

**FACTORS INFLUENCING GROWTH OF SMALL AND  
MEDIUM SCALE ENTERPRISES OWNED AND MANAGED BY  
YOUTH IN RACHUONYO SOUTH DISTRICT, KENYA //**

**BY:**

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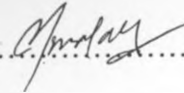


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## DECLARATION

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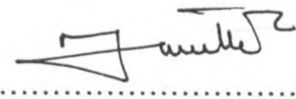
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## DEDICATION

This work is dedicated to my mother Dina; for instilling in me the virtues of humility and hard work, to my wife Goldmeir; for steadfastly standing by my side during the long period of rigorous academic work, to my children Laura, Eugene, Gloria and Antony; for their provocative and incisive comments which propelled me to work toward completing this study. Special tribute goes to my daughter Gloria Ade; for her courage that saved me from the cruel hands of thugs and for which I remain indebted- “Your courage, Mum, added me more days that culminated to the successful completion of this project”.

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## ACRONYMS:

UK	:	United Kingdom
ILO	:	International Labour Organization
GDP	:	Gross Domestic Product
SSE's	:	Small Scale Enterprises
UN	:	United Nations
GEM	:	Global Entrepreneurship Monitor
CBS	:	Central Bureau of Statistics
NGOs	:	Non – Governmental Organization
OECD	:	Organization of Economic Co-operation and Development
ICEP	:	International Centre of Economic Growth – Africa Programme
DEST	:	Department of Education, Science and Training – Government of Australia
SPSS	:	Statistical Package for Social Sciences
GoK	:	Government of Kenya
SMEs	:	Small and Medium scale Enterprises
OAYE	:	Ontario Association of Youth Employment Centre
ESP	:	Economic Stimulus Programme
YEC	:	Youth Empowerment Centre
MYAS	:	Ministry of Youth Affairs and Sports
KEBS	:	Kenya Bureau of Standards
ESP	:	Economic Stimulus Programme

## ABSTRACT

A preliminary survey of youth in Kenya indicated that harsh labour market had pushed youths into business and that business environment directly affected the growth of their enterprises causing stunted growth. The external conditions surrounding the youth were therefore critical in mobilizing entrepreneurial initiatives and converting them from vicarious entrepreneurs to actual business people. This model proposed the entrepreneurial environment as the independent variable whose various aspects such as management of youth enterprises, entrepreneurship education and training, accessibility to finance, as well as government and private sector policies, among others affected the dependent variable-growth of small scale enterprises, measured by annual turnover (profit level), capital investment (volume of assets), and the number of employees working for the business as well as formation of new enterprises. This study sought to investigate the factors that influenced the growth of small and medium scale enterprises, owned and managed by youth entrepreneurs in Kenya generally and in Rachuonyo South District in particular. The specific objectives were:- To establish the influence of management on growth of youth owned enterprises; to determine the role of education and training on growth of youth owned enterprises in Rachuonyo South District; to investigate the contribution of accessibility to finance on the growth of youth owned enterprises in Rachuonyo South District and to explore administrative strategies that would stimulate growth of youth owned enterprises in Kenya. The study would be useful to the youths in business, to the government and other Policy Institutions and for further research on Youth Entrepreneurship. A descriptive research design was used for the study where the target population was 540 youths, whose businesses were registered by department of social services as at January 2010. Stratified random sampling was used followed by simple random sampling of 30% on each stratum – commercial, manufacturing and service sectors – to get a sample size of 162 youth participants. The study used questionnaire as the data collection tool. A pilot study was conducted to pre – test the strengths and weaknesses of the questionnaire. Data was analyzed using measures of central tendencies and of dispersions using statistical package for social scientists (SPSS). Frequency tables and percentages were used to present data. The study revealed that the youth engaged in entrepreneurship because they wanted to secure employment. A large proportion was engaged in the service sector 46.9%. Others (11.1%) engaged in business for continuation of family interests. The study also showed that most youth entrepreneurs (32.2%) with SME's were KCSE drop outs and that a low proportion of youth with SMEs (5.5%) were university graduates. The study further showed that management, education and training, accessibility to finance and entrepreneurial policies had influence on growth of youth SMEs. The study concluded that strong policies were needed to cushion youth SME's from punitive regulatory framework conditions to enable them grow their business. The study recommended that the government at national and local levels should introduce tax relief and differentiated tax rates as well as grace periods for youth SME'S to enhance their growth. The study also recommended that the law should clearly define a youth to ensure the correct target group is reached by the youth initiatives and that KEBS should strengthen governing laws and regulations to protect youth entrepreneurs against unscrupulous suppliers.

**Key words:** Youth, Entrepreneurship, Growth, SMEs.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The youth unemployment rate is increasing in many regions and is persistently high throughout the world (ILO 2005). Appropriate strategies to address the main factors affecting youth employment are needed. Ryan (2003) posits that within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as an important means and a useful alternative to income generation in young people.

Entrepreneurs are people who perceive profitable opportunities, are willing to take risks in pursuing them, and have the ability to organize a business, (the World Bank 1989). According to General Commercial Statistics (Business Development Bank of Canada; 1997), an entrepreneur is a person who establishes “genuinely new enterprise”. Therefore, youth who start-up business ventures qualify as entrepreneurs.

United Nations Secretary – General Kofi Annan, reported to general Assembly in New York on September, 2000 that government at National and Local levels needs to encourage a broad and dynamic concept of entrepreneurship to stimulate both personal initiative and initiative in a broad variety of organizations which include but reach beyond, the private sector: small scale and large enterprises, social enterprises, cooperatives, the public sector, the trade Union movement and youth organization. Curtin, (1999) postulates that many young people have high degree of creativity and have a capacity for flexibility and persistence when motivated as well as tolerance for risk when success is perceived to be possible. They are also highly innovative when intellectually engaged, and have a passion when the goal is viewed as worthy. Such

characteristics stimulate youth to start SMEs and aspire to see them grow. These are the skills that make entrepreneurs. However, to many young people, these skills are latent and can only be mobilized to turn them into actual business operators. Thus the number of entrepreneurs can be expressed by the annual influx of personally owned enterprises, such as those owned by youths. In the words of Timmons and Spinelli, (2003), an entrepreneur is a business innovator who establishes a new business entity for profitable motivations.

Kenya for instance, has recently taken steps to promote its small scale and rural non – farm enterprises. In its “Sessional paper No. 1 of 1986” the government outlines a broad programme in support of SSE’s. A study conducted by the organization for Economic Co-operation and Development; (1997), indicates that governments encourage entrepreneurship because it symbolizes innovation and dynamism. The study further argues that entrepreneurship is a convenient source of consumers’ need satisfaction and an occupation. This justifies youth engagement in business as entrepreneurs have been identified as a major force of innovative business ideas and job creation. However, in Rachuonyo south District, the District Youth Officer in a preliminary interview by researcher, revealed that of the youth entrepreneurs registered, only 180 (33.3%) paid back grants given to them. The other 360 (67%) were not keen on growing their enterprises and either used the grants on illicit activities or simply wasted the funds. The youth enterprise fund in particular has been marked by low repayment rates for some categories of loans it has offered, especially those that were not issued through intermediary financial institutions like banks. Nyandemo, (2010).

## 1.2 Statement of the Problem

The youth unemployment rate is increasing in many regions and is persistently high throughout the world (ILO 2005). Preliminary survey indicates that most youth related crimes in Rachuonyo South were due to their disaffection with unemployment and subsequent frustration, real or perceived.

Within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as a useful alternative to income generation in young people Ryan (2003). However in the quest to engage in effective entrepreneurship, youths constantly face certain challenges on financing, skills, business support and laws in start- up and growth of their enterprises. Enterprise growth can be due to existence of opportunity as well as conducive entrepreneurial environment. Opportunities for profitable business activities shape the ability of an entrepreneur to expand his or her firm. Yet, profitable business opportunities are a necessary but insufficient condition for firm growth (Mead, Interview, 2004). To fully utilize business opportunities, entrepreneurs must possess appropriate capabilities, such as skills, resources or technology. A preliminary research in the area of study revealed that of the 35 youth entrepreneurs funded through Youth Enterprise Fund (YEP), only 3 had made progressive attempts to repay the grants. The others had either closed down or were simply unable to generate enough money to service their loans, an indication that the enterprises were not growing or had retarded growth trends. It is this phenomenon that prompted this study.

Studies on entrepreneurship shows the entrepreneurial framework conditions vary strongly from country to country and young people experience different incentives and encounter different barriers to start businesses, (GEM, 2000, PG. 13f).



This study therefore sought to examine whether the factors influencing the growth of small scale enterprises, which are owned and managed by youth entrepreneurs in other parts of the world also apply in Kenya in general, and in Rachuonyo South District in particular.

### **1.3 Purpose of the Study**

The purpose of this study was to examine the factors influencing growth of small and medium enterprises managed by youth in Rachuonyo South District.

### **1.4 Research objectives**

The study was guided by the following objectives:

1. To establish the influence of management on growth of youth SMEs in Rachuonyo South District
2. To determine the influence of entrepreneurial education and training on growth of youth owned SME's in Rachuonyo South District.
3. To investigate how accessibility to finance influence growth of youth owned small and medium scale enterprises in Rachuonyo District.
4. To explore administrative strategies that would stimulate growth of youth owned SMEs in Rachuonyo South District.

### **1.5 Research Questions**

This study sought to answer the following research questions:

1. What influence does management have on growth of youth owned enterprises in Rachuonyo South District?
2. Does education and training influence growth of youth SME's in Rachuonyo South District?

3. To what extent influence does accessibility to finance influence the growth of youth owned small and medium scale enterprises in Rachuonyo South District?
4. Which administrative strategies would stimulate growth of youth owned enterprises in Kenya in general and in Rachuonyo South District in particular?

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

Youth unemployment as well as youth related crime can only be curtailed when alternatives to formal employment and measures to curb abject poverty are identified. The findings of the study would be of help in providing data and information on factors influencing growth of youth owned and managed SME's for proper planning and decision making at the Ministry of Youth Affairs and Sports for making policies aimed at providing enabling environment for the growth of the small scale enterprises owned and managed by youths; and to help increase the role and successes of small and medium scale entrepreneurs in boosting the Kenyan economy; The study would also provide important information on strategies available for youth in growing their enterprises and in solving some of the challenges they face; The study also contributed in bridging the gaps left by the previous studies, formed a basis for further research on growth of youth owned SME's in other areas and added knowledge on the existing literature on growth of youth SME's.

### **1.7 Basic Assumptions of the Study**

The study was carried out on the basis of the following assumptions; the study assumed that all registered youth entrepreneurs are practicing entrepreneurs and that the respondents would provide truthful and accurate information to help in determining gaps between actual growth and the expected growth rate. Also assumed was that a sample of 30% would be representative enough of the entire population.

## 1.8 Limitations of the Study:

This study was limited in the following ways;

With the creation of many districts in Kenya and a possibility of sub-dividing the area of study, the sample frame of Rachuonyo South District may not be used for generalizations. Environmental constraints particularly heavy rains and muddy roads made it extremely difficult to access certain areas in specified time causing delay by one week, as the method of collecting data demanded that copies of the questionnaire were to be self-administered. However the researcher used alternative transport modes including trekking to reach the target population.

## 1.9 Delimitation of the study

This study was basically concerned with factors influencing growth of small and medium enterprises owned and managed by youth within Rachuonyo South District. The study was delimited to four major market centers and their environs, namely; Oyugis, Ringa, Kosele and Kadongo. These market centres had existed for over thirty years with each growing its population to over ten thousand people making them significant for the study.

## 1.10 Definition of significant terms as used in the study

The following operational definitions will be adopted for this study.

**Youth** : Anybody between the ages of fourteen to thirty years

**Entrepreneur** : A person who has perceived a profitable opportunity, has taken risks in pursuing them, and has organized a business.

**Entrepreneurial Environment:** A set of Laws and Regulations as well as the opportunities and incentives to entrepreneurs.

**Enterprise** : A business activity and/or entity

<b>Small scale enterprises</b>	: A business entity with up to ten employees
<b>Medium enterprises</b>	: A business entity employing between ten to fifty employees
<b>Growth</b>	: Increase in number of employees in a business, expansion of capital assets or increase in the number of business premises
<b>Management</b>	: Achieving desired objectives with and through others
<b>Business start</b>	: Initializing and operating a new venture
<b>Capital investments</b>	: Volume of assets in the business venture
<b>Annual turnover</b>	: Yearly profit level
<b>Start-up finance</b>	: Seed money required to start a business
<b>Entrepreneurial education</b>	: Acquired knowledge on starting and running business
<b>Business support</b>	: All structures social, financial and technical that cushion the entrepreneur against initial bottlenecks.
<b>Constraint</b>	: Challenge to the growth of youth SMEs

## **1.11 Organization of the Study**

This research project was arranged in five chapters.

Chapter one introduced the study, stated the problem, purpose and objectives of the study, research questions, significance of the study, basic assumptions, limitations and delimitations, definition of significant terms used in the study.

Chapter two examined pertinent literature related to the study. It reviewed importance of Entrepreneurship, management practices that lead to growth or failure of youth owned enterprises, role of small scale enterprises in Kenya, policy frame work in Kenya, social, cultural and economic issues affecting youth entrepreneurs, influence of education on growth SMEs and other studies done on variables with influence on growth of SME's started and managed by youths.

The third chapter has in detail the research methodology for the proposed study. It outlines the research design adopted for the study, target population, data sources for the study, sample and sampling design, pretest of research instruments, data collection procedures and instruments as well as data processing and analysis techniques.

Chapter four has covered detailed analysis and interpretation of research findings while chapter five gives a summary of the study and conclusions. The same chapter also presents recommendations and suggestions for further research based on the research findings.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter critically reviewed available literature on youth engagement in entrepreneurship, management practices that lead to success or failure of youth owned enterprises, importance of small scale enterprises in Kenya, policy framework in Kenya, economic and political issues affecting youth entrepreneurship, education and training issues affecting entrepreneurship, concept of start-up financing, administrative issues on youth entrepreneurship. The chapter also related the variables through a conceptual framework, and various related theories explored and finally a summary of the literature was given.

#### **2.2 Youth engagement in Entrepreneurship Growth**

Entrepreneurship is considered as a unique function of bearing non insurable risk to the entrepreneur hence defined as a person who is able to look at the environment, marshal resources, and implement action to maximize those opportunities, (Solomon and Fernald; 1988). Schumpeter (1961) defined entrepreneurship as the act of carrying out a new combination of firm organization, new product, new services and new sources of raw materials, new methods of production, new markets and new forms of organizations. According to Maxwell, (2002); entrepreneurship and self employment can be a source of new jobs and economic dynamism in developed countries, and can improve youth livelihoods and economic independence in developing countries. For the young people in the informal economy, micro - entrepreneurism is a bottom - up method for generating an income, self reliance and a new innovative path to earning a living and caring for oneself, (Maxwell, 2002).

This explains why young people start and operate small scale enterprises in Kenya and the World over. However, youth entrepreneurship should not be seen as panacea for youth unemployment problem. Considering the lack of appropriate economic conditions, the lack of market opportunities and very little consumer spending power in developing countries the all - purpose of Youth Entrepreneurship is still uncertain. In the words of White and Kenyon (2001), "In certain situations and conditions youth enterprise should not be promoted, especially when it is only concerned with keeping young people busy."

Within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as an important means and a useful alternative for income generation in young people, (Ryan, 2003).

According to Chigunta (2002), promoting youth entrepreneurship is important because: it creates employment opportunities for self employed youths as well as the other young people they employ; it brings alienated and marginalized youth back into the economic mainstream and gives them a sense of meaning and belonging; it helps address some of the socio - psychological problems and delinquency that arises from joblessness; it helps youth develop new skills and experiences that can then be applied to other challenges in life; it promotes innovation and resistance in youth; it promotes the revitalization of the local community by providing valuable goods and services; and it also capitalizes on the fact that young entrepreneurs may be particularly responsible to new economic opportunities and trends. Entrepreneurship and self employment can be a source of new jobs and economic dynamism in developed countries and can improve youth livelihoods and economic independence in developing countries (Maxwell, 2002).

### **2.3 Management issues on growth of youth SME's**

Research conducted by Cunningham (in Meng & Liang, 1996) on 178 entrepreneurs and professional managers in Singapore showed that success is closely connected with individual traits, education level, as well as experience. But Kim (in Meng & Liang, 1997), found that experience had no effect on business success. According to Staw (1991) age is not closely related to success in business, hence youth are not disadvantaged. However Staw observes that if age (is the length of time someone conducts business), then there is a relationship between age and entrepreneurial success.

According to Miner (1996) four entrepreneurial personality types; personal achiever, super sales person, real manager and expert idea generator can predict success in any field of business. He postulates that any entrepreneur will succeed if he /she follows a business pathway congruent with his personality traits (Miner 1996). Deakins and Freel, (1998) state that, little is known about the growth process of SME's. What is known is the unplanned management, experience based approach to daily operations, and a reactive rather than proactive approach that SME's adopt. Gilmore, Carson and Grant, (2001) acknowledges that SME's cannot do conventional marketing because of limitations of resources and because the managers of SME's think differently. White, Miles and Smith, (2001) state that financial performance for SME's is very difficult to conceptualize since few SME's are publicly held, and thus do not tend to maintain formal accounts.

### **2.4 The influence of entrepreneurship education on growth of SMEs**

Entrepreneurship education has been defined as "learning directed towards developing in young people those skills, competencies, understandings, and attributes which equip them to be innovative, to identify, create, initiate and successfully manage personal, community,



business, and work opportunities, including working for themselves” (DEST, 2005). According to McMullen and Shepherd, (2006) “the willingness to bear the perceived uncertainty associated with an entrepreneurial act is representative of a belief-desire configuration in which belief of what to do is a function of knowledge”. Rae, (2006) provides a comparative dimension and points that “while education provides cultural awareness, knowledge and skills for entrepreneurship, the ‘art’ of entrepreneurial practice is learned experientially in business rather in educational environment”.

However as other scholars have observed “entrepreneurship education is found to contribute significantly to risk taking, the formation of new ventures, and the propensity to be self employed. In addition, entrepreneurship graduates have higher incomes, higher assets, and indirectly higher job satisfaction compared to other business graduates. Entrepreneurship education contributes to the growth of small firm’s that employ entrepreneurship graduates, and firm’s owned by entrepreneurship graduates tend to be larger and have more sales than those owned by non-entrepreneurship graduates. Entrepreneurship education also promotes technology-based firms and products” (Charney; Libecap, 2000) .

## **2.5 Importance of Small Scale Enterprises in Kenya**

Generally, it is common knowledge that SSE’s significantly influences the industrialization process of all Nation - States, the stage of economic development, notwithstanding. Comparative studies on formal and informal sector employment indicate that the informal sector has the potential to absorb an increasing number of people. Daniel *et al*; (1995) established that trade had far reaching importance in generating employment among SSE’s. According to the Centre for Economic Growth, Africa program, Kenya’s SSE’s employed about 2.4 million people, by 1999.

The importance of SSE's becomes even more apparent considering the current wave of economic liberations, restructuring of industries and the process of change in ownership particularly the privatization of state corporations which has created social security problems and governments are facing difficulties due to the growing number of unemployed. In addition, there are a myriad other benefits of SSE's that result in the economy such as production of goods and services, income generation and development of creative innovations or skills. The GoK sessional paper No. 2 of 1992 clearly brings out the major role of SSE's in the Kenyan economy.

## **2.6 Policy Framework in Kenya**

The government of Kenya, through its policy documents on SSE's sector, recognizes the role and importance of small and medium level enterprises. Sessional Paper No. 2 of 1992 sets out a comprehensive policy framework to increase direct assistance to individual entrepreneurs and SSE's with the aim of providing an enabling policy environment of deregulation and liberalization. Specific action includes redressing of licensing, tax, security of works, legal and political conditions and other regulatory restrictions on informal sector activities. The sessional paper emphasized the role of private sector enterprises and initiatives, with the government playing mainly a facilitative role. It underlines the need for adequate access to credit, provision of management and technical training in business counseling, consulting, marketing and extension services. Other policy documents include the current and preceding National Development Plans, Sessional Papers, National Baseline and Economic Surveys, Poverty Eradication Strategy plans, Economic Recovery Papers and Vision 2030. Sessional Paper No. 2 (1996) on industrial transportation to the year 2020 noted that despite government efforts aided by a large number of donor agencies and NGO's, there still remained four major constraints that restrained the expansion of small - scale

enterprises sector. The sessional paper identifies access to credit, access to land and infrastructure, access to training and technical support, and access to technology and introduction as constraints

## **2.7 Economic issues influencing youth entrepreneurs**

For latent entrepreneurs hoping to actualize their intentions to access the start-up financing or seed finance and for those who are already in business, what matters is cash flow as determined by access to finance or working capital.

In view of the numerous difficulties that young men and women face when it comes to obtaining start-up finance, many are required to use alternative financing. Various ways (legal and illegal) are used by youth to finance their business, including loans provided by family members, friends, additional employment, financial partner/investors, use of credit cash, personal loans, establishing accounts with suppliers, grants and prizes (White; Kenyon, 2002). There is an anecdotal evidence to suggest that the largest sources of start-up funding for young entrepreneurs are personal savings or assets, foregoing salaries and money from friends and family in form of either loans or donations (Heidrick, 2002). In Kenya for instance, there has been spirited effort to stimulate youth into entrepreneurship through G.O.K youth funds and constituency development funds (CDF) which are given either as grants or soft loans. However, as White and Kenyon (2001) points out, the issue of grant finance for self-employment ventures is a vexed one. On the one hand, it can be an important aid for people who have been rejected from other conventional forms of finance. On the other hand, many experts believe that programmes should help young people deal more directly with the problem of access to finance, rather than providing them with non-refundable funds or free money (White; Kenyon, 2001).

### 2.7.1 Concept of a start up finance in the growth of youth owned SME's

Start up finance refers to cash or capital required to initiate a business venture. Access to such finance has always been challenging and has been cited as the most prominent impediment to young people seeking to create their own business. According to the Euro-barometer survey (2004), young people seem to be the strongest supporters of the perception that the lack of available financial support is an obstacle to setting up a business. This is corroborated by the findings from a survey on youth self employment in Ontario Canada, conducted by Ontario Association of Youth Employment Centers (OAYEC 2000). The study revealed that most young entrepreneurs considered lack of capital and finance as the key resource they missed during their business start-up.

According to OAYEC (2009) young people have limited access to startup finance due to the following reasons:

Inadequate securities and credibility for debt financing. This arises from limited self-seeking resource, the absence of substantive credit history, sufficient collateral or guarantees to secure loan on lives of credit which portray young people as particularly risky investment and therefore face difficulties in accessing finance. Furthermore funds requiring less or no collaterals (except business plan) often charge significantly higher fees and interest rates; inadequate business experience and skills especially for debt financing.

According to OAYEC (2000) one of the key concerns when lending money to young entrepreneurs is the lack of experience and business skills. According to their age, young people as less likely to have the type of business experience, track record or business skills that bank's or other financial institutions would look for in assessing credit worthiness. Often

young people will have to show that their business has already been trading in some form for a period of six months.

Another barrier is strict credit scoring methodologies and regulations. Youths often have difficulties in meeting strict credit scoring criteria as banks often deal arbitrarily with terms and conditions. There is lack of binding rules and clear general terms ensuring the transparency of rating procedures and credit scoring systems for young entrepreneurs De, (2001). Also cited by De (2001) are complex documentation procedures, long waiting periods and inadequate knowledge, understanding and awareness of start-up financing possibilities. Young people are easily put off by the documentation procedures and information required by many commercial lenders of credit. This is more so with funds requiring less or no collaterals but that charge very high interest rates and fees. Another problem is the time needed to decide on an application for funding which at best is one month, particularly from public support agencies and programmes. According to De, (2001), in many cases, the time spent on preparing (entrepreneur) and processing (agency) an application can easily exceed five months, which is a very long time for a potential young entrepreneur.

Young entrepreneur often launch their business without carefully estimating the amount of capital, (both start-up and working capital) they will need to actually get started. Many insist that passion and enthusiasm will be enough to get them through the rough periods.

Furthermore, young entrepreneurs are often not aware of all available types of finance, funding forms and special support programmes. They often do not understand the concept, the benefits, the possibilities and the drawbacks of the numerous forms of debt and equity (venture capital) financing. Heidrick, (2002) observes that age-related impediments are exacerbated by the typical firm characteristics of business started by youth ventures which are

owned and operated by a single person, placing these business very firmly in the 'micro-business' category. About 75 percent of youth owned business were in the service sector, a low growth area. These particular firm characteristics have implications for the access of business capital, as most of these ventures are in the early stages of growth (looking for seed money or start up funds), have limited tangible assets and low profit margins. Such characteristics also limit the availability of angel investors and venture capital as sources of equity financing (Heidrick, 2002).

Young entrepreneurs, working in the informal sector, face particular difficulties to obtain start-up finances. As informal sector enterprises are not registered with the relevant jurisprudence as limited liability companies, there is no difference between enterprise assets and personal assets. A young entrepreneur is therefore directly and jointly held responsible for his/her liabilities. This lack of separation between ownership and control makes it quite difficult for investors to deal with entrepreneurs in the informal sector. In many countries, entrepreneurs are not recognized as "employed" regardless of their workload. Therefore, they also have severe problems to obtain start-up finance.

Curtain (2001) notes lack of successful micro-lending or micro finance and seed funding as yet another barrier to access to finance by youth. Curtain observes that in many countries, youth seems to be under represented as a target group of micro credit programmes. Where mainstream micro-credit organizations offer programmes directed to youth, verification with several experts confirms that youth are still an underrepresented group.

Given the numerous difficulties that young people face in obtaining start-up finance, many are required to use alternative financing. According to White and Kenyon (2000), various ways (legal and illegal) are used by youth to finance their business including loans

provided by family members, loans provided by friends, additional employment, financial partner/investor, use of credit cards, personal loans, establishing accounts with suppliers, grants and prizes. According to GEM (2004) 99 percent of all business were funded by informal investors instead of classic venture capital – the equivalent of 92 percent of the total amount invested in the GEM countries. This is corroborated by Heidrick (2002) who observes that there is anecdotal evidence to suggest that the largest sources of start-up funding for young entrepreneurs are personal saving or assets, foregoing salaries and money from friends as family either in form of loans or donations. The RSA (Royal Society for the encouragement of Arts, Manufacturers and Commerce) study on young entrepreneurs in the UK and survey on the Shell Live Wire awards confirm that friends and family were the third most popular source of start-up capital (after foregoing salary and personal savings) for a young entrepreneur and were a more popular financing source than banks (Darby, 2001).

## **2.8 Administrative and Regulatory Framework Conditions and Growth of Youth owned SME's**

According to the World Bank (2005), the impact of administrative and regulatory burdens on youth entrepreneurship and business in general is a fairly new area of research. However these burdens are among the most important barriers to start-ups of a young people in high income and developing countries. Government regulations and bureaucratic formalities also are seen as one reason for large informal sectors in many developing countries, since the costs of formalizing are higher than the gain in productivity from entering the formal sector. Administrative complexity is seen to be a major obstacle for entrepreneurship and self-employment and particularly to setting up one's business (Eurobarometer Survey, 2004).

Entrepreneurs face numerous administrative burdens including business registration, tax administration, obtaining investment approvals and business licenses, coping with copyright and patent regulations, competition law, access to work space and long term leases, construction and building permits, customs clearances, and utility look-ups among others. (La Porta et al. 1999). These issues are particularly time and cost consuming for young entrepreneurs, as young people often do not have prior or less experiences with such matters. In view of their lack of capital, administrative costs and high tax levels can become an insuperable barrier to set up of a business or can push many promising young entrepreneurs into the grey or black market where there are limitations to the opportunities for them to grow and prosper. Finally it is the perceived administrative complexity that keeps the young would be entrepreneurs from ever getting into business.

The World Bank (2005) lists unsupportive tax regimes (Systems and levels) as a key administrative burden to start-up by young entrepreneurs. Unfavourable or complex tax systems can kill off new young enterprises in the start-up phase and during their artificial first few years of business. Young entrepreneurs with little experience are either put off by complex tax-regulations or are afraid of doing something wrong. Unlike adult enterprises, young entrepreneurs often cannot afford to hire an accountant to assist with tax administration. Also cited by the World Bank as a major obstacle for young people is business registration procedures and costs; the number of steps involved in the registration process ranges from 2 (Australia, Canada, New Zealand) up to 17 (Paraguay, Uganda). There are no monetary costs to set up business in Denmark, but it costs over 13 times – the annual income per capita in Sierra Leone. Some countries require no minimum capital requirement is equivalent to 56 times income per capita, in Ethiopia and Yemen, 17 times, (World Bank, 2005). According to De Sa (2005), in developing and transition countries, these procedures are often associated



with bureaucracy, corruption and lack of transparency or accountability. In this context, young people get easily tied up in red tape and lose their entrepreneurial enthusiasm.

Bankruptcy laws, particularly the time and costs involved in insolvency proceedings are often unreasonably punitive to business failure. Severe penalties for failure can greatly impact on the willingness of young entrepreneurs to engage in business. Young people tend to be very risk averse in this regard. According to Eurobarometer Survey (2004), the younger the respondent the more he or she would be afraid of going bankrupt.

Another hurdle hinges on property rights, copyrights, patent and trade mark regulations. The risk of losing ones property is one of the most important financial risks for young people to start a business. In many countries, property rights are neither adequately defined nor protected. Registering property can be a time and cost consuming effort. The World Bank's Doing Business (2005) shows that the time needed to register property can range from One (1) day in Norway up to 956 days in Croatia. Moreover, these long procedures are often associated with high levels of competition, favouritism and red tape.

Young people without experience and networks cannot pull strings and are forced to pay unanticipated bribes to accelerate the process, putting their young business at risk. Poor enforcement of copyright, patent and trade mark regulations can greatly disadvantage young people who are often not sufficiently familiar with this issue. Consequently, they do not appropriately protect their business or they may themselves be caught in litigation with companies in the same sector or industry for copyright infringement. Street and Sykes (2003) observes that ineffective competition law can also close markets to new start-up business particularly young people who are outside local business networks. Competition related restrictions on market access or government subsidies could prevent many young people from entering markets. On the other hand, trade liberalization policies introduced in an

developing countries have increased competition. Many businesses do not have the professional management and resources to adapt to a more competitive environment. (Street, Sykes, 2003). Further, regulatory framework changes and lack of transparency is also a hurdle to the growth of SME's by youth given young entrepreneurs in many cases cannot afford to hire a consultant such as an accountant, hence it becomes a complicated task for them to keep tract of regulatory changes. In some countries, regulatory changes practically happen on a yearly basis, sometimes even more frequently, reducing young entrepreneurs' planning reliability and putting their business at risk.

## **2.9 Gaps in knowledge to be filled by the study**

From the literature review, it is evident that young entrepreneurs play important role in entrepreneurial development. The literature also highlighted constraints that the youth face in business such as regulatory and bureaucratic red tape, limited consumer demand for local products and services, limited access to capital for start - up and expansion, entrepreneurial education, lack of business assistance and support, lack of adequate information, inability to mobilize capital and human resources, lack of information sources, lack of broad based infrastructure and lack of international networks among others. Challenges common to all enterprises include securing funding, marketing and management skills and identifying suitable business strategies to thrive in the globalized social and economic environment. Societal, cultural, sociological and political attitudes are forms of constraints faced by the youth. However, literature specific to the youth who own and manage small scale enterprises in Rachuonyo South District is still lacking. This study will help prove whether factors affecting growth of youth owned and managed SME's elsewhere in Kenya and beyond also apply to those in Rachuonyo South District.

## 2.10 Theoretical Framework

According to Kombo and Tromp, theoretical framework refers to a collection of interrelated ideas based on theories attempting to clarify why things are the way they are based on theories, introducing new view of the research problem, allowing understanding realm of the problem, helping to conceptualize topic in its entirety and to acknowledge problem from a wider perspective for objectivity. The theoretical framework in this study provides a justification and logical basis of youth engagement in small scale entrepreneurship underpinned on Kirton's (1976, 1989) adaptation- innovation theory.

Kirton (1989) maintains that individuals are systematically different from each other in creative style, decision making and problem solving. Differences in creative style are influenced by originality, efficiency, and group conformity. A low standing on originality but a high standing on efficiency and group conformity makes a person an adaptor; on the contrary, a high standing on originality but low on the other two aspects makes a person an innovator. This creativity and innovation transforms youth who are latent entrepreneurs into successful business operators. By adapting to the business environment and taking risks to innovate through measures such as price deregulation and product differentiation, the youths are able to grow their enterprises.

White and Kenyon (2002) observes that youth entrepreneurs are faced with hindrances to growth of their business such as social and cultural legitimacy, entrepreneurial skills, access to finance for start up, administrative and regulatory framework conditions as well as inadequate infrastructure. Therefore, growth of SME's operated by youths and its success will heavily depend on the ability of individual entrepreneur to adapt to presumptive entrepreneurial environment and identify and exploit existing opportunities for business development. The adaptation - innovation theory views growth of youth owned SME's

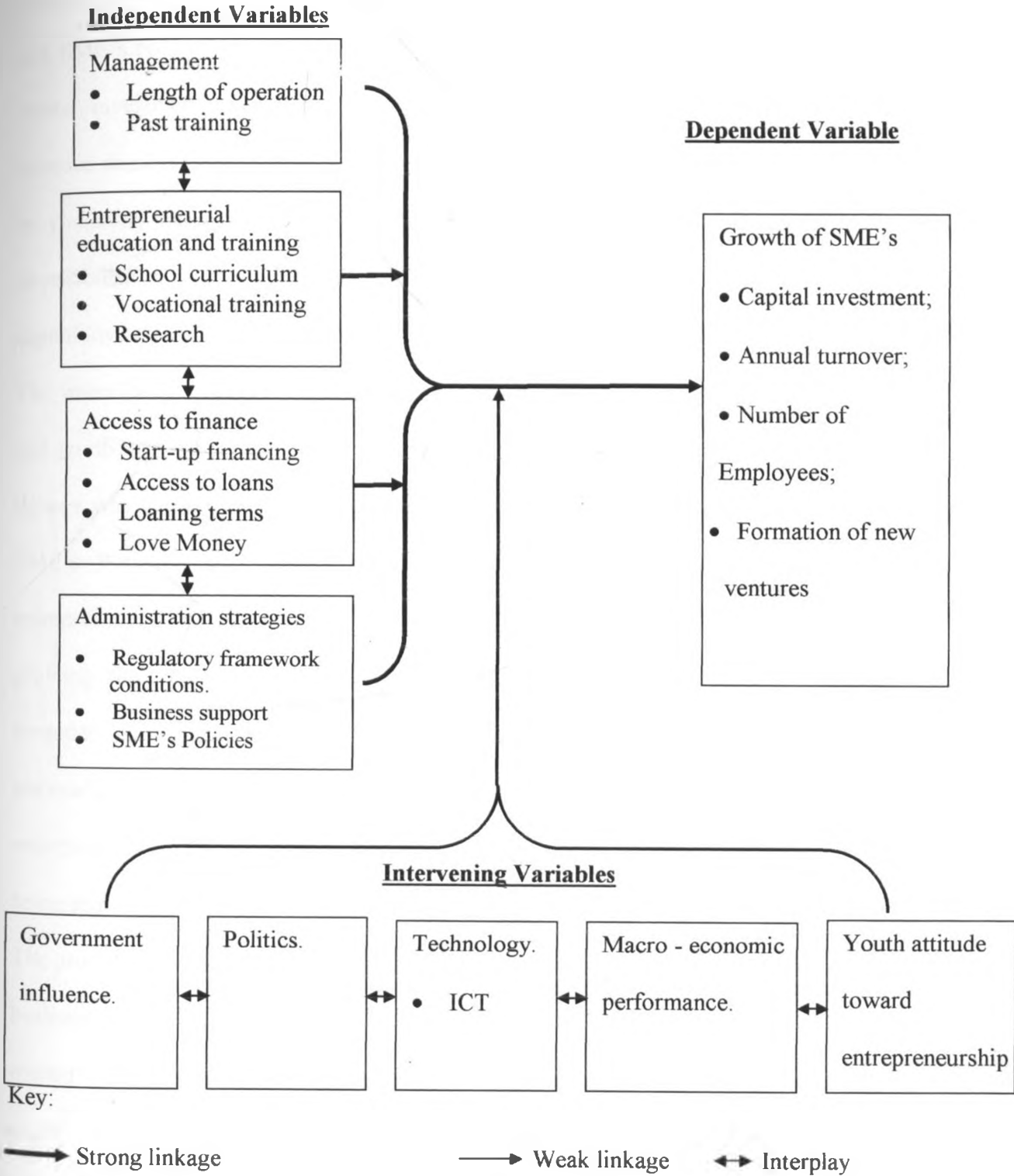
through creativity by young people and ability to adapt to the dynamic entrepreneurial environment.

## **2.11 Conceptual Framework**

Reichel and Ramey (1987) in Kombo and Tromp (2006) defines conceptual framework as a set of broad ideas and principles taken from relevant field of inquiry and used to structure subsequent presentations. According to Mugenda and Mugenda, (2003), conceptual framework involves forming ideas about relationships between variables in the study and showing these relationships graphically or diagrammatically. The conceptual framework of this study is based on the idea that independent variables, management, entrepreneurial education, accessibility to finance or start - up financing, administrative strategies like regulatory framework conditions, business assistance and support as well as infrastructure are capable of ensuring growth of youth owned SMEs. It is hypothesized that the intervening variables like government influence, political environment, economic performance, and technological changes and youth attitude towards business affect the growth of SME's.

**Figure 2.1: Relationship between variables of the study.**

The study was guided by the following perceived relationship between the variables as shown below:-



## 2.12. Operationalization of dependent and independent variables

Figure 2.1 illustrated the perceived relationship between the variables of the study. From the perceived conceptual framework, managerial experience, entrepreneurial education and training, accessibility to finance and start – up financing, just like administrative strategies and SME's policies were seen to strongly influence growth of youth SME's by promoting capital investment. The four variables were also perceived to improve the profit level, increase number of employees working in business owned by youth, and create new ventures by youth. By manipulating the independent variables management, education and training, accessibility to finance and entrepreneurship policies targeting the youth, it was hoped that capital investment, annual turn over, number of employees and new ventures would increase. The intervening variables government, politics, technology, macro economic performance and youth attitude were also perceived to influence growth on youth SME's although the linkage was seen as weak. A positive index on the variables would escalate growth of youth SME's. Both the independent and intervening variables were perceived to act through the entrepreneurial process with the players being the youth who were directly involved in growing their businesses, the government both national and local whose role was to formulate, implement and enforce key policies in growing youth SME's, and suppliers of raw materials to the youth in business whose influence was seen as crucial in stocking the youth enterprises. The variables were also perceived to act interdependently with the interplay being important in the overall growth of youth SME's.

The growth of a business or firm was measured in terms of either new enterprises entering the business world or the existing business firms expanding. In analyzing the growth of SME's owned by the youth, this study looked at the number of registered youth owned and managed enterprises in Rachuonyo South District, the number of employees working in the firms, the volume of assets owned by the business. and the amount of sales (in profits) as well as new

ventures that were being created. In this study, growth of SME's was characterized by increase in number of employees, increase in capital investments (assets), rise in annual turnover (profit level), formation of new enterprises and positive improvement in the situation of enterprise.

Various aspects of entrepreneurial environment including entrepreneurship education and training, access to finance and start-up financing, administrative and regulatory framework conditions, business assistance or support, physical infrastructure, SME's policies and managerial experience, were assumed to influence the dependent variable-growth of SME's. This researcher sought answers to the questions on how each of the factors influence the growth of SME's owned and managed by youths in Rachuonyo South District.

Entrepreneurship Education was measured by existence of entrepreneurship curricular in education institutions and increased research activities on enterprise education. This study sought to investigate the influence of entrepreneurship education on the growth of youth owned SME's in Rachuonyo South District.

Access to finance or start-up financing was measured by the number of young entrepreneurs with or servicing loans, evidence of youth beneficiaries of youth fund or other grants, and availability of love money ( from relatives and/or friends)

Administration and regulatory framework conditions was measured by number of steps to be followed in acquiring documents for start-up of new ventures, the legal requirements for start and operation of new and existing enterprises and degree of enforcement of the relevant laws. Business assistance and support was gauged by attendance of workshops, trainings, business counseling services offered to the youth, networking with Chamber of Commerce and Industry, Federation of Kenya Employers, Non Governmental Organizations and Ministry of Youth Affairs and sports or any other organization.

Managerial experience was measured by the young entrepreneurs' years in running personal or other business and previous employment in a firm or service as an intern in a business organization.

### **2.13 Summary of literature reviewed.**

This section critically reviewed literature on factors influencing growth of SMEs started and managed by youth. It discussed the justification of youth engagement in entrepreneurship, management issues on failure and growth of youth owned enterprises, concept of start-up financing, importance of small scale enterprises in Kenya, economic and political issues affecting youth entrepreneurship, administrative and regulatory framework conditions and policy framework in Kenya.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Introduction

This chapter describes the overall research design that were adopted, target population, sample and sampling procedures, types of data, data collection instruments, validity and reliability of research instruments, as well as data collection, processing and data analysis techniques which were used.

#### 3.2. Research Design

Claire Selltiz *et. al.* (1962) in Kothari (2004) defines research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This is a conceptual structure in which research is conducted and constitutes the blue print for the collection, measurement and analysis of data (Kothari, 2004).

To address the questions posed in this study, the study adopted a survey design of descriptive study type (Kothari 2004); supplemented by both quantitative and qualitative approaches. The researcher preferred the descriptive research study because it portrayed personal factors, events or situation (Sekaran 2004). The survey was cross-sectional in nature as data was collected one point in time. The descriptive summary helped to collect information on factors influencing growth of SME's owned and managed by youth in Rachuonyo South District. In this study, deductions were made without direct interventions for concomitant variations of independent and dependent variables. This was so as the independent variables under study were not easily manipulable given, their manifestations had already occurred.

### **3.3. Target Population**

The target population comprised youths who own and manage small scale enterprises in the area. The Ministry of Youth Affairs and the department of social services through the Social Development Officer Rachuonyo South District extracted on request, a list of youths and youth groups operating various business in the district, from their register. The extract gave the population of youth registered to operate business in the district at the time as 540. This formed the target population for this study.

### **3.4 Sample size and sample selection**

To Mugenda, (1999), sampling is a process by which a relatively small number of individuals, objects or events are selected and analyzed in order to find out something from the entire population from which they are selected. A sample is a small proportion of population selected using some predetermined procedure (Koul 1984). The population was stratified according to the entrepreneurial activities undertaken by the youth who own and operate small scale enterprises in the service, commercial and manufacturing sectors. Stratification was done to provide every activity with equal chances in the study. The sectoral samples were picked from the existing population strata.

Simple random sampling was used to pick sectoral samples from the existing population strata. Proportionate stratified sampling was used and number of elements included in the sample was 30% sample for each sector of the entrepreneurial activity. This gave a sample of 162. The main reason for the choice of the sampling procedure was that it had the credit of increasing statistical efficiency, provided self - weighing sample and was much easier to carry (Mugenda and Mugenda, 1999, Copper and Schindeler, 2003).

**TABLE 3.1: Total and Sample sizes of the population for study.**

<b>Types of business (stratum)</b>	<b>Total population</b>	<b>Sample %age</b>	<b>Sample size</b>
Commercial	120	30%	36
Service	270	30%	81
Manufacturing	150	30%	45
<b>TOTAL</b>	<b>540</b>	<b>30%</b>	<b>162</b>

### **3.5 Data collection Instruments:**

The study used questionnaire as the main data collection tool. The questionnaire contained both open and closed-ended questions which were administered to the selected youth entrepreneurs.

#### **3.5.1 Pilot testing**

Copies of self - administered questionnaires were used to collect information from youth with small and medium scale enterprises within Rachuonyo South District. A pilot study was conducted to test the strengths and weaknesses of the instrument followed by adjustments that were found necessary. The questionnaire was pre-tested to a representative sample which was similar to but not the actual sample which the researcher used in the study using procedures that were subsequently employed during the actual data collection. Pre-testing the questionnaire helped reveal vague questions following varied responses and prompting rephrasing using comments by respondents on concept, and deficiencies in direction and writing space. Furthermore, from the pilot study, a few copies of the questionnaire were analyzed to determine the appropriateness and sustainability of the methods of data analysis (Mugenda and Mugenda, 1999). The tool was found effective since

the target population was mainly literate. To capture the semi-literate respondents, the research assistants directly administered the questionnaire under supervision by the investigator. However, these were minimal as most youths were former leavers. The tool was to assist in collecting quantitative and qualitative data on causes of growth of youth SME's.

Qualitative data on administrative and regulatory framework conditions including accessibility of finance was solicited. Data collection instruments were used in securing information concerning phenomenon under study from selected number of respondents (Mulusa, 1998). According to Kombo and Tromp, (2006), data for descriptive survey study employs techniques and methods that are structured, unbiased and for as possible reliable. The study used a questionnaire as the main data collection tool. This contained both open ended and closed ended questions. Use of questionnaire was preferred because it gave the respondent a clear comprehension of the questions, induced the respondent to co-operate and to trust on confidentiality. The questionnaire also gave instruction of what was wanted (Bush *et. al.*, 2003).

### **3.5.2 Validity of instruments**

Validity concerns what is measured. An instrument is validated by proving that its items are representative of skills and characteristics that it is purported to measure (Mugenda, 1999). This study assured instrument's validity through pilot survey by ensuring that content items were representative. This was done before the questionnaire was administered, to create good rapport with the respondents and reveal the ambiguities; inconsistencies hence bring into light the weaknesses of questions (Borg and Gall, 1989). Insights obtained through survey by the researcher, of ten youth enterprises was analyzed and used to make adjustments on the questionnaire items.

For purposes of quality control, randomization was employed to reduce the effects of the extraneous variables. This involved a random selection of participants to elect a sample from the population. Randomization was preferred because it was the best technique to create equivalent representative samples that were similar in all the relevant variables that could influence the dependent variable, where the sample was fairly large (Oso W.Y; Onen, D., 2005)

### 3.5.3 Reliability of Instruments

Borg and Gall (1986), sees reliability as the level of internal consistency or stability of the measuring device over time. Such an instrument is said to be reliable if it provides consistent results. The reliability of the research instruments was measured using split-half method where instruments were split into halves comprising odd and even appearances, and then calculating the Pearson's correlation coefficient ( $r$ ) between the scores of the two halves.

A questionnaire was administered to youth entrepreneurs in ten youth owned and managed business ventures selected for the pilot study. Thereafter the items were divided into two comparable halves and coefficient of correlation calculated for the two halves. The split halves were transformed into an appropriate reliability estimate for the whole test and Spearman-Brown-Prophecy formula was applied.

$$r_{xx} = 2r \cdot \frac{1}{2} \cdot \frac{1}{2}$$

$$1 + r \cdot \frac{1}{2} \cdot \frac{1}{2}$$

Where  $r_{xx}$  was the estimated reliability of the whole test,  $r \cdot \frac{1}{2} \cdot \frac{1}{2}$  was the Pearson's correlation ( $r$ ) between the two halves

Source: Roscoe, (1983) Fundamental Research Statistics for behavioral sciences, New York;

By using this method reliability of items was determined. An Alpha value of 0.8 was obtained and this proved the accuracy of inferences made in the study, Fraenkel and Wallen, (2000)

The advantage of the method was that it required one testing session and this eliminated chances of errors. Furthermore, a pilot study was carried out whose data helped in ascertaining the reliability of the instruments.

Questionnaire was administered to youth entrepreneurs in ten youth owned and managed business ventures selected for the pilot study. Thereafter the items were divided into two comparable halves and coefficient of correlation calculated for the two halves. The split halves were transformed into appropriate reliability estimate for the whole test and Spearman-Brown-Prophecy formula was applied.

### **3.6 Data collection procedures**

This consists of a series of actions or steps necessary to effectively carry out research and the desired sequencing of these steps, (Kothari, 2004). Using a letter from the University, the researcher sought permit from the National Council for Science and Technology in the Ministry of Higher Education, Science and Technology which authorized the study. The researcher used the permit to brief the respondents on the study and build a rapport. This included securing dates for filling in the questionnaire and collecting the completed copies of questionnaires.

### **3.7 Data collection techniques**

This study adopted steps in Wiseman and McDonald, (1980) to increase the response rate. This involved attaching a cover letter highlighting the need and significance of responding as well as a commitment to confidentiality. The respondents were encouraged to

complete the copies of questionnaire in the presence of the research assistants to help clear misunderstandings and misconceptions. At the convenience of the respondent, arrangements were made and the remaining instruments collected promptly to minimize instances of loss or mishandling.

Schedule of activities were drawn indicating activities that were to be adjusted, achievements to be maintained and loopholes to be mended on daily work plan for purposes of improvement and curtailing error which could arise from omissions. Discussions on workable approaches and barriers were included and used for effective planning. Instruments collected from the field were examined to ensure they were completed, consistent, reliable and comprehensive.

### **3.8. Data Analysis techniques.**

This section presents data analyses for the study. Analysis of qualitative data involved making inferences from views and opinions of respondents. The information obtained was summarized, organized according to research objectives, arranged into themes and presented in a narrative form as well as using tables showing percentages and frequencies. Quantitative data was organized, coded, standardized then descriptive statistics was used to analyze it aided by statistical package for social scientists (SPSS) using computer, (Robson, 2002). This computer software was used to determine factor correlation. Measures of central tendency were also used, followed by the report which was presented using frequency tables and percentages. Data was analyzed to assess the influence of various independent variables on growth of small scale enterprises stated and managed by youths.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION.

#### 4.1 Introduction

This chapter presents the findings of the study which are discussed under the following themes;

Influence of management on growth of youth owned and managed SME's, contribution of education and training to growth of the youth SME's, constraints faced by youths SME's and the influence of accessibility to finance on growth of youth SME's in Rachuonyo South District.

#### 4.2 Questionnaires return rate

Copies of the questionnaire were administered under close supervision by the researcher and the following were the return rates as highlighted in table 4.1.

**Table 4.1 Questionnaire return rate.**

Targeted Population	Sample	Return Rate		Total
		F	M	
540	162	76	86	162

Copies of the questionnaire were distributed to the respondents by two research assistants who also aided some of the respondents in filling in the questionnaire. All the copies of the questionnaire were returned duly filled giving a response rate of 100 % .This was realized through careful assignment of manageable copies in batches of 10 to each research assistant until all were administered. The research assistants distributed the copies of the questionnaire on a one - on one basis ensuring the respondents completed the blank



spaces and ticked the brackets as was provided in the instruction to respondents. The research assistants also aided some of the respondents who appeared either too committed to write or were simply incapacitated in various ways. Finally all the copies of the questionnaire were collected back and verified by the investigator resulting in 100 % response rate.

#### **4.3 Socio-Demographic characteristics of the respondents.**

This section describes the characteristics of the respondents used in the study . Demographic characteristics include features such as age and education level among others. The demographic characteristics were studied in order to give an understanding of the respondents and their environment which was viewed as important to the analysis of the data obtained.

##### **4.3.1 Characteristics of the respondents by ages**

The ages of the respondents were of concern to the study as it would assist the researcher to identify their relevance to the study. The ages of the youth entrepreneurs were of great concern to this study as the Ministry of Youth Affairs and Sports in Kenya, defines a youth as an individual between ages fourteen to thirty years even though the world bank puts the age limits to be between 18 and 35 years.

In view of this, the respondents were asked to state their ages which include youth who own and manage SME's in Rachuonyo South District and their responses were captured in table 4.2.

**Table 4.2. Age distribution of youth entrepreneurs**

Age (years )	Frequency		Percentage		Total (%)
	Male	Female	Male	Female	
Under 19	6	12	7	15.8	11.1
19-22	15	18	17.4	23.7	20.4
23-26	28	21	32.6	27.6	30.2
27-30	37	25	43	32.9	38.3
<b>Total</b>	<b>86</b>	<b>76</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 4.2 indicates that out of 162 youths contacted, 6(7%) male and 12(15.8%) female fell under 19 years of age, 15(17.4%) male and 18 (23.7%) female fell between 19-22 years, 28 (32.6%) male and 21 (27.6%) female fell between 23-26 years, 37 (43%) male and 25 (32.9%), female fell between 27-30 years. This implied that majority of the youth entrepreneurs fell between ages 27-30 years of which young men rated high with a proportion of 37 out of 86 or 43 % while young women 25(32.9%).

Between ages 27 – 30, more young men have assumed the role of breadwinner having married unlike young women who at this age are more engaged in child rearing and domestic chores, depending largely on their husbands. On the contrary between ages 19-22 years, women rated higher than men with a proportion of 18 (23.7%) than men with 15 (17.4%). This meant that at this age most young women are single mothers with added responsibility as young parents yet without social support as society largely viewed them as social misfits. Hence most young women engaged in low capital-base enterprises like selling agricultural products.

### 4.3.2 Education level of respondents

This characteristic was of concern to the study as it revealed education background of the respondents. In view of this the young entrepreneurs were asked to give their education level. The youth entrepreneurs gave their qualifications as illustrated in table 4.3

**Table 4.3. Education level of Youth entrepreneurs with SME's**

Qualification	Frequency	Percentage
KCPE	36	22.2
Craft	15	9.3
Degree	9	5.5
Diploma	12	7.4
KCSE	57	35.2
Secondary Incomplete	33	20.4
<b>TOTAL</b>	<b>162</b>	<b>100</b>

Table 4.3 indicates that of the 162 youth entrepreneurs, 36 (22.2%) had qualifications to KCPE level, 15 (9.3%) had craft certificates, 9 (5.5%) were degree holders, 12 (7.4%) had diploma, 57 (35.2%) were KCSE drop outs while the remaining 33 (20.4%) dropped out before completing secondary education. This implied that most of the youth who engaged in business were KCPE drop outs as they were represented by the highest percentage of 35.2%, that is 57 out of 162 .This meant that after secondary education, youths were faced with unemployment crisis against rising personal needs that's why they engaged in entrepreneurship as the best alternative in job creation.

A small number of youth entrepreneurs had university degree represented by a low percentage (5.6%), that is 9 out of a total of 162 .This implied that most university graduates were still reluctant to embrace entrepreneurship as an alternative in the wake of rising unemployment in Kenya, yet entrepreneurship is supported by a study conducted by the Organization for Economic Cooperation and Development, (1997) as a convenient source of gainful occupation.

### 4.3.3 Sector of activity

The sector of activity was important for the study given studies have shown that growth of enterprises in the service sector is often slow compared to other sectors. ( Heidrick, 2002) In response to this, youth entrepreneurs were requested to state the sector of activity they were engaged in, and their responses were summarized in table 4.4.

**Table 4.4. Distribution of youth entrepreneurs by sector of activity**

<b>Sector of activity</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Service	76	46.9
Commercial	47	29
Manufacturing	39	24.1
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.4 indicated that majority of the youth entrepreneurs 76 (46.9 %) were engaged in the service sector, with the lowest number 39(24.1%) engaged in the manufacturing sector. This meant that limited growth was expected among youth SME's in which services were predominant. This concurs with Heidrick, (2002) who observed that about 75 percent of youth owned enterprises were in the service sector which is a low growth area. Further analyses revealed that fewer youths 39(24.1%) were engaged in manufacturing activities due to high start-up capital involved compared to the services sector.

### 4.3.4 Youth Engagement in entrepreneurship and growth of youth SME's.

The reasons why youth engaged in entrepreneurship was of concern to the study because the number of young people driven to start business would remain crucial in projecting entrepreneurship for posterity. The determination of the reasons for youth engagement in business was also important in gauging the orientation and entry behaviour of youth into

entrepreneurship, that is, whether out of passion or as a measure of last resort. In this regard youth entrepreneurs were requested to highlight why they started their enterprises and their answers were presented in table 4.5.

**Table 4.5. Reasons for youth engagement in entrepreneurship**

<b>Reason</b>	<b>Frequency</b>	<b>Percentage (%)</b>
To continue family business	18	11.1
To realize my dream / vision	12	7.4
To secure employment	111	68.5
To seek the challenge of competing with other	9	5.5
To engage in something new	12	7.4
<b>TOTAL</b>	<b>162</b>	<b>100</b>

Table 4.5 indicates that of the 162 youth entrepreneurs who participated in the study, 111 (68.5%) gave employment as the top reason for their engagement in entrepreneurship. Others were, to continue with family business 18 (11.1%), to realize their dream 12 (7.4%) just as the curiosity to engage in something new 12 (7.4%). The remaining population 9 (5.6%) sought the challenge of competing with others. This implied that unemployment was the prime justification for the youth engagement in entrepreneurship. This finding was in tandem with Maxwell, (2002) who argued that entrepreneurship and self employment can be a source of new jobs and economic dynamisms in various economies

#### 4.4 Management and growth of youth SME's

Management refers to a process by which a person achieves desired goals with and through others.

##### 4.4.1 Management practices and growth of SME's

Management has been cited as an important factor behind the growth of youth SME's as it creates confidence in the young entrepreneurs to start up new ventures and enables existing business to expand. Management skills like good marketing strategies help in growing enterprises. This supports the agreement of Gilmore, Carson and Grant, (2001) that SME's cannot do conventional marketing since managers of SME's think differently.

The study sought to establish the contribution of management to growth of youth owned SME's. The youths filled a questionnaire in which they were asked about the influence management had on growth of their enterprises.

Their responses were summarized as in the table 4.6

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**Table 4.6. Influence of management on growth of youth SME's**

<b>Influence</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Good income resource Management	15	9.3
Good people skills / client management	75	46.3
Prudent Financial management	6	3.7
Good marketing strategy	66	40.7
<b>TOTAL</b>	<b>162</b>	<b>100</b>

Table 4.6 shows that only 6 (3.7%) of the youth attributed the growth of their SME's to financial discipline. Majority 75(46.3%) credited good people skills as the management

practice that enhanced growth of their enterprises. This meant that growth of SME's by youth depended majorly on how the young entrepreneurs related with their customers and potential clients

#### 4.4.2 Management Training and growth of SME's

Management training, both formal and informal like in the case of experiential training is crucial in the growth of youth SME's .This view is backed by studies conducted by Cunningham (in Meng & Liang, 1996) on 178 entrepreneurs and professional managers in Singapore which showed that success is closely connected with individual trait, education level, as well as experience. Youth with some managerial experience and prowess have been seen to edge out their counterparts with minimal or no management skills or experience.

The study sought to establish the contribution of management to the growth of youth SME's. In view of this, youth entrepreneurs were requested to state the management skills they had found highly valuable in the growth of their enterprises .The findings were tabulated in table 4.7.

**Table 4.7. Valuable management skills in growth of youth SME's**

<b>Management skills</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Financial management	18	11.1
People skills	64	39.5
Marketing	62	38.3
Resource mobilization	18	11.1
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.7 illustrated that out of the 162 youths, 18(11.1) cited financial management 64 (39.5) quoted people skills management, 62(38.3%) gave credit to marketing management and 18(11.1) mentioned resource mobilization as crucial skills in the growth of SME's.

This meant that majority of the youth entrepreneurs contacted 64 (39.5%) touted people skills as the leading management tact that contributed to the growth of their enterprises. This was closely followed by good marketing skills 62 (38.3%).The low proportion 18 (11.1%) which represented financial management just like resource mobilization implied that most youth had not explored these skills which have been rated by other studies as being central to the growing of SME's in general and youth enterprises in particular, (OAYEC, 2000). This also meant that the young entrepreneurs had not drawn the distinguishing line between enterprise assets and personal assets. This lack of separation between ownership and control implied that the young entrepreneurs could not recognize the significance of the two variables, financial management and resource mobilization.

#### **4.5 The influence of education and training on growth of youth SME's**

Education and training impacts skills and instill confidence in the youth entrepreneurs as they engage in growth of their business. This view is backed by Cunningham (in Meng & Liang 1996) who posits that entrepreneurial success is closely connected with education level. Similarly, efforts were made by the study to establish the education and training strategies that enhanced growth of youth SME's. In this regard; youth entrepreneurs were asked to mention the trainings they had undergone in relation to their business. Their responses are illustrated in table 4.8 which shows the training that they had undertake



**Table 4.8. Education and training undertaken by youth entrepreneurs**

<b>Courses</b>	<b>Frequency</b>	<b>Percentages (%)</b>
Marketing	66	40.7
Procurement	0	0
Property rights	0	0
Management	81	50
Book keeping	15	9.3
Resource mobilization	0	0
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.8 highlights that, of the 162 youth entrepreneurs interviewed, 81(50%) had been trained in management , 66(40.7%) had undertaken education and training in marketing , 15 (9.3%) had trained in book keeping while non had been trained in procurement procedures, copyright laws as in the case of piracy. In addition, 0% resource mobilization meant that growing business remained a serious challenge to the young entrepreneurial as they lacked the basic knowledge and skills to tap the available resources necessary for business growth.

#### **4.5.1 Education as in career choice and growth of youth SME's**

Education and training persuades young people to undertake different careers in their life and creates dynamism in them as they face real life challenges. Choosing entrepreneurship as a career is the primary step to growing youth SME's as it results into creation of new ventures. The study sought to determine the contribution of education and training to growth of youth SME's. In view of this, young entrepreneurs were requested to state how education and training had influenced their entrepreneur career. Their response were captured and summarized in the table 4.9.

**Table 4.9. Education and training and growth of youth SME's**

<b>Contribution</b>	<b>Frequency</b>	<b>Percentage</b>
Inspiration to start business	54	33.3
Skills for managing enterprises	18	11.1
Passion to expand business	42	26
Ideas on profit maximization	48	29.6
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.9 indicates that of the 162 youth entrepreneurs interviewed, 54(33.3%) confessed having been inspired by their education and training to start their ventures, 18 (11.1%) said they had acquired managerial skills, 43(26%) mentioned education and training as the motivation for their passion to expand their enterprises, and 48(29.6%) gave credit to education and training as the source of their knowledge in maximizing profits in their business. This meant that all the youth entrepreneurs (100%) interviewed agreed that education and training is key to growth of youth SME's.

#### **4.6 Accessibility to finance and growth of youth SME's**

Access to finance has been seen to be challenging and was cited as the most prominent impediment to young people who sought to create new ventures .In support of this contention, Eurebarometer survey (2004) noted that young people were the strongest supporters of the perception that the lack of available financial support was an obstacle to setting up a business. Similarly, efforts were made by the study to determine the influence of accessibility to finance

in the growth of youth SME's. To achieve this objective; the respondents were requested to respond to questions covering the following areas;

#### 4.6.1 Start-up capital and growth of youth SME's

Access to start-up finance directly affects creation of new ventures by young entrepreneurs. A survey by (OAYEC, 2000) revealed that most young entrepreneurs cited capital and finance as the key resource they missed during their business start-up .In view of this, the young entrepreneurs who took part in the study were requested to state their capital at start-up of their business and their responses were summarized in the table 4.10.

**Table 4.10. Start –up finance and growth of youth SME's**

Capital (Kshs.)	Frequency	Percentage (%)
400,000	132	81.5
101,000-200,000	15	9.3
201,000- 300,000	12	7.4
301,000-400,000	0	0
401,000-500,000	0	0
>500,000	3	1.8
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.10 indicated that 132 (81.5%) started their enterprises with less than Kshs. 100,000, 15 (9.3%) had between Kshs.101,000 - 200,000, 15(7.4%) used between 201,000 - 300,000 with only 3(1.8%) starting business with over Kshs.500,000. On average, majority of SME's owned by youth were started with less than kshs.100,000 which had the highest number

(81.5%). This implied that sourcing for start-up finance was a difficult endeavor and an impediment to expanding existing ventures.

#### **4.6.2 Adequacy of start-up finance and growth of youth SME's**

For business to grow faster, start-up finance must be adequate to catapult it.

Young entrepreneurs often launch their business without carefully estimating the amount of capital (both at start-up and working capital) they will need to actually get started. This is supported by the argument by De, (2001) that many youth insist that passion and enthusiasm will be enough to get them through the rough financial periods. De further agreed that young entrepreneurs were often not aware of all available types of finance, funding organizations, and special support programmes.

In view of this, the youth entrepreneurs were requested to state according to their business intentions whether their start-up financing was adequate. They were further asked to highlight how they catered for the possible shortfall. All the youth entrepreneurs contacted responded in the negative for the former question prompting the study to look at their responses to the second question on remedial measures which was summarized in Table 4.11.

**Table 4.11 Remedial measures for inadequate start-up finance.**

Remedial measures	Frequency	Percentage (%)
Obtained credit from suppliers	142	87.7
Scaled down business plan	12	7.4
Reduced domestic budget	8	4.9
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.11 indicates that 142 (87.7%) obtained credit from supplier, 8 (4.9%) scaled down their original business plan, 12(7.4%) decided to forgo salary and reduce domestic budget. This meant that majority of youth entrepreneurs had idea's on different ways of growing enterprises even where start-up financing proved inadequate. The low number who opted to scale down their original business plans (4.9%) implied that most young entrepreneurs had the determination to achieve their goals.

#### **4.6.3 Capital acquisition challenges and growth of youth SME's.**

The numerous difficulties that young entrepreneurs face in obtaining start-up finance and working capital has driven them to both legal and illegal ways of acquiring finance for their enterprises. This is supported by white and Kenyon,(2002) who argued that many young entrepreneurs are required to use alternative financing, in view of the many difficulties they face when it comes to obtaining start-up finance. For this reason, the young entrepreneurs

were requested to enumerate the challenges they faced in acquiring capital for start-up financing and the findings were summarized in table 4.12.

**Table 4.12. Capital acquisition challenges and growth of youth SME's**

Challenges	Frequency	Percentage (%)
Lack of personal savings and resources	38	23.5
Inadequate collateral for debt financing	17	10.5
Complex documentation procedures by lending institutions	31	19.1
Legal status of my business	44	27.2
Limited micro-finance institutions	3	1.8
Long waiting periods in processing grant application	18	11.1
Lack of awareness of possibilities to start-up financing	11	6.8
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.12 illustrates that the major constraints the youth entrepreneurs face in growing their business was the form (legal status) of their business which had the largest proportion of 44(27.2%). Others were lack of personal savings and resources 38(23.5%), complex documentation procedures by lending institutions 31 (19.1%), long waiting periods in processing grant or loan application 18(11.1%), inadequate collateral for debt financing 17(10.5%). The remaining proportion 14 (8.6%) some young entrepreneurs complained of lack of awareness of possibilities to start-up financing 11(6.5%) and limited micro-finance institution in the area 3(1.8%). This implied that the youths engaged in business but with serious constraints, meaning checked growth of enterprises.

#### **4.6.4 Expenditure of enterprise income and growth of youth SME's**

Expenditure patterns for income generated from the business directly affect the growth of the enterprise arbitrary expenditure orchestrated by impulse purchases eventually takes toll on business stock and operating capital. Such expenditures naturally impede growth of enterprises by young people. The study endeavoured to investigate the expenditure areas of

income obtained from business owned by youth. Their responses were categorized as in table 4.13.

**Table 4.13. Expenditure areas for income youth SME's**

<b>Expenditure area</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Business expansion	78	48.1
Personal effects	39	24.1
Business overhead costs	39	24.1
Extended family support	6	3.7
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.13 indicates that the greatest expenditure area was business expansion, with the highest proportion 78(48.1%). Personal effects and business overhead costs took equal share from the business income each with a proportion of 39(24.1%). The remaining 6(3.7%) went to the extended family. This implied that much of the income raised from the business was ploughed back to increase stock. This meant that most of the youth SME's were actually growing though with difficulties as seen in table 4.12. However, the 6(3.7%) spent on the extended family meant that the young entrepreneurs were already feeling the pinch of dependants. This pointed to the fact that already the youth SME's were experiencing "leakages" which was a bad sign for growth of the enterprises.

#### **4.6.5 Accessibility to credit facilities and growth of youth SME's.**

Due to inadequacy in start-up capital for most youth SME's as implied in table 4.11, young people require credit facilities to grow their businesses. This is supported by OAYEC, (2009) which argued that young people have limited access to start-up finance due to among other reasons, inadequate securities and credibility for debt financing. In view of this the

youth entrepreneurs were requested to mention the pre-loaning conditions that lending institutions gave and their answers were categorized as in table 4.14, which highlights the variables considered by the loaning institutions .

**Table 4.14 Pre-lending conditions and growth of youth SME's.**

<b>Conditions</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Performance of business	0	0
Repayment period	42	26
Security /collateral	12	7.4
Nature of business	105	64.8
Business plan	3	1.8
Previous records	0	0
Age of borrower	0	0
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.14 illustrates that of the 162 youth entrepreneurs who participated in the study, a clear majority cited nature of business as the most considered variable by lending institution, as seen in the high proportion 105 (64.8%) . Also considered by many lending institutions was the repayment period 42(26%).Others included collateral or security for loan 12 (7.4%) and the remaining 3(1.8%) mentioned business plan as a requirement by some lending institutions .This meant that youth who entered the business world without careful choice of business type stood the disadvantaged when sourcing for credit facility, meaning they were left with limited options such as product differentiation or shift to another form of business to grow, The low proportion for business plan 3(1.8%) implied that the young entrepreneurs were still



not yet subjected to stringent procedures in obtaining credit, by most lending firms. It was also clear that age was not a factor or a hindrance in accessing credit meaning the young entrepreneurs were not discriminated against by virtue of age, by the lending institutions.

#### 4.7 Government policies and growth of youth SME's

Government policies in general and on youth in particular were of great concern as they provide enabling environment deregulation and liberalization .However , youth SME's were still faced with numerous constraints in their quest for growth .This position is supported by sessional paper No.2 (1996) on industrial transformation to the year 2020 which noted that despite government efforts aided by a large number of donor agencies and NGO's , there still remained four major constraints that restrained the expansion of SSE's sector. In this regard, the youth entrepreneurs were requested to state the major constraints they faced in growing their enterprises and how they were managing them .Their responses were highlighted in Table 4.15 and 4.16 respectively.

**Table 4.15. Constraints on growth of youth SME's**

<b>Constraint</b>	<b>Frequency</b>	<b>Percentage %</b>
Socio-cultural attitude towards youth entrepreneurship	5	3.1
Government regulatory framework conditions	30	18.5
In accessibility to finance	22	13.6
Inadequate education, training and skills	20	12.3
Inadequate physical infrastructure and business support	15	9.3
Council harassment	35	21.6
Competetion from establishment firms	15	9.3
Insecurity	20	12.3
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.15 indicates that the biggest constraint the young entrepreneurs faced in growing their businesses was harassment by local authorities 35 (21.6%).

Others were, government regulatory framework conditions 30 (18.5%), inaccessibility to finance 22(13.6%), inadequate education, training and skills 20 (12.3%) just as insecurity 20(12.3%). Also of equal proportion were inadequate physical infrastructure and business support 15 (9. 3%) and competition from established firms 15(9.3%).The remaining proportion 5 (3.1%) pointed at socio-cultural attitude towards youth entrepreneurship .This implied that the youth entrepreneurs were never given easy time by the local councils in growing their enterprises. This meant that the youth SME's lacked incubators and strong policies to cushion them against stringent regulatory framework conditions particularly policies about licensing which was a major cause of council harassment, a phenomenon that impeded growth of youth SME's.

To understand the impact of the constraints to growth of youth SME's, the young entrepreneurs contacted were requested to state how they manipulated the constraints to grow their enterprises. Their responses were summarized in table 4.16.

**Table 4.16. Control measures to constraints and growth of youth SME's**

<b>Control</b>	<b>Frequency</b>	<b>Percentage %</b>
Operating under registered business mentor	10	6.2
Professional career guidance	5	3.1
On job training	15	9.3
Joined group for loans	32	19.7
Compliance with council requirements	85	52.4
Security guard and reinforcement	15	9.3
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.16 illustrates that out of the 162 youth entrepreneurs for whom the questionnaire was administered, majority embraced compliance with council requirement which had the highest proportion 85(52.4%) as a top check to the constraints, 32(19.7%) cited group membership for loaning, 15(9.3%) stated on job training just as employment of guards and reinforcements to security 15(9.3%). Others were, operated under registered business mentors 10(6.2%) and 5(3.1%) cited professional career guidance. This implied that most youth entrepreneurs had their business licenced. This ensured smooth operations hence the opportunity to grow albeit sluggishly as indicated in table 4.15 which highlighted various impediments to growth.

#### **4.7.1 Supplier specific difficulties and growth of youth SME's.**

Suppliers are an important group agency with a lot of influence in the growth of youth SME's. Suppliers of raw materials used by the young entrepreneurs would determine the growth rates and trends as they dictate the volume of stock held by youth enterprises.

In this regard, the youth entrepreneurs were requested to mention the supplier specific difficulties they faced in growing their enterprises and their responses were highlighted in table 4.17.

**Table 4.17. Supplier specific difficulties and growth of youth SME's**

<b>Difficulty</b>	<b>Frequency</b>	<b>Percentage %</b>
Unreliable supply of raw materials	10	6.2
Harassment by hired debt collection	4	2.5
Dishonest in packaging	58	35.8
Discrimination due to age	6	3.7
Arbitrary price hikes	46	28.4
Delays in suppliers	12	7.4
Breaking of contract agreement	26	16
<b>Total</b>	<b>162</b>	<b>100</b>

Table 4.17 indicated that 58(35.8%) of the 162(100%) youth entrepreneurs who filled the questionnaire mentioned dishonesty in packaging as the top supplier specific difficulty in growing their businesses. This was followed by, arbitrary price hikes 46(28.4%), breaking of contract agreement 26(16%), delays in supplies 12(7.4%), unreliable supply of raw material 10 (6.2%), discrimination due to age 6(3.7%) while the remaining proportion 4(2.5%) was attributed to harassment by debt collectors. The high proportion 58(35.8%) who mentioned dishonesty in packaging implied that goods were not inspected by relevant authorities. This implied that the standards body (Kenya Bureau of Standards) had not enforced its regulations adequately. Poor packaging also meant that the local chamber of commerce and industry had not provided policies to guard against dishonesty by suppliers.

Arbitrary price hikes 46(28.4%) meant the market liberalization was taking toll on youth SME's. Similarly 26 (16%) of the youth entrepreneurs mentioned breach of contract which implied that young entrepreneurs were not abreast with policies regarding contracting or they hardly documented their contract agreement. This meant enforcement of any existing policies on contracts was hampered.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter wraps up the study by providing a summary of the main findings of this study and presenting salient conclusions. Furthermore, it highlights the contribution the study has made to the body of knowledge and a number of recommendations on growing of youth owned and managed SME's drawn from the study findings that are pertinent to policy-making. The chapter ends with suggestions for further research.

#### **5.2 Summary of the study findings**

The study was conducted within Rachuonyo South District with more focus on the major market centres namely, Oyugis, Ringa, Kosele and Kadongo and their environs where apparently almost all youth entrepreneurs located their business. The research objectives were used to guide the collection of the required information from the respondents. The technique of data collection was survey questionnaire administered to young entrepreneurs sampled using simple and stratified random sampling procedure.

The study findings revealed that the youth engaged entrepreneurship because they wanted to secure employment. They were engaged in providing services 46.9%, commerce 29% and manufacturing activities 24.1%. In addition, the study indicated that some youths found themselves in entrepreneurship due to inheritance of family business, 11.1%. The study also asserted sourcing for start – up finance and operating capital as the key impediment (81.5%) to creation of new ventures as well as expansion of existing businesses.

The findings from the study showed that majority of the youth entrepreneurs were aged between 27 – 30 years. The study also asserted that comparatively more men than women aged between 27 – 30 years were engaged in entrepreneurship as men this age had already assumed the responsibility of household breadwinners. The study also proved that young women were more in business compared to men aged 19 – 22 years. This was found to be the result of single motherhood caused by early pregnancies and lack of socio – cultural acceptance and legitimacy.

One of the notable findings in this study is that most of the youth entrepreneurs were KCSE dropouts, 35.2%. It was also noted that the youths were faced with unemployment crisis amid rising personal needs forcing them to start new ventures. The study further revealed that majority of University graduates had not embraced entrepreneurship as an alternative way of creating employment. In the growth of youth SME's, the study showed that management, education and training, accessibility to finance and government and private sector policies had enormous influence. The study findings from the influence of management on the growth of youth SME's showed that success was achieved through excellent interpersonal skills (46.3%). It was noted that growth of youth SME's was greatly influenced by how the young entrepreneurs handled their clients and customers. The study further revealed that most youth entrepreneurs viewed management and resource mobilization as important variables to the growth of their ventures. However, not many had undertaken comprehensive training on management.

The study has also shown that key in the growth of the youth SME's was education and training (100%) as in the provisions of the school curriculum and vocational training. However education and training did not influence youth decision to take up entrepreneurship as a career due to curriculum deficiencies in learning institutions.

The study findings on start – up finance showed that all the youth barely had enough capital or start – up finance to create or expand their ventures (100%). It also noted that majority of young entrepreneurs had ideas on different ways of growing enterprises where start – up financing proved elusive and had the determination to achieve their goals when viewed as worthy. The study also showed that youth entrepreneurs were faced with serious constraints resulting in limited growth.

On enterprise income and its expenditure patterns, the study findings illustrated that the highest proportion was ploughed back into business (484%) signifying the quest by youth entrepreneurship to grow the ventures. The study also noted that youth entrepreneurs were already faced with dependants in the name of extended family members who sought transfer payments from their business proceeds, thus, slackening their growth. The study findings on accessibility to finance indicated that young entrepreneurs were still not yet subjected to very complex procedures in obtaining credit by lending forms or atleast the new youth policies had relaxed the conditions for the young entrepreneurs.

The study further showed that youth SME's lacked strong policies to shield them against punitive regulatory framework conditions particularly on licensing and registration that gave leeway for harassment by local authorities, a phenomenon that took toll on growth of youth SME's. The study also revealed that most youths (52.4%) had started complying with the requirements of existing jurisprudence. One of the notable findings in this study is that the national standards body Kenya Bureau of Standards (KEBS) has not enforced its regulations effectively giving room for unscrupulous suppliers to under pack their merchandise. This laxity was also seen in the local chamber of commerce and industry. The study further revealed that policy on market liberalization was already hampering growth of

youth SME's. It also asserted that the youth were not conversant with policies and laws regarding product or service contracting.

### **5.3 Conclusion.**

From the study, the conclusions based on the findings were drawn. As proven by past studies and based on the study findings, it can be concluded that accessibility to finance and training remain the major challenges to growing of SME's by young entrepreneurs. Education and training exposes the youth entrepreneurs to different sources of capital and other ways of growing ventures and once they access capital and start – up finance, the youth entrepreneurs still rely heavily on education and training to prudently manage the finances of their enterprises to realize growth. The study has also shown that youth enterprises are faced with numerous challenges in growing their framework because of unfavourable regulatory and administrative framework conditions, lack of business support and adequate infrastructure and ill training. The findings also revealed that local authorities should not harass youth entrepreneurs especially at infant stages as this could drive them out of business. In addition, the unethical practices by suppliers of raw materials used by youth entrepreneurs, such as under packaging eats into the profit of the young entrepreneurs resulting into stunted growth.



## **5.4. Recommendations.**

The following recommendations pertinent to both policy ,making and further research were put forward.

### **5.4.1. Recommendation for policy making.**

The study made the following recommendations:

1. Influence of management on growth of youth SME,s in Rachuonyo South District; the study established that most youth entrepreneurs were limited in capacity to prudently manage their enterprises. In response to this problem, the study recommended that Youth Empowerment Centre (YEC) assist the youth entrepreneurs in training and education especially in enterprise management with more emphasis on effective use of acquired funds as this posed a serious challenge to youth entrepreneurs.
2. On the influence of education and training on growth of youth SMEs in Rachuonyo South District; the study revealed that education and training was viewed by most youth entrepreneurs as key in growing their business, yet the same did not as anticipated influence their decision to take up entrepreneurship as a career, ranking far below employment. To effectively play its role in determining career choice particularly with a bias to entrepreneurship, the study recommended that entrepreneurship education be strategically included and examined under the various curricula of different learning institutions in Kenya. The study further recommended that vocational training be tailored towards market demands to attract more youth entrepreneurs.
3. Contribution of accessibility to finance on growth of youth SMEs in Rachuonyo South District was investigated by this study and it established that all the youth barely had enough capital to create or expand their ventures. Even though the

youth entrepreneurs had other ideas on growing their business when faced with inadequacies in start-up or operating finance, the study also showed they were faced with serious constraints resulting in limited growth. In solving this problem, the study recommended strengthening of Economic Stimulus Programmes (ESP) targeting the youth such as youth enterprise funds and “kazi kwa vijana” (work for youths) and that the law should clearly define a ‘youth’ to ensure initiatives directed at the youth entrepreneurs reach the intended beneficiaries.

4. In exploring administrative strategies that would stimulate growth of youth SMEs in Kenya in general and in Rachuonyo South District in particular, the study established that youth SMEs lacked strong policies to shield them against punitive regulatory framework conditions particularly on licensing and registration. Further, the study exposed that the national standards body – Kenya Bureau of Standards (KEBS) had not strongly enforced the laws leading under packaging of merchandise. The study also discovered that policy on market liberalization was already threatening growth of youth SMEs and that most youths were ignorant of laws and regulations on product and service contracting.

In view of the above problems, the study recommended the following solutions:

- a) Introduction of differentiated tax rates and tax relief to ease pressure on youth SMEs struggling to grow. This may include supportive tax regulations as well as reduced tax rates on statutory requirements for starting and operating new ventures by youth.
- b) Effecting of policies promoting growth of youth SMEs such as introduction of business incubators and tax exceptions to products and services from youth enterprises.

- c) Strengthening quality control as well as standards assessment by KEBS and chambers of commerce and industry through regular monitoring and evaluations.

#### **5.4.2. Recommendations for further research.**

The following questions were suggested to form a basis for further investigations:

1. To what extent do factors influencing youth owned SMEs in Rachuonyo South District apply to other regions in Kenya?
2. What influence does level of education have on youth engagement in entrepreneurship?
3. In which activity do youths perform best in their contribution to economic development in Kenya?
4. Why do high school drop-outs turn to entrepreneurship as their mainstream source of livelihood?

#### **5.5. Contribution to the body of Knowledge**

The findings of this study would contribute to the body of knowledge as illustrated in table 5.1.

**Table 5.1 Contribution to the body of knowledge.**

<b>Objectives</b>	<b>Contribution to Knowledge</b>
1. To establish the influence of management on growth of youth SME's.	Management has a significance on growth of youth SME's through improved interpersonal relations with clients although there is the urgent need for the youth entrepreneurs to explore and appreciate the role of financial management on growing their enterprises.
2. To determine the influence of education and training on growth of youth SME's.	Existence of entrepreneurship, education and training in school curriculum and emphasis through career guidance encourages young people to embrace entrepreneurship as alternative to formal employment.
3. To investigate the contribution of accessibility to finance on growth of youth SME's.	Accessibility to finance remains top constraint to growth of youth SME's but can be neutralized by diversifying techniques of growing business especially long term supplies.
4. To explore administrative strategies that would stimulate growth of youth owned SME's.	If the entrepreneurial environment is set free of major constraints through supportive government and private sector policies, then the youth will find it easy to grow their enterprises.

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UNIVERSITY OF NAIROBI  
COLLEGE OF EDUCATION AND EXTERNAL STUDIES  
SCHOOL OF CONTINUING AND DISTANCE EDUCATION  
DEPARTMENT OF EXTRA-MURAL STUDIES  
KISII EXTRA-MURAL CENTRE

Date: 28/05/2010

Our ref. Uon/Cees/Scde/Dems/Ksi/17/33/ vol. 1

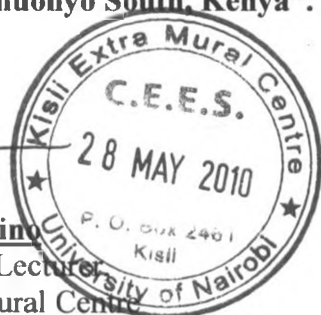
TO WHOM IT MAY CONCERN

**RE: OKELLO AUSTINE MUMA REG.NO. L50/72787/2008**

The above named is a student at the University of Nairobi, College of Education and External Studies, Department of Extra-Mural Studies, pursuing a course leading to the award of a Master of Arts Degree in Project Planning and Management. For the course to be complete, he is required to write and submit a Research Report. Therefore, the purpose of this letter is to kindly request you to accord him necessary assistance in getting information that will enable him complete the Research Report. His area of study is titled **“Factors influencing growth of small and medium scale enterprises owned and managed by youth in Rachuonyo South, Kenya”**.

Thank you

**Mr. J. O. Awino**  
Ag. Resident Lecturer  
Kisii Extra-Mural Centre



**Appendix 1:**  
**LETTER OF TRANSMITTAL**

Austin Muma Okello  
University of Nairobi  
S.C.D.E  
Box 30197  
Email:mao\_623@yahoo.com  
Mobile 0720570755  
May 2010

Dear Sir / Madam,

**RE: FACTORS INFLUENCING GROWTH OF SMALL SCALE ENTERPRISES  
STARTED AND MANAGED BY YOUTH IN RACHUONYO SOUTH DISTRICT**

I am a post graduate student of the University of Nairobi carrying out a Master of Arts in Project Planning and Management Research Project on the above topic.

I humbly request you to assist me by filling in the designed questionnaire as accurately as possible. The information you will provide will be used strictly for academic purposes and will therefore be treated with utmost confidentiality. You are therefore requested to avoid disclosing your identity in this document.

May I thank you in advance for your cooperation in this crucial exercise.

Yours sincerely,



Austin Muma Okello

## **Appendix II**

Factors influencing growth of small and medium scale enterprises owned and managed by youths in Rachuonyo South District – 2010.

### **Introduction**

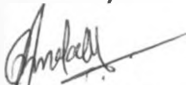
This survey is being carried out to examine factors influencing growth of small and medium scale enterprises (SME's) owned and managed by people like you.

Please answer the questions freely. You cannot be identified from the information you provide, and no information about individuals will be given to the University. This questionnaire is strictly for academic purposes and its content remains highly confidential. Feel free to fill it.

The questionnaire should take you about thirty minutes to complete. Where there is a bracket please qualify your response with a tick (✓) or write your explanations in the spaces provided.

Try to complete the questions at a time when you are unlikely to be disturbed .Also, do not spend too long on any one question. Your first thoughts are usually your best! Kindly answer all questions even if you feel some of the items covered may not be relevant to you as a person. Your responses would be carried in developing an accurate picture of the issues that are significant to the growth of SME's by youth in Rachuonyo South District.

Thank you.



Austine Muma Okello  
University of Nairobi  
Department of extra mural studies,  
Kisii and its environs.  
0720570755

## QUESTIONNAIRE NUMBER 01/2010 TO YOUNG ENTREPREURS

1. What is your gender? Male ( ) Female ( )
2. What is your qualification? Below KCPE ( )  
Secondary incomplete ( )  
KCSE ( )  
Craft certificate ( )  
Diploma ( )  
Degree ( )
3. Which sector of activity are you engaged in : Commercial ( )  
Service ( )  
Manufacturing ( )
4. What is the legal status of your enterprise? Sole proprietorship ( )  
Partnership ( )  
Informal ( )
5. For how long have you operated the business? less than 3 years ( )  
Between 3-6 years ( )  
Between 6-9 years ( )  
Between 9-12 years ( )  
Between 12-15 years ( )  
Over 15 years ( )
6. Which of the following best expresses why you stated up your own business? Rank them from 1-10 taking 1 as least and 10 as highest  

Reason	Rank
1. To continue family business	( )
2. To secure employment	( )
3. To seek the challenge of completing with others	( )
4. To engage in something new	( )
5. To connect your occupation with your passion (hobby)	( )
6. To realize your dream /vision/ideas	( )
7. i) Indicate in order of magnitude those who encouraged you to start up business.

	Yes	No
Parents and family	( )	( )
Teachers or lecturers	( )	( )
Carreer advisors	( )	( )
Friends or peers	( )	( )
Entrepreneurs	( )	( )
Media( T.V ,Radio,	( )	( )

Internet coverage of  
business people

ii) Which people discouraged you from starting your business?

	Yes	No
Peers	( )	( )
Career guide	( )	( )
Other business people	( )	( )
Parents/family	( )	( )
Media	( )	( )

8. i) Have you been trained in the following management fields?

	Yes	No
1. Accountancy	( )	( )
2. Marketing	( )	( )
3. Information communication & technology (ICT)	( )	( )
4. Human resource Management	( )	( )
5. Procurement	( )	( )
6. Business management	( )	( )

ii)

b) Give reasons for the above responses

9. Have you received business support in the following areas?

	Yes	No
1. Workshops	( )	( )
2. Trainings	( )	( )
3. Business counseling	( )	( )
4. Mentoring	( )	( )

Give reasons for your answers above .....

10. Which kind of skills have been highly valuable for you in the management of your enterprise?

	Yes	No
1. Financial management	( )	( )
2. Resource mobilization	( )	( )
3. Accounting /Basic book keeping	( )	( )
4. Marketing	( )	( )
5. Human resource management	( )	( )
6. Contracting	( )	( )

Give reasons for your answers above .....

11. Do you think management has an influence on the growth of your business?

Strongly agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly disagree ( )

b) Briefly explain your response above .....

12. Which management practices enhance growth of business such as your enterprise ?

	Yes	No
1. Financial discipline	( )	( )
2. Timeless and time management	( )	( )
3. Good public relations / networking social	( )	( )
4. Flexibility care	( )	( )
5. Honesty in competition	( )	( )
Other (describe)	( )	( )

b) Give reasons for the above answers .....

13. Which management practices undermine growth of enterprises like yours?

	Yes	No
1. Dishonesty to competition	( )	( )
2. Misallocation of resources	( )	( )
3. Courting friendship in business	( )	( )
4. Poor book keeping	( )	( )
5. Poor people skills	( )	( )
6. Piracy	( )	( )
Other (specify)	( )	( )

b) Explain your answers above .....

How many employees did you started this business .....

14. Has education influenced your entrepreneurial career ?

Strongly agree ( ) Agree ( ) Disagree ( ) Strongly disagree ( )

15. How many research institutions or persons have sought information from you about your business?

- None ( )
- Below five ( )
- Between 6-10 ( )
- Over 10 ( )

How many employees do you have in this business today? .....

16. Which training have you received in relation to your business ?

Yes                  No

- |                          |     |     |
|--------------------------|-----|-----|
| 1. Marketing             | ( ) | ( ) |
| 2. Procurement           | ( ) | ( ) |
| 3. Property rights       | ( ) | ( ) |
| 4. Management            | ( ) | ( ) |
| 5. Book keeping          | ( ) | ( ) |
| 6. Resource mobilization | ( ) | ( ) |
| Other (describe)         | ( ) | ( ) |

b) Give reasons why you went for the trainings above .....

17. Please indicate institutions that have provided you with valuable education and training on Entrepreneurship

<b>Institutions</b>	<b>Yes</b>	<b>No</b>
1. Chamber of commercial industry	( )	( )
2. Federation of Kenya employees	( )	( )
3. Ministry of Youth Affairs	( )	( )
4. Non- Governmental Organization	( )	( )
5. School	( )	( )
6. College	( )	( )
Other (specify)	( )	( )

18. At what level do you think entrepreneurial education and training would be most useful to the youth who intend to take up entrepreneurship as a career?

	<b>Yes</b>	<b>No</b>
1. Primary school	( )	( )
2. Secondary school	( )	( )
3. Tertiary	( )	( )
4. University	( )	( )

b) Give reasons for your answers above .....

19. Have you been trained in entrepreneurship Yes ( ) No ( )  
If yes, at what level?

	<b>Yes</b>	<b>No</b>
1. School	( )	( )
2. Post school training	( )	( )
3. Vocational training	( )	( )
4. Local apprenticeship systems	( )	( )

20. Indicate why short fall you have noted about education and training in Kenya

	<b>Yes</b>	<b>No</b>
1. Education and training do not encourage young people to engage in	( )	( )

business

- 2. Education and training do not promote young people to develop good business ideas /plans ( ) ( )
- 3. Education and training does not match market opportunities appropriately ( ) ( )
- Other (describe) ( ) ( )

21. What was your capital at start –up of your business?

- Less than Kshs. 50,000 ( )
- Between 101,000 – 200,000 ( )
- 201,000 – 360,000 ( )
- 301,000 – 400,000 ( )
- 401,000- 500,000 ( )
- Above 500,000 ( )

22. Which source did you acquire your start-up financing?

- |  | <b>Yes</b> | <b>No</b> |
|--|------------|-----------|
| 1. Family relations                            | ( )        | ( )       |
| 2. Subsidies from government (e.g. youth fund) | ( )        | ( )       |
| 3. Grant from CDF                              | ( )        | ( )       |
| 4. Seed funding from NGO's                     | ( )        | ( )       |
| 5. Harambee /merry go round package            | ( )        | ( )       |
| 6. Credit /loan from bank /cooperative         | ( )        | ( )       |
| 7. Leasing                                     | ( )        | ( )       |
| 8. Insurance                                   | ( )        | ( )       |
| Other specify                                  | ( )        | ( )       |

b) Explain your answers above .....

23. What challenges did you face in trying to obtaining capital for startup financing?

- |   | <b>Yes</b> | <b>No</b> |
|---|------------|-----------|
| 1. Lack of personal savings and resources                   | ( )        | ( )       |
| 2. Inadequate collateral for debt financing                 | ( )        | ( )       |
| 3. Complex documentation procedures in learning institution | ( )        | ( )       |
| 4. Legal status / form of my business                       | ( )        | ( )       |
| 5. Limited micro –lending or finance institutions           | ( )        | ( )       |
| 6. Long waiting periods in processing grant applications    | ( )        | ( )       |
| 7. Lack of awareness of start –up financing possibilities   | ( )        | ( )       |
| Other specify   | ( )        | ( )       |

24. Was your starting up financing adequate? Yes ( ) No ( )

b) If No, how did you carter for the deficit?

- |                                   | <b>Yes</b> | <b>No</b> |
|-----------------------------------|------------|-----------|
| 1. Obtained credit from suppliers | ( )        | ( )       |



- |  |     |     |
|--|-----|-----|
| 2. Scale down original business plan               | ( ) | ( ) |
| 3. Downsized employees                             | ( ) | ( ) |
| 4. Foregoing my wages and reducing domestic budget | ( ) | ( ) |
| Other (specify)                                    | ( ) | ( ) |

c) Give reasons for your responses above .....

25. Indicate your annual turnover in Kshs. in the last three years

	2008	2009	2010
1. Less than 100,000	( )	( )	( )
2. 101,000- 200,000	( )	( )	( )
3. 201,000- 300,000	( )	( )	( )
4. 301,000- 400,000	( )	( )	( )
5. 401,000 – 500,000	( )	( )	( )
6. Above 500,000	( )	( )	( )

26. List the assets you owned when you started this business indicating their respective values

Asset	Value (Kshs)
A	
B	
C	
D	
E	
F	
G	

27. Have you increased your assets? Yes ( ) No ( )

28. If yes, list the additional assets on the last one year giving their approximate values

Assets	Value
A	
B	
C	
D	

29. Do have branches of this business elsewhere? Yes ( ) No ( )

30. If yes, how many?.....

31. Indicate how you spend income from your enterprise

Item	Nil %	25 %	50 %	100 %
Business expansion				
Personal effects				
Business overhead costs				
External family support				
Other (described)				

32. Are you able to finance your activities from internally generated resources of your business?

Activity	Yes	No
1. Loan repayments	( )	( )
2. Payment of employees	( )	( )

- |                          |     |     |
|--------------------------|-----|-----|
| 3. Expansion of business | ( ) | ( ) |
| 4. Payment of suppliers  | ( ) | ( ) |
| 5. Increase of stock     | ( ) | ( ) |
| 6. Tax remittances       | ( ) | ( ) |
| 7. Insurance covers      | ( ) | ( ) |
| Other specify            | ( ) | ( ) |

b) Give reasons for your responses above .....

33. Have you applied for financial assistance from any micro – finance institution? Yes ( ) No ( )

34. If yes, what did this institution consider before giving the loan?

- |                            | Yes | No  |
|----------------------------|-----|-----|
| 1. Performance of business | ( ) | ( ) |
| 2. Repayment period        | ( ) | ( ) |
| 3. Security /collateral    | ( ) | ( ) |
| 4. Nature of business      | ( ) | ( ) |
| 5. Business plan           | ( ) | ( ) |
| 6. Previous records        | ( ) | ( ) |
| 7. Age of borrowers        | ( ) | ( ) |
| Other (Describe)           | ( ) | ( ) |

35. How many times have you received loans for this business?

- |          |                     |
|----------|---------------------|
| Nil ( )  | Twice ( )           |
| Once ( ) | More than twice ( ) |

36. Is your business able to repay the loan?

- Yes ( ) No ( )

37. If No, from where do you source money to repay the loan?

- |                              | Yes | No  |
|------------------------------|-----|-----|
| 1. Sold part of my assets    | ( ) | ( ) |
| 2. Money from well wishers   | ( ) | ( ) |
| 3. Got another loan          | ( ) | ( ) |
| 4. Money from other business | ( ) | ( ) |
| Other (describe)             | ( ) | ( ) |

38. Indicate growth of your enterprises in the last three years

- |                                  | 2008 | 2009 | 2010 |
|----------------------------------|------|------|------|
| 1. Number of employees           |      |      |      |
| 2. Annual turnover (approximate) |      |      |      |
| 3. Volume of assets (give value) |      |      |      |
| 4. Creation of new ventures      |      |      |      |

b) Give reasons for the growth trends indicated above .....

39. Which supplier specific difficulties do you face in attempting to grow your business

	Yes	No
1. Unreliable supply of raw materials	( )	( )
2. Harassment by hired debt collectors	( )	( )
3. Dishonesty in packaging	( )	( )
4. Discrimination due to age	( )	( )
5. Arbitrary price likes	( )	( )
6. Delays of supplies	( )	( )
7. Breaking of contract agreement	( )	( )
Other ( specify )	( )	( )

b) Give reasons for your responses above .....

40. Rank the following constraints on their impact on your enterprise

Constraint	Very important	Important	Less important	Not important
1. Socio –cultural attitude towards youth entrepreneurship	( )	( )	( )	( )
2. Government regulatory framework conditions	( )	( )	( )	( )
3. Inaccessibility to finance	( )	( )	( )	( )
4. Inadequate education , skills and training	( )	( )	( )	( )
5. Inadequate physical infrastructure and business support	( )	( )	( )	( )
6. Council harassment	( )	( )	( )	( )
7. Completion from more established firms and larger business	( )	( )	( )	( )
8. Security	( )	( )	( )	( )
Other (specify)	( )	( )	( )	( )

b) Explain your answers above .....

Indicate the physical infrastructure that have been carried in the growth of your business

	Yes	No
1. Roads	( )	( )
2. Internet (ICT)	( )	( )
3. Building space/peruses	( )	( )
4. Business networks	( )	( )

Other (specify) ( ) ( )

State reasons why you consider your responses above as accurate .....

Which infrastructure specific difficulties have you faced in running your business?

	Yes	No
1. Delays in delivery of raw materials /goods	( )	( )
2. Lateness in accessing market	( )	( )
3. Increased cost of transport	( )	( )
4. Reduced profit margin	( )	( )
5. Breaking of merchandise	( )	( )
Other (describe)	( )	( )

Briefly Explain your answers above .....

41. What regulations have been administrative hurdles in registering or licensing your business?

	Yes	No
1. Registration costs	( )	( )
2. Duration	( )	( )
3. Complex procedures	( )	( )
4. Tax regulations	( )	( )
5. Bankruptcy law	( )	( )
6. Copyright, property , patent regulations	( )	( )
7. Other (specify )	( )	( )

b) Give reasons for your answers above .....

42. Rank the following policies on how they have been serious constraints to growth of your business

Constraint	Very important	Important	Less important	Not important
Tax policies	( )	( )	( )	( )
Subsidy policy	( )	( )	( )	( )
National trade policy	( )	( )	( )	( )
Policy on youth entrepreneurship	( )	( )	( )	( )
Other (Specify)	( )	( )	( )	( )

Give reasons for your answers .....

41. Have you benefited from any government policy or promotional programme supporting business ventures by young entrepreneurship? Yes ( ) No ( )

42. What measurer would you recommend for the Kenya government and local authorities to put in place to motivate youth into entrepreneurship?

a) Government .....

b) Local authorities .....

Thank you for taking your precious time to complete this questionnaire.

If you have any question please do not hesitate o contact me by telephoning 0720570755

Please avail the completed questionnaire to be collected immediately at the end of the second week from today.

UNIVERSITY OF  
SOUTH AFRICANA

### APPENDIX III

**Table 2: Operationalization of Research Project**

<i>Research Objective</i>	<i>Research Questions</i>	<i>Type of Variables</i>	<i>Indicators</i>	<i>Measures</i>	<i>Level of Scale</i>	<i>Data Collection Method</i>	<i>Approach of Analysis</i>	<i>Types of Analysis</i>	<i>Level of Analysis</i>
1.To establish the influence of management on growth of youth enterprises in Rachuonyo South District	What influence does management have on growth of youth owned enterprises in Rachuonyo South District?	Independent Variable. Management Dependent Variable Growth of Youth and owned SME's	Positive Improvement	Increased turn over, assets, expansions, of venture and additional employees.	Ordinal	Survey	Qualitative	Non – parametric	Descriptive
2.To determine the influence of education and training on growth of youth owned SME's in Rachuonyo South District.	Does education and training influence growth of youth SME's in Rachuonyo South District?	Independent Variable Entrepreneurial Education Dependant Variable: Growth of Youth owned SME's	Inclusion of entrepreneurial education – school curriculum	Performance by those with entrepreneurial education background in relation to those without.	Ratio	Survey and Exploratory	Qualitative	Non – parametric	Descriptive

3. To investigate how

accessibility to  
finance influences  
growth of youth  
owned small and  
medium scale  
enterprises in  
Rachuonyo District

What influence  
does  
accessibility to  
finance have on  
the growth of  
youth owned  
small and  
medium scale  
enterprises in  
Rachuonyo  
South District?

Independent  
Variables:  
Accessibility to  
Finance  
Dependent  
Variables:  
Growth of  
Youth owned  
SME's.

Flexible  
lending  
policies by  
financial  
institutions  
and  
availability of  
grand or seed  
money.

4. To explore  
administrative  
strategies that  
would enhance  
growth of youth  
owned  
enterprises in  
Rachuonyo  
South District  
and in Kenya in  
general.

Which  
administrative  
strategies would  
stimulate  
growth of youth  
owned  
enterprises in  
Kenya in  
general and in  
Rachuonyo  
South District  
in particular?

Independent  
Variable:  
SME's policies  
Dependent  
Variable:  
Growth of  
youth owned  
SME's.

Limited  
constraints.

Increased number of young entrepreneurs with loans or grants.

Ordinal

Survey

Qualitative

Non –  
parametric

**Descriptiv**

**e**

Increase in number of new ventures.

Ordinal

Survey

Qualitative

Non –  
parametric

*Descriptive*



RACHUONYO DISTRICT: Administrative boundaries



Prepared by CBS, 1999 Pop Census

This map is not an authority over administrative boundaries