

**FACTORS INFLUENCING FINANCIAL SUSTAINABILITY OF
ENTERPRISES FUNDED UNDER THE YOUTH ENTERPRISE
DEVELOPMENT FUND PROGRAM IN MOMBASA COUNTY,
KENYA.**

BY

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DECLARATION

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

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DEDICATION

I dedicate this work to my parents, Mr. and Mrs. Ngoe for their unwavering support and belief in the value of education; and to Anthony, David and Charles Ngoe for being my loudest cheerleaders in this walk. God bless you all.

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ABBREVIATIONS AND ACRONYMS

C-YES- Constituency Youth Enterprise Scheme

DESA- Department of Economic and Social Affairs

GEM- Global Entrepreneurship Monitor

MOYA- Ministry of Youth Affairs and Sports

UN- United Nations

UNECA- United Nations Economic Commission for Africa

YEDF- Youth Enterprise Development Fund

ABSTRACT

This research project dealt with factors influencing financial sustainability of youth enterprises funded under the Youth Enterprise development fund in Mombasa County. A report from the Ministry of Youth Affairs revealed that repayment rates of beneficiary enterprises from the Coast province were very low. Of concern was the fact that 3 out of the 4 constituencies of Mombasa County were in the bottom half of the province and 2 were in the last 50 in national rankings in terms of debt recovery. The purpose of this study was to examine the factors that influenced the ability of these enterprises that receive funding from the YEDF to meet the financial obligations of their operations and service their loans as and when required. Literature surveyed revealed four prominent factors in relation to financial sustainability, namely; leadership profile, financial planning, financial and administration procedures, and internal methods of financing. The researcher dwelt on these factors in carrying out the study. The study was conducted through a descriptive survey. Random sampling and purposive selection was used to pick the groups sampled and 5 YEDF officers as key informants. Data was collected using questionnaires and interviews. Questionnaires were analyzed and presented using tables and in form of percentages, means and standard deviation. Findings from the interviews were analyzed for content and presented in narrative form according to the thematic areas in relation to the variables. The study revealed that most enterprise groups consisted of male members with a majority having attained high school education. The leaders and members in most groups had no prior experience in business. Though most groups appreciated the importance of financial plans, few businesses had documented their plans and were therefore likely to change them frequently. Additionally most groups appreciated the importance of having administration and financial procedures and controls and checked their records on a weekly or monthly basis. However the study also revealed that most groups only drew up an income and expenditure account and few drew up balance sheets and cash flow statements implying a lack of knowledge or understanding in key financial concepts. The study showed that personal contribution from group members was the most popular form of internal financing. However it was noted that savings from income of the group scored lowly, implying that in most cases reinvestment into the business was not a priority for the group members and this could greatly affect the financial operations of the business. The null hypotheses were accepted for the hypotheses tests conducted on the variables under study implying that further research is needed to identify other factors that influence financial sustainability of these enterprises. It was therefore the recommendation of the researcher that the groups be given more training to enable them understand key financial concepts and strengthening monitoring and evaluation of these groups by the YEDF officers. The researcher has also suggested that a similar study could be carried out in other counties as well as studies on other factors that could affect the financial sustainability of these groups.

CHAPTER ONE INTRODUCTION

1.1 Background of the study

The global youth unemployment situation has led to creation of youth enterprise programs that advice and gives funding to youth enterprises. In Kenya the Youth Enterprise Development Fund gives loans to youth enterprises. One major challenge plaguing the fund is low repayment rates. Of special concern to this study is the coast region and Mombasa County in particular; to find out the factors influencing financial sustainability of these enterprises.

The United Nations puts the global youth population ranging from the ages of 15-24 at over 1.03 billion people or approximately 18 percent of the total world population (UN Department for public information, 1997).The population of unemployed youth globally in 2010 was estimated at 77.7 million (The International Labor Organization [ILO], 2011).The African Youth report by the United Nations Economic Commission for Africa [UNECA] (2011) stated that youth (aged 15 to 24) constitute slightly more than 20 per cent of Africa's population. In addition the report indicates that about 36.8 percent of Africa's workforce is youth and that in 2009 the youth unemployment rate was at 11.9 percent in Sub-Saharan Africa and 23.7 percent in North Africa. In East Africa, the African Development Indicator 2008/09 reported a high unemployment rate among the youth of ages 15-24 of 83 percent in Uganda (World Bank [WB], 2009).Closer home, the population rates among Kenyan youth has been on the upward trend as shown in the table 1.1.

Table 1.1: Youth Population growth (1969-2009)

Age	1969	1979	1989	1999	2009
15-19	1,104,999	1,741,845	2,378,696	3,403,178	4,169,543
20-24	878,111	1,327,404	1,902,934	2,832,918	3,775,103
25-29	760,839	1,055,712	1,629,761	2,259,503	3,201,226
30-34	580,189	818,076	1,159,424	1,685,922	2,519,506

Source:(S.K Njonjo, 2010, Youth fact book)

As indicated in the table 1.1, youth population in Kenya has been increasing since 1969 to 2009. Currently, 78.31 percent of Kenyans are below 34 years old. Those aged 15-34 years old constitute 35.39 percent of the population (as cited by Njonjo S.K, 2010).The Kenyan Census results in 2009 (Kenya National Bureau of Statistics [KNBS], 2009) and the YEDF strategic plan (Youth Enterprise Development Fund[YEDF] 2008-2011) reveal the same trend. The Kenyan unemployment rate is approximately 40 percent and of this population an estimated 64 percent comprise the youth.

The current generation is probably witnessing the largest population of youth in history; most of these youth have attained at least the basic education level requirements in primary and secondary schools. The formal workforce or what is termed as white collar jobs can only absorb a very small percentage of this population. The rest either remain jobless for a long time or with diminishing hope in getting formal employment, join the growing informal sector.The global focus is on continued development of the small and medium enterprise which forms the core of entrepreneurship (Wanjumbi, 2006).

The Global Entrepreneurship Monitor (GEM) 2011reported ‘an upsurge in entrepreneurship around the world-entrepreneurs are now numbering near 400 million in 54 countries-with millions of new hires and job creation expectations in the coming years.’(GEM, 2011)

An earlier report by GEM in 2006 indicated that young individuals between the age 18 and 34 were actively involved in entrepreneurship in all the 34 developed and developing countries surveyed, regardless of the level of GDP per capita. However it noted that the level of activity by age groups differed significantly across countries with different income levels (GEM, 2006).

Many countries have developed and adopted youth policies and created programmes that provide support to youth enterprises. There are many examples of successful youth entrepreneurship programmes. According to Chigunta (2002), ‘Two of the most successful programmes for promoting youth entrepreneurship are the *Imprenditorialita Giovanile* (IG) S.p.A in Italy and The Prince’s Trust-Business (PTB) in the United Kingdom

Sharif (1998) noted that ‘The tendency towards self employment among youth is much greater in sub-Saharan Africa than in other parts of the world’ (as cited in Chigunta, 2002).In Africa programmes geared toward youth entrepreneurship include *Katura Youth Enterprise Centre*

(KAYEC), a community based organization in Namibia which provides training, information, workspace and support to young people who aspire to start their own business. In South Africa an initiative called *Education with Enterprise Trust* (EWET) runs two schemes: the *Youth Enterprise Society* (YES) for secondary schools and *Business Now* for out-of-school youth. Another initiative called *Centre for Opportunity Development* provides a structured and experiential development programme for youth with aspirations towards starting their own businesses.

The post-election violence of 2007 during which period unemployed youth were lured into joining ethnic terror gangs that meted out tribal violence, resulted in increased government effort to tackle this issue (Amenya, Onsongo, Guyo and Onwong'a, 2011). The government through its National Youth policy has initiated a number of programmes, including the *Kazi Kwa Vijana* (KKV) programme that was launched in April 2009 and was aimed at employing youth in rural and urban areas in labor intensive public work projects implemented by different line ministries (Amenya et.al., 2011). The *Youth Enterprise Development Fund* (YEDF) is another initiative by the Government of Kenya (GoK) to advance loans to youth enterprises as well as offer business development services and entrepreneurship training.

The Youth Enterprise Development Fund (YEDF) was established by the government in June 2006 as one of the strategies of addressing youth unemployment. The Fund is one of the flagship projects of Vision 2030, under the social pillar. This will be achieved through provision of credit and equipping the youth with appropriate skills to creatively engage in economically viable activities. The fund targets young people within the age bracket of 18 to 35 years whose total population currently stands at 13 million. To date the Fund has advanced loans worth Kshs. 5.2 billion to 144,000 youth enterprises. Out of this amount Kshs. 545.3 million has been advanced to 12,407 group projects while Kshs. 54.2 million has been disbursed to 2111 individual enterprises at the constituency level. Through financial intermediaries the Fund has financed 129,385 group and individual enterprises to the tune of Kshs. 4.6 billion. Because the Fund is revolving the cumulative amount advanced as loans is more than what the Fund has received from Treasury (YEDF status report 2011).

A report from the Ministry of Youth Affairs and Sports (MOYA)-Coast province (Appendix 4) indicated that as at 31st October, 2010, the province had been allocated kshs 42 million under the C-YES Programme since its inception in 2007. Of this amount kshs 37,228,626 had been approved. As at the same date, only kshs 5,866,457 or 14 percent had been recovered. 10 out of the 21 constituencies in the province, almost 50 percent were ranked in the last 50 constituencies nationally in terms of the debt recovered. In addition, the report also shows that of the 4 constituencies that represent Mombasa County, which is the area of focus in this study, 3 were in the bottom half of the province and 2 in the last 50 in national rankings.

Another report from the YEDF as at 29/2/12 indicated that out of the 241 registered groups in Mombasa County, 158 or 66% had elapsed the 12 month period required for paying the loan and only 13 groups or 5% had paid up as shown in table 1.2.

Table 1.2: YEDF summary of repayment rates in Mombasa County as at 29/2/12

Constituency	No. of youth enterprises	No. of youth enterprises that have cleared payments as at 29/2/12	No. of enterprises in arrears that have not made any payment as at 29/2/12
Changamwe	62	6	35
Kisauni	80	2	58
Likoni	54	2	40
Mvita	45	3	25
Total	241	13	158

Source (C-YES loan status report 29/02/12)

Under the C-YES programme, groups are given a grace period of 3 months before they start repayment of the loan. Indeed if these are the funds that have been disbursed and recovered by the YEDF since it began its operations in 2007, then there's a cause for concern at such low levels of recovery. This cause for concern does not only present itself as a challenge to the YEDF in terms debt recovery to ensure the Fund's sustainability, but also points to a significant problem; that of financial sustainability of these enterprises once they receive funding; their ability to meet the costs of their operations and service their loans.

Adongo and Stork (2005) defined financial sustainability as the ‘ability to cover costs independent of external subsidies from donors or government’. Leon (2001) in defining financial sustainability for Non-profit organizations added that ‘financial sustainability means ensuring the longevity of the organization’. Kavanagh (2007) also identified long-term financial planning as a key component in financial sustainability.

In attempting to explain what financial sustainability means for youth enterprises, it is imperative then to include the proposition that once these enterprises have received funding through the C-YES programme, it should be their aim to work towards generating income that covers their costs, including consistently servicing this debt as and when it falls due without reverting to additional borrowing. This explanation should also take into account the fact this process should ensure the long term financial planning is carried out to secure the long term survival of the enterprise.

This situation is brought into focus by recent findings of a research carried out by the Centre for Enterprise Development (CED). The study carried out in Nairobi was highlighted in one of the dailies. The study titled ‘Are youth and women in Kenya ready for business?’ engaged over 200 participants from both the Women Enterprise Fund and the Youth Enterprise Development Fund. The study indicated that 5 out of every 10 young people seeking funding from the government are ill-equipped to run their own businesses. 61.3% of women entrepreneurs and 48% of the youth surveyed have less than 50% likelihood of business success. The results indicated further that entrepreneurial readiness is still low. On average, one in every three start-ups fails within the first six months. This is vindicated by the fact that almost half the beneficiaries were yet to start a business one to three months after receiving the funding (Daily Nation: *Smart Business*, Feb. 21st 2012)

If the research findings were anything to go by, then it was only prudent to surmise that the financial sustainability of youth enterprises already receiving funding from the YEDF was in serious question and had to be subjected to closer scrutiny.

1.2 Statement of the problem

According to the YEDF report of 2011 ‘the Fund has advanced loans worth kshs 5.2 billion to 144,000 youth enterprises. Out of this amount kshs 545.3 million has been advanced to 12,407 group projects while kshs 54.2 million has been disbursed to 2111 individuals at constituency level’. As at 31st October, 2010, the 21 constituencies that make up Coast province had approved and disbursed about kshs 37.2 million and only kshs 5.8 million had been recovered. The four constituencies that make up Mombasa County had received kshs 8.5 million and recovered kshs 1.03 million, representing only 12.2 percent of the funds disbursed. This is not far from the provincial figure of debt recovered which stood at 14 percent. These low repayment levels were despite the fact that the fund has a mandatory pre-financing training programme to enhance sustainability of youth enterprises. In addition, the CED study revealed a low entrepreneurial readiness and fund seekers who were ill-equipped to run their own businesses; facts that affect financial sustainability of these enterprises. Much emphasis in reporting on the performance of YEDF had been laid in the allocation of these funds to the counties and successful approval and disbursements made as well as the challenges that the Fund has faced in the course of implementing its mandate.

Current research in developing countries on entrepreneurship had also dwelt largely on the performance and factors influencing the financial sustainability of the funding institutions; for instance Adongo and Stork (2005) addressed ‘factors influencing the financial sustainability of selected micro-finance institutions in Namibia’ and Amenya et al. (2011) carried out a case study in Nyaribari Chache constituency to analyze the challenges facing the YEDF. The other point of emphasis in entrepreneurial discussions and research is on the gender factor. An ILO paper (2003) looked at ‘Jobs, gender and small enterprise in Africa’ in discussing the growth of women entrepreneurs in Tanzania. In instances where research had focused on youth entrepreneurship, the direction of the discussion had leaned mostly on the challenges facing youth enterprises. Chigunta (2002) focused on key policy challenges of youth entrepreneurship.

It was therefore apparent that although there was ongoing discussion on entrepreneurship, there was little emphasis on the performance and financial sustainability of these enterprises and in particular, youth enterprises. There has been a dearth of information and research on how these recipient organizations perform after receiving funding. While the YEDF must be applauded as

an initiative that has helped many youth enterprises to realize their dreams, it is only half the story. The other crucial half of the story could only be determined by the performance of these enterprises. It was important to take into consideration the fact that the YEDF receives a significant allocation of the fiscal budget from the government through the MOYA; additionally, the C-YES programme under the YEDF does not require youth to have collateral and there is currently no legal mechanism to compel recipients to repay their loans. This makes the Fund vulnerable to youth who are looking for quick, easy money with no legal ramifications in case of failure. Yet financial sustainability is important if these enterprises were to continue meeting their own financial needs and realize growth while at the same time servicing their loans.

There was therefore a need to explore the determinants of financial sustainability of youth enterprises receiving funding through the YEDF and, more specifically those under the C-YES programme, seeing as such the low levels of repayment reported and as research results obtained focused instead on the financial sustainability of funding institutions, whose situation may not be entirely comparable and relevant to these enterprises in terms of their objectives and purpose of existence.

1.3 Purpose of the study

The purpose of the study was to examine the factors that influence the ability of youth enterprises that receive funding from the YEDF-CYES program in Mombasa County to meet the financial obligations of their operations and service their loans when required, as well as to examine the challenges that they face in doing so.

1.4 Objectives of the study

The purpose of the study was realized through the following objectives:

1. To establish how leadership profile influences the financial sustainability of an enterprise
2. To examine how the existence and use of a financial plan influences the financial sustainability of an enterprise
3. To establish how procedures for administration and financial controls influence financial sustainability of an enterprise
4. To establish how other internal methods of financing are employed apart from the YEDF and how they influence financial sustainability of an enterprise.

1.5 Research Questions and research hypotheses

The study focused on four research questions and four hypotheses.

1.5.1 Research Questions

The research questions of the study were:

1. How does the leader's profile influence financial sustainability of an enterprise?
2. How does the existence and use of a financial plan influence financial sustainability of an enterprise?
3. What are the procedures in place for administration and financial controls and how do they influence the financial sustainability of an enterprise?
4. What are the internal methods of financing employed apart from the YEDF and how do they influence financial sustainability of an enterprise?

1.5.2 Research Hypotheses

The following research hypotheses were tested:

1. H_0 =There is no relationship between prior business experience and financial sustainability of youth enterprises
 H_1 = There is a relationship between prior business experience and financial sustainability of youth enterprises
2. H_0 =There is no relationship between preparing financial plans and financial sustainability of youth enterprises
 H_1 =There is a relationship between preparing financial plans and financial sustainability of youth enterprises
3. H_0 =There is no relationship between keeping records daily and financial sustainability of youth enterprises.
 H_1 =There is a relationship between keeping daily records and financial sustainability of youth enterprises
4. H_0 =There is no relationship between having internal methods of financing and financial sustainability of youth enterprises
 H_1 =There is a relationship between having internal methods of financing and financial sustainability of youth enterprises

1.6 Significance of the study

The findings of this research were to enable the YEDF establish the leadership profile of those youths leading these enterprises in terms of level of education, training and experience. This would help in tailoring training approaches that would be in sync with their level of understanding and training gaps identified.

In examining the existence and use of financial plans, it was the researcher's intention that the findings from this research would encourage these enterprising youth groups to adopt long term financial planning. This would ensure proper management of financial resources and a keener emphasis during the preparation of budgets and planning for expenditure as well as expected income.

It was also intended that in establishing how procedures for administration and financial control influence financial sustainability, the enterprises would develop an immediate need to adopt financial tools and procedures that would help build their long term ability to meet their financial obligations and realize profitability and growth. This would be ensured through more accurate record keeping and proper preparation and interpretation of financial statements. It would also help YEDF officers to focus on monitoring and evaluation to realize and address training gaps in financial skills among the groups.

Establishing other internal methods of financing employed by these groups was to help in encouraging these groups to find means of financing that did not involve more debt. In particular it was intended that these enterprises would prioritise on reinvesting savings from their income as the cheapest and most immediately available form of financing.

The study would also contribute to an area of academia i.e. youth entrepreneurship, that is still relatively new and gaps and questions for further research in this area would be identified.

1.7 Delimitations of the study

The research was to be conducted within the following parameters:

1. Only group enterprises under the C-YES programme included in the research. Individual owned enterprises under the C-YES programme and those receiving funding from financial intermediaries were excluded.
2. Only group enterprises in Mombasa County were targeted.

1.8 Limitations of the study

The following limitations were encountered during the study:

1. The language of communication, especially in use of financial terms was observed during the pilot study. This was mitigated by having some terms changed to the commonplace names used by most youth enterprises and translating and presenting the questionnaire in Kiswahili for some groups.
2. Some questions were not answered properly. The researcher administered the questionnaires personally and was able to review and seek clarification before the session ended.

1.9 Basic assumptions of the study

The study took the following assumptions into consideration:

1. The YEDF department in Mombasa county would avail the list and contacts of the groups in Mombasa who are recipients of funding under the C-YES programme
2. The targeted population of youth enterprises under the C-YES would be willing to participate in the study
3. The participants in the study would answer questions truthfully.

1.10 Definition of significant terms

Administration and finance procedures- the operational definition was also adopted from Leon (2001) as actions or measures put in place that ‘must record the organization’s transactions to enable us visualize the organization as a whole’. These records include evidence of financial statements.

Financial plan of action- the operational use of this term will adopt Leon (2001) definition as ‘projected expenditures and the organization’s potential to generate the income to cover those expenditures’.

Financial sustainability- the definition was adopted from Adongo and Stork (2005) ‘the ability to cover costs independent of external subsidies from donors or government’. For the purpose of this study it is the ability to cover cost, including repayment of the YEDF loan without additional borrowing to cover these expenses.

Internal financing- the operational definition of this term refers to funds that the Youth enterprise raises apart from the YEDF and therefore is not subjected to the repayment obligation or conditions under which funding was received from the YEDF C-YES fund as well as any other debt financing or equity financing that requires part or full ownership transfer.

Profile- the use of this word was derived from the dictionary definition as ‘a representation of information (especially on certain characteristics) recorded in a quantified form’; to this end, information on certain characteristics of the enterprise leaders.

1.11 Organization of the study

The study has been organized into five chapters. The first chapter introduces the study by looking at the youth unemployment situation and the concept of youth enterprises and promotion programmes. It also covers an introduction to the Youth Enterprise Development Fund (YEDF) and outlines the performance of the fund in the 4 constituencies of Mombasa County. The chapter also outlines the statement of the problem, purpose and objectives, research questions, significance, limitations and delimitations, basic assumptions of the study and definition of significant terms.

The second chapter reviews literature on youth entrepreneurship promotion programmes and those related to the four factors influencing financial sustainability of youth enterprises, namely; leadership profile, financial plans, administration and financial procedures and controls and internal methods of financing.

The third chapter explains the research methodology adopted in the study. It outlines the research design, target population, sampling size and sampling procedure, data collection methods and procedures, validity and reliability of research instruments, ethical considerations and data analysis and presentation techniques used.

In the fourth chapter the data analysis, presentation and interpretation is outlined.

A summary of findings, discussion, conclusions and recommendations make up the fifth chapter of this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This literature review section begins with brief overview on Youth Enterprise promotion programmes. This is followed by an in-depth review of literature focusing on the key variables of the study, namely: the leadership profile, financial planning, administration and finance procedures and internal methods of financing.

2.2 Youth entrepreneurship promotion programmes

Youth enterprise promotion programmes consist of government or private initiatives and sometimes partnerships between the two aimed at supporting youth enterprise activities.

Chigunta (2002) observes that ‘there is no single policy model for the encouragement and promotion of entrepreneurial activities among the youth. As the OECD report (2001) notes, as new programmes develop in various national and cultural settings, they tend to show more, rather than less variety in their content and delivery mechanisms. Enterprise promotion projects have different goals and objectives, in terms of clients, aspirations and types of interventions. Broadly speaking however, programmes aimed at promoting enterprise among youth can be divided into two categories: those aimed at in-school youth and those designed to meet the needs of non-school youth.’ In Kenya we have Entrepreneurship studies that have been introduced in tertiary institutions for the in-school youth. However these entrepreneurship courses still lean largely on the theoretical side. The YEFD is one such initiative by the government that is aimed at funding out-of-school youth engaging in enterprise initiatives.

The impact of these programmes on youth enterprise development vary from country to country. Chigunta (2002) notes that in all these programmes, there is one common gap, that ‘with the exception of just few countries and programmes, continued assistance for business development and expansion after a year or so of operations remains almost absent. This may occur because official programmes and even some private ones become biased by short-term labour-policy issues, namely reducing youth unemployment and the associated problems quickly and sharply (OECD, 2001; White and Kenyon, 2000).’ The ILO (2006) paper on ‘Barriers and incentives to enterprise start-ups by young people’ also concurs with the perspective that these initiatives may often be short term and have little impact by citing White and Kenyon (2001) who assert that ‘ in

certain situations and conditions youth enterprise should not be promoted, especially when it is only concerned with keeping young people busy'. It is therefore the prerogative of the government and private individuals who drive such initiatives to ensure that they are long term in focus in order to have significant impact in the livelihoods of these young entrepreneurs and sustainability of their enterprises beyond the first year.

2.3 Leadership profile and financial sustainability

The leader of the organization or the enterprise owner is also the vision carrier and therefore the one who will know where the organization is headed. As with many aspects of the enterprise where he or she will be required to define direction, so it will be with providing financial direction. For the leader to do this he or she requires a certain level of competence and skills as well as basic understanding of some concepts.

Wickham P. A (2006) states that leadership 'is increasingly recognized as a critical part of managerial success'. He further defines leadership as 'the power to focus and direct the organization' and that 'the entrepreneur is responsible for setting the goals that must be achieved...then encourage the individuals in their organizations to take the particular course of action set forth in order to meet these goals'. Robbins and Judge (2007) define leadership as the 'ability to influence a group toward the achievement of a vision or set goals'.

An entrepreneur is therefore the one who also holds the vision on the financial goals of the enterprise. It is upon him or her to set the financial goals that must be achieved, and focus and direct the organization staff towards meeting these goals. If an entrepreneur does not develop or communicate financial goals then chances are the crucial financial resources and income from the venture will be misallocated, resulting in failure to meet financial goals and a negative effect on the operations of the enterprise. After all if the leader does not know the way, then it cannot be expected that those working under him can do any better. Most likely his or her staff will meander their way in spending the resources in a way that does not optimize returns and there are no financial targets to aspire towards in provision of their services. Leon P (2001) emphasizes that 'it is nearly impossible to achieve financial sustainability without the organization's leadership and directors'.

Indeed studies by the Centre for Creative Leadership (CCL) show that investments in leadership development lead to improved bottom-line financial performance, ability to attract and retain talent, drive a performance culture and increased organizational agility. A study in Harvard business review by Laura Bassie and Daniel McMurrer(2007) showed a strong link between leadership skills and the bottom line. The study examined the stock prices of 11 publicly traded financial services firms. Companies with high scores for their investments in human capital delivered stock market returns that were 5 times higher than that of companies with less emphasis on human capital. Bassie and McMurrer also cited a separate study of 750 large, public firms. The bottom line: organizations with the best human capital practices provided returns to shareholders that were 3 times greater than those of companies with weak human capital practices.

The ability of the leader to work towards achievement of financial sustainability is reliant on certain characteristics of the leader. The educational level of an enterprise leader is important. The educational level of an entrepreneur will determine the skills for responsible planning and use of financial resources available. Education enables one acquire basic arithmetic skills and reading and writing skills. In a report titled 'conclusions concerning the promotion of sustainable enterprises' by the international labor conference [ILC] (2007), one of the conditions cited for a conducive environment for sustainable enterprises was education training and lifelong learning. The report further explains that 'human talent is the single most important productive factor in today's economy. Focusing on the development of a skilled workforce and the expansion of human capabilities through high quality systems of education, training and lifelong learning is important for helping workers to find good jobs and enterprises to find the skilled workers they need.' This strong and positive association between education and success of the enterprise are further echoed by Panda (2001). It is true that there are many entrepreneurs in Africa and Kenya who were have not been able to get the basic education and have still managed to do well. In fact research shows that only 47% of pupils in primary school secure entry into the secondary level and dropout rates at the secondary level range from 10 to 50% (Keriga L and Bujra A, 2009). Some of these drop out students will go into the informal sector and start their own businesses, however with little understanding or ability to make basic financial decisions. It is perhaps why; these enterprises remain small and subsistent, just barely meeting needs while their counterparts in developed countries grow with a global perspective and outreach.

Research further shows that '57% of entrepreneurs in high income countries have a post secondary education, an indication that these countries are building skills for entrepreneurs as compared to 23% in poor countries. Again nearly 50% of entrepreneurs in low income countries do not have post secondary education as against 13% of their counterparts in high income countries (GEM 2004). These and many other confirm the 2004 research findings of global entrepreneurship monitor that there is a positive correlation between educational attainment and entrepreneurial behavior (as cited by Dwomo-Fokuo, Nsowah-Nuamah and Boadu 2011)

Prior experience in the enterprise activities is also important component of the leadership. Prior experience in the current business venture as an employee or apprentice working for someone else or as a business owner increases the chances of success. According to Peterson, Kozmetsky and Ridgeway, 1983; Prahalad and Hamel, 1990 and Swiercz and Spencer, 1992, this is because experience provides one with competencies and skills to operate in that area. A leader may gain through prior experience, competencies and skills in areas of operations, finance, marketing, human resource and management skills. The successes and failures of a past venture also will provide valuable lessons for the entrepreneur and increase the predictive ability of the entrepreneur as a leader when making decisions (as cited by Yusof 2011). Other studies have been done that show that prior experience may not be a guarantee for future business success, such as Bowen, Morara and Mureithi (2009).

However for certain technical aspects of the business or particular industry, prior experience proves invaluable especially in enhancing the decision making process. For instance certain industries or products experience seasonal variations in demand. Such foreknowledge will help an entrepreneur adjust their finances so that money is not tied up in unnecessary inventory during low season. A study conducted by Wadhwa, Aggarwal, Holly and Salkever (2009) on 549 company founders in the United States (US) revealed that a major challenge for the entrepreneurs surveyed was prior experience. 96 percent ranked prior work experience as an important success factor and 58 percent ranked it as extremely important. 88 percent said that learning from previous successes, and 78 percent said that learning from previous failures played an important role in their present successes. 40 percent said that lessons from failures were extremely important. Basu A (1998) also alluded to the fact that Gujarati immigrants to Britain

from East Africa were more inclined towards self employment due to their previous experience at running enterprises in East Africa.

Managerial and entrepreneurial skills also make up an essential characteristic of the leadership of the enterprise. Youth enterprises in Kenya are mainly small scale; as a result the entrepreneur will many times double up as a manager to his or her team of workers. Since they cannot afford to hire experts to help them run their enterprises at this level, they need the requisite managerial and entrepreneurial skills to do so. Wickham P.A. (2006) observed that entrepreneurial skills could be divided into general management and people management skills.

General management includes strategy, planning, financial, marketing, project management and time management skills. People management skills include leadership, motivation, delegation, communication and negotiation. The entrepreneur will be therefore involved in planning, organizing, controlling and directing use of financial resources in a manner that ensures maximum returns(Widdowson and Hailwood, 2007). Without the above mentioned skills, especially financial and planning skills, then finances will definitely not be used correctly. Papulova and Makros (2007) in citing Newton's pyramid of managerial skills(Newton 2001) in their study state that 'at least basic understanding is needed in reading 'numbers', a term they use to describe financial statements. Chandler and Hanks (1994) also found evidence of direct relationships between founder's entrepreneurial and managerial competencies and firm performance. Widdowson and Hailwood (2007) on the importance of financial literacy skills, add that 'a person with a good level of financial literacy is likely to be better placed than someone without those skills and knowledge to manage their financial affairs prudently; all else being equal, they are more likely to budget effectively, invest wisely and manage their debt level in a sustainable manner. By contrast, poor financial choices, possibly based on a lack of understanding of financial matters, can result in a number of negative outcomes, including lower level of financial wealth and imprudent debt levels.'

2.4 Financial planning and financial sustainability

Leon (2001) describes a financial plan of action as consisting of 'projected expenditures and the organization's potential to generate the income to cover those expenditures'.

In illustrating the importance of a financial plan, Scarborough (2011) says that ‘entrepreneurs who fail to develop workable strategies for earning a profit from the outset will eventually suffer the ultimate business penalty: failure...More important a financial plan is a vital tool that helps entrepreneurs to manage their businesses more effectively, steering their way around pitfalls that cause failures. According to Plunkett, Attner and Allen (2008) ‘money is the basis for all an organization’s operations, from acquiring resources to honoring employee checks to compensating investors. Money is the lifeblood of an organization. It flows to all operatives, and in turn, allows work to flow. A company’s financial health affects its ability to function at every level’. If money is indeed the lifeblood of an organization, then for all intents and purposes an enterprise must make sure that it plans for the right diet in order to keep this blood at the right levels so that it continues feeding the whole body of the enterprise. They add further that planning is ‘preparing for tomorrow, today’ and that this provides direction and unity of purpose for organizations and their subsystems. Barringer and Ireland (2008) also add that ‘an entrepreneur’s ability to pursue an opportunity and turn the opportunity into a viable entrepreneurial firm, largely hinges on the availability of money’. Kavanagh(2007) also states that ‘long term financial planning is a vital discipline for creating and maintaining financial sustainability. Kavanagh also cites the following challenges in financial planning:

a) Mobilizing for planning

It can be difficult to mobilize an organization for planning, especially if there is not a pressing financial crisis motivating planning. Thus the leaders of a planning process must make stakeholders aware of the need for planning and create a desire to participate.

b) Presenting forecasts

Presenting revenue and expenditure forecasts can be challenging because they can distract the governing board with questions of forecast precision and assumption validity instead of how to develop strategies to achieve and maintain financial sustainability. This derails the planning process as the board becomes focused on scrutinizing the forecast and not recognizing the potential future financial imbalances and how to solve them.

c) Aligning resources

Long term financial planning is a comprehensive effort and obtaining the resources to do a thorough job can be daunting. Structuring a capable team and making available sufficient time to work on financial planning are possible, however.

d) Institutionalizing planning

Ideally, financial planning will become a standard feature of the organization's financial management and governance. Institutionalizing planning is difficult because it requires a number of diverse solutions.

These are challenges that can be overcome. It must also be remembered also that planning is not the preserve of large scale enterprises; any entrepreneur at whatever level has to plan. The complexity of planning will be affected by the business size and the industry in which it plies its trade. Small scale entrepreneurs who do not undertake planning eventually fall prey to the wisdom that 'failing to plan is planning to fail'.

Plans help in the guideline of operations and use of the resources of an organization. Without a plan then the organizational resources may be used haphazardly and wasted as well as become vulnerable to fraud, a financial plan helps guide the organization in terms of showing the financial resources that are available to the firm and the organization of such resources in a way that maximizes these resources for the highest return. The process of developing a plan also ensures that prior research has been done to establish where and how an organization can acquire its resources using finances available in the most cost effective way, without compromising on quality; or where it can purchase for instance, alternative raw materials that will still produce the same goods or services but at a lower cost.

Money comes at a cost. It is therefore best to strive to see how an entrepreneur can use the least amount of it to produce their product and therefore be able to offer this at the most competitive price. A plan ensures this. It also helps to foresee and plan for contingency expenses that arise from time to time and which may require financial intervention.

However a plan on paper will only be as valuable as the use it is put to. Otherwise it remains as words on paper. It has to be implemented. It has to contain relevant financial information in a format that is easy to understand and on a timely basis (Scarborough, 2011) The financial plan is

also to be reviewed in keeping with changes experienced in the business environment that affect the financial resources of the enterprise (Leon, 2001).

In a study done by Bowen et.al (2009), 54.5 percent of the 198 businesses studied, cited discipline in financial management as a business success factor. However many entrepreneurs may shy away from the activity of financial planning due to lack of financial know-how; however this to the detriment of their business. Scarborough (2011) cited a study which found that only 11 percent of small business owners analyzed their financial statements as part of the managerial planning and decision-making process. Scarborough, Wilson and Zimmerer (2009) report that ‘one survey of small business owners by Greenfield Online found that accounting was the most intimidating part of managing their businesses and that more than half had no formal financial training at all’.

2.5 Administration and finance procedures, controls and financial sustainability

Administration and financial procedures involve obtaining, recording and analyzing financial information. This financial information is to be then communicated to enable decision making. It also has to be controlled and protected in terms of access so that it is not tampered with, which might affect the ability to make sound decisions (Appleby, 1994). A sound administration and finance system involves a clear outline of the personnel, procedures, technology and records used by the enterprise.

For instance, there should be specific people handling cash, records or books kept for purchases, sales etc, as well as procedures for requesting use of finances in the enterprise. This ensures that there are people held responsible and accountable for use of financial resources and there is an audit trail for finances used.

Leon (2001) observed that knowing how to manage resources is essential to achieving financial sustainability. She noted that ‘efficient procedures for administration and finances are governed by series of institutional policies that help us make the most of our resources and ensure transparency in fiscal management. Moreover, these procedures must enable us to anticipate the organization’s financial standing and, ultimately, make timely decisions in a timely manner. Efficient procedures also allow us to generate income through the financial management of available assets. Accounting-administrative procedures must fit the organization’s needs.

Regardless of their scope and structure, these procedures must record the organization's transactions to enable us visualize the organization as a whole'.

Apart from the accounting procedures, financial statements are important in decision making (Greene 2006). Firms rely on analyses of financial statements, forecasts and budgets to assess whether their financial objectives have been met. The income statement, the balance sheet and the statement of cash flows are the financial statements that entrepreneurs most commonly use (Barringer and Ireland, 2008). The financial statements should be easy to prepare and understood as well as reviewed frequently to facilitate decision-making. 'Records are essential for business purposes, for accountability and for cultural purposes according to Shepherd and Yeo (2003)' (as cited by Borglund and Oberg, 2008). In achieving financial sustainability, the first two purposes are crucial i.e. for business purposes and accountability.

Proper finance procedures facilitate internal and external audit activities. Control of financial resources ensure that allocation of financial resources is done in an efficient and effective manner. Vertical controls that occur due to the chain of hierarchy in an organization ensure that there are points of authority and responsibility that can be held accountable in how financial resources have been used (Ostmann, 2009). Internal control measures and processes may involve the board of the organization or those central to the activities in the department or unit. Ostmann further adds that 'for organizational units, measures relate to points of time or periods- a year, a quarter of a year, a month and so on.' External audit is then based on internal audit activities. It is not a process of faultfinding but to ensure that the enterprise adheres with present regulations and procedures of preparation and reporting of financial statements.

Administrative problems have been cited as a major cause for failure of small businesses. Poor quality of records and errors in calculation are some of the problems encountered in record-keeping. 'A study by Kazooba (2006) revealed that poor recordkeeping and a lack of basic business management experience and skills were major contributors' (as cited by Okpara and Wynn, 2007). They also reported that 'Inadequate recordkeeping is also a major cause of business failure. In most cases this is not only due to the low priority attached to it by new entrepreneurs, but also to the lack of basic business management skills. Most business owners end up losing track of their daily transactions and cannot account for their expenses and profits at

the end of the month. Good recordkeeping provides a small business with accurate information on which to base decisions, such as projecting sales and purchases, determining break-even points, and making other financial analyses. The prevalent lack of proper records has led to the closure of some businesses, thereby making it a significant issue for business success'.

Some of the records that need to be diligently kept include daily sales and purchases ledgers, inventory controls and petty cash book among others. The records should be kept accurately with accompanying evidence such as receipts or invoices to enable the preparation of accurate financial statements; otherwise inadequate or inaccurate record keeping may result in erroneous financial statements that cannot facilitate proper decision making. Again, the practice of record keeping should not be done under the compulsion of pleasing auditors; instead it should be done with the sincere intention of getting a true picture of the enterprise's standing in order to enable proper decision making and better financial planning. Indeed it can be taken as a process that enables continuous financial improvement for the enterprise.

2.6 Internal methods of financing and financial sustainability

As part of their character of being creative and innovative, youth entrepreneurs should be able to devise ways of raising funds for their businesses without relying heavily on debt financing. They do not have to rely solely on financial institutions and government agencies for capital (Scarborough, 2011). A focus on debt or transfer of part or full ownership when the enterprise is still young and growing may not be a very wise option for the entrepreneur. Scarborough, Wilson and Zimmerer (2009) observe that, 'excessive borrowing in the early days of the business puts intense pressure on its cash flow, and becoming a minority shareholder may dampen a founder's enthusiasm for making a business successful. Neither outcome presents a bright future for the company involved.

Some of the internal methods of financing include:

a) Personal savings

Personal savings is the least expensive source of funds. Lenders and investors expect entrepreneurs to put their own money into a business start-up. If the entrepreneur is not willing to risk his own money, potential investors are not likely to risk their money in the business either (Scarborough et.al, 2009)

b) Conversion of personal assets to business use

Apart from personal savings there are personal assets that can be converted into cash. According to Holt (2003) a personal car may provide cash through refinancing, and second mortgages can be obtained for home equity. Life insurance policies may have accumulated equity, and other assets such as stamp and coin collections have capital value. He also adds that ‘some assets may also be converted into business use, including personal trucks or vans, computers, telephone answering systems, furniture and tools among others.’

c) Family and friends

Family and friends are a viable option of financing according to Scarborough et.al(2009) because of their relationship with the founder. ‘Family members and friends are more patient than other outside investors and are less meddlesome in a business’s affairs than many other types of investors. Investments from family and friends are an excellent source of seed capital and bridge financing, the money that gets the young business far enough along to attract money from private investors or venture capital companies.’

d) Leasing

Scarborough (2011) notes that ‘today small businesses can lease virtually any kind of asset-from office space and telephones to computers and heavy equipment. By leasing expensive assets, the small business owner is able to use them without locking in valuable capital for an extended period of time. In other words, entrepreneurs can reduce the long-term capital requirements of the business by leasing equipment and facilities, and they are not investing their capital in depreciating assets. In addition, because no down payment is required and because the cost of the asset is spread over a longer time (lowering monthly payments), a company’s cash flow improves.

Scarborough et.al (2009) cited a study by the Global Entrepreneurship Monitor (GEM, 2006) that revealed that in the United States, the average cost of starting a business is \$70,200 and that the typical entrepreneur provides 67.9 percent of the initial capital requirement. In another GEM report (2006) cited, they observe that, ‘family members and friends are the biggest source of external capital used to launch new businesses’.

2.7 Conceptual framework

This section presents a schematic diagram showing the relationship between the independent variables and the dependent variable.

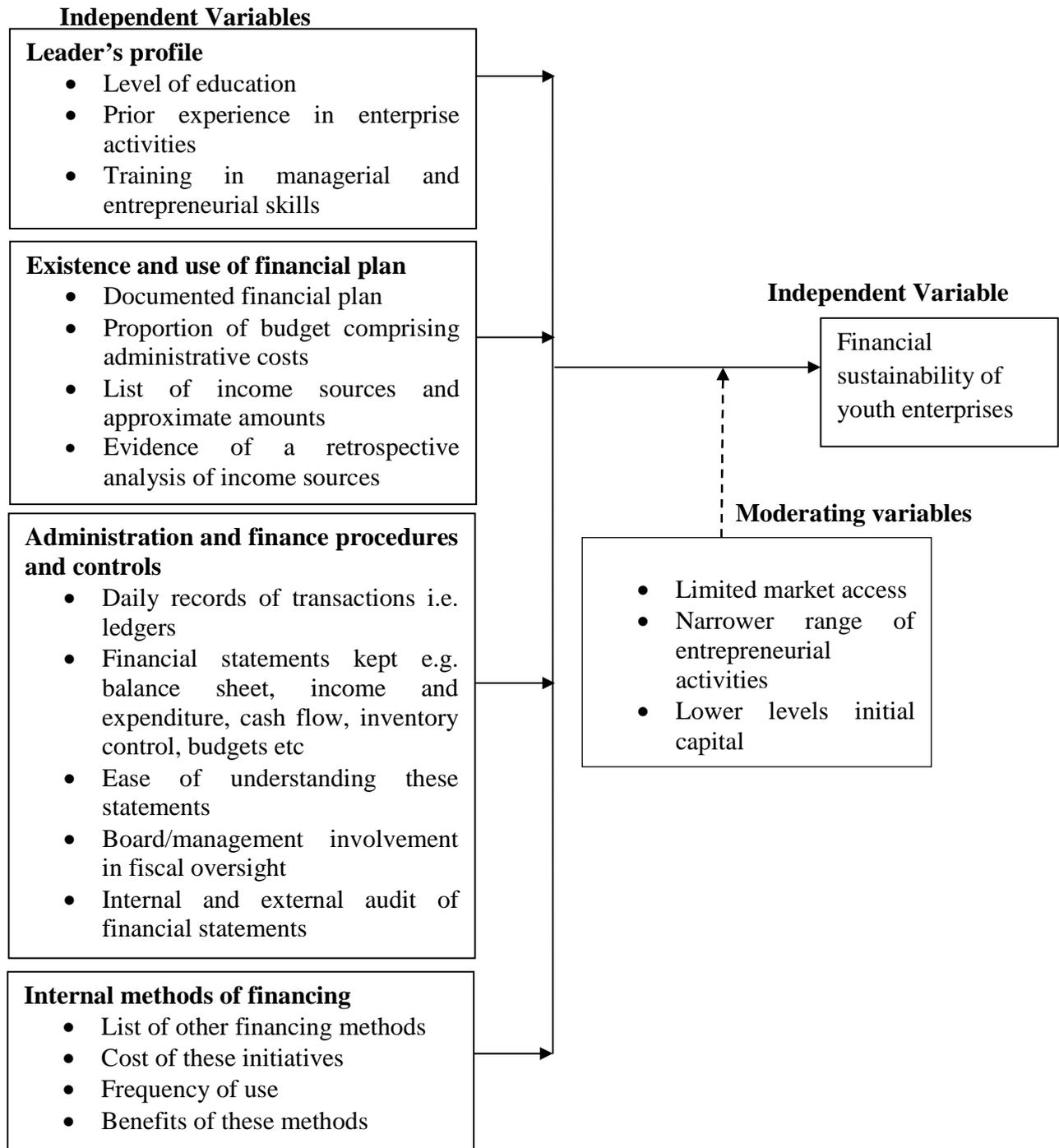


Figure 1: The conceptual framework

The conceptual framework above indicates that financial sustainability of youth enterprises, which is the dependent variable is influenced by the independent variables which include, the leaders profile in terms of education, prior experience and, managerial and entrepreneurial skills. Financial sustainability is also influenced by financial planning; sound administration and finance procedures and controls as well as other internal methods of financing that do not involve further debt or transfer of part or full ownership of the enterprise.

Some moderating variables have been noted as likely to affect the relationship between the dependent and independent variables though they are not the focus of this study, namely: limited market access, narrower range of entrepreneurial activities and lower levels of initial capital.

2.8 Summary of the literature review

The literature reviewed includes a background of the YEDF, a theoretical background on the factors that influence financial sustainability as well as the factors that have been identified as to have an influence on the financial sustainability of youth enterprises, namely: leader's profile, financial planning, administration and finance procedures, and internal methods of finance. It was established that the leader's profile in terms of education level, prior experience and entrepreneurial and managerial skills are important when it comes to making financial plans, understanding the meaning behind the numbers as well as arriving at financial decisions that promote financial sustainability.

In addition, the literature reviewed on financial planning has indicated the importance of planning for the enterprise's financial resources and the challenges faced in doing so. To this end, it has been noted that entrepreneurs may avoid planning due to lack of financial know-how but this is to the detriment of the organization's continued existence.

Further, literature on administration and finance procedures and controls shows the importance of having procedures that guide the handling of finances and keeping records. Procedures ensure that there are specific individuals in charge of finances and processes as well as regular audit that reduce the likelihood of fraud or waste of financial resources. Accurate and timely record keeping ensures that all financial transactions are captured and enhances the process of preparing financial statements which are crucial in financial decision making.

Finally, literature on internal methods of financing revealed their role in improving an organization's cash flow and therefore promoting financial sustainability. By employing other ways of raising funds that do not include debt (which increases repayment obligation and conditional requirements) and types of equity financing that involve part or full transfer of ownership, the entrepreneur's cash flow improves as the additional financing may be used to repay debt quicker or employed in increasing production and sales of products or services offered.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the research design and methodology adopted in conducting this study. It gives a detailed analysis of the research design, population and sample, data collection methods and procedures, and the data analysis method that were adopted.

3.2 Research design

The research project used the descriptive survey design since the aim was to discover and describe the underlying reasons that cause such dismal performance of these youth enterprises in terms of the repayment of their loans and by extension their ability to meet their other financial obligations as well as capture the perceptions of the enterprise owners on the same. It involved a survey of the youth enterprises in the 4 constituencies that make up Mombasa County. A survey was done in order to keep the number of study subjects manageable while enabling the investigation of the population by selecting samples to analyze and discover occurrences (Creswell 2003) and (Best and Khan,2004) . This approach was also effective as it gave an opportunity to ask specific questions related to those youth enterprises under the C-YES YEDF and relate the findings to the general population.

3.3 Target population

The target population comprised of 241 registered youth enterprises in Mombasa County under the YEDF C-YES program in all the 4 constituencies according to a C-YES report dated 29/2/12. The population was further narrowed to 171 youth groups consisting of 158 which had not cleared payment after the stipulated 12 month period and 13 groups that had paid up.

3.4 Sampling size and sampling procedure

The researcher used the stratification of the enterprises according to the constituencies, presented in the report format of the YEDF-CYES.

The sample size consisted of 32 randomly selected youth enterprises from the 4 constituencies that had elapsed the 12 month payment period that is stipulated for the loan and had not yet begun to pay. It was expected that these enterprises have been operating long enough to recognize the challenges they have faced in running their enterprises. The researcher had determined a sample size of 20 percent due to the small size of the population, though 10 percent

of the population is considered sufficient in descriptive studies (Mugenda and Mugenda, 1999). In addition the sample size included 13 youth enterprises purposively selected for the study that had successfully paid the YEDF loan. A total of 45 youth enterprises were to be studied with 2 youth enterprise owners per group participating. 5 key informants were also purposively selected for the study, namely: 4 YEDF officers from the 4 constituencies and one regional YEDF officer. In total the sample size would include 95 respondents as shown in table 3.1.

Table 3.1: Number of study respondents

Respondents category	Description	No. of groups in arrears	No. of groups selected	% of groups selected	No. of respondents in each group	Total respondents in each category
Enterprises in arrears	Changamwe	35	7	20%	2	14
	Kisauni	58	12	20%	2	24
	Likoni	40	8	20%	2	16
	Mvita	25	5	20%	2	10
Enterprises that cleared	From all constituencies		13		2	26
Key informant	YEDF officer				1	5
Total respondents			45			95

3.5 Data collection methods

The study relied on primary material data which was collected by a questionnaire and through interviews. The questionnaires were designed for the youth enterprise participants and the interview guide for five key informants, namely two constituency YEDF officers and one regional YEDF officer. The questionnaire was divided into demographics, closed format, open format and likert items to determine the leader's profile, existence and use of a financial plan, finance and administration procedures and internal methods of financing. Interview guides were administered to the constituency officers in order to seek to compare and verify with the information from the questionnaires.

3.6 Data collection procedure

The questionnaires, interviews and record reviews were administered personally by the researcher. Interviews were conducted using an interview guide and involved note taking during the sessions as well as personal observations where it is significant to the study. The interviews were conducted by the researcher in English or Kiswahili as appropriate.

3.7 Validity and reliability of research instruments

The research instruments were subjected to processes that ensured validity and reliability.

3.7.1 Validity of research instruments

To ensure content validity, the items in the questionnaire and interview schedule were discussed with the supervisor and then submitted to the regional YEDF officer. Recommendations from the YEDF officer resulted in the adoption of simpler common place terms to stand for financial terms used in the original questionnaire, removal and addition of questions as deemed relevant and translation of the document into Kiswahili some of the groups that found English difficult to understand.

3.7.2 Reliability of research instruments

The questionnaire was accepted as reliable after a pilot study. The pilot study involved repeated measurement using the test retest method whereby 4 groups included in the study from the 4 constituencies were engaged in an exercise to answer the same questionnaire twice in a span of one week.

3.8 Ethical considerations

The researcher used a consent form for groups that were chosen to participate in the study. The researcher also ensured that the subjects' identities and those of the youth enterprises that participated in the study remained confidential. Permission was also sought and obtained from the regional YEDF to approach the constituency officers and collect data from the groups.

3.9 Data analysis and presentation techniques

Completed questionnaires were edited for completeness and consistency. Data collected was then analyzed quantitatively. Analysis of data was done using spreadsheet application and the statistical package for social sciences (SPSS). The findings were illustrated in form of distribution tables, percentages, means, standard deviations and narrative descriptions. Four hypotheses were tested using the linear regression analysis.

Information collected from note taking during the interviews was analyzed for content on the major themes in relation to the variables and described and presented in thematic form using narratives.

3.10 Operational definition of variables

Objectives	Variable	Indicators	Measurement	Scale	Type of Research	Data Collection Method
To determine whether leadership profile influences the financial sustainability of an enterprise	Independent variable: Leadership profile	<ul style="list-style-type: none"> • Level of education • Prior experience • Training in managerial and entrepreneurial skills 	Existing financial situation of the Municipal Council of Mombasa.	Nominal Ordinal	Survey	Questionnaire and interviews
To examine how the existence and use of a financial plan influences the financial sustainability of an enterprise	Independent variable: Financial plan	<ul style="list-style-type: none"> • Documented financial plan • Proportion of budget comprising administrative costs • List of income sources and approximate amounts • Evidence of a retrospective analysis of income sources 	Knowledge and use of a financial plan	Nominal Ordinal	Survey	Questionnaires and interviews
To establish whether there are procedures for administration and finance and how they influence financial sustainability of an enterprise	Independent variable: Administration and finance procedures	<ul style="list-style-type: none"> • Daily records • Financial statements kept • Internal and external audits • Ease of understanding statements • leaders involvement in fiscal oversight 	Knowledge and use of administrative finance procedures	Nominal Ordinal	Survey	Questionnaires and interviews

Objectives	Variable	Indicators	Measurement	Scale	Type of research	Data collection method
To identify whether other internal methods of financing are employed apart from the YEDF and how they influence financial sustainability of an enterprise	Independent variable: Internal methods of financing	<ul style="list-style-type: none"> • List of other financing methods • Cost of these initiatives • Frequency of use • Benefits of these methods 	Knowledge and use of other internal methods of financing apart from the YEDF	Nominal Ordinal	Survey	Questionnaires and interviews
To identify the factors influencing financial sustainability of youth enterprises	Dependent variable: Financial sustainability of youth enterprises	General factors influencing financial sustainability of youth enterprises	Establishing the factors influencing financial sustainability of youth enterprises	Nominal Ordinal	Survey	Questionnaires and interviews

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

In this chapter, the analyzed data is presented together with the relevant interpretations. The objectives of this study were to establish how leadership profile influences the financial sustainability of an enterprise; to examine how the existence and use of a financial plan influences the financial sustainability of an enterprise; to establish how procedures for administration and finance influence financial sustainability of an enterprise and to establish how other internal methods of financing are employed apart from the YEDF and how they influence financial sustainability of an enterprise. The findings have been presented in five parts: Demographic characteristics of respondents, Leadership profile, Financial plans, procedures and controls, Internal means of financing and hypothesis testing.

4.2 Response Rate

The study had initially targeted 45 youth groups with 2 participants each to get 90 respondents but only 38 groups and therefore 76 leaders responded to the questionnaire. This indicates a response rate of 84%. 76 questionnaires were administered personally by the researcher and 76 questionnaires were given back. 5 officers were also interviewed. This was considered adequate in relation to similar studies by Ameyya et.al (2011) and Bowen et.al (2009).

4.3 Demographic characteristics of respondents

The table 4.1 shows the demographics of the 38 groups in terms of those groups that have paid their loans and those which have not.

Table 4.1: Default Rate

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Those have paid	2	17	3	27	1	11	2	33
Defaulters	10	83	8	73	8	89	4	67
TOTAL	12	100	11	100	9	100	6	100

This information was obtained from YEDF reports (see appendices) indicating the youth groups which had defaulted and those who had paid their loans. The table shows that Changamwe had the highest default percentage of 89% followed by Kisauni (83%) and Likoni with 73%. Mvita constituency had the lowest default rate of 67%. An analysis of the YEDF C-YES report of 29/2/2012 revealed that 158 out of 241 or 66% had defaulted on payments. The figures in table 4.1 imply that indeed default rates are well above two thirds in all the 4 constituencies.

In all the 4 constituencies, male respondents formed over two thirds of the total 76 participants who took part in the study as shown in table 4.2.

Table 4.2: Gender of Respondents

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
MALE	16	67	14	64	12	67	10	83
FEMALE	8	33	8	36	6	33	2	17
TOTAL	24	100	22	100	18	100	12	100

Table 4.2 indicates that most youth group leaders in Mombasa County are male with Mvita leading with 83%, followed by Changamwe and Kisauni both with 67% and Likoni which had 64%. This implies that most of the youth going for the funding are male.

The results from the 76 respondents in terms of age as shown in table 4.3 reveal that leaders are within the age of 23-35 years.

Table 4.3: Age of Respondents

AGE	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
18-23	8	33	6	27	6	33	2	17
23-29	10	42	6	27	8	45	4	33
30-35	6	25	10	46	4	22	6	50
TOTAL	24	100	22	100	18	100	12	100

The table 4.3 shows that 42% of the youth leaders in Kisauni are aged 23-29 while 33% are aged 18-23. In Likoni 46% of the leaders are aged 30-35 while in Changamwe 44% are aged 23-29.

50% of the leaders in Mvita constituency are aged between 30 and 35 years. This implies that the fund actually does offer resources to the targeted group who are the youth.

An analysis of the number of members in the 38 groups in table 4.4 reveals that majority of groups had members ranging between 11-20.

Table 4.4: Number of members in a group

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
5 – 10	3	25	3	27	3	33	1	17
11 – 20	4	33	2	18	4	44	2	33
21 – 50	5	42	6	55	2	22	3	50
TOTAL	12	100	11	100	9	100	6	100

This table 4.4 indicates that 3 out of the 4 constituencies have majority of the enterprise members being between 21-50 with Kisauni, Likoni and Mvita having 42%, 55% and 50% respectively. Changamwe had a majority of respondents with group members of between 11-20 people. This implies that the youth enterprise groups meet the minimum requirement of 10 members per group.

The table 4.5 shows that most of the 76 respondents had a high school education.

Table 4.5: Education level of respondents

Level	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Primary School	0	0	0	0	2	12	2	17
High School	8	33	10	46	8	44	4	33
Certificate	6	25	6	27	4	22	4	33
Diploma	9	38	6	27	4	22	2	17
Degree	1	4	0	0	0	0	0	0
TOTAL	24	100	22	100	18	100	12	100

The stable 4.5 also shows that only 1 respondent had a degree qualification and a few had attended college. This implies that most respondents had an understanding of basic numeracy skills and could therefore work out income and expenditure from their operations.

4.4 Leadership profile

Under the leadership profile the aspects analysed were the education level of the members, experience in business before funding, the period of time the groups have operated after funding, the skills of the respondents and the perceived importance of aspects of the leaders profile. The results of an hypothesis on the relationship between prior business experience and financial sustainability has also been presented.

4.4.1 General education level of members in the groups

An analysis of the respondents' answers to the general level of education of the other members who make up the groups revealed that again most of the members in the 38 groups had a high school or college education as shown in table 4.6

Table 4.6: general education level of members in the groups

LEVEL	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Primary	0	0	1	9	1	11	1	17
High school	2	17	4	37	5	56	1	17
Certificate	5	42	3	27	2	22	2	33
Diploma	4	33	3	27	1	11	2	33
Degree	1	8	0	0	0	0	0	0
TOTAL	12	100	11	100	9	100	6	100

Table 4.6 indicates that a majority of the members have attained high school education and above. Changanwe leads in high school graduates with 56% while Kisauni has 42% of its members with certificate level. Kisauni and Mvita have more Diploma level members both with 33%. Only Kisauni has a graduate member. Further questioning revealed that group members tended to have a previous association either in high school or were in the same college when they

decided to form an enterprise and ask for funds. Again this implies that most of the group members would have at least basic numeracy skills to handle financial matters.

4.4.2 Previous experience in business

Of the 38 groups taking part in the study 19 groups or 50% of the groups had prior experience in running a business as shown in table 4.7.

Table 4.7: Previous experience in business

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
1-2 years	1	8	4	36	2	22	1	17
3-4 years	1	8	4	36	4	44	2	33
None	10	84	3	28	3	34	3	50
TOTAL	12	100	11	100	9	100	6	100

The table 4.7 shows that 83% of the respondents in Kisauni had no previous experience in business while 16% had between 1 to 4 years experience. Likoni had 28%, Chagamwe 34% while Mvita had 50% without previous experience in business. This implies that only half the groups were at a vantage point in making use of experience gained in issues such as planning and use of finances.

4.4.3 Years in business after funding

About 66% percent of the 38 groups sampled had been in business for less than two years after funding as shown in table 4.8. However all the groups had elapsed the 12 month repayment period and yet 30 out of 38 groups or 79% had defaulted. Again this implies a lack of ability to generate sufficient income to service their debts in time.

Table 4.8: Years in business after funding

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
1-2 years	8	67	7	64	7	78	3	50
3-4 years	3	25	1	9	2	22	1	17
More than 4 years	1	8	3	27	0	0	2	33
TOTAL	12	100	11	100	9	100	6	100

From table 4.8 it can be seen that 67% of the youth groups in Kisauni have been in business for 1-2 years after funding while in Likoni it is 64%. Changamwe 78% have been in business for the same period while in Mvita the value is 50%. This reflects closely to the findings of the Centre for Enterprise Development (2012) which revealed that 48% percent of youth surveyed had less than 50% likelihood of business success.

4.4.4 Management skills of respondents

Most respondents indicated as having decision making and goal making skills as shown in table 4.9.

Table 4.9: Management Skills of respondents

	KISAUNI	LIKONI	CHANGAMWE	MVITA	TOTAL	
	No.	No.	No.	No.	No.	%
Planning skills	1	3	2	2	8	11
Goal making	5	5	4	1	15	19
Decision making	6	4	4	3	17	22
Motivation	2	4	2	1	9	12
Marketing skills	3	3	2	2	10	13
Accounting skills	3	2	2	1	8	11
Negotiation skills	4	1	2	2	9	12
TOTAL	24	22	18	12	76	100

Accounting and planning skills were the lowest ranked in terms of skills at 11% each. This implies that though the leaders may be able to create good goals and make decisions on other matters of the business, they may experience a challenge in financial planning and decision making as well as preparing and interpreting financial statements.

4.4.5 Perceived importance of the leader's profile

The perception of the 76 respondents on the importance of the leader's profile was assessed using different variables. Data was analyzed using mean scores and standard deviations. A mean score of <1.5 implies most important, a mean score of 1.5 – 2.5 implies very important, 2.5 – 3.5 neutral and 3.5 – 4.5 important, while a mean score of > 4.5 implies least important. Standard deviation of <1 means that there were no significant variations in response while that >1 implies that there were significant variations in responses.

Table 4.10: Perceived importance of the leader's profile

Statement	Mean	Standard deviation
1 Where I have reached in schooling is important for the success of the business	4.0	1.0
2 What I have learnt in school has helped in running my business	2.3	1.0
3 Prior experience in business is important for the business to do well	3.3	1.5
4 Training is necessary to run a business well	1.0	0.0
Grand Mean	2.6	1.5

From the table 4.10 it can be seen that importance of current level of education had a mean score of 4 indicating important with a standard deviation of 1 implying there were no significant variation in the responses. Statement 2 had a mean of 2.3 (very important), statement 3 had a mean of 3.3 (neutral importance) while statement 4 mean score is 1 (most important). The grand mean of 2.6 indicates that overall importance of the leader's profile was rated as very important. The standard deviation of 1.5 implies that there were however significant variations in the

responses. Some of the responses indicated that some respondents felt very strongly that their level of education and what they had gained through formal learning had helped in running their businesses while some felt strongly that it did not. There was however agreement that training in the requisite skills was most important. This implies that most respondents felt that training would improve their operations and that the leader’s profile in terms of education and requisite training were important.

4.4.6 Relationship between prior experience in business and financial sustainability

The results obtained in the study enabled the testing of the following Null hypothesis: There is no relationship between the leader’s prior experience in enterprise activities and financial sustainability of an enterprise. The findings on the default percentage as a measure of sustainability and previous experience are tabulated in table 4.11:

Table 4.11: Percentage of defaulters versus percentage with no previous experience

	Percentage of defaulters	Percentage with no previous experience
Kisauni	0.83	0.83
Likoni	0.73	0.27
Changamwe	0.89	0.33
Mvita	0.67	0.5

Using SPSS a linear regression analysis was conducted to test the hypothesis and the following results were obtained.

Table 4.12: ANOVA for the first hypothesis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.032	.875^a
	Residual	.029	2	.014		
	Total	.029	3			

a. Predictors: (Constant), Percentage with no Previous experience

b. Dependent Variable: Percentage of defaulters

Hypothesis:

H_0 = There is no relationship between the leader's prior experience in enterprise activities and financial sustainability of an enterprise

H_1 = There is a relationship between the leader's prior experience in enterprise activities and financial sustainability of an enterprise

A p-value of greater than 0.05 indicates that the null hypothesis should be accepted. This means that there is no relationship between the leader's prior experience in enterprise activities and financial sustainability of an enterprise. From table 4.12 it can be seen the p-value is 0.875 which is greater than 0.05. This implies that the null hypothesis was accepted.

4.5 Existence and use of financial plans

On the existence and use of financial plans, an analysis was carried out on the frequency of preparing financial plans among the 38 groups and the 76 respondents' perception on the importance of preparing financial plans. An hypothesis on the relationship between preparing financial plans and financial sustainability was also tested.

4.5.1 Frequency of preparing financial plans

The frequency of preparing financial plans among the 38 groups was assessed using various periods as indicated on the table 4.13.

Table 4.13: Frequency of preparing financial plans

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Weekly	2	17	1	9	2	22	2	33
Monthly	5	42	5	46	4	44	3	50
Every 3 months	1	8	3	27	1	11	0	0
Every 6 months	1	8	0	0	0	0	0	0
Every year	0	0	0	0	0	0	0	0
Do not prepare	3	25	2	18	2	23	1	17
TOTAL	12	100	11	100	9	100	6	100

The results indicate that most groups prepare plans monthly and weekly. Only a few prepare every six months. About 21% of the groups do not prepare any financial plan. In addition, further analysis of the question ‘Do you have a written plan for your finances’ revealed that only 2 groups had a documented financial plan with a budget for administrative costs and a list of income sources. Other groups revealed that they either agreed on what to do with finances verbally without writing it down or included the planning exercise as a minute in their meetings. This implies that these groups may not know how to go about preparing financial plans. It may also imply that finances may not be spent according to plans, plans may change frequently or the likelihood that there are no financial priorities part of which is servicing the YEDF debt in cases where plans are not documented.

4.5.2 Perceived usefulness of preparing financial plans

The perceived usefulness of preparing financial plans among the 76 respondents was assessed using different variables and data was analyzed using mean scores and standard deviations. A mean score of <1.5 implies Very useful, a mean score of 1.5 – 2.5 implies Useful, 2.5 – 3.5 neutral and 3.5 – 4.5 Least useful, while a mean score of > 4.5 implies not useful. Standard

deviation of <1 means that there were no significant variations in response while that >1 implies that there were significant variations in responses. The results are shown in table 4.14.

Table 4.14: Perceived usefulness of preparing financial plans

		Mean	Standard deviation
1	A plan for finances is useful in making decisions about use of money in business	1.7	1.1
2	The budget is useful when planning for purchases and administrative expenses	1.6	1.2
3	It is necessary to keep a list of income sources for the business	2.0	1.6
Grand Mean		1.8	1.3

From the table 4.14 it can be seen that all the three statements had mean scores of between 1.5 to 2.5 indicating that they were rated as useful. The standard deviation was > 1 indicating that there were significant variations in the responses. This variation is explained by the fact that while many groups agreed that it was useful to plan for finances, some groups did not keep budgets or if they did they did not stick to these budgets. In addition very few groups kept a list of income sources.

4.5.3 Relationship between preparing financial plans and financial sustainability of enterprises

The null hypothesis tested stated that there was no relationship between preparing a financial plan and financial sustainability of youth enterprises. The findings on the default percentage as a measure of sustainability and preparing financial plans are shown in table 4.15.

Table 4.15 Percentage of groups that prepare financial plans versus percentage of defaulters

	% that prepare a financial plan	% of defaulters
Kisauni	79	83
Likoni	79	73
Changamwe	83	89
Mvita	83	67

Table 4.16 ANOVA for the second hypothesis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.000	1.000
	Residual	.029	2	.015		
	Total	.029	3			

a. Predictors: (Constant), % that prepare a financial plan

b. Dependent Variable: % of defaulters

Hypothesis:

Ho = There is no relationship between preparing financial plans and financial sustainability of an enterprise

H₁ = There is a relationship between preparing financial plans and financial sustainability of an enterprise

A p-value of greater than 0.05 indicates that the null hypothesis should be accepted. This means that there is no relationship between preparing financial plans and financial sustainability of an enterprise. From table 4.16 it can be seen the p-value is 1.000 which is greater than 0.05. This implies that the null hypothesis was accepted.

4.6 Administration and financial procedures and controls

The frequency of checking records, financial statements prepared, the frequency of preparing financial statements by the groups and the perceived importance of record keeping were analysed under administration and financial procedures and controls. Also tested was the hypothesis on the relationship between daily record keeping and financial sustainability of enterprises.

4.6.1 Frequency of checking records

The results indicate that of the 38 groups, most preferred to check their financial records daily as shown in table 4.17.

Table 4.17: Frequency of checking records

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Daily	12	100	10	90	9	100	6	100
Weekly	0	0	1	10	0	0	0	0
Monthly	0	0	0	0	0	0	0	0
They are not checked	0	0	0	0	0	0	0	0
TOTAL	12	100	11	100	9	100	6	100

Table 4.17 indicates that majority of the youth groups check their records daily. This implies that all the groups actually kept records of their operations and were able to account for their expenditure and income.

4.6.2 Financial statements prepared by the groups

Financial statements prepared by the 38 group were analyzed into 3 categories as in table 4.16.

Table 4.18: Financial Statements prepared by the groups

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Income and expenditure statement only	9	75	8	73	6	67	5	83
Income and expenditure and Balance sheet	2	17	1	9	2	22	0	0
Income and Expenditure, balance sheet and cash flow statement	1	8	2	18	1	11	1	17
TOTAL	12	100	11	100	9	100	6	100

From table 4.18 it can be seen that most youth groups prepare an income and expenditure statement only. Kisauni has 75%, Likoni 73%, Changamwe 67% while Mvita has 83%. Only 5 groups or 13% percent of the groups in the study prepared all the 3 statements. This implies that the group members may not have had the knowledge on how to prepare these statements and therefore may not make if any, financial interpretation from the statements prepared. This also implies that apart from finances related to their daily operations, few groups take into account other financial elements like the fixed assets held in the business and their financial implications such as depreciation, sale of asset or repairs or lose on the business. The income and expenditure account was in most instances a simple account with a column for money in and money out.

4.6.3 Frequency of preparing financial statements

The frequency of preparing financial statements among the 38 groups was analysed into different time periods and shown as in table 4.19.

Table 4.19: Frequency of preparing Financial Statements

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Weekly	5	42	2	18	4	44	3	50
Monthly	5	42	7	64	4	44	2	33
Every 3 months	2	16	1	9	1	12	1	17
Every 6 months	0	0	1	9	0	0	0	0
Yearly	0	0	0	0	0	0	0	0
TOTAL	12	100	11	100	9	100	6	100

Table 4.19 shows that most youth prepare the financial statements weekly and monthly. Kisauni has 84%, Likoni 82%, Changamwe 88% and Mvita 83%. Only 17% (Kisauni), 9% (Likoni), 11% (Changamwe) and 17% (Mvita) prepare the statements every three months. The results of table 4.19 when compared with those of table 4.23 may imply that most groups prepare the income and expenditure statement for the purpose of dividing proceeds among members.

4.6.4 Perceived importance of record keeping

The perceived importance of record keeping was assessed using different variables for the responses of the 76 participants and shown in table 4.20. Data was analyzed using mean scores and standard deviations. A mean score of <1.5 implies most important, a mean score of 1.5 – 2.5 implies very important, 2.5 – 3.5 neutral and 3.5 – 4.5 important, a mean score of > 4.5 implies least important. Standard deviation of <1 means there were no significant variations in response, that >1 implies that there were significant variations in responses.

Table 4.20: Perceived importance of record keeping

	Statement	Mean	Stdev
1	Daily records should be kept for the business	1.3	0.4
2	Accurate records help in planning for finances and making decisions about money	1.2	0.5
3	It is important to keep receipts and invoices for records	1.9	1.3
4	There should be a specific person in charge of keeping records	1.8	1.2
5	Use of petty cash should be monitored and controlled	1.6	1.2
6	Accurate records helps in preparing of financial statements	1.5	0.9
7	Group members should take part in preparing and checking records and statements	1.0	0.0
	Grand Mean	1.5	1.0

Table 4.20 indicates that statements 1, 2 and 7 had mean scores < 1.5 implying that they were rated as most important while statements 3, 4, 5 and 6 were rated as very important as mean score was between 1.5 – 2.5. The grand mean of 1.5 indicates that the preparation of financial statements was rated as very important. The standard deviation of 1 implies that there were no significant variations in the responses. This implies that the respondents appreciated the importance of record keeping as good business practice.

4.6.5 Relationship between keeping daily records and financial sustainability of enterprises

The null hypothesis tested stated that there was no relationship between keeping daily records and financial sustainability of youth enterprises. The findings on the default percentage as a measure of sustainability and keeping daily records are shown in table 4.21 and 4.22

Table 4.21 Percentage of groups that keep daily records versus percentage of defaulters

	% that keep daily records	% of defaulters
Kisauni	100	83
Likoni	89	73
Changamwe	100	89
Mvita	100	67

Table 4.22 ANOVA for the third hypothesis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.333	1	33.333	.258	.662
	Residual	258.667	2	129.333		
	Total	292.000	3			

a. Predictors: (Constant), % that keep daily records

b. Dependent Variable: % of defaulters

Hypothesis:

Ho = There is no relationship between keeping daily records and financial sustainability of an enterprise

H₁ = There is a relationship between keeping daily records and financial sustainability of an enterprise

A p-value of greater than 0.05 indicates that the null hypothesis should be accepted. This means that there is no relationship between keeping daily records and financial sustainability of an enterprise. From table 4.22 it can be seen the p-value is 0.662 which is greater than 0.05. This implies that the null hypothesis was accepted.

4.7 Internal sources of financing

Under internal sources of financing, the internal sources of funds used and the relationship between having internal sources of financing and financial sustainability of the enterprises were analysed.

4.7.1 Internal sources of finances employed

The various sources of internal financing indicated by the respondents from the 38 groups were analysed and shown in table 4.23.

Table 4.23: Internal sources of funds used by the groups

	KISAUNI		LIKONI		CHANGAMWE		MVITA	
	No.	%	No.	%	No.	%	No.	%
Savings from income of the group	1	9	3	27	1	11	1	17
Personal contribution	4	33	3	27	3	33	2	33
Money from family or friends	0	0	1	9	0	0	0	0
Use of personal assets for business	0	0	1	9	0	0	0	0
Loan from other finance institution	4	33	2	19	1	11	1	17
None	3	25	1	9	4	45	2	33
TOTAL	12	100	11	100	9	100	6	100

26% of the groups did not employ any other means of financing apart from the YEDF. Personal contribution by members of the group was the most popular source of internal funds in the 4 constituencies. However of interest to note is that savings from the income of the group is second to personal contribution from the members. This implies that the members may be paying themselves first from the proceeds of the group instead of reinvesting first in the business as would be expected of good business practice.

4.7.2 Relationship between having internal sources of financing and financial sustainability of enterprises

The null hypothesis tested stated that there was no relationship between having internal sources of financing and financial sustainability of youth enterprises. The findings on the default percentage as a measure of sustainability and internal sources of financing used are shown in tables 4.24 and 4.25

Table 4.24 Percentage of groups having internal sources of financing versus percentage of defaulters

	% with internal financing	% of defaulters
Kisauni	75	83
Likoni	56	73
Changamwe	91	89
Mvita	67	67

Table 4.25 ANOVA for fourth hypothesis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	198.050	1	198.050	4.216	.176
	Residual	93.950	2	46.975		
	Total	292.000	3			

a. Predictors: (Constant), % with internal financing

b. Dependent Variable: % of defaulters

Hypothesis:

Ho = There is no relationship between having internal sources of financing and financial sustainability of an enterprise

H₁ = There is a relationship between having internal sources of financing and financial sustainability of an enterprise

A p-value of greater than 0.05 indicates that the null hypothesis should be accepted. This means that there is no relationship between keeping daily records and financial sustainability of an enterprise. From table 4.25 it can be seen the p-value is 0.176 which is greater than 0.05. This implies that the null hypothesis was accepted.

CHAPTER FIVE
SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND
RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the fourth chapter in relation to the variables under study followed by a discussion on the same in relation to the literature reviewed. Conclusions drawn from the discussion, recommendations and suggestions for further research complete this section.

5.2 Summary of findings

The first objective was to establish how leadership profile influences the financial sustainability of an enterprise. The findings revealed that most respondents had a high school education and above with only one instance in which there was a respondent who was a graduate. 15 out of 38 groups or 39% had members with no post secondary education. 50% of the respondents' 38 groups indicated as to having prior experience in business while 66% percent had been in business for less than 2 years after funding. Decision making and goal making skills ranked as highly among skills possessed by respondents while accounting and planning skills had the least percentage among the 76 respondents. The perceived importance of the leader's profile was rated as very important with training getting a rating of 'most important'. The null hypothesis stating that there is no relationship between prior experience and financial sustainability of an enterprise was accepted.

In examining how the existence and use of a financial plan influences the financial sustainability of an enterprise, findings revealed that most groups, 45% prepared their plans monthly. However it was found that only 2 groups had documented their financial plans with a budget, estimated administrative costs and a list of income sources. Other groups either agreed verbally on plans without evidence on the same or had these plans in minutes of their meetings, 21% did not prepare plans in any form. On analysis of the perceived usefulness of preparing financial plans, the respondents gave an overall rating of 'useful'. The null hypothesis stating there is no relationship between preparing financial plans and financial sustainability of an enterprise was accepted.

The third objective of this study was to establish how procedures for administration and financial controls influence financial sustainability of an enterprise. The study revealed that most groups checked their financial records on a daily basis and 28 out of the 38 groups sampled or 74% prepared an income and expenditure statement as the only form of financial statement. Only 13% or 5 groups prepared all the 3 statements, namely cash flow, income and expenditure and balance sheet. Most groups prepared their statements weekly. The overall rating on the perceived importance of record keeping by the respondents was 'very important'. The null hypothesis stating that there is no relationship between keeping daily records and financial sustainability of an enterprise was accepted.

The final objective was to establish how other internal methods of financing are employed apart from the YEDF and how they influence financial sustainability of an enterprise. The study revealed that 74% of the groups employed other methods of financing and the most popular form being personal contribution from members of the groups and followed by saving from the income of the groups. The null hypothesis stating that there is no relationship between having internal means of financing and financial sustainability of an enterprise was accepted.

5.3 Discussion

In terms of the leadership profile, 39% percent of the groups had members with no post secondary education. These findings are closely related to those of GEM (2004) that revealed that nearly 50% percent of entrepreneurs in low income countries do not have a post secondary education. Accounting skills was one the least scored in terms of skills possessed by the respondents. This is contrary to emphasis placed by Widdowson and Hailwood (2007) on the importance of financial literacy skills for prudent financial management. One of the aspects of the leadership profile that was perceived as 'most important' by respondents was on training, which resonates with the ILC(2007) that one of the conditions for a conducive environment for sustainable enterprises was education, training and lifelong learning. The hypothesis test carried out revealed that there was no relationship between prior experience in business and financial sustainability of an enterprise. These results concur with those of Bowen et.al (2009) who found that prior experience may not be a guarantee for future business success. However they are contrary to the results of a study by Wadhwa et.al (2009) that found that a major challenge for entrepreneurs surveyed was prior experience.

On the existence and use of financial plans it was shown through the study that, most of the groups planned for their finances on a monthly basis. This is mostly short term planning, which is not adequate for creating and maintaining financial sustainability that is achieved through long term financial planning as pointed out by Kavanagh (2007). Only 2 groups had a documented financial plan and this may imply a lack of financial know how as alluded to by Bowen et.al (2009).

On the procedures for administration and financial controls, the study revealed that most of the groups prepare check their records daily and prepare only an income and expenditure statement and very few prepare the cash flow statement and the balance sheet. This is contrary to Barringer and Ireland's (2008) observation that the three statements are the most commonly used by the entrepreneurs. Again this may point to a lack of financial know how or skills and may imply inadequate record keeping as pointed out by Okpara and Wynn (2007).

The final objective was focused on internal methods of financing. It was revealed that most groups used personal contribution as a means of getting finance apart from the YEDF as it was the least expensive source of funds as explained by Scarborough et.al (2009). However it was also observed that personal contribution was first in priority compared to reinvesting savings from the income of the group. Leon (2001) observed that knowing how to manage resources is essential to achieving financial sustainability; however these findings imply that these groups may not yet know how to manage and prioritize their financial needs.

5.4 Conclusions

Based on the findings it can be concluded that most entrepreneurs accessing the YEDF are within the stipulated age bracket with at least a high school education. Up to half of those seeking funding have no prior experience in business though it has been observed that this does not influence the financial sustainability of the business. There is lack of planning and accounting or financial skills among most entrepreneurs.

It can also be concluded that the groups lack adequate knowledge on the importance and preparation of financial plans.

Additionally it can be concluded that the groups do keep their financial records. They also lack adequate knowledge in the preparation of balance sheet and cash flow statements.

It can be concluded that most groups use personal contribution as an internal source of financing. The groups however need to focus on management of financial resources to prioritize reinvestment of income into the business.

Finally it can be concluded that there is no relationship between the variables for which hypotheses has been tested and financial sustainability of the enterprises in Mombasa County. Therefore there is need for further research to establish the factors that influence the financial sustainability of these enterprises.

5.5 Recommendations

The following recommendations have been put forward by the researcher based on findings from the study:

1. It is the recommendation of the researcher that the youth entrepreneurs be given further adequate training in the importance of and preparation of financial plans. They should also be given adequate training in the preparation and interpretation of financial statements in order to enable sound financial decision making.
2. The entrepreneurs should also focus on proper management of financial resources in order to prioritize reinvestment of income into the business to allow for growth. This will also enable them meet their financial obligation without strain.
3. Monitoring and evaluation of these enterprise groups by the YEDF officers should be strengthened to ensure that the groups are adhering to sound financial practices that will enable them continue running and meet their repayment obligation to the YEDF.
4. The minimum number of members allowed per group when accessing funds from the YEDF is 10. The YEDF board should consider a cap on the maximum number of members in order to have groups that can effectively manage their enterprises without increasing the likelihood of internal wrangles that may affect the management of financial resources.

5.6 Suggestions for further research

The study focused on factors influencing financial sustainability of youth enterprises in Mombasa County only. Similar comparative studies could be carried out on other youth enterprises in other Counties as well. A study could also be carried out to examine other factors

that influence financial sustainability of these enterprises such as political influence and the perception of the beneficiary groups towards this fund.

Further study can also be done to find out if there is a relationship between the number of members in a group and its financial sustainability. The study revealed that most groups that seek YEDF funding consist of the male gender. A study could be carried out to examine why there is a low representation of the female gender in Mombasa county seeking funds from the YEDF.

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APPENDICES

Appendix 1: Letter of transmittal

University of Nairobi

School of Continuing and Distance Education

Department of Extra Mural Studies

P.O.Box 83732-80100

Mombasa, Kenya

10th April 2012

Dear Sir/Madam,

RE: TO WHOM IT MAY CONCERN

My name is Olive A Ngoe. I am a postgraduate student in the School of Continuing and Distance Education, University of Nairobi, conducting a project research paper on the factors influencing financial sustainability of Youth enterprises under the C-YES YEDF programme.

For this purpose, your enterprise has been identified for study and this is to request you to kindly spare some time and fill in the enclosed questionnaire as well as a subsequent interview. This information will be treated with strict confidence and is purely for academic purposes and as such will not be disclosed to any unauthorized persons.

Your assistance and co-operation in this exercise will be highly appreciated.

Yours faithfully,

Olive A. Ngoe

L50/65651/2010

Please fill in answer or tick (√) answer as appropriate

Section one

1. Gender
Male..... Female.....
2. Age
18-23 years.....
23-29 years.....
30-35 years.....
3. Highest level of education attained:
Primary..... High school.... Certificate..... Diploma..... Degree.....
4. Please indicate the nature of your business
.....
5. a) How many members are in your group enterprise?
.....
b) How many members actively run the enterprise on actively on a day to day basis?
.....

Section two

6. The education level attained by most members in your group is:
Primary.....High School..... Certificate.....Diploma.....degree.....
7. How long have you been in this business?
1-2 years..... 3-4 years..... More than 4 years.....
8. Was this your first business?
Yes..... No.....
9. How long were you involved in your business before you got money from YEDF?
.....
10. In your opinion, has this previous experience helped you in your current business?
Yes.....No.....
If you have answered YES to number10, please answer the following question:
11. Your previous business has helped you handle your finances better,
Yes.....No.....

12. Please tick(√) the one appropriate general management skill that you feel you possess

Planning skills....

Making goals....

Decision making....

Motivation.....

Marketing skills.....

Accounting skills.....

Negotiation skills....

13. Please tick (√) on the appropriate level of financial skills you possess

Basic skills like working out total purchases or sales, expected profit

An understanding of how decisions like spending and borrowing can affect your finances.....

Knowing when to seek professional advice and understand advice given.....

14. As a group you have training in;

Writing a financial plan.....

Book keeping and accounting.....

Budgeting.....

Preparing financial statements.....

15. The trainings you received was;

Enough to help you handle your finances.....

Not enough, you need more training.....

I have not been trained.....

16. Do other members in your group have these skills?

All of them.....

Some of them....

A few of them....

None.....

17. Have you trained your group members or employees on the skills you have received during training?

Yes..... No.....

18. The trainings have helped your business;

Yes, it has helped in dealing with the finances

A little, there are some things we still do not know

No, we need training in dealing with finances

19. In your opinion, what area would you like have more training in?

.....
.....

20. Please indicate the extent to which you agree with the following statements on a scale of 1-5, 1 being 'Most important' and 5 being 'Least important'. Please tick (✓) in the appropriate box.

	1	2	3	4	5
Where I have reached in schooling is important for the success of the business					
What I have learnt in school has helped in running my business					
Prior experience in business is important for the business to do well					
Training is necessary to run a business well					

Section three

21. Do you have a written plan for your business finances?

Yes..... No.....

22. a) If NO, please explain why?

We do not know how to write a plan.....

We do not use a written plan but plan in other ways....

We do not plan but use money when there is a need.....

b) How else do you plan for your finances?

We agree as a group what to do with the money but do not write it down.....

I do not know.....

23. If you have a plan for your finances, who prepares it?

All the members of the group.....

A few members of the group.....

One member of the group.....

24. The financial plan is:
 Easy to understand and use....
 Difficult to understand and use.....
 I do not know.....
25. You prepare your plan,
 Weekly... Monthly... Every 3 months....Every 6 months... Every year.....
26. Your plan for finances has,
 An estimate of purchases you need.....
 An estimate of sales expected.....
 A list of your sources of income.....
 An estimate of your administrative costs.....
 I do not know....
27. Do you regularly check to see if you need to change your plan for finances?
 Yes..... No.....
28. If you said YES to number 27, how often do you do this?
 Weekly... monthly... every 3 months... every 6 months... every year...
29. Do you use the plan in making decisions about the use of money?
 Yes, always.....
 Sometimes.....
 No.....
30. Please indicate the extent to which you find the following useful, with 1 being 'Very useful and 5 'Not useful'. Please tick (✓) in the appropriate box

Statement	1	2	3	4	5
A plan for finances is useful in making decisions about use of money in business					
The budget is useful when planning for purchases and administrative expenses					
It is necessary to keep a list of income sources for the business					

Section four

31. Do you have procedures on handling of finances?

Yes..... No....

32. If you have procedures, who decided on these procedures?

All members of the group....

A few members of the group....

One member of the group....

I do not know.....

33. Do you understand and follow these procedures,

Yes I understand and follow them.....

Sometimes I understand and follow them...

I do not understand them but I follow them....

I do not know.....

34. Do you have records to capture daily transactions?

Yes No.....

35. If YES to number 34, please indicate by ticking on the records that you have:

A record of purchases.....

A record of sales.....

A record of goods in stock.....

A record of Money in....

A record of money out....

Others (please write).....

36. Is there a specific person in charge of keeping these records?

Yes No.....

37. The records of expenses and income are kept together with receipts or invoices:

Yes..... No.....

38. There is a set amount of money allowed for use every day?

Yes..... No.....

39. Money taken for use has to be approved?

Yes..... No.....

40. Who signs for the cash taken,
 The person book keeper and the person taking the cash.....
 The person taking the cash only....
 The cash is just taken for use and there is no signing.....
41. How often are these records checked:
 Daily.....
 Weekly.....
 Monthly.....
 They are not checked.....
42. Please choose the financial statements that are prepared by your business group,
 Cash Flow statement.....
 Balance sheet.....
 Income and Expenditure.....
43. How often are they prepared and who reviews them:
 Weekly... monthly... every 3 months... every 6 months... yearly....
44. These financial statements are:
 Easy to understand and use....
 Difficult to understand and use.....
 I do not know.....
45. The financial statements are used for:
 Making decisions on use of finance.....
 For checking by the YEDF officers only.....
 They are not used for making any decisions on finances.....
46. You would say that the records kept are,
 Always accurate....
 Mostly accurate.....
 Sometimes accurate....
 Not accurate.....
47. Please indicate the extent to which you think the following statements are important from
 1 being 'Most important' to 5 'Least important'

Statement	1	2	3	4	5
Daily records should be kept for the business					
Accurate records help in planning for finances and making decisions about money					
It is important to keep receipts and invoices for records					
There should be a specific person in charge of keeping records					
Use of petty cash should be monitored and controlled					
Accurate records helps in preparing of financial statements					
The group members should take part in preparing and checking records and statements					

Section five

48. Is it important to have other ways to get finance for your business?

Yes... No....

49. Does your group have any other methods of getting finance apart from the YEDF?

Yes..... No.....

50. What other method do you use to get money?

Savings from the income of the group.....

Personal giving.....

Money from family or friends.....

Using of personal assets for the business.....

Loans from other financial institutions.....

Others (please explain).....

51. Is it easy to get money from other sources?

Yes..... No.....

52. When you get money from your family or friends do you pay it back?

Yes.....

Sometimes.....

No....

53. Are group members expected to contribute towards the finances of the business?

Yes... No.....

54. Have you tried to get money from another institution e.g bank, Sacco etc?

Yes.... No.....

55. Were you able to get the money?

Yes.... No....

Thank you for your time and assistance!

Appendix 3: Key informants interview guide

I want to thank you for taking the time to meet with me today. My name is Olive Ngoe, a Masters of Arts student at the University of Nairobi, Mombasa campus. I am conducting a research on the factors influencing financial sustainability of youth enterprises under the C-YES YEDF programme in Mombasa County.

Introduction: confidentiality and consent: The interview should take about one hour. I will be taking notes because I do not want to miss any of your comments.

All responses will be kept confidential and any information I include in my report will not identify you as a respondent. Remember you don't have to talk about anything you don't want to and you may end the interview at any time.

Are there any questions about what I have just explained?

Are you willing to participate in this interview?

Section one

1. What the general level of education of the youth enterprise owners you deal with:
Primary school.....High School..... Certificate.... Diploma.... University.....
2. From your knowledge of these enterprises:
Most owners have had prior business experience.....
Few owners have had prior business experience.....
None of the owners have had prior business experience.....
3. Are those with prior business experience able to handle their finances better?
Yes..... No.....
Please elaborate
4. As an officer with YEDF, please tick on the skills that you have trained the groups on:
Drawing a financial plan....
Formulating goals.....
Decision making.....
Motivation.....
Accounting and book keeping.....
Negotiation skills.....
Group dynamics.....
Any other(please mention).....
5. In your opinion, what are the most consistent training needs observable in terms of financial skills?
.....
.....

Section two

6. From your monitoring and evaluation processes, you would say that:
All the enterprises in your constituency have a written financial plan....
Most of the enterprises in your constituency have a written financial plan....
Few of the enterprises in your constituency have a written financial plan....
None of the enterprises in you constituency has a written financial plan....

7. Mostly, the youth enterprises prepare their plans
 - Weekly.....
 - Monthly...
 - Quarterly.....
 - Semi-annually....
 - Annually.....
8. Is there a requirement from YEDF on the frequency of review of these plans?
 - Yes..... No.....
9. The review is done
 - Monthly.....
 - Every 3 months.....
 - Every 6 months.....
 - Every year.....
10. Do you check to ensure that the review is done?
 - Yes... No.....
11. In your opinion, do the enterprise owners understand the preparation and use of financial plans?
 - Yes..... No.....Some of them do....
12. From your observation, do these enterprise owners carry out a research to identify their income sources and expenditure items before writing a financial plan?
 - Yes No.....Some of them do.....
13. If No to number 11, please explain in what way the enterprise owners determine the approximate figures for their income and expenditure plans
 - Through guesswork.....
 - I do not know.....

Section three

14. Please choose the daily records and financial statements that are required by the YEDF for the enterprise owners to keep:
 - Daily records
 - purchases.....

Receipts(money in).....
Petty cash.....
Financial statements
Cash flow.....
Balance sheet....
Income and expenditure.....

15. From your experience, do the enterprises keep these records?

Yes..... No.....Some of them do.....

16. If NO to number 14, please explain why they do not keep these records

They do not know how to keep the records.....

I do not know.....

17. Based on your observations those who keep records, keep them-

Always accurately.....

Mostly accurately.....

Sometimes accurately....

Rarely accurately.....

Never Accurately.....

18. Are the records accompanied by evidence such as receipts or invoices?

Always.....

Mostly.....

Sometimes....

Rarely.....

Never.....

19. In your opinion, do you think the enterprise owners understand the preparation and use of these records?

Yes... No.....

20. How often are financial statements supposed to be prepared by the enterprises under YEDF?

Monthly.... Annually

Quarterly.....

Semi-annually...

21. Do you review these financial statements?

Yes.... No.....

22. The enterprise owners express an ability to understand and use the financial statements in decision making:

Mostly.....

Sometimes....

Rarely.....

Never....

Section four

23. Does the YEDF encourage these enterprises to look for additional funding?

Yes..... No.....

24. The enterprises owners put the effort in looking for additional funding'

In many cases....

In few cases.....

Never.....

25. Those who look for additional funding mostly get it from,

Savings from the enterprise income.....

Personal contribution.....

Contribution from family or friends.....

Conversion of personal assets to business use.....

Loans from other financial institutions

Others (please explain).....

26. Youth enterprises who look for additional funding are able to pay their loans better than those who do not,

Yes..... No..... I don't know.....

27. Please rank in order of importance from 1being the 'Most Important' to 4 'Least important' the factors affecting financial sustainability of these youth enterprises:

Leadership profile.....

Financial planning....

Administration and financial procedures....

Internal methods of financing.....

28. Please explain if there are any other factors that impact the ability of enterprises in your constituency to repay their loans, that are not discussed above:

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

Thank you for your time and assistance!

Appendix 4: YEDF summary as at 31st October, 2010

CONSTITUENCY	ALLOCATION	APPROVED	BALANCE	RECOVERED	%RECOVERY	NATIONAL RANKING	PROVINCIAL RANKING
Lamu West	2,000,000.00	1,750,000.00	250,000.00	775,665.00	44.3	28	1
Voi	2,000,000.00	1,484,200.00	515,800.00	485,374.00	32.7	59	2
Taveta	2,000,000.00	1,930,000.00	70,000.00	594,067.00	30.8	68	3
Mvita	2,000,000.00	1,400,000.00	600,000.00	356,238.00	25.4	92	4
Malindi	2,000,000.00	2,000,000.00	0.00	507,810.00	25.4	93	5
Bura	2,000,000.00	1,230,000.00	770,000.00	353,556.00	28.7	100	6
Lamu East	2,000,000.00	1,060,000.00	940,000.00	217,670.00	20.5	117	7
Magarini	2,000,000.00	1,700,000.00	300,000.00	320,686.00	18.9	130	8
Mwatate	2,000,000.00	1,838,350.00	161,650.00	300,441.00	16.3	142	9
Kinango	2,000,000.00	1,999,900.00	100.00	278,445.00	13.9	155	10
Kisauni	2,000,000.00	3,000,000.00	-1,000,000	402,986.00	13.4	159	11
Msambweni	2,000,000.00	1,906,500.00	93,500.00	208,210.00	10.9	172	12
Changamwe	2,000,000.00	2,000,000.00	0.00	207,470.00	10.4	176	13
Galole	2,000,000.00	1,010,000.00	990,000.00	169,680.00	16.8	181	14
Bahari	2,000,000.00	1,964,466.00	35,534.00	171,913.00	8.8	184	15
Wundanyi	2,000,000.00	1,871,280.00	128,720.00	155,687.00	8.3	186	16
Matuga	2,000,000.00	1,985,160.00	14,840.00	140,154.00	7.1	193	17
Garsen	2,000,000.00	1,999,270.00	730.00	87,495.00	4.4	200	18
Likoni	2,000,000.00	2,100,000.00	-100,000.00	69,700.00	3.3	202	19
Kaloleni	2,000,000.00	1,749,500.00	250,500.00	40,235.00	2.3	204	20
Ganze	2,000,000.00	1,250,000.00	750,000.00	22,975.00	1.8	207	21
TOTALS	42,000,000.00	37,228,626.00	4,771,374.00	5,866,457.00	14.0	Out of 210	Out of 21

Source: (Ministry Of Youth Affairs and Sports- Coast Province, 2010)