

**FACTORS INFLUENCING PERFORMANCE OF YOUTH  
OWNED ENTERPRISES: A CASE OF MWINGI  
TOWNSHIP, KITUI COUNTY IN KENYA**

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**A Research Project Report Submitted In Partial Fulfilment of the  
Requirement for the Award of the Degree of Masters of Arts in Project  
Planning and Management of The University of Nairobi**

**2016**

**DECLARATION**

This research report is my original work and has not been presented for a degree or any award in any university

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## **DEDICATION**

This research project is dedicated to my family, My Father Musyoka Mutisya my mother Mwende Musyoka and my brother Kithome Musyoka for their love, support, encouragement and inspiration during my research study.

## **ACKNOWLEDGEMENT**

I hereby extend my gratitude and appreciation to the following for helping me with the preparation of this research project. First and foremost I wish to thank my supervisor Prof. Harriet Kidombo for her support in the preparation of this research project. Secondly, I would like to thank the University of Nairobi and all my lecturers for their dedication throughout my study period. I would also like to thank Charity Munyoki for proof reading and printing the research project. Lastly, I would like to offer my sincere gratitude to all other people who played different roles to enable me prepare this project.

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## **ABBREVIATIONS AND ACRONYMS**

<b>CBO</b>	-	Community Based Organizations
<b>GOK</b>	-	Government of Kenya
<b>SPSS</b>	-	Statistical Package for Social Sciences
<b>UN</b>	-	United Nations
<b>IMF</b>	-	International Monetary Fund
<b>KNBS</b>	-	Kenya National Bureau of Statistics
<b>OECD</b>	-	Organization for Economic Cooperation and Development
<b>WDR</b>	-	World Development Report
<b>UNDP</b>	-	United Nations Development Programme
<b>ILO</b>	-	International Labour Organization
<b>NGO</b>	-	Non-Governmental Organization
<b>MFI's</b>	-	Micro Finance Institutions
<b>KIHBS</b>	-	Kenya Integrated Household Budget Survey

## ABSTRACT

The purpose of this study was to investigate the factors influencing the performance of youth owned enterprises in Mwingi Township, Kitui County. Four research objectives were formulated to guide the study. Various literature has been reviewed and research gaps identified on the factors influencing the performance of youth owned enterprises. The literature reviewed revolved around the four objectives of the study which are; to establish the extent to which business associations influence growth of youth owned enterprises, to establish the extent to which education and training influence growth of youth owned enterprises in Mwingi Township, to establish the extent to which credit access influence growth of youth owned enterprises in Mwingi Township and to establish the extent to which enterprise competition influence growth of youth owned enterprises in Mwingi Township. The study employed the descriptive survey design. The target population comprises of 208 youth enterprises registered with Kitui County Government, the sample comprises of 111 respondents. 111 respondents were required to fill structured questionnaires and return them. They all returned them therefore the return rate was 100%. The data was analyzed using SPSS 17 and Ms excel and the results presented in tables in form of means, frequencies and percentages. From the analysis, the researcher made some findings in relation to the research objectives. Membership in trade and professional associations among entrepreneurs was found to be low at 9.9%. Most young entrepreneurs 74.8% were found to be working in association with other business people in the same line of business. Also, most young entrepreneurs 32.4% said that membership in the relevant associations influenced business performance to a low extent. Another finding was that only 24.3% of the respondents were found to have the relevant training in their line of business. Most of the respondents said that education and training influenced business performance to a low extent. On credit accessibility, the researcher found that most of the entrepreneurs 55.9% had access to credit. Most of these, 35.5% had only accessed highest amounts of credit of between 10,000 and 50,000. Most of the entrepreneurs 51.4% said it was hard for them to access credit. 52.3% of the respondents said that accessibility to credit influenced to a great extent on performance of a business. On enterprise competition, the researcher found that young entrepreneurs were facing a lot of competition. Most of the respondents, 45.0% said that business competition influenced to a great extent on business performance. It was noted from this study that most young entrepreneurs are not appreciative on the role of education on business performance. This could be the real cause of the lack of relevant training and education among the entrepreneurs.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

One of the biggest challenges in developing world is unemployment among the youth. The youth are currently 3 times as likely to be unemployed as adults and globally one in every five working youths continue to live in extreme poverty of one dollar/day (ILO, 2005). Many of these young people are therefore forced by circumstances to create their own self-employment. Governments are on their toes to address this issue. Nearly 75 million young people are unemployed globally and this is an increase of over 4 million since 2007 (Global Employment Trends, 2013). The youth comprise 40% of the global population and according to the (Global challenge, 2009) they are about 1.5 billion in number. To design programs for alleviating poverty and fostering development, they need to be the primary target. World over, governments and organizations have initiated programs to foster entrepreneurship among the youth. The prince's Trust in Britain is an example of these programs. It was set up to help youths with business ideas but no means of funding. It targets people aged 18-30 years who are unemployed or working less than 16 hours per week. The programs offers support to these young people in; offering advice on employment options, business skills training, business planning support, start- up loan funding, ongoing support from volunteer business mentors, access to specialist support including free legal services and access to a range of free and discounted products and services for business startups (The Princes's Trust).

In many developing countries, the young population mostly engages in employment early in life without first acquiring relevant knowledge and skills. This harbors their career growth and reduces their productivity hence most of their full potential remains untapped for the rest of their productive life. Therefore, they are only able to get jobs that are low paying, unstable and of little benefit to them (The global challenge, 2009). The policy of all world governments should therefore focus on fostering youth employment through ensuring their success in enterprises (Haftendorn and Salzano, 2003). Unemployment poses great risk to future employability of individuals and it may be detrimental to their happiness, health and job satisfaction (Morsby, 2012). Increase in unemployment creates

more idle population and it's a threat to the social, political and economic stability of nations (ILO, 2012a). This could be by the spread of social ills like crime, prevalence of HIV and AIDS, 'brain hemorrhage' i.e. whereby graduates don't find jobs matching their skills and therefore remain idle and not beneficial to their countries. Youth unemployment impacts negatively on the economy to meet the demand for jobs, world nations need to create more than 40 million jobs every year. In addition to absorbing 200 million people already unemployed in 2012 (of these 75 million are youth) (ILO, 2012b). According to KNBS, (2010) Kenya had a population of 38,610,097 as at 2009 and of these, the youth between 18-35 years accounted to more than 30% of the entire population. Of these youths, 59% are unemployed. This because as Charest, (2011) observes, the world is on the cusp of entering a new reality in which human potential is to become the major agent of economic growth. With this in mind, many governments have turned to entrepreneurship as an answer to the unemployment question. According to Olawe and Garwe, (2010), many countries around the world target development of the youth owned small business with the sole purpose of promoting economic growth. The Kenyan government has already started initiatives to provide loans, attract and aid investment in small enterprises that will be beneficial to the youth. Through the youth enterprise fund, the government seeks to facilitate marketing of products and services of youth enterprise in both domestic and international markets. This is in addition to providing business development services to the youth enterprises.

For sustainable economic development and growth, the youthful population needs to be engaged in economic activities. Indigenous entrepreneurship is bound to foster increased employment opportunities, increased per capita income, increased sense of pride, improved standard of living and less reliance on donor funding. There have been multiple independent approaches to save the situation, some by the government and others by the private players. However, the success of these initiatives by the government is questionable. Okeke, Ezenwafor and Femiwole, (2013) observed that performance of small business in Nigeria since the global economic meltdown has been very low. Another instance is the loan defaults rate of the youth enterprise fund in Kenya is high (GOK, 2012). Despite such initiatives unemployment in Kenya remains high. This calls

into question the success and growth of the ventures being undertaken by youthful entrepreneurs.

## **1.2 Statement of the problem**

The population of the unemployed youths is burgeoning fast. It is estimated that 12.7 million out of 14.5 million labor force in Kenya is employed with 1.9 million people openly unemployed (KIHBS, 2006-7). The Kenyan government has already intervened to save the situation. Many initiatives have been put in place to encourage young people to take up entrepreneurship to create jobs for themselves and for the rest of the population. This can only be possible if the ventures are successful, attain growth and require more labor. The performance of an enterprise could be determined by the volume of sales, profitability, size of market share, level of competition, quality of products and the number of employees it has. Therefore; competitiveness of these enterprises is a key issue that needs to be addressed. Uncompetitive enterprises will lead to underemployment, lack of enterprise growth, eventual closure of business and loss of capital.

This is despite the fact that the governments, NGO's, communities and individual entrepreneurs have put so much effort into kick starting these ventures. Competitiveness is the ability of an enterprise to compete for markets. Competitive enterprises are characterized by good handling of customers, minimum or no loss of customers to competitors, a large number of customers referred to the business by already existing customers and a large number of customers gained from the competitors. Competition in an enterprise could be determined by the number of enterprises engaged in the exact same business and competing for the same customers. Business networks are essential for the growth of an enterprise. Business networks determines growth rate especially in the initial stages. The business networks that an entrepreneur has could be indicated by membership in a relevant associations and number of business associates engaging in the same enterprise. Education and training is also a factor that determines the growth of many enterprises. A person engaging in an enterprise that they're already trained in determines their chances of success. This can be established by looking at the level of education of the entrepreneur, whether they've relevant training or not and how long the

training took. Access to credit is also a determinant of business growth especially during expansion or start up stages. Level of Access to credit could be determined by the number of times an entrepreneur has accessed credit and the number of entrepreneurs who have accessed credit facilities.

### **1.3 Purpose of the study**

The purpose of this study is to assess the factors that influence performance of youth owned enterprises in Mwingi Township, Kitui County.

### **1.4 Research objectives**

This study will be guided by the following objectives:

1. To establish the extent to which business associations influence performance of youth owned enterprises in Mwingi Township, Kitui County.
2. To determine the extent to which Education and training influence performance of youth owned enterprises in Mwingi Township, Kitui County.
3. To establish the extent to which credit access influence performance of youth run enterprise in Mwingi Township, Kitui County.
4. To determine the extent to which enterprise competition influence performance of youth owned enterprises in Mwingi Township, Kitui County.

### **1.5 Research questions**

1. To what extent do business associations influence performance of youth owned enterprises in Mwingi Township, Kitui County?
2. To what extent does education and training influence performance of youth owned enterprises in Mwingi Township, Kitui County?
3. To what extent does credit accessibility influence performance of youth owned enterprises in Mwingi Township, Kitui County?
4. To what extent does enterprise competition influence performance of youth owned enterprises in Mwingi Township, Kitui County?



## **1.6 Significance of the study**

The Kenyan government has initiated several initiatives to encourage the youth to start their own enterprises and be job creators instead of job seekers. Through Uwezo Fund and youth enterprise development fund, the government has distributed funds to the youth to start their own enterprises. This has also prompted many NGO's, community based organizations and microfinance institutions to also support youths to start enterprises. Many young people have also started enterprises on their own and with support from family and friends. The findings of this study are of utmost importance to the government to help in formulation of appropriate policies, the NGO's so as to offer relevant support, the microfinance institutions to help them offer tailored solutions and products, the community based organizations, the youth entrepreneurs in business and those intending to start their own enterprises to prepare them adequately for the environment that awaits them.

Several similar studies have been carried out. Wakaigua (2013), carried out a study on the factors influencing the performance of Youth owned micro and small enterprises in Kiambu county and suggested that similar studies be carried out in the other counties to enable draw generalizations. Akwalu (2014), also carried out a study on the factors influencing performance of youth owned small and medium enterprises a case of Maara sub county, Tharaka- Nithi County. He also suggested that similar studies be carried out all over the country in other parts. Karanja (2014) Carried out a study on the influence of entrepreneurial training on performance of youth enterprises in Nyeri County and suggested that further studies be conducted on other facots that influence performance of youth owned enterprises. However, no such study was found to have been conducted for Mwingi township, therefore the researcher identified Mwingi Township as a grey area to conduct this study. The study shows how business associations, education and training, credit access and enterprise competition influence growth of enterprises owned by young individuals. The study is also important to those intending to conduct further research on this area as it lays ground for further research. The study shines light on what should be done for youth owned enterprises to be globally competitive, achieve growth and create employment.

### **1.7 Assumptions of the study**

This study assumes that the target group started their enterprises with the aim of growth and creation of employment opportunities.

It also assumes that respondents will be honest, transparent and answer questions administered to them as truthfully as possible.

### **1.8 Delimitations of the study**

This study has its focus on the young entrepreneurs running enterprises registered with the Kitui County government and operating legally within Mwingi Township, Kitui County in Kenya. Mwingi town is an urban center with a population of 15,970 (KNBS, 2009). The town is located along Nairobi-Garissa road, 47 kilometers North of Kitui town which is the county Headquarters.

It is located 200 kilometers East of Kenya's Capital city Nairobi. Mwingi town is an administrative and transit town along Nairobi-Garissa highway. The town is mainly comprised of people from the neighboring areas but also has got a good representation of people from all over the country. The county government of Kitui has subdivided Mwingi Town into 7 economic zones for the purposes of administration and revenue collection (Kitui County Finance Bill, 2015). These economic zones are Mwingi town center streets (CBD), Mwingi cottage, Tyaa Kwa Kasamba Beach, Mwingi general hospital, Garissa Road- Kwa Ben, Slaughter and Mwingi stock yard.

### **1.9 Limitations of the study**

There are limited financial resources for the study and respondents may ask for payment in order to participate in the study. This limitation in financial resources will be countered by limiting the amount of time spend on the study, doing all the study activities speedily yet effectively and efficiently, increased planning for the study to avoid unnecessary activities and sticking to the objectives of the study throughout the study period. Respondents won't be paid for participating in the study. Time is also a limiting factor since the study is to be completed in a span of two weeks. This will be countered by

enlisting the services of two research assistants to help with the study who will be adequately trained before embarking on the study.

### **1.10 Definition of significant terms**

#### **Youth**

The Kenyan government defines a youth as person resident in Kenya and in age bracket 18 – 35 years. Therefore, for the purpose of the study a youth is a person (male or female) between he age bracket of 18 – 35 years.

#### **Employment**

This is the act of offering services for financial rewards and other motivations to enable one enjoy a satisfying life where they can at least enjoy the basic needs of life.

#### **Unemployment**

This is the situation where people who are willing and capable of working are unable to find suitable paid employment.

#### **Training**

This is the systematic acquisition of skills, rules, concepts or attitudes that result in improved performance of the work tasks.

#### **Performance**

This is the action or achievement considered in relation to how successful it is.

#### **Associations**

These are linkages that exist among enterprises and or with other stakeholders to enable sharing of skills, information, business policy formulation and exchange of capital.

#### **Associates**

These are acquaintances whose contact made in business is used for purposes beyond the reasons for the initial contact.

#### **Entrepreneurship**

This is the practice of organizing, operating and assuming the risk for operating a venture.

#### **Enterprise competition**

This is the rivalry for customers among the youth owned enterprises.

**Performance**

This is the ability of a business to continue operating profitably.

**Employment**

This is the giving of a service for monetary or financial reward to support an individual to enjoy at least the basic needs of life.

**1.11 Organization of the study**

Chapter one gives a background of the study, statement of the problem, purpose of the study, research objectives, research questions, and research hypotheses of the study, assumptions of the study, significance of the study, limitations of the study, delimitations of the study and definition of significant terms. Chapter two explores various literatures on youth entrepreneurship, enterprise competitiveness, business networks, education and training, government regulation, credit access and market access for young entrepreneurs. Chapter three details the research design, target population sample, sampling procedure and data collection, instruments, pilot study, instrument validity, data collection procedure and data analysis techniques. Chapter four focuses on data analysis, presentation and interpretation and chapter five deals with summary of findings, discussions, conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is a review of the related literature. It is organized in segments which include; enterprise competition, youth and enterprise performance, business networks, education & training and access to credit. In this chapter, a wide range of materials have been cited after review and analysis and these include books, papers, journals and the internet (World Wide Web). The chapter is concluded with the last two segments theoretical and conceptual frameworks and presentations of identified gaps.

#### **2.2 Youth and enterprise performance**

The young people are the majority in most of the developing countries and in Kenya, 78% of the population is below 35 years of age (KNHS, 2005). This data also points out that 7 out of every 10 unemployed people are the youth i.e. between 18-35 years. To deal with this menace, there is need for the country to create over 1 million jobs every year. The private sector could play a critical role in this endeavor. The young people have the numbers and could easily create employment for their fellow youth if entrepreneurship is nurtured into them. They're also full of energy and if this is tapped, could increase the country's production capacity and create jobs. According to Kumar (2000), half of the entrepreneurs starting at between ages 25-30 achieve growth in business pointing to the fact that it's advantageous to start enterprises at early age. This could be rationalized by the fact that entrepreneurship faces numerous challenges at start-up and young people have the energy and enthusiasm to face these challenges. It's also been observed over the years that while older entrepreneurs launch more sustainable enterprises, young entrepreneurs inspire innovation in their enterprises (Ressi, 2011). Younger entrepreneurs have also been observed to grow bigger profits than those above 30 years (Reynolds 2000). This is despite the fact that they face numerous barriers due to lack of the experience needed and also business contacts. With the rise in unemployment rates, more and more youths are offering themselves for self-employment (KNBS, 2009). This is a

good thing as it's bound to create an entrepreneurial culture among young people in Kenya.

### **2.3 Business associations and enterprise performance**

These are the associations or linkages that exist among enterprises and or with other stakeholders to enable sharing of skills, information, business policy formulation and exchange of capital. They should ideally be beneficial to both parties involved. By creating outward networks, enterprises overcome challenges occasioned by their tininess therefore reducing transaction costs and increasing economies of scale, growth and production quality (Mambula, 2002). In most of the developing countries, there's failure in the flow of information and creation of business networks helps to overcome this. The networks can help shape the policy and regulatory environment and are more beneficial if they cut across the various industries rather than just a specific industry. This way, they become coalitions for growth and could partner with the government to create economic growth and development (Brautigam et al 2002). Young entrepreneurs lack business networks and contacts compared to older people and this increases pressure on them and risks to isolate them (World Bank, 2008). This isolation occurs as a result of not knowing people in the same business. For such people, these contacts are crucial since they are young and inexperienced. The young entrepreneur has no former customer base and an established customer and supplier network and don't even know where to find it or what experienced purchasers expect of them. By examining ethnic enterprises, one has to appreciate how business networks can be a sustainable basis for enterprise growth. These networks assist in mobilization of resources, getting help and support, creating legitimacy during start up and establishing viable business relations (Kirunja, 2013).

In Taiwan, family enterprises depend largely on family networks and friends for strategic resources such as labor, capital and information (Mark, 1992). Therefore, performance of enterprises in its formative years largely depends on the size of the entrepreneurs networks. Studies have shown that the success rate of enterprises in terms of growth depends on participation in a network with others and receiving help and emotional support from them (World Bank, 2002). To facilitate availability of resources, knowledge

and skills needed for the existence and growth of an enterprise, business networks are a valuable possessions. These networks help save time and money in obtaining skills and information that's needed to remain relevant (Dyer and Singh, 1998). Business networks between small and large enterprises, has often resulted in sub-contracting. This enables the small enterprise to grow at the same time allowing the larger one to concentrate on its core activities. Governments have a role to play in enabling young entrepreneurs gain business contacts and create linkages. Countries like UK, US, Australia, Netherlands, Finland, Ireland and Taiwan have put in place mentorship programs to link experienced entrepreneurs and business leaders to newcomer entrepreneurs (Ahwireng, 2002). This is in recognition that mentor coaching and support is very crucial for young people venturing into business. A big challenge for governments in doing this is the fact that many young entrepreneurs are engaging in unconventional and unusual business ventures. In the UK for example a challenge exists in providing tailor made support services for such ventures. It has also been observed that enterprise and support agencies are often not responsive to such circumstances (Street and Sykes, 2003)

#### **2.4 Education, training and enterprise performance**

Entrepreneurial education can be defined as a formal structural instruction that conveys entrepreneurial knowledge and focuses on awareness relating to opportunity, recognition and creation of new ventures among students (Sexton and Similar, 1997). According to Cole (1997), training is an activity which aims at conveying specific knowledge and skills for use in a particular occupation. It focuses on the job task. Its main purpose is to help an individual perform their job better. Armstrong (1999) also concurs with Cole that training is a systematic modification of behavior through instruction and learning. There is need for young people running enterprises to be put through training. This is because as Mullei (1999) observes, many researchers consistently have found enterprise training to result in better company performance even under different cultural setting such as China, Spain, Netherlands and Hungary. Most of the people running small enterprises have no management training and experience. They mostly rely on intuition rather than analytic skills. They are mostly concerned with day to day operations of the enterprise than long term issues (Kyalo, 2002). The effect of training can be well observed with the

mushrooming of computer training colleges. Most of the people running enterprises in this sector have at least college level education and the sector is doing particularly well (Wanjohi and Mugure, 2008). Educated people and those with relevant training are more likely to be successful entrepreneurs. Fatoki, (2011) observes that there is evident skills mismatch between what skills graduate entrepreneurs develop in higher education and what they need in order to survive in the business world. He recommends that university students and high school graduates should go for industrial attachment for at least a year during their study to gain valuable business and technical experience. Omukhango, (2012) also concurs that entrepreneurship has positive influence on the performance of youth business enterprises. Also according to Peterson and Gonzalez, (2005) skills are important for the entrepreneurs who want to start their own businesses as it is to employees who want to maintain their jobs. This is because as Baum, Frese, Baron and Katz, (2007) points out, entrepreneurs competencies are the most important factors for business success even more important the business idea or industry setting. Previously, entrepreneurship training has focused on teaching individuals and passing on knowledge but newer initiatives are focusing more on action oriented training. It's now becoming less of a classroom affair and more action based. Microfinance institutions are taking it upon themselves to train entrepreneurs to ensure that they succeed in their enterprises and also to minimize default on loan repayment. Training needs are varied and there is need to tailor the training programs to match goals and objectives of various enterprises as well as those of individual employees. They should not be limited to suit current job requirements.

## **2.5 Credit accessibility and business performance**

One of the major challenges that young entrepreneurs face is lack of access to credit facilities. According to Fitzsimmons and Douglas, (2005) inadequate financial resource is a major constraint in ones gaining the initial business inertia for further growth to successful entrepreneur. Idowu, (2010) also identifies accessing credit facilities as a key element for small and medium enterprises to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries. This is particularly severe problem in the developing countries. The Most



successful entrepreneurs possess skills that make them rise beyond ordinary challenges as they navigate the corridors of business (Rasmussen & Sorheim, 2006). The lack of security disadvantages small enterprises owned by young people. They could result to seeking funding from unorganized lending regimes that charge prohibitive interests making them sink further into debts. A study by Bowen, Morara and Mureithi,(2006) ranks access to finance in 4<sup>th</sup> place. Competition, Poor security ranking take first and second slots respectively as the main challenges facing young entrepreneurs. In Nigeria 65.6% of firms depend entirely on personal savings for capital, 10.9% have access to saving, 9.4% use commercial banks and 7.8% get resources from partners, shareholders and other resources (Okpara and Wayne, 2002). The World Youth Report (2003) found out that many young people in developing nations depended mainly on personal savings or family and friends for initial capital and expansion. This shows the neglect and bias by financial institutions has greatly made the youth owned enterprises less competitive since they are limited in the amount of finance they can access. The financial institutions are business ventures and regard the young people as high risk. Since they lack collateral, credit history, guarantors or working experience, financial institutions are reluctant to extend credit facilities to the young people. (Essayed, 2005). To promote youth entrepreneurship, adequate financing is required and this seems to be a great challenge in most developing countries. Microfinance institutions have been an importance source of finance for the youth affiliated to youth groups especially in the rural areas but are limited in their outreach (Curtain, 2009).

## **2.6 Enterprise competition and enterprise performance**

Enterprise competitiveness could be defined as the capacity of an enterprise to create value through sustainable growth and profitability. It can also be defined as the ability of an enterprise to make, produce or sell products or a service that are superior in comparison to those produced by other competing enterprises in terms of price and non-price dimensions (D'Cruz). There is a growing interest in the competitiveness of enterprises and countries with various reports on competitiveness gaining more attention. They include Global Competitive Report, World Competitive Year Books and National Competitiveness frameworks (GCR, 2002, WCY, 2002, NCR, 2002). The environmental

factors are somewhat uniform for all competing firms therefore, during difficult times, only the most competitive firms are capable of surviving. In giving customers greater value for money and more satisfaction than its competitors, an enterprise must be operationally efficient, cost effective and quality conscious (Johnson, 1992: Hammer and Campy, 1993). Competition in an industry stirs progress and at any given time there should be a market leader. Competition is a necessary evil (Grant, 2005). The health of a particular industry is manifested by the inherent competition in terms of product range and market penetration.

An enterprise can only be competitive by doing a better job than its competitors (Kotler, 2002). Therefore, for an enterprise to formulate a winning strategy it has to study its competition first to analyze their strengths, weakness and objectives. A competitive strategy is therefore crucial in an enterprise to guide in towards a desired direction that it has chosen. According to Bowen et al (2009) there are several competitive strategies that stand out; Low cost provider strategy of achieving overall lower costs than the rivals and appealing to a wide spectrum of customers, a differentiation strategy seeking to differentiate company's products from those offered by rivals, a best cost provider strategy giving customers more value for their money by increasing product attributes at lower cost than rivals, a focused strategy based on low cost concentrating on a narrower buyer segment and outcompeting rivals by having lower cost than its rivals and thus being able to serve niche members at a lower price, and a focused market niche strategy based on differentiation concentrating on a narrow buyer segment and outcompeting rivals by offering niche members customized attributes that meet their tastes and requirements better than the rival products. After formulation of a competitive strategy, the enterprise therefore should embark on the implementation. Its success will be largely dependent on how well the enterprise business strategy is actualized and implemented (Rowe, 2008). Enterprise competitiveness is a broad concept but can be summarized as follows. Competitive assets include brand, reputation, culture, human resources and technology. Strategic performance which that comprises: profitability, market share, new product, customer satisfaction, price or cost etc. Operational processes comprising

manufacturing, marketing, talent management etc. Strategic processes comprising innovations, quality, persuasion, power, flexibility etc.

## **2.7 Government policy and enterprise performance**

The government plays a critical role in ensuring a plain ground for enterprises to do business. Small firms, new firms and those run by young people need to be aided by the government through policy and regulations. This has a big impact on the competition among these firms. In most developing countries, regulations and policy is unnecessarily complex and hinders healthy competition as opposed to the developed countries. This results into stunted enterprise growth and is harmful to the starting enterprises (Bek, 2004). Some of these regulations actually conspire to keep small enterprises small hence increasing their operational and legal costs. According to De Sa, (2005), in the developing countries regulation procedures are often marred with illiteracy, corruption and lack of transparency. Therefore, the young entrepreneurs are entangled in red tape and could lose their entrepreneurial enthusiasm. Also, enforcement of patents, copyright and trademarks is poor and this greatly disadvantages the young people since they are not sufficiently familiar with those issues (World Bank, 2005). These rights are not properly defined in most developing countries and registering for them can be quite costly and time consuming. This greatly disadvantages the young entrepreneurs as they risk losing property rights. Sometimes government regulation aimed at aiding entrepreneurs act as a deterrent. In India for example, incentives are given to small firms to enhance their growth. However, growth beyond a certain point disqualifies enterprises from these incentives. For instance, the manufacture of certain products is reserved for small firms and their growth beyond a certain level could disqualify them from manufacturing these products (World Bank, 2005). This could also prompt some enterprises to split up in order to remain smaller. There exists many barriers for growth of firms in Africa and this includes government regulation. As small firms struggle through these regulatory procedures, it increases chances of failure (OECD, 2010). In Kenya, the government has embarked on various initiatives to encourage entrepreneurship and one of these is to reduce government regulation. It has also committed to buying goods and services from the youth by reserving 30% of government procurement for the youth and special interest

groups. Some of these strict regulations are not in line with the country's development agenda and if there is an enabling policy and regulatory framework, the private sector could play a critical role as the country's growth engine (Kiraka, 2009). Enterprises spend much of their time and resources in meeting regulation and this has a negative impact on them as resources shift from productive activities to compliance issues (KNBS, 2009). Owing to the cross cutting nature of youth entrepreneurship policies, and regulations, collaborations between different ministries e.g. education, labor, trade, devolution and finance needs to occur to foster a multi-stakeholder approach. This is because these youth entrepreneurship policies haven't been tried and tested since they are fairly recent.

## 2.8 Conceptual framework

Factors influencing performance of youth owned enterprises

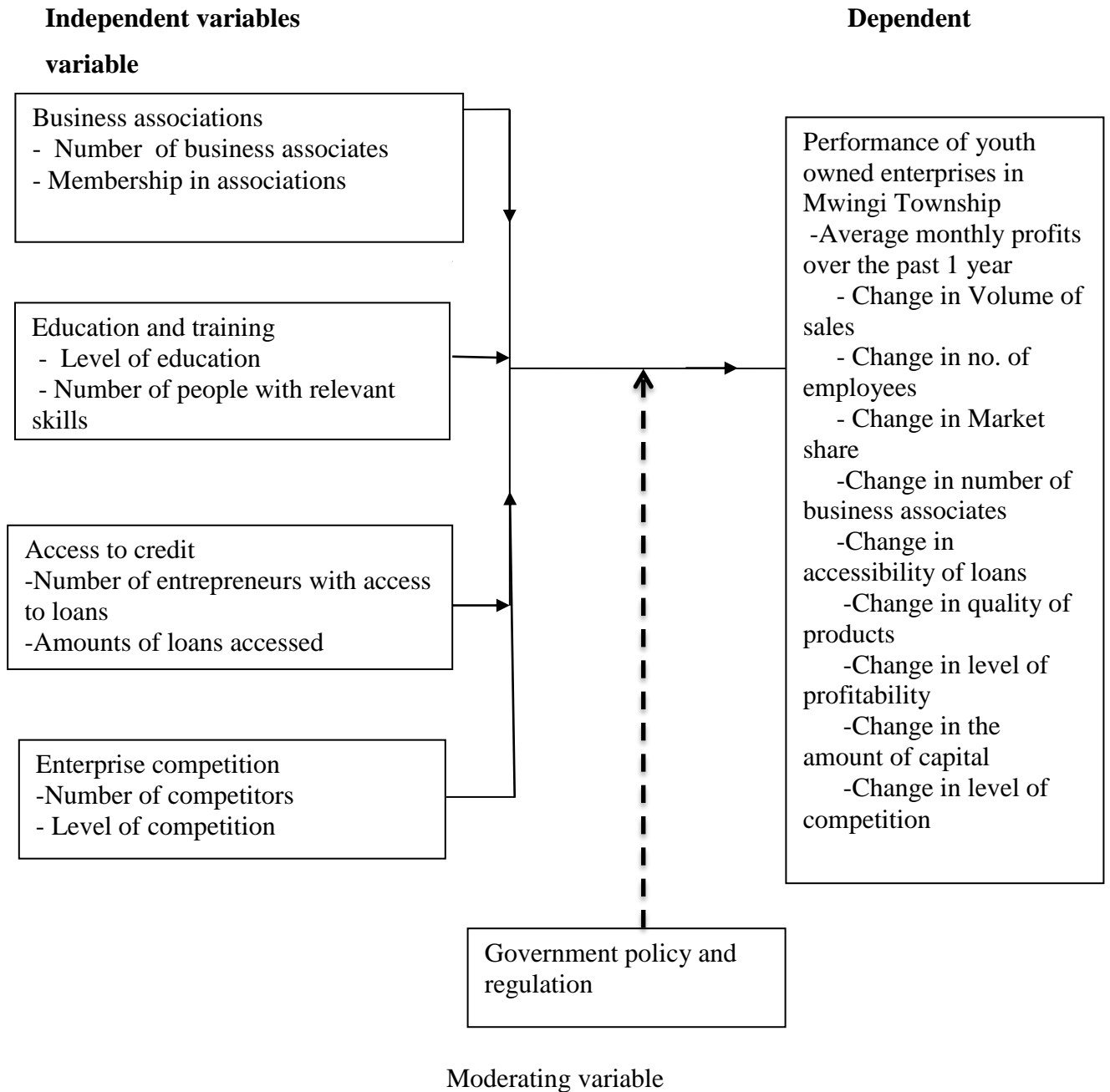


Figure 1: Conceptual framework

## **2.9 Summary of literature reviewed**

A lot of literature exists on the subject of youth entrepreneurship and enterprise growth. The literature suggests that it's important for the young people to engage in entrepreneurship activities in order to eradicate unemployment. The researcher also found literature on the various factors influencing growth and also performance of youth owned enterprises. Several studies have been conducted in this area. A study by Akwalu (2014) looked into the factors influencing performance of youth owned enterprises in Maara Sub County, Tharaka Nithi County. This study did not however look into factors like business competition and business associations. A study by Makubo (2015) looked into the factors influencing growth of youth owned small businesses in Kuria East Sub County. However, he only investigated factors such as entrepreneurial skills, security and access to information and didn't look into factors such as business associations, credit accessibility, business competition and education and training. Another study Kiruja (2013) looked into factors influencing growth of youth owned enterprises in Tigania West division, Meru County. She however looked into factors such as business environment, entrepreneur characteristics, enterprise characteristics and social networks. There is also another study Osogo (2011) which looked at the factors influencing the growth of micro and small enterprises owned by youth entrepreneurs. This study also limited itself to the knowledge and skills, technology development, access to markets and access to capital.

## **2.10 Research gaps**

Little is known on how factors like business networks, enterprise competition, education & training and access to credit influence the performance of youth owned enterprises. Also, no such study was found to have been conducted for Mwingi Township, Kitui County. This is critical since effective competitive strategies for youth owned enterprises could bring out creativity, growth and create more employment. The literature seems to suggest that the entry of young entrepreneurs into business is a success but fails to appreciate the competitiveness of such enterprises as a factor while facing more experienced and better funded establishment. This study therefore seeks to bridge this gap of knowledge to what are the factors influencing performance of these enterprises.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter delineates and justifies the methodology used to generate answers to the research proposal questions. It has adopted the structure with the following segments research design, target population, sampling procedure, methods of data collection, validity and reliability, ethical considerations and Operationalization of variables.

#### **3.2 Research design**

A research design is a structural framework on how a researcher intended to conduct the research process in order to solve a research problem while at the same time extending knowledge and understanding (Babbie, 2002). The researcher employed Descriptive Survey design because the research constitutes the blue print for collection, measurement and analysis of data (Kothari, 2004), this design helped to describe the state of affairs as they are. This descriptive survey research was used in quantitative approach for this study for its appropriateness in establishing relationships between variables and facilitating collection of information for determining parameters (McMillan, 2004). Quantitative research is an inquiry into social or human phenomenon based on testing a theory composed of variables measured with numbers and analyzed with statistical procedures in order to determine whether the predictive of the theory holds true (Leedy, 1997).

#### **3.3 Target population**

Kothari, (2005) observes that the target population describes the accessible population from where a study sample is drawn upon which the study findings are generalized. In this study, the target population was 208 youths between ages 18-35 owning enterprises within Mwingi Township in Kitui county. This population consists of young people engaged in various types of businesses including retail, wholesale and service businesses. The population is mainly self-employed and already out of school. The study area was stratified into 7 economic zones within Mwingi Township.

### 3.4. Sampling procedure

According to Cooper and Schindler (2003), the best test for sample design is the characteristic of the population it represents. The sample must be valid in its measurement term. The survey sample size is defined as the minimum required number of sampling units required to build sound statistical conclusions and inferences.

#### 3.4.1 Sample size

The sample size of 111 was based on the total population of 208 youth owned enterprises within Mwingi Township drawn from 7 economic zones. According Krijcie and Morgan (1970) for descriptive studies, a sample size of 60% of the population is considered adequate thus a sample size of 60% was selected from each economic zone. A random sample was also preferred since it is free from bias and therefore each unit had an equal chance to be included in the sample. Random sampling is also an easy technique to conduct, (Srivastava, et al, 1993).

**Table 3.1 Sampling Frame and sample size**

Study population	Total population	%	Sample size	Sampling procedure
Mwingi town centre streets (CBD)	48	60	29	Stratified/Random
Mwingi cottage	17	60	10	Stratified/Random
Tyaa kwa Kasamba beach	15	60	9	Stratified/Random
Mwingi general hospital	34	60	20	Stratified/Random
Garissa road- Kwa Ben Slaughter	34	60	20	Stratified/Random
Total	<b>208</b>		111	

### 3.5 Methods of data collection

The study used structured questionnaire to gather data from respondents. This helped in collecting primary data from the entrepreneurs. Each of the questionnaires was accompanied by a transmittal letter. Since the researcher intended to collect data within a



week, he recruited two research assistants to be involved in the questionnaire administration to the youth. A pilot study was done to validate the understanding of both the research assistants and the respondents.

### **3.6 Ethical considerations**

Consent was sought from the respondents to participate in the study. Respondents were well briefed on what the study is all about. Respondents were not paid or remunerated for taking part in the study. They were not required to write their names anywhere in the questionnaire to ensure anonymity. Information collected was used for the purposes of this study only.

### **3.7 Validity of the Instruments**

It was critical to achieve a reasonable level of validity. Validity of an instrument is the degree to which an instrument measures what is supposed to measure and consequently permits appropriate interpretation of scores (Nachimias & Nachimias, 1996). A pilot test was carried out on 11 of the respondents, (10%) to find out any shortcomings in the design. The researcher worked closely with the supervisor and peers to analyze the contents of the questionnaire and whether the instrument is suitable for the purpose for which it is set hence remove any ambiguity. This also assisted in determining the length of time required for the administration of the instruments. It therefore helps in enhancing appropriateness of the instrument as well as that of the format.

### **3.8 Reliability of the Instruments**

The quality of an instrument used in research needed to be reliable. This is the measure of consistency of the scores obtained. According to Mugenda and Mugenda (2003), reliability is the measure of the degree to which a research instrument yields a consistent results or data after repeated trials. Reliability has got two aspects i.e. stability and equivalence. To establish the accuracy of the instrument before the actual distribution of the questionnaire, retest method was applied. This was done by administering the questionnaire twice to the group under pilot study in a span of two weeks. The researcher then calculated the reliability coefficient to indicate the relationship between the two sets

of data. The researcher also ensured that interferences were minimal e.g. requiring respondents to recall information outside of the subject area is a distraction and may lower reliability. The researcher also ensured that there was no bias by letting all respondents have a fair and equal test-taking experience and the opportunity for them to demonstrate what is required of them. Selection of scorers was also done to ensure that it's someone who does not hold stereotypes or negative attitudes towards the test takers. The potential scorers were assessed for preconceived attitudes and stereotypes.

### **3.9 Data collection procedure**

The researcher obtained a letter of transmission from the University of Nairobi Offices. He was then helped by two research assistants to interview the respondents. They explained what the study was about and gave out an introduction letter. Consent was sought from the respondents to take part in the study. Then questionnaires were handed to them to fill. The research assistants waited for the questionnaires to leave with it after filling. This is to ensure 100% return rate.

### **3.10 Data analysis and presentation**

Data collected was checked for completeness, coded and compiled. Statistical package SPSS 17 was used to come up with measures of central tendency. Descriptive statistics was applied through use of Ms excel to generate frequencies and percentages.

### 3.11 Operationalization of variables

Objective	Variables	Indicators	Measurement	tool of analysis	Type of analysis
1.To establish the extent to which business associations influence performance of youth owned enterprises	<b>Independent</b> Independent Business associations	Number of business associates Number of entrepreneurs with membership in associations	Ordinal	Mean Percentages	Descriptive statistics
2. To establish the extent to which education and training influence performance of youth owned enterprises	Independent Education by training	Number of youths with relevant skills Level of education of the entrepreneurs	Ordinal	Mean Percentages	Descriptive statistics
3. To establish the extent to which credit accessibility influence performance of youth owned enterprises	Independent loans borrowed	Number of youth who have accessed credit Amount loaned Ease of access to loan	Ordinal	Mean Percentages	Descriptive statistics
4.To establish the extent to which enterprise competition influence performance of youth owned enterprises	Independent Enterprise competition	number of competitors level of competition	Ordinal	Mean Percentages	Descriptive statistics
	Dependent-Enterprise performance	Amounts of profits volume of sales number of employees Number of business associates Accessibility of loans Quality of products Level of profitability Market share Level of competition	Ratio	Mean Percentages	Descriptive statistics

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.1. Introduction**

This chapter presents the data analysis, presentation and interpretation from the questionnaire administered during the study in Mwingi Township, Kitui County based on the factors influencing the performance of youth owned enterprises in the study area. The data was interpreted as per the research questions and analyzed through the descriptive statistics. The analysis was done in six sections based on the variables that guided the study and they included; demographic information, business associations, credit accessibility, education and training and business competition. The study sampled 111 youth entrepreneurs running businesses in the study area.

#### **4.2. Questionnaire return rate**

The researcher administered 111 questionnaires to the youth entrepreneurs to a target population of 208. 100% of the questionnaires were returned as no questionnaire was left behind with the respondents. This is in line with Mugenda and Mugenda (2003) that a return rate of 50% is adequate for analyzing and reporting, a 60% return rate is good while a 70% return rate is very good. Therefore, the return rate in this study was very good.

#### **4.3. Demographic information of the respondents**

The respondents were required to answer demographic questions that included information regarding their gender, type of business and the age of business enterprise.

##### **4.3.1. Composition of respondents by gender**

The respondents were asked to indicate their gender and the results were as indicated in table 4.1

**Table 4.1: Gender of the respondents**

Gender	Frequency	Percentage
Male	62	56.3
Female	49	43.7
Total	111	100.0

Table 4.1 indicates that there more young men 56.3% than women 43.7% running businesses in Mwingi Township. The significance of distributing respondents by gender was to understand the comparison between genders in terms of how early the both genders of various ages are likely to be involved in entrepreneurship activities.

#### **4.3.2. Age of the respondents**

Below is a Table showing the data on the age of the respondents.

**Table 4.2 Age distribution of the respondents**

Age	Male	Percentage	Female	Percentage	Total	Percentage
18 -25	15	13.5	9	8.1	24	21.6
26 – 30	13	11.7	18	16.2	31	27.9
31 -35	34	30.6	22	19.8	56	50.4
Total	62	56.3	49	43.7	111	100.0

Table 4.2 Shows that young males own more businesses than their female counterparts. Between ages 26- 30 the female entrepreneurs outnumber their male counterparts with the females at 16.2% and the males at 11.7%. The number of young people running enterprises increases steadily with the ages from ages 18-25 at 21.6% to 26-30 at 27.9% then to 31-35 at 50.4%.

### 4.3.3. Type of business activity

Below is the Table showing data on distribution of respondents by business activity.

**Table 4.3 Composition of business types**

Type of business	Frequency	Percentage
Retail	29	26.1
Wholesale	14	12.6
Service	68	61.3
Total	111	100.0

Table 4.3 indicates that majority of the young people are engaged in the provision of services i.e. 61.3%. Only a small percentage of the young people are engaged in the more capital intensive wholesale business i.e. 12.6%. Therefore retail and wholesale business types are not as favorable to the young people as the service provision businesses.

### 4.3.4. Age of business

Below is a Table showing data on distribution of businesses by their age.

**Table 4.4 Age of the business**

Age of business	Frequency	Percentage
Less than 2 years	78	70.3
2- 5 years	19	17.1
Over 5 years	14	12.6
Total	111	100.0

Table 4.4 Indicates that majority of the youth owned enterprises 70.3% are less than 2 years old. A small percentage, 17.1% is between 2-5 years and an even smaller percentage 12.6% is over 5 years old. The significance of the age of business was to help to indicate how long most young people are able to last in business.

#### 4.4. Enterprise performance

Below is a Table showing indicators data on business performance.

**Table 4.5 Enterprise performance**

Performance Indicator	1. Less than at start	2. Same as at start	3. Higher than at start
Amount of capital	33	21	57
Percentage	29.7	18.9	51.4
Volume of sales	8	27	76
Percentage	7.2	24.3	68.5
Number of employees	6	98	7
Percentage	5.4	88.3	6.3
Number of associates	2	12	97
Percentage	1.8	10.8	87.4
Accessibility of loans	24	48	39
Percentage	21.6	43.3	35.1
Quality of products	4	45	62
Percentage	3.6	40.5	55.9
Level of profitability	13	16	82
Percentage	11.7	14.4	73.9
Size of market share	31	37	43
Percentage	27.9	33.3	38.8
Level of competition	7	15	89
Percentage	6.3	13.2	80.5

From Table 4.5, we get a picture of the level of performance of the youth owned enterprises as reflected by various indicators. Majority of the youth owned enterprises,

51.4% reported increased amounts of capital over the entire period of operation. This is as opposed to 18.9% who reported no change in capital amount and another 29.7% who reported a decrease in the amounts of their capital over the entire period they have been in business. A high percentage of the respondents, 68.5% reported increased volumes of sales over their period of operation. This is as opposed to another 7.2% of them who reported a decrease and other 24.3% of the respondents who reported no change in sales volumes. A very high number, 88.3% reported to have no change in the number of employees in their business over their entire period of operation. A 5.4% of them reported a reduction in employees while only 6.3% reported to have increased the number of employees in their business. Therefore engagement of these young people in business resulted to more employment in 6.3% of the businesses over their entire period of operation.

A high number of the respondents, 87.4% reported to have increased the number of business associates while only 1.8% reported a decrease. For another 10.8% of the respondents, the number of business associates remained the same as at start. Most of the people, 43.3% reported no change in the accessibility of loans while only 35.1% reported increase in the accessibility of loans. A small group of 21.6% of the respondents reported a reduction in the accessibility of loans. Majority of the respondents, 55.9% reported an increase in quality of their products and services while only 3.6% reported a reduction and 40.5% did not report any change in quality of goods and services over their entire period of operation. A very large number 73.9% reported an increase in profitability while 11.7% reported a decrease. 14.4% of the respondents indicated no change in their level of profitability. The size of market share of the youth owned enterprises increased for 38.8% of the respondents, decreased for 27.9% of them and remained the same for 33.3% of them. The level of competition had increased for 80.2% of the respondents, decreased for 6.3% of them and remained the same for 13.2% of the respondents. The significance of information on enterprise performance was for the purpose of gauging business performance and show in what areas the businesses were performing and where they weren't. The respondents were also required to indicate the average profits of their business per month over the past one year. The responses are as tabulated table 4.6.



**Table 4.6 Average monthly profit over the past one year**

Average Monthly Profit	Frequency	Percentage
10,000 and below	39	35.1
10,001 -50,000	51	45.9
50,001-100,000	13	11.7
Over 100,000	8	7.3
Total	111	100.0

From Table 4.6, most of the respondents 45.9% reported average monthly profits between 10,001 and 50,000. Another big number, 35.1% reported average monthly profits of 10,000 and below. Only small percentages, 11.7% reported higher profits of between 50,000 and 100,000 and 7.3% for profits Over 100,000.

#### **4.5.Business associations**

Below is a Table showing data on business membership associations.

**Table 4.6 Membership in Trade/Professional associations**

Membership	Frequency	Percentage
With Membership	11	9.9
Without Membership	100	90.1
Total	111	100.0

From Table 4.6, it is evident that a very high number of the respondents 90.1% have no membership in any Trade/Professional associations. Only 9.9% have such membership. The significance of getting information on membership of respondents in trade/professional associations was to help find out if their voice could be captured in influencing public policy or when getting help from a centralized quarter.

**Table 4.7 Membership in trade/ professional associations and monthly average profit of the business**

Membership	Average monthly profits				Total
	below	10,001-50,000	50,001-	over 100,000	
With	0.0%	1.8%	2.7%	5.4%	9.9%
Without	35.1%	44.1%	9.0%	1.9%	90.1%
Total	39	51	13	8	111
	35.1%	45.9%	11.7%	7.3%	100%

From Table 4.7, most of the entrepreneurs 44.1% were found to have no membership in relevant associations and yet making relatively good profits of 10,001-50,000. However, no entrepreneur with membership to relevant associations made profits below 10,000.

**Table 4.8 Membership in trade/professional associations and business associates on the performance of a business**

Influence of membership	Frequency	Percentage
Not at all	29	26.1
To a low extent	36	32.4
To some extent	14	12.6
To a great extent	32	28.9
Total	111	100.0

From Table 4.8, majority of the respondents 32.4% reported that the influence of business associations on business performance was to a low extent. 28.9% reported influence on performance was to a great extent while 12.6% reported influence of business associations on business performance was to some extent. 26.1% of the respondents reported no influence of business associations on business performance.

**Table 4.9 Reasons for non-membership in trade /professional associations**

Main reason for non-membership	Frequency	Percentage
Don't know any association	15	15.0
Don't know how I can benefit	36	36.0
They charge high fees	4	4.0
No reason	40	40.0
Other	5	5.0
Total	100	100.0

From Table 4.9, majority of the respondents 40.0% did not have any reason for not belonging to any trade/professional associations. Other 36.0% didn't know how they could benefit from such associations while 15.0% didn't know any association they could join. Only 4.0% of the respondents complained of high membership and contribution fees charged by these trade/professional associations. Other 5% gave varying narrative reasons but commonly saying that these associations are for big and rich business people and professionals.

**Table 4.10 Association with other businessmen in same line of business**

Association with other businessmen	Frequency	Percentage
Yes	83	74.8
No	28	25.2
Total	111	100.0

From Table 4.10, 74.8% of the respondents said they had working associations with other businessmen while only 25.2% said they had no working associations with other businessmen in the same line of business. For those 74.8% who said yes, they were asked to give a figure of how many businessmen in same line of business they were working in association with. The mean of the figure was found to be 6.3.

For those that answered No in table 4.9, they were asked to give the main reason for non-association with other businessmen in the same line of business. Their responses are as tabulated in table 4.12.

**Table 4.11 Association with other business people and Average monthly profit of the enterprise**

Association	Average monthly profits				Total
	Below	10,001-	50,001-	Over	
Yes	13.5%	43.3%	10.8%	7.3%	74.8%
No	21.6%	2.7%	0.9%	0.0%	25.2%
Total	39	51	13	8	111
	35.1%	45.9%	11.7%	7.3%	100%

From Table 4.11, the highest percentage of the entrepreneurs 43.3%, was found to be working with fellow entrepreneurs and also making relatively good profits of 10,001 to 50,000. Very few entrepreneurs, 0.9% made profits of more than 50,000 without association with other business people.

**Table 4.12 Reasons for non-association with other business people in the same line of business**

Reason for non-association	Frequency	Percentages
Don't trust them	12	42.9
No reason	7	25.0
They are not willing	3	10.7
I don't know how I can benefit from them	2	7.1
Other	4	14.3
Total	28	100.0

From Table 4.12, most of the respondents 42.9% didn't trust other businessmen in the same line of business and that's why they didn't work in close association with them. Another 25.0% had no reason while 10.7% said other businessmen were not willing to associate. Only 7.1% said they didn't know how they could benefit from such associations. Others, 14.3% gave wide ranging reasons but the common one was that they didn't need assistance from the others as they knew what they were doing.

#### 4.6. Education and training

The respondents were required to give their highest level of education that they had attained so far and their responses tabulated as shown in table 4.13.

**Table 4.13 Highest level of education**

Level of education	Frequency	Percentage
Primary	14	12.6
Secondary	61	55.0
Vocational training	5	4.5
Tertiary	31	27.9
Total	111	100.0

From Table 4.13, the highest number of respondents, 55% said they were secondary school level graduates while 27.9% were tertiary level. 12.6% of the respondents were primary level graduates while only 4.5% had undergone vocational training. The respondents were then required to say whether they had undergone any training relevant to what they did in business. The results are tabulated as in table 4.14.

**Table 4.14 Businessmen with relevant training in their business**

Relevant Training	Frequency	Percentage
Yes	27	24.3
No	84	75.7
Total	111	100.0

From Table 4.14, most of the respondents 75.7% have no training relevant to what they do in business. Only 24.3% have undergone training relevant to their business. The respondents were then required to give the extent to which the level of education and training influenced the performance of a business and the responses are as tabulated in table 4.16.

**Table 4.15 Relevant training and average monthly profits**

Relevant	Average monthly profits				Total
	Below	10,001-	50,001-	Over	
Yes	0.9%	10.8%	8.1%	4.5%	24.3%
No	34.2%	35.1%	3.6%	2.7%	75.7%
Total	39	51	13	8	111
	35.1%	45.9%	11.7%	7.2%	100.0%

From Table 4.15, most of the entrepreneurs were found to have no relevant training and making relatively good profits 10,001-50,000. However, only 0.9% of the entrepreneurs with relevant training made profits below 10,000 as opposed to 34.2% without relevant training who made profits below 10,000.

**Table 4.16 Level of education, training influence and performance of a business**

Extent of influence	Frequency	Percentage
Not at all	3	2.7
To a low extent	58	52.3
To some extent	29	26.1
To a great extent	21	18.9
Total	111	100.0

From Table 4.16, the majority of the respondents 52.3% said that the level of education influenced on the performance of a business to a low extent. 26.1% said that level of education had influence to some extent on the performance while 18.9% said the influence was to a great extent. Only 2.7% of the respondents said that the level of education of the entrepreneur had no influence on the performance of a business. The researcher then wanted to find out the main reason for lack of training among the entrepreneurs. The respondents were required to give the main reason for their lack of training and the responses are tabulated in table 4.17.

**Table 4.17 Reason for lack of training among the entrepreneurs**

Reason for lack of training	Frequency	Percentage
Training is costly	12	14.4
Lack of training	38	45.9
No time for training	20	23.5
Training is not necessary	14	16.2
Other	0	0.0
Total	84	100.0

From Table 4.17, the main reason given for lack of training among entrepreneurs is lack of training opportunities 45.9%. Another 23.5% of the respondents cited lack of time for training as their main reason for lack of training. 14.4% of the respondents cited high cost of training as their main reason for lack of training while only 16.2% of the respondents said that training was not necessary.

#### **4.7. Credit accessibility**

**Table 4.18 Ability to access any loan product**

Access to any loan product	Frequency	Percentage
Yes	62	55.9
No	49	44.1
Total	111	100.0

From Table 4.18, majority of the respondents 55.9% said that they could at least access one loan product while only 44.1% said that they couldn't. For those respondents that said that they could, they were asked to give the highest amount of loan product they had been able to access so far. The responses are as tabulated in table 4.20.

**Table 4.19 Access to credit and average monthly profits**

Access to	Average monthly profits				Total
	Below	10,001-	50,001-	Over	
Yes	9.9%	32.5%	7.2%	6.3%	55.9%
No	25.2%	13.5%	4.5%	0.9%	44.1%
Total	39	51	13	8	111
	35.1%	46.0%	11.7%	7.2%	100.0%

From Table 4.19, most of the entrepreneurs 32.5% were found to have access to credit and also making relatively good profits of 10,001 to 50,000. However, only 0.9% of the entrepreneurs made profits of over 100,000 without access to credit as opposed to 6.3% with access to credit.

**Table 4.20 Highest amount of loan product accessed**

Highest amount accessed	Frequency	Percentage
10,000 and Below	9	14.5
Between 10,000 to 50,000	22	35.5
Between 50,000 to 100,000	14	22.6
Over 100,000	17	27.4
Total	62	100.0

From Table 4.20, the highest number of the respondents 35.5% were able to access loans between 10,000 and 50,000 while the lowest number of them 14.5% accessed loans of 10,000 and below. Only a percentage of 27.4% of the respondents were able to access the high amounts of over 100,000 and 22.6% of them for loans between 50,000 and 100,000. Those who said that they couldn't access loans in Table 4.11, were asked to give their main reason why they couldn't do so and the responses are as tabulated in table 4.21.



**Table 4.21 Reason for not accessing loans**

Reason for not accessing	Frequency	Percentage
Lack of Security for loan	18	36.7
Lack of guarantor for loan	4	8.1
High interest rates	17	34.7
No reason	7	14.4
Other	3	6.1
Total	49	100.0

From Table 4.21, most of the respondents 36.7% gave lack of security for loans as their main reason for not accessing loans. High interest rates were also a big reason for many respondents as 34.7% gave it as their main reason. Only 8.1% listed lack of guarantors for loans as their main reason for not accessing loans. Others, 6.1% gave narrative responses and the common reason was fear of default for the loans. The respondents were asked to give the extent to which accessibility to credit and finance influences the performance of their business and the results tabulated as shown in table 4.22.

**Table 4.22 Accessibility of credit and finance and performance of a business**

Extent of Influence	Frequency	Percentage
Not at all	9	8.1
To a low extent	16	14.4
To some extent	28	25.2
To a great extent	58	52.3
Total	111	100.0

From Table 4.22, most respondents 52.3% said that credit and finance to a great extent influences the performance of a business. 25.2% said that the influence was only to some extent while 14.4% said it was to a low extent. However, there were 8.1% of the respondents who said that accessibility of credit and finance had no influence on the performance of a business. We then asked all the respondents how easy it was for them to access loans from banks or other financial institutions. The responses are tabulated in table 4.23.

**Table 4.23 Ease of access to loans in banks or financial institutions**

Ease of access	Frequency	Percentage
Very hard	42	37.8
Hard	57	51.4
Easy	9	8.1
Very Easy	3	2.7
Total	111	100.0

From Table 4.23, it is hard for most respondents 51.4% to access loans from banks and institutions. It is very hard for 37.8% of the respondents while it is easy of 8.1% of them. 2.7% of the respondents said that it is very easy for them to access loans from banks or financial institutions.

#### **4.8. Enterprise competition**

The researcher needed to find out more about the competition and therefore required the respondents to say if they were facing any competition. The responses were as in table 4.24.

**Table 4.24 Presence of competition in the business**

Presence of Competition	Frequency	Percentage
Yes	97	87.4
No	14	12.6
Total	111	100.0

From Table 4.24 most of the respondents 87.4% said they are facing competition in their line of business while 12.6% reported to have no competition. The researcher also wanted to find out from this 87.4% facing competition how many competitors they had. They gave varying figures but the mean of these figures was calculated to be 5.7. The researcher also wanted to find out the level of competition the respondents were facing in their line of business. The respondents were therefore required to indicate the level of competition and the responses are tabulated in Table 4.26.

**Table 4.25 Business competition and average monthly profits**

Competition	Average monthly profits				Total
	Below	10,001-	50,001-	Over	
Yes	35.1%	41.4%	6.3%	4.6%	87.4
No	0.0%	4.5%	5.4%	2.7%	12.6%
Total	39	51	13	8	111
	35.1%	45.9%	11.7%	7.3%	100.0%

From Table 4.25, most entrepreneurs 41.4% were found to be facing competition and making relatively good profits of 10,001-50,000. However, no entrepreneur without competition made profits below 10,000.

**Table 4.26 Level of enterprise competition**

Level of competition	Frequency	Percentages
No competition	14	12.6
Minimal competition	17	15.3
Moderate competition	20	18.0
High competition	60	54.1
Total	111	100.0

From Table 4.26, most of the respondents 54.1% respondents reported to be facing high competition while 18.0% only reported to be facing moderate competition and 12.6% said they were facing no competition. 15.3% said that they only faced minimal competition. The researcher also wanted to find out to what extent enterprise competition influences business performance. The respondents were therefore required to indicate the extent to which enterprise competition influences business performance. The responses are tabulated in Table 4.27.

**Table 4.27 Competition and business performance**

Extent of influence	Frequency	Percentage
Not at all	1	0.9
To a low extent	32	28.8
To some extent	28	25.2
To a great extent	50	45.1
Total	111	100.0

From Table 4.27, most of the respondents 45.1% said that enterprise competition to a great extent influences the performance of their business. Another 28.8% said that influence of competition on business performance was to a low extent. 25.2% said that competition had influence on business performance to some extent while only 0.9% said there was no influence. The researcher then required the respondents to give narrative responses as to how enterprise competition had influenced the performance of their business. They gave various responses and the common responses were reduced volume of sales and decreased profit margins.

## **CHAPTER FIVE**

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

#### **5.1 Introduction**

In this Chapter, the main focus is summary of findings from where conclusions are made as well as recommendations that can be used to improve performance of the youth owned enterprises and increase employment. This chapter comprises of four sections; summary of findings, discussions and conclusions as well as recommendations. These sections are in line with the study objectives.

#### **5.2 Summary of findings**

Going by the responses from the respondents of the study, the researcher obtained findings which were used to draw conclusions and give recommendations. These findings are drawn from the results of data analysis in chapter four.

To establish the extent to which business associations influence performance of youth owned enterprises in Mwingi Township, Kitui County the researcher made the following findings. Membership of young entrepreneurs in trade/professional associations was found to be low at 9.9% and the main reason was lack of knowledge on how they could benefit from such associations. Most young entrepreneurs, 32.4% said membership in such associations influenced to a low extent on performance of enterprises. Most young entrepreneurs, 74.8% were found to be working in close association with other entrepreneurs in the same line of business.

To establish the extent to which education and training influence performance of youth owned enterprises in Mwingi Township, Kitui County the researcher made the following findings. A small number of young entrepreneurs, 24.3% were found to have the relevant training in their line of business and most of the respondents 45.9% cited lack of training opportunities as their main reason for lack of relevant training. Most young entrepreneurs, 55.0% were found to have secondary level education. The study

established that Most of the young entrepreneurs, 52.3% said that the level of education and training influenced to a low extent on the performance of their businesses.

To establish the extent to which credit accessibility influence performance of youth owned enterprises in Mwingi Township, Kitui County the researcher made the following findings. Most of the young entrepreneurs, 55.9% reported to have access to credit. 44.1% reported to have no access to credit and mostly cited lack of collateral 36.7% as their main reason for not accessing credit. Most of the young entrepreneurs, 35.5% reported to have accessed highest amounts of 10,001-50,000. Most of the young entrepreneurs, 51.4% said it was hard for them to access credit. Most of the entrepreneurs 52.3% said that credit accessibility influenced to a great extent on performance of a business.

To establish the extent to which enterprise competition influence performance of youth owned enterprises in Mwingi Township, Kitui County the researcher made the following findings. Most of the young entrepreneurs said they were facing a lot of competition. The mean for the number of competitors was found to be 5.7. The study also established that Most of the young entrepreneurs, 45.0% said that business competition influenced to a great extent on business performance.

### **5.3 Discussions of findings**

This is a detailed discussion of the study findings.

#### **5.3.1 Business associations**

According to (World Bank, 2008), young entrepreneurs lack of business associations compared to older people and this increases pressure on them and risks to isolate them. This was reflected in this study as only 9.9% of the respondents reported having membership in a trade/professional association but it was also found that most of the young entrepreneurs 74.8% were working closely with other entrepreneurs. The mean of the number of people they were working together with was found to be 6.3. A high number of people, 90.1% were without membership in any trade/professional association.

This was mainly because they didn't know how they could benefit from such associations 36%. Another high number of entrepreneurs, 74.8% worked closely with other entrepreneurs and this confirms their reason for non-membership as lack of enough knowledge on them as a valid one. 32.4% the respondents however indicated that business associations had minimal influence on the performance of the enterprises.

### **5.3.2 Education and training**

According to (Kyalo, 2002) most of the people running small enterprises have no management training or experience and mostly rely on intuition rather than analytic skills. They are obsessed with day to day operations of the enterprise than the long term issues. This was confirmed in the study as it was found out that only 24.3% had the relevant training in the running of their business. They mentioned lack of training opportunities as their main reason for lack of relevant training. According to (Wanjohi and Mugure, 2008), educated people and those with relevant training are more likely to be successful entrepreneurs. In this study, most of the respondents were well educated with majority of them 55.0% up to Secondary school level and 27.9% up to tertiary level. Most of these respondents 52.3% however indicated that education and training had a minimal influence on the performance of a business.

### **5.3.3 Credit accessibility**

According to the World Youth Report (2003), many young people in developing countries depend mainly on personal savings or family and friends for initial capital and expansion. This seems to have changed over time as 55.9% of the respondents reported to have accessibility to credit facilities. However, such access was found to be limited since most of the respondents 35.5% reported to have accessed highest amounts of credit between 10,000 and 50,000 which are small amounts for business expansion and startup of most types of businesses. There were other 44.1% of respondents who couldn't access loans and this is according to most respondents 36.7%, caused by lack of security for loan. 51.4% of the entrepreneurs reported that it was hard for them to access loans from banks and microfinance institutions. However, majority of the respondents in the study 52.3% said that accessibility to credit had a lot of influence on the performance of a

business. This study is consistent with a study conducted by Akwalu (2014), who found that although most young entrepreneurs had access to some funding, there were hindrances such as lack of collateral. He also observed that most young entrepreneurs had borrowed amounts of less than 100,000.

#### **5.3.4 Business competition**

According to (Grant, 2005), competition is a necessary evil as it stirs progress in an industry and the health of a particular industry is manifested by the inherent competition. It is true for this study since most of the respondents, 87.4% reported presence of competition in their business and 54.1% reported to be facing a lot of competition. This shows that the study area is a fertile ground for progress. Most of the respondents, 45.1% said competition had a lot of influence on the performance of business. They reported to have had reduced profit margins, decreased sales volumes and increased product/service quality. The respondents reported to have 5.7 as the mean of their number of competitors.

#### **5.4 Conclusions**

The following conclusions were made from the findings of the study. The study established that there was lack of business associations among young entrepreneurs and this was found to have a negative impact on the performance of the enterprises. There is need to encourage young entrepreneurs to work in associations and to educate them on the benefits of doing so. Professional/trade associations need to step up their recruitment drive and endeavor to increase the awareness of their activities to potential members. It is commendable how the young entrepreneurs were found to be working closely with other entrepreneurs in the same business. This behavior should be maintained as it is bound to lead to increased performance.

The study indicated that young entrepreneurs are not very appreciative of the role of education and training in enterprise performance. Most of the entrepreneurs have no relevant training in the field of business they work in. They were found to be mainly high school graduates hence are well prepared for further teaching and training. Their biggest



hindrance to obtaining such education and training was found to be lack of training opportunities.

The study established that credit accessibility had a lot of influence on the performance of youth owned enterprises. Although most entrepreneurs reported to have access to credit, they were limited in the amounts of credit they could access. They have access to very little amounts of current and this could limit their performance and growth. The main cause of lack of accessibility of credit was found to be lack of collateral to secure loans.

The study also established that business competition had a lot of influence on the performance of youth owned enterprises. Most of the young entrepreneurs are facing a lot of competition. This could be due to the fact that they mainly engage in service provision businesses therefore out competing each other.

The performance of the youth owned enterprises was found to have improved in many dimensions in comparison to the time the enterprises were established. Capital levels had increased, Volumes of sales had increased, Number of business associates had increased, quality of products had increased, Level of profitability had increased, market share had increased but competition had increased too. The enterprises are also not doing well in terms of employment creation and access to loans in comparison to the time they were established.

## **5.5 Recommendations**

Based on the findings of this study, the researcher came up with several recommendations to promote the performance of youth owned enterprises. Trade and Professional associations need to intensify their recruitment activities especially among young entrepreneurs. This will enhance sharing of knowledge, experience and opportunities available in a particular industry. Communication among individual entrepreneurs also needs to be encouraged this will enable sharing of resources and enable them work more efficiently.

Formal education needs to be tailored in a manner that learners acquire skills relevant to entrepreneurial activities. This will help ensure that entrepreneurs acquire skills related to their future ventures. Government agencies and NGO's need to intensify their enterprise training activities to ensure that each venturing young entrepreneur has relevant skills to help them grow hence create employment for others. More training opportunities need to be availed to entrepreneurs and this communicated effectively to them. They should also be taught on the importance of training to ensure a sustained culture of continuous learning.

The young entrepreneurs were found to have access to little amounts of credit due to lack of collateral to secure loans. The entrepreneurs need to come together and form SACCO'S to enable them to save and be able to take loans as per their savings without requirement for collateral. Banks and financial institutions also need to work closely with the entrepreneurs to understand their needs and help them grow their borrowing capacity to much higher levels. These institutions need to also arrange training opportunities for these entrepreneurs to help them improve their performance as they are stakeholders in the success of their enterprises.

Competition is a burning issue that needs to be addressed. The young entrepreneurs need to be encouraged to be continually more creative in their ventures to avert competition and ensure survival. The young entrepreneurs need also to be more diversified in the types of businesses they engage in. This is to reduce the high competition they face especially in the service industry.

### **5.6 Suggestions for further research**

1. The influence of mentorship on the performance of youth owned enterprises in Mwingi Township, Kitui County.
2. An investigation into the sustainability of youth owned enterprises: A Case of Mwingi Township, Kitui County.
3. Impact of Youth Fund on employment creation: A case of Mwingi Township, Kitui County.

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## APPENDICES

### **Appendix I: Letter of Transmittal**

Musyoki Musyoka

University of Nairobi

P.O Box 30197

Nairobi

30th March 2016

Dear Respondent.

I am a student of Masters of Arts in Project Planning and Management at the University of Nairobi. I am conducting a research on factors influencing performance of youth-owned enterprises .a case of Mwingi Township, Kitui County. This research is purely for academic purpose and will not be used whatsoever for any other purpose. The answers you give will be important to my academic study. Please complete the questionnaire provided to the best of your ability following instruction given after each item, and return your completed questionnaire to the researcher. Your help and cooperation will be highly appreciated and the information provided will be treated with strict confidentiality.

Regards

Yours Faithfully

Musyoki Musyoka.



## **Appendix II: Research questionnaire**

My name is Musyoki Musyoka and I am conducting a survey in Mwingi Township on *Factors influencing the performance of youth owned enterprises: A case of Mwingi Township, Kitui County* as a requirement for The Course Master of Arts (project planning and management) in the University of Nairobi. I therefore request you for consent to help in filling this questionnaire. The questionnaire is expected to help collect necessary data for analysis. All information obtained through this questionnaire will be treated with confidentiality and used for academic purposes only. DO NOT write your name anywhere in the questionnaire. Provide answers by ticking where appropriate or giving narrative responses in the spaces provided.

### **SECTION A**

#### **General**

1. Sex (Tick appropriately)
  - a) Male ( )
  - b) Female ( )
2. What is the type of your business?
  - a) Retail ( )
  - b) Wholesale ( )
  - c) Service ( )
3. Age bracket (Tick appropriately)
  - a) 18-25 ( )
  - b) 26-30 ( )
  - c) 31-35 ( )
4. How many years have you been in this business? (Tick appropriately)
  - a) Less than 2 years ( )
  - b) 2 – 5 years ( )
  - c) Over 5 years ( )

## SECTION B

### Enterprise Performance

5. Rate your enterprise with using the parameters below to compare your present state to the time you started the enterprise. (Tick appropriately)

Parameter	Less than at start	Same as at start	Higher than at start
Amount of Capital			
Volume of sales			
Number of employees			
Number of business associates			
Accessibility of loans			
Quality of products			
Level of profitability			
Size of market share			
Level of Competition			

### Business associations

6. Are you a member of any trade/professional association (Tick appropriately)

- a) Yes ( )      b) No ( )

7. To what extent does the membership in trade/professional association or having business associates influence the performance of your business?

- a) Not at all ( )  
b) To a low extent ( )  
c) To some extent ( )  
d) To a great extent ( )

8. If NO to question (6) then why?

- a) I don't know any ( )

- b) I don't know how they can help me ( )
- c) They Charge high fees ( )
- d) No reason ( )
- e) Other ( ) Specify .....

9. Do you work closely with any other people in the same line of business? (Tick appropriately)

- a) Yes ( )
- b) No ( )

10. If YES, how many? (Tick appropriately)

.....

11. If NO, why?

- a) I don't trust them ( )
- b) No reason ( )
- c) They are not willing ( )
- d) I don't know how they can help me ( )
- e) Other ( ) Specify.....

**Credit Accessibility**

12. Are you able to access any loan products? (Tick appropriately)

- a) Yes ( )
- b) No ( )

13. If YES to question (9), what is the highest amount of a single loan you been able to access so far? (Tick appropriately)

- a) Below 10,000 ( )
- b) Between 10,000 to 50,000 ( )
- c) Between 50,000 to 100,000 ( )
- d) Over 100,000 ( )

14. If No to question (9), what do you think is the reason? (Tick appropriately, multiple answers possible)

- a) I don't have security for loans ( )
- b) I don't have guarantors for loans ( )
- c) The interest rates are high ( )
- d) No reason ( )

e) Other ( )

Specify.....

15. To what extent does access to credit and finance influence the performance of your business (Tick appropriately)

- a) Not at all ( )
- b) To a low extent ( )
- c) To some extent ( )
- d) To a great extent ( )

16. How easy is it for you to access loan from banks or financial institutions (Tick appropriately)

- a) Very hard ( )
- b) Hard ( )
- c) Easy ( )
- d) Very easy ( )

**Education and training**

17. Highest level of education attained (Tick appropriately)

- a) Pre-Primary ( )
- b) Primary ( )
- c) Secondary ( )
- d) Tertiary ( )

18. Have you undergone any training relevant to what you do in your business? (Tick appropriately)

- a) Yes ( )
- b) No ( )

19. To what extent does the level of education and training influence the performance of a business? (Tick appropriately)

- a) Not at all ( )
- b) To a low extent ( )
- c) To some extent ( )
- d) To a great extent ( )

20. What in your opinion do you think is the cause of lack of training in most business enterprises (Tick appropriately, multiple answers possible)

- a) Training is costly ( )
- b) There are no training opportunities ( )
- c) Don't have time for training ( )

- d) Training is not necessary ( )
- e) Other ( ) Specify .....

**Business competition**

- 21. Do you have any competitors in business? (Tick appropriately)
  - a) Yes            b) No ( )
- 22. If yes to question 17, then how many?  
.....
- 23. In your own opinion, what do you think is the level of competition you are facing? (Tick appropriately)
  - a) No competition ( )
  - b) Minimal level of competition ( )
  - c) Medium level of competition ( )
  - d) A lot of competition ( )
- 24. In your own opinion, to what extent do you think competition influences the performance of your business? (Tick appropriately)
  - a) Not at all ( )
  - b) To a low extent ( )
  - c) To some extent ( )
  - d) To a great extent ( )
- 25. In your own opinion, how has competition influenced performance of your business?  
.....

**Thank you for your cooperation.**