

*Full Length Research Paper*

# Effect of provision of micro finance on the performance of micro enterprises: A study of youth micro enterprises under Kenya Rural Enterprise Program (K-REP), Kisii County, Kenya

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**Micro and Small Enterprises (MSEs) sector contributes 20% to the GDP of the Kenyan economy. The vision of micro finance is to promote the growth of micro enterprises. In pursuit of this vision, the rapid growth of Micro finance institutions (MFIs) has made MSEs access to credit more than doubled from 7.5% in 2006 to 17.9% in 2009. Despite this increase, a recent study has shown that over 50% of MSEs continue to have a deteriorating performance with 3 in every 5 MSEs failing within months of establishment. This brings to question the effectiveness of the role of micro finance in promoting growth of micro enterprises. The objective of this study was therefore to evaluate the effect of provision of micro finance on the performance of youth micro enterprises under K-REP program in Kisii County, Kenya. The study employed a cross sectional survey design. A sample of 86 youth micro enterprises was selected from a population of 110 youth micro enterprises using simple random sampling technique. Primary quantitative data were collected by use of structured questionnaires and analysed by use of descriptive statistics, multiple regression analysis and Pearson correlation coefficient. The empirical results revealed that loan had the largest significant effect on performance of micro enterprises with a beta coefficient of 0.385, followed by training in micro enterprise investment with a beta coefficient of 0.281 and Savings mobilization had the least but significant effect with a beta coefficient of 0.272. Based on the research findings, the study concludes that provision of micro finance has a significant effect on the performance of youth micro enterprises in Kenya. Therefore provision of micro finance to the youth to engage in micro enterprise activities will help spur economic development and alleviate youth unemployment, in line with Kenya's vision 2030.**

**Key words:** Micro finance, youth micro enterprises, performance.

## INTRODUCTION

With the global youth populations reaching a historical height of 1.5 billion, economies world-wide are increasingly unable to provide young people with jobs, as youth employment grew by only 0.2% over the past decade against the global youth population growth rate of 10.5%. This prompted the first-ever Global Youth Micro enterprise Conference held in Washington, D.C. in September, 2007 to address the rising youth unemployment

situation (Fiona, 2007).

World over, provision of micro finance to the vulnerable has been considered an innovative and sustainable approach where the youth can engage in micro enterprise activities to generate income so as to improve their livelihoods and contribute to economic growth. Micro finance refers mainly to small loans, savings mobilization and training in micro enterprise investment services extended to poor people to enable them undertake self employment projects that generate income. Rural-based micro finance programs in particular have the potential to help poor people perform business activities through

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