percentage of 91.7 percent. From the responses on the ratings above, it is evident that although MFIs are playing a great role in providing financial savings and loan products to youth-owned enterprises in West Pokot Sub-County. The enterprises were facing challenges of high loan processing, fees high interest rates, and penalties charged. This means that more youth owned enterprises would be willing to access loans if the MFIs pay more attention to these challenges.

Further, a majority of respondents either agreed or strongly agreed (64%) that performance of youth owned enterprises is influenced by microfinance capacity building & advisory services. This further reinforces the role of MFIs in the development of youth enterprises. There is

however a significant proportion of respondents who were not aware of availability of capacity building & advisory services or may not have benefited from the trainings provided by MFIs due to other factors. There is therefore need for MFIs to reach out to more youth enterprises to enable them benefit from capacity building and advisory services they provide.

Forty six percent of study respondents had no idea if performance of youth owned enterprises is influenced by microfinance remittances. Thirty five percent strongly disagreed while another fifteen percent disagreed. Only four percent of the respondents agreed that performance of youth owned enterprises is influenced by microfinance remittances. This is an indication of the low level of remittances to youth enterprises in the sub-county. This therefore means that the sub-county may not be having many residents in the diaspora who could make remittances back.

5.3 Conclusion

This study was aimed at investigating the influence of microfinance services on growth of youth enterprises in West Pokot Sub-county, Kenya. In conclusion, the study was able to arrive at a conclusion that microfinance services (loans, savings, training and advisory services have significantly influenced growth of youth owned businesses in West Pokot, Kenya. Microfinance Remittances have not played a significant role in performance of youth owned enterprises in West Pokot Sub-county. This conclusion is statistically arrived at through analysis of responses of youthful entrepreneurs' services on provision of advisory services, training programs, finance, and remittances in West Pokot sub-county.

5.4 Recommendations

Having identified the importance of some of microfinance services to youth entrepreneurship and development in the sub-county the study makes the following recommendations: the third Medium Term Plan (2018-2022) planned priority programmes for youth should be informed by the findings in this research; Youth enterprises need to be trained and supported to access more opportunities under Access to Government Procurement Opportunities; MFIs should review and improve processing time of microfinance group guarantees claims when risks occur; MFIs should also review the high loan processing fees, high interest rates, and high penalties charged; The age group 18-22years cohort continues to face difficulty in raising capital due to their

relatively high risk rating. The government should come up with a unique programme targeting this group to improve their access to capital financing and there is therefore need for MFIs to reach out to more youth enterprises to enable them benefit from capacity building and advisory services they provide.

5.5 Suggestions for Further Research

Further research studies can be conducted and different research methods used to determine the influence of microfinance services on performance of youth owned enterprises in other sub-counties in West Pokot County. This can generate additional data and information on how the performance of youth owned enterprises as a result of microfinance can be achieved and sustained. The study focused on four different services that were provided by the microfinance providers in West Pokot sub-county and the data analysed keeping other factors constant. There can be further factors at play influencing the growth of youth enterprises and thus further research can be conducted to bring out these factors as well as other variables that are not covered in this research study. The sample size in the study narrowed down to smaller number of youth enterprises only. Future research can include larger samples which can be used to draw more precise findings and inferences. A study on the relationship between culture (intervening variable) and microfinance services should also be carried out to inform future county planning on the provision of micro finance services.

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APPENDICES

APPENDIX I: RESEARCH PERMIT


REPUBLIC OF KENYA

RefNo: 548204


RESEARCH LICENSE




This is to Certify that Mr. BENARD BIEGONA of University of Nairobi, has been licensed to conduct research in Transzoia on the topic: INFLUENCE OF MICROFINANCE SERVICES ON THE GROWTH OF YOUTH OWNED ENTERPRISES IN WEST POKOT SUB-COUNTY, KENYA for the period ending : 22/November/2020.

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APPENDIX II: TRANSMITTAL LETTER

July, 2019

Dear Madam/Sir,

RE: REQUEST FOR DATA COLLECTION

I am a post graduate student pursuing a Master's degree. I am required to submit as part of my research work assessment, a project on **“INFLUENCE OF MICROFINANCE SERVICES ON THE PERFORMANCE OF YOUTH OWNED ENTERPRISES, A CASE STUDY OF WEST POKOT SUB-COUNTY”**. To achieve this, you have been selected to participate in the study. I kindly request you to fill the attached questionnaire to generate data required for this study. This information will be used purely for academic purposes and will be treated in confidence and will not be used for publicity. Neither your name nor the name of your institution will be mentioned in the report.

Your assistance and cooperation will be highly appreciated.

Thank you in advance.

Yours faithful

Benard Biegon

University of Nairobi

APPENDIX III: QUESTIONNAIRE

| |
|--|
| <p>Questionnaire</p> <p>No..... _____</p> |
|--|

PERSONAL DETAILS

Area/Ward

Sub-County

Business Type.....

Number of Years of experience.....

Sex..... Male Female

Age bracket 18-22 23-27 28-32 32-35

Highest level of formal education?

Primary Secondary College University Post-Graduate Not plicable

Special Skills possessed.....

SECTION A: EFFECTS OF MICROFINANCE SAVINGS & LOAN PRODUCTS ON THE PERFORMANCE OF YOUTH OWNED ENTERPRISES

| Statement | SA | A | N | D | SD |
|---|-----------|----------|----------|----------|-----------|
| A variety of microfinance loan products assists performance of youth owned enterprises | | | | | |
| Microfinance loan products are flexibly good for performance of youth owned enterprises | | | | | |
| Microfinance loan products present good short term solutions for performance of youth owned enterprises | | | | | |
| Microfinance loan products present good long term solutions for | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| performance of youth owned enterprises | | | | | |
| Microfinance loan products present assist in flexible budgeting as a solution for performance of youth owned enterprises | | | | | |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION B: INFLUENCE MICROFINANCE GROUP GUARANTEES ON THE PERFORMANCE OF YOUTH OWNED ENTERPRISES

| Statement | SA | A | N | D | SD |
|--|----|---|---|---|----|
| Microfinance group guarantees assist performance of youth owned enterprises | | | | | |
| Microfinance group guarantees premiums you pay are flexibly good for performance of youth owned enterprises | | | | | |
| Microfinance group guarantees processing time for claims provides for continuity of youth owned enterprises when risks occur | | | | | |
| Microfinance group guarantees present good long term solutions for sustainable performance of youth owned enterprises | | | | | |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION C: EFFECTS OF MICRO FINANCE REMITTANCES ON THE PERFORMANCE OF YOUTH OWNED ENTERPRISES

| Statement | SA | A | N | D | SD |
|---|----|---|---|---|----|
| Microfinance remittances assist performance of youth owned enterprises | | | | | |
| Microfinance remittances are flexibly good for performance of youth owned enterprises | | | | | |
| Microfinance remittances present good short term solutions for performance of youth owned enterprises | | | | | |
| Microfinance remittances present good long term solutions for | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| performance of youth owned enterprises | | | | | |
| Microfinance remittances assist in flexible budgeting as a solution for performance of youth owned enterprises | | | | | |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION D: FAIRNESS OF MICROFINANCE REPAYMENT STYLES ON THE PERFORMANCE OF YOUTH OWNED ENTERPRISES

| Statement | SA | A | N | D | SD |
|---|----|---|---|---|----|
| Microfinance repayment styles assist performance of youth owned enterprises | | | | | |
| Microfinance repayment styles are flexibly good for performance of youth owned enterprises | | | | | |
| Microfinance repayment styles present good short term solutions for performance of youth owned enterprises | | | | | |
| Microfinance repayment styles present good long term solutions for performance of youth owned enterprises | | | | | |
| Microfinance repayment styles assist in flexible budgeting as a solution for performance of youth owned enterprises | | | | | |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

SECTION E: PERFORMANCE OF YOUTH OWNED ENTERPRISES

| Statement | SA | A | N | D | SD |
|--|----|---|---|---|----|
| Performance of youth owned enterprises is influenced by micro finance loans and savings | | | | | |
| Performance of youth owned enterprises is influenced by microfinance capacity building & advisory services | | | | | |
| Performance of youth owned enterprises is influenced by microfinance remittances | | | | | |
| Performance of youth owned enterprises is influenced by microfinance group guarantees | | | | | |

SA – Strongly Agree A- Agree N- Neutral D- Disagree SD Strongly Disagree

Thank you for your co-operation

APPENDIX IV: INTERVIEW GUIDE

The study will be guided by the following specific questions:

- i. How does microfinance savings and loan products influence performance of youth owned enterprises in West Pokot Sub-County, Kenya?
- ii. How does group microfinance guarantees influence performance of youth owned enterprises in West Pokot Sub-County, Kenya?
- iii. How does microfinance group remittances influence performance of youth owned enterprises in West Pokot Sub-County, Kenya?
- iv. How does microfinance training services influence performance of youth owned enterprises in West Pokot, Kenya?

Thank you for your co-operation

APPENDIX V: WORK PLAN

| | Activity | Time frame in months | | | | | |
|---|--|------------------------|--------------|-------------|--------------|-------------|-------------|
| | | June – July 2019 | July 2019 | Aug 2019 | Sept 2019 | Oct 2019 | Nov 2019 |
| 1 | Writing of the proposal in consultation with supervisors | | | | | | |
| 2 | Defense of the proposal and amending suggested areas | | | | | | |
| 4 | Preparation of research instruments, reconnaissance visits and piloting | | | | | | |
| 5 | Administration of instruments, collection of data, assembling of completed research instruments, organization of data and analyzing. | | | | | | |
| 6 | Writing of Project Report | | | | | | |
| 7 | Submission of Project, making of amendments and submission of final project report. | | | | | | |

APPENDIX VI: RESEARCH BUDGET

| ITEM | COST (KSHS) |
|--|--------------------|
| 1) Stationery | |
| a) Writing Materials | 1,500 |
| 2) Typesetting | |
| a) Typing of Proposal and final report | 1,500 |
| b) Printing services | 4,000 |
| 3)Traveling Expenses-Piloting, research data collection | 20,000 |
| 4) Binding Services | 5,000 |
| 5) Computer Services | 3,000 |
| 6) Data analysis | 10,000 |
| 7) Miscellaneous | 3,000 |
| Grand total | 48,000 |