International Journal of Research in Finance and Marketing (IJRFM)
Available online at : http://euroasiapub.org/current.php?title=IJRFM
Vol. 7 Issue 7, July - 2017, pp. 100~108
ISSN(o): 2231-5985 | Impact Factor: 6.397

EFFECTS OF STATE MICRO FINANCING SUPPORT ON GROWTH OF YOUTH ENTERPRISES IN KENYA,

A Case of Youth Enterprise Development Fund, Meru County

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ABSTRACT

Youth unemployment has become a major challenge in the 21st century and a critical concern to almost every country in the world. The general global population has continued to grow without a commensurate growth in job opportunities and the biggest casualties at the crossroads of a growing global population and the shrinking job opportunities are the youth. The rising unemployment among the youth has been cited as one of the leading causes of global insecurity and violence. There is growing consensus that entrepreneurship especially among the youth, is a very important avenue for self employment. This study focused on the effects of state micro financing support on the growth of youth enterprises in Kenya. A cross sectional survey with a descriptive research design was adopted in this study which focused on the national Youth Enterprise Development Fund, one of the outstanding interventions by the Kenya government towards encouraging and facilitating youth entrepreneurship in the country. A sample size of 272 was identified from among the 850 youth entrepreneurs who were individual YEDF beneficiaries within Meru County. Questionnaires were used to collect data from the sampled beneficiaries. Questionnaires were administered by the researcher through the YEDF Constituency Officers in the respective constituencies. Data analysis was done using multiple regression analysis to determine relationships between the dependent and independent variables. Statistical package for social sciences (SPSS) was also used for further data analysis. The study revealed that state micro financing support is a significant factor in the growth of youth enterprises in Kenya and an increase in it leads to growth of the youth enterprises.

Key words: *Youth unemployment, micro financing support, enterprise growth.*

Introduction

The United Nations define a youth as one whose age is between 15-24 years of age. Kenya's constitution define youth as all individuals in the republic who have attained the age of 18 years but have not yet attained the age of 35 (GOK, 2010). The Kenyan constitutional definition of youth has been adopted throughout this study. The youth contribute to a major segment of the current global population. According to the United Nations Department of Economic and Social Affairs (2014), in a world population of 7.3 billion, slightly less than 1.8 billion comprises of young people aged between 10-24 years.

Youth unemployment has become a major challenge in the 21st Century and is of critical concern to almost every country in the world. Unemployment or joblessness, as defined by the International Labour Organization (1982), occurs when people are without jobs and they have actively sought for work within the past five weeks. Developed economies had a youth unemployment rate of 17.7% in the year 2010, while developing economies in Sub- Saharan Africa and North Africa had unemployment rates of 13.6 % and 25.3% respectively. The number of unemployed youth in the world increased to 76 million with the youth-adult employment ratio remaining almost constant at 2.8. (ILO, 2011)

In Kenya, the high rate of youth unemployment has been cited as one of the major contributors to organized criminal gangs. It's also believed within security circles in Kenya that unemployment and the consequent economic challenges it brings has made many Kenyan youth easy prey for terror organizations keen on recruiting them to push their militant agenda. Stemming largely from the gravity of the complex mix of a growing youth population and shrinking job opportunities, the promotion of a positive attitude towards general entrepreneurship and youth entrepreneurship in particular is gathering momentum and popularity among global governments.

One of the outstanding interventions by the Kenya government towards encouraging and facilitating youth entrepreneurship in the country is the formation of the national Youth Enterprise Development Fund (YEDF). YEDF was the GoK's idea of institutional financing to provide young people with access to micro financing for self employment activities and entrepreneurial skills development as a way of addressing unemployment and poverty which are major challenges affecting the youth in the country (GoK, 2009).

Materials and methods

The study employed a cross sectional survey research design with a descriptive research design objective of exploring relationships between variables, (Mugenda & Mugenda, 1999). Data was collected from the sampled individual YEDF youth beneficiaries at their respective places of business. It involved the use of questionnaires for collecting quantitative data. The target population for the study was the youth entrepreneurs operating within Meru County and who must have individually benefitted from any of the YEDF services. The questionnaire was chosen due to its ability to achieve high response rate and faster data collection. Multiple regression analysis was used to analyze the collected data. The analysis was based on the model below:

Growth of youth enterprises= E_g (total business worth, number of employees, market share)

Hence

$$E_g = a + \beta_1 F + e$$

Where

E_g = Growth of youth enterprises

$a =$ Constant (autonomous growth)

F = state micro financing support

β_1 = coefficient of independent variables

e = error term

Statistical package for social sciences (SPSS) was used for further data analysis.

Results

Response rate

The study used a sample size of 272 respondents from which 170 filled in and returned the questionnaires making a response rate of 62.5%. According to Cooper and Pamela, (2010, this response rate of 170 out of 272 respondents (62.5%) was good and representative enough to make conclusions for the study.

Reliability

In this study, Cronbach's alpha was applied to determine the internal reliability of the questionnaire used in this study. The reliability index acceptable is between 0.7 and above according to Mugenda & Mugenda, (2003).

Cronbach's alpha was calculated by application of SPSS for reliability analysis. The value of the alpha coefficient ranges from 0-1 and may be used to describe the reliability of factors extracted from dichotomous and or multi-point formatted questionnaires or scales. A higher value shows a more reliable generated scale. According to Mugenda & Mugenda, (2003) a reliability below 0.4 is unreliable, 0.4-0.5 as poor, 0.5-0.6 as acceptable, 0.6-0.7 as good, 0.7- 0.8 as very Good and above 0.8 as excellent. Table 1.1 below shows the reliability tests for all the four variables.

Case Processing Summary (Scale: ALL VARIABLES)

		N	%
Cases	Valid	170	100.0
	Excluded[a]	0	0.0
	Total	**170**	**100.0**

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Variables	**Cronbach's Alpha**	**N of Items**
Business Growth/Performance	.659	12
State Micro Financing Support of Youth Enterprises	.758	5

Source: Author, (2016)

Table 1.1 Reliability test

Table 1.2 below depicts the results of the level at which respondents agreed with statements on the influence of State micro financing support and growth of the youth enterprises'. A scale of 1-5 was used. Where; 1= Strongly Agree; 2 = Agree; 3 = Neutral; 4 = Disagree and 5 = Strongly Disagree on the continuous likert scale.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
YEDF Loan requirements are easy to fulfill	170	1.00	4.00	2.5176	.71521
Loan interest, processing fees charged by YEDF are affordable	170	1.00	5.00	2.6000	.98149
Loan amount given was adequate to meet my business need at the time of borrowing	170	1.00	5.00	2.4824	1.05035
Valid N (list wise)	**170**				

Source: Author, (2016)

Table1.2 State micro financing support and growth of youth enterprises

From the findings, the study established that majority of the respondents agreed that the YEDF Loan requirements are easy to fulfill with a mean of 2.5176 and a standard deviation of 0.71521, respondents also agreed that the loan interest, processing fees charged by YEDF are affordable as shown by mean of 2.6000 and a standard deviation of 0.98149. Majority of the respondents also agreed that the Loan amount given was adequate to meet their business needs at the time of borrowing as shown by a mean of 2.4824 and a standard deviation of 1.05035. The study findings in this category was generally in harmony with the literature by Maisiba and Gongera (2013) who found in their study of The Role of Youth Enterprise Development Fund (YEDF) in Job Creation that 78% of the respondents strongly agreed that the fund had increased business opportunities among the youth through access to finance and assisted them in developing the competencies in their areas of interest and in making personal decisions.

Business/Enterprise growth

Table 1.3 below established the extent of agreement of the respondents in regard to statements on the business/enterprise growth considering state micro financing support. A scale of 1-5 was used. Where; 1= Strongly Agree; 2 = Agree; 3 = Neutral; 4 = Disagree and 5 = Strongly Disagree on the continuous likert scale.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The total worth of the business increased because of the YEDF loan	170	1.00	4.00	2.2412	.86726
The business is able to increase the number of employees because of the YEDF loan	170	1.00	5.00	1.8588	1.27007
The business market share increased because of the YEDF loan	170	1.00	3.00	2.3118	.54651

Source: Author, (2016)

Table 1.3 Enterprise growth and State micro financing support

According to the study results, it was established that majority respondents agreed to the fact that, the business is able to increase the number of employees because of the YEDF loan with a mean of 1.8588 and a standard deviation of 1.27007, the respondents also agreed that, the total worth of the business increased because of the YEDF loan with a mean of 2.2412 and a standard deviation of 0.86726. The youth entrepreneurs' agreed that, the business market share increased because of the YEDF loan with a mean of 2.3118 and a standard deviation of 0.5465

Correlation Analysis

Correlation is a term that refers to the relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low correlation means that the variables are hardly related. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 means that there is no relationship between variables being tested (Orodho, 2003). In this study Pearson correlation was carried out to determine how the research variables related to each other. Pearson's correlation reflects the degree of linear relationships between two variables. It ranges from+1 to -1. A correlation of +1 means there is a perfect positive linear relationship between variables (Young, 2009)

Correlations

Control Variables				SFS	ETS	CIS	MLS
BUSINESS GROWTH	State Financing (SFS)	Micro Support	Correlation	1.000	.764	.484	.741
			Significance (2-tailed)	.	.000	.000	.000
			Df	0	167	167	167

Source: Author, (2016)

Table 1.4 Correlation Analysis

A correlation analysis was to find out if state micro financing support is correlated with business growth. Table 1.4 shows positive Pearson correlation coefficients from the variable discussed. These findings indicate that there was a positive linear relationship between state micro financing support and business growth.

The coefficients of the multiple regression models are presented in the table 1.5 below.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.456	.101		4.503	.000
	State Micro Financing Support	.088	.048	.114	1.846	.027

Source: Author, (2016)

Table 1.5. Multiple regression coefficients

The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. As per the SPSS generated table 4.5, the first equation,

$E_g = a + \beta_1 F + e$, becomes,

$$E_g = 0.456 + 0.088F + e$$

The regression model above has established that taking State Micro Financing Support constant at zero, business / enterprise growth will be at 0.456.

Discussion

The objective of the study was to establish the effects of state micro financing support on the growth of youth enterprises in Kenya. The findings indicate that state micro financing support is significant to the growth of youth enterprises. This is supported by the fact that State microfinance support has a P-Value of 0.27 which is less than 0.05. These results agree with the findings of the European Central Bank (2013) who in a survey found that access to finance by small enterprises reported significant positive changes to the profitability and growth of the enterprises.

Conclusion

The study findings revealed that state micro financing support is a significant factor in the growth of youth enterprises in Kenya and an increase in state micro financing support will lead to an increase in the growth of youth enterprises. It may thus be concluded that availing financial resources to the youth enables them to actualize their entrepreneurial potential. It may also be concluded that with adequate capital, the youth enterprises are able to expand their operations.

Recommendations

Based on the findings of this study, the researcher made the recommendation that information regarding the various loan products offered by YEDF be made more available and accessible to young people. This will ensure an increase in uptake and utilization of the financial resources which will ultimately lead to an increase in the growth of youth enterprises. Further, since access to adequate and affordable financing is considered vital in starting and expanding business ventures, a study needs to be carried out to determine the effects of changes in interest rates on the growth of micro and small enterprises (MSEs) in Kenya. This is especially in the light of the passing of the Banking Amendment Act (2016) in Kenya that saw a reduction and capping of interest rates in Kenya.

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