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Effect of Youth Enterprise Development Fund on Growth of New Enterprises in Kenya: A Survey of Selected Youth Enterprises in Mathioya District

Jackson Irungu* Dr. Riro Kamau
School of Business and Economics: Department of Accounting & Finance. Dedan Kimathi University of Technology P.O BOX 657-10100 Nyeri Kenya
*Email of Corresponding Author: jackson_irungu14@yahoo.com

Abstract
There has been concerted effort to stem wide unemployment that was worsened by the global financial crisis of 2008. Various government efforts has been focused towards alleviating unemployment especially among individuals aged between 18-35 years. One such effort by the government was the establishment of the Youth Enterprise Development Fund aimed at facilitating youths start income generating activities by advancing loans with least collateral requirements. This research aimed at finding out the effects that Youth Enterprise Development Fund has had on growth of new enterprises in Kenya with a special reference to Mathioya District. It aimed at finding out how financial support, entrepreneurial training and networking impacted on growth of new enterprises at a district level. The research used questionnaires and structured interview as data collection instruments. The population of the study was 276 respondents from which a sample size of 123 respondents comprising 120 youth group officials from 40 youth groups, 2 YEDF officials and 1 DYO were selected. The data collected was analyzed both qualitatively and quantitatively. Qualitative data was analysed by deductive approach. Quantitative data was analyzed using statistical packages for social sciences (SPSS) and presented using frequency tables, histograms and pie charts. Out of 120 questionnaires given to youth group officials 115 were returned representing 96% response rate. All the 3 structured interviews were carried out with 2 YEDF officials and 1 DYO. The study found that 46% of the youth groups received less than 50,000 shillings annually from YEDF whereas 43% received between Ksh. 50,000 and Ksh. 1000, 000 from YEDF annually. Data collected through interviews indicated that trainings were conducted every quarter (4 times a year). Financial management (48%) and bookkeeping (40%) were the issues addressed in training. Majority (64%) of the participants indicated that the rate of networking was high among youth groups. Findings showed that financial support ($p=0.000$) and training ($p=0.032$) were statistically significant at 95% confidence level while entrepreneurial training ($p=0.315$) was not. The researcher concluded that Youth Enterprise Development Fund has had a positive effect on growth of new enterprises in Kenya; however, the YEDF goals are limited by the amount of funds disbursed and failure of youths to attend trade fairs/exhibitions organised by YEDF. The researcher recommends that the government should increase the budget allocation to Youth Enterprise Development fund to enable increased start-up loans. In addition, YEDF should adopt funding of individual projects and disbursement be done at district level.
Keywords; youth enterprise development fund, micro and small enterprises, networking, training, youth, financial support, growth.

1.1 Background to the study

Since the onset of the world financial crisis in 2008, unemployment has become a big concern to every government all over the world. The number of unemployed around the world is estimated to have reached 201.8 million in 2013, an increase of 4.9 million from a revised 196.9 million in the previous year, there were 31.8 million more unemployed persons around the world in 2013 than in 2007 (ILO 2014). The global youth unemployment rate, estimated at 12.6 per cent in 2013, is close to its crisis peak. As many as 73 million young people were estimated to be unemployed in 2013 globally. The unemployed young people in low-income economies do not benefit from the social protection systems that are available to their counterparts in developed economies (ILO 2013).

According to ILO (2014), 23 million people are estimated to have dropped out of the labour market due to discouragement and rising long-term unemployment, active labour market policies (ALMP) need to be implemented more forcefully to address inactivity and skills mismatch. Indeed, with more and more potential workers becoming discouraged and remaining out of the labor force, the risk of skills degradation and obsolescence is increasing. Thus, governments in developing countries are forced to come up with creative ways to address youth unemployment.

The economic and social costs of unemployment, discouragement and widespread low-quality jobs for young people continue to rise and undermine economies' growth potential. The National Youth Council Act of 2009 and the Constitution of Kenya 2010 define youths as people aged between 18 and 34 years. Young people in this age bracket constitute more than a third of the entire population. This represents great economic and social opportunities, but also enormous challenges. At the forefront of challenges lies the high unemployment rate among young people, which is estimated to be double the national level of unemployment of 12.7 percent. Those young people who have a job are often engaged in low-paying work. Hence, most of the unemployed people disproportionately stem from the youth segment of the population and belong to the bottom 40 percent of the income distribution (United Nations Development Program, (UNDP), 2013).

There are many new challenges for young people in terms of employment, these include; the changes brought about by globalization and the decline of protected markets. The social, economic and political changes and challenges that characterize society make it imperative for young people to acquire skills, knowledge and understanding to cope with rapid change and an uncertain labour market.

There have been various initiatives by different administrations to stem unemployment in Kenya (Republic of Kenya, (RoK), 1964; 1969; 1994; 2003a). According to the Country Social Analysis by the World Bank (2007), youth unemployment, especially among males, is a major contributor to frustration and tension, particularly in urban areas, and a matter of serious policy concern in the country. In this context, there has been an emergence of initiatives and activities to support and promote youth entrepreneurship and business creation. One of the objectives of these programmes is to respond to high youth unemployment rates by encouraging young people to create their own jobs. These programmes aim to increase the share of young people in self-employment or business ownership by influencing the degree of entrepreneurial initiative on the part of the young and by helping them to overcome some of the difficulties that they encounter when starting up a business or opting for self-employment. In Kenya, the crisis of employment for many young people and their communities has given rise to a particular urgency in the demand for support policies and services.

The results of a number of active labour market policies introduced to address youth unemployment problem remain unclear as unemployment rates have remained at relatively high levels. In the last one decade the government has come up with various employment policies aimed at stemming youth unemployment in Kenya, specifically the Kazi Kwa Vijana popularly known as KKV launched in April 2009 aimed at creating employment to youth through labour intensive public works related projects implemented by various government ministries like rehabilitation of roads. The other initiative is the Youth Enterprise Development Fund launched in 2006 aimed at stemming youth unemployment by offering low interest loans to youth enterprises.

1.1.1 The Youth Enterprise Fund

The Youth Enterprise Fund was started in 2006 and it is designed to address the challenges of youth owned enterprises, including: inaccessibility to capital, lack of decent youth focused commercial infrastructure, barriers to marketing of youth products, and to market linkages (http://www.youthfund.go.ke). This was necessitated by the fact that traditional financial institutions had avoided lending to youth due to their relative inability to comply with the high transaction costs, difficulty in assessing and managing their risk profile, and lack of the required financial documentation as well as collateral (http://www.youthfund.go.ke). Further, prior to the establishment of the Fund, financial institutions erroneously misconceived the youth to be uncredit worthy and hence, too risky to lend to. The Fund has however shattered this myth and today, the youth have emerged as their major clients (RoK 2010). The target of the fund is young people within the age bracket of 18 to 34 years who number 13 million. The fund was then transformed into a State Corporation on 11th May 2007.

The Fund's strategic focus is on enterprise development as a key strategy that will increase economic opportunities for, and participation by Kenyan youth in nation building via entrepreneurship initiatives. Empowerment of the youth is based on the belief that the youth are the best resource for promoting development and they are agents of change in meeting their own challenges and solving own problems (RoK 2006). Since its inception, the government has released over Ksh. 4.4 billion to the fund that has trained over 250,000 entrepreneurs and financed over 260,000 enterprises (Youth Enterprise Development Fund, (YEDF), 2013).

Yuli (2010) is of the opinion that unemployment is one of the most daunting economic challenges facing Kenya. The government has consequently placed job creation at the top of Vision 2030 development policy blue print. Youth, as understood by the Kenyan policy milieu, comprises a large group of people that represents two thirds of the population of working age, and many of them face the hardships of unemployment. While the national unemployment rate is about 10 percent, which is high for a country with large informal and traditional sectors, youth unemployment rates are usually much higher for young people aged 18 to 20 years than those aged over 30 years (UNDP 2013).

The Youth account for 61% of the unemployed and of these (92%) of the unemployed have no job training other than formal schooling. Hence, unemployment is not just a lack of jobs, but also a lack of job skills due to inadequacy of the training infrastructure as well as the means to acquire skills, due to poverty (YEDF, 2007). It is in recognition of the above facts that the government conceived the idea of Small scale businesses financing as a way of addressing unemployment which essentially is a youth problem. The concept is based on the premise that micro, small, and medium enterprise development initiatives are likely to have the biggest impact on job creation.

The twin strategic pillars of the YEDF initiative are enterprise development and externally focused employment creation through Youth Employment Scheme Abroad (YESA). The government has so far committed over Ksh. 4.4 Billion towards implementation of the fund's mandates. The government's resolve in ensuring sustainability and professional management was evident on 11th May 2007 when the Fund was transformed into a State Corporation so as to respond to the changing needs of the youth.

The vision is to be a sustainable and growing fund, economically empowering the Kenyan Youth. The mission is to increase economic opportunities for, and participation by Kenyan youth in nation building through enterprise development and strategic partnerships. The Fund was gazetted on 8th December 2006 to provide the necessary legal framework to govern its use and operations. The Fund facilitates youth employment through enterprise development and structured labour export.

1.2 Statement of the Problem

According to a 2010, report by the ministry of youth, gender and sport, the growth rate of uptake of loans by the youth from the YEDF is 20% per annum. This scenario needs to be heightened to reflect the objectives of vision 2030. One associated problem of the report's recommendation is that various factors come into play to influence the uptake of loans by the youth (Eaton, 2003). The YEDF is still evolving and in order to ensure effective conceptualization, design and implementation of the programme addressing the needs of the young people, there is need to find out how financial support, entrepreneurial training and entrepreneurial networking relate to the growth of MSEs owned by youths in Kenya and in particular Mathioya district. Therefore, the purpose of this study was to examine the effect of youth enterprise development fund on growth of new enterprises in Mathioya District. To fulfill the purpose of the study, a quantitative research study surveyed selected Micro and Small enterprises in Mathioya District in order to answer the research question; how does youth enterprise development fund affect growth of new micro and small enterprises owned by youth in Mathioya District?

1.3 Research Questions

The study sought to answer the following research questions;

i. What is the effect of financial support on growth of new micro and small enterprises in Mathioya District?
ii. How does entrepreneurial training affect growth of new micro and small enterprises in Mathioya District?
iii. Does entrepreneurial networking influence growth of new micro and small enterprises in Mathioya District?

2.0 LITERATURE REVIEW

2.1 The Concept of MSEs

It is widely believed that the solution to wide spread unemployment in most developing countries lies in their ability to spur growth in micro and small enterprises. MSEs tend to be large in number, accounting for about 90 percent of all enterprises in many African countries and over 80 percent of new jobs in a given country (Reinecke, 2002). With their large number come increased competition, and continuous technological breakthroughs and rapidly changing customer requirements that demand a strong market orientation if MSEs are to be successful (Shiu & Walker 2007). Many MSEs are located in the lower segment of the market, this pose a problem to their growth due to saturation, low investment, poor management and lack of innovation.

Micro and small enterprises (MSEs) allow the rural poor – including some of the most marginalized and vulnerable strata such as rural women, youth, and the landless – to diversify their incomes, create new sources of economic growth and generate additional employment (including self-employment) in rural areas. The same strata may also be reached through MSE support to small-scale local entrepreneurs, whose business expansion can create new jobs for the rural poor (IFAD 2008).

Bowen, Morara and Mureithi (2009) identified five main challenges MSEs face as, competition, insecurity, debt collection, lack of working capital and power interruptions. While the International Finance Corporation ((IFC) (2011) identified various challenges faced by MSEs as lack of innovative capacity, lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure, scanty market information, lack of networks and lack of access to credit. Many MSEs remain informal because the administrative procedures for business registration are too cumbersome, long-winded and/or costly. The barriers to setting new businesses are particularly high for the youth who on the other hand face complex entrepreneurship barriers. These structural problems include the lack of voice and representation, lack of access to credit and seed funding, isolation and lack of support, which makes it difficult for the youth owned enterprises to gain a foothold in the modern expansive business.

The first national baseline survey of MSEs in Kenya was conducted in 1993 by Development Alternatives Inc. (DAI) in collaboration with the Kenya Rural Enterprise Programme (K-REP) and the Central Bureau of Statistics (CBS) as a buy-in project funded by USAID. The findings from this study underscored the important role that MSEs play in Kenyan development process particularly in the context of generating employment and income opportunities for the majority of poor people throughout the country. It is in recognizing of this critical role small businesses play in the Kenyan economy, the Government through Kenya Vision 2030 envisages the strengthening of MSEs to become the key industries of tomorrow by improving their productivity, competitiveness and innovation (Ministry of Planning, National Development & Vision 2030 [MPNDV2030], 2007).

2.2 Financial Support

Schumpeter (1932) viewed entrepreneurship characteristically, as an innovation and he defined innovation as the creation of a new good or new quality of good, the creation of a new method of production; the opening of a new market, and the capture of a new source of supply. Schumpeterian entrepreneurs are not necessarily the owners of the capital used for carrying out the new combinations because in many cases they use stocks of capital supplied through the mechanisms of credit by capitalists or bankers. The connection between credit and innovation is a very close one, and one that makes possible the formation of new firms which are the exponents of the new combinations. From this point of view, it is obvious that in Schumpeter's system the role of 'savings' in carrying out 'new combinations' is relatively insignificant because "the entrepreneur does not save in order to obtain the means which he needs, nor does he accumulate any goods before beginning to produce (Schumpeter 2008).

Longenecker, *et al.,(* 2006) posited lack of planning, improper financing and poor management as the main causes of failure of small enterprises. Lack of credit has also been identified as one of the most serious constraints facing MSEs and hindering their development (Oketch, 2000; Tomecko & Dondo, 1992; Kiiru, 1991). Credit constraints pertaining to working capital and raw materials were cited by respondents (between 24% and 52% in Parker *et al*., 1995). Aryeetey *et al*., (1994) reported that 38% of the MSEs surveyed in Ghana mention credit as a constraint, in the case of Malawi, it accounted for 17.5% of the total sample Daniels & Ngwira, (1993). This stems from the fact that MSEs have limited access to capital markets, locally and internationally, in part because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. As a result, SMEs often cannot obtain long-term finance in the form of debt and equity.

Amenya, Onsongo & Guyo (2011) found that 83% of the respondents prefer YEDF as a source of funds for the youth due to its flexible collateral requirement and low interest rate. Maisiba and Gongera (2013) found 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.

Quaye, (2011) studying the source of capital for small businesses in Ghana found that 4 percent sponsored themselves for the initiation of their businesses, 2 percent relied on friends and relatives, 5.33 percent were from partnerships, and majority 88 percent acquired loans from banks and other financial institutions, with only 0.67 percent acquiring capital from other sources. This results are consistent with the Schumpeter's view of source of funds for entrepreneurs.

2.3 Entrepreneurial Training

Society develops in response to the contact and interaction between human beings and the material, social and intellectual environment. The experience resulting from these contacts leads to learning on three different levels of our existence. At the physical level, it enhances our control over material processes. At the social level, it enhances our capacity for effective interaction between people at greater and greater speeds and distances. At the mental level, it enhances our knowledge (Garry *et al*., 1997).

Education can serve a preparatory function in relation to new venture initiation or startup, whereby the transfer of knowledge and the acquisition and development of relevant skills would be expected to increase the self-efficacy and effectiveness of the potential entrepreneur (Bandura, 1986). King and McGrath, (2002) opines that education is one of the factors that impact positively on growth of firms. They argue that entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments.

Pretorius, Nieman and van Vuuren (2005), noted that while education programmes are aimed at different target markets and levels of education, they all have as their core the concept of stimulating entrepreneurial activity in some or other way. Solomon *et al.* (2002) confirm the positive role of teaching entrepreneurial and small business management skills for new venture creation and success.

van Vuuren (1997) argues that entrepreneurial performance go hand in hand with entrepreneurial achievements or results with regards to the realization of set entrepreneurial goals. This constructs are presented by Botha (2006), firstly, as an increase in productivity; secondly, the increase in the number of employees, which implies the expansion of the business; thirdly, the net value of the business; fourthly, a core aspect in entrepreneurship, namely the increase in profitability; and finally the completion of the first market related transactions. Hisrich & Peters (1998) argued that training creates new opportunities and possibilities as well as a consciousness to attempt and complete certain tasks in a different way.

Chingunta, (2005) study revealed that entrepreneurship training has been seen as a way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach and leadership balanced towards an entrepreneurial culture. Omolo (2010) points out that promotion of entrepreneurship and nurturing of an entrepreneurial culture should be seen as one of the ways out of youth unemployment crisis.

Mano, Al Hassan, Yutaka, and Sonobe, (2012) found a 9 per cent point increase in the likelihood of survival 12 months after training. Giné and Mansuri found a 6 percent increase in the likelihood of survival 18 to 22 months after training for the male owners in their sample – an effect significant at the 10% level – but no change for female owners, while Valdivia (2012) actually finds that training leads to a marginally significant reduction in the likelihood of survival for female firm owners.

Premand, Stefanie, Rita, Rebekka and Mahdi (2012), sampled 1500 youth and found that taking part in an entrepreneurship track instead of academic track in the final year of university leads to a 6 percent increase in self-employment rates for males and 3 percent for females one year later. Four months after training, Field, Jayachandran, and Pande (2010) examined whether women report any business income over the preceding week, which reflects a combination of an effect on business start-up and an effect on survival. They found that upper caste Hindu women who took the training were 19 percentage points more likely to report income, whereas the training had no effect on lower caste Hindu women or on Muslim women. They attributed the lack of impact on these other groups to social restrictions, arguing that training helped women whose businesses had been held down by social restrictions, but that women who faced more extreme restrictions could not respond to training.

Maisiba and Gongera (2013) found that YEDF collaborative linkages and strategic partnership projects have benefitted mainly youth with relatively low levels of education, implying that youths with diploma and degree education prefer white collar jobs to self-employment, thus the need for entrepreneurship training. The findings also showed that nearly half of the YEDF beneficiaries in the constituency did not have any business experience before entering the YEDF Program, a pointer to the enormity and the high training needs of YEDF beneficiaries. Further, 82% of the respondents strongly agreed that lack of business and management skills is the greatest challenge entrepreneurs are facing and they needed entrepreneurship training.

2.4 Entrepreneurial Networking

Leyden, Link, and Siegel (2013) advanced entrepreneurial networking theory and concluded that an entrepreneur is an individual who innovates within the context of an uncertain environment. Given that characterization, they argued that key to entrepreneurial success is the ability of the entrepreneur to exploit social networks which Granovetter (1973) terms weak ties.

In a network, flows between objects and actors and exchanges, which might contain an advice, information, friendship, career or emotional support, motivation, and cooperation, can lead to very important ties (Kadushin, 2004). Social network contacts are most needed by new and small businesses to overcome their difficulties in getting suppliers and customers at the early stage of business formation. Network relationship refers to a strategy that focuses on creating and maintaining a lasting relationship between entrepreneurs and their network (Premaratne, 2001).

In 1986, Aldrich and Zimmer argued that the entrepreneur is embedded in a social network that plays a critical role in the entrepreneurial process. According to Brass (1992), a social network is a generic way and set of nodes or actors that are connected by a set of social relationships, ties, or a specified type of ties. In the business environment, "the network is a group of two or more firms that have banded together to carry out some new business activity that the members of the network could not pursue independently" (Sommers 1998).

Hoang and Antoncic (2003) explored the three constructs widely researched in entrepreneurial networking; first the content of the networks which should be viewed as the media through which actors gain access to a variety of resources held by other actors. Secondly, the governance of these relationships; trust between partners is often cited as a critical element that in turn enhances the quality of the resource flows. Network governance can also be characterized by the reliance on ''implicit and open-ended contracts'' that are supported by social mechanisms — such as power and influence, and the threat of ostracism and loss of reputation — rather than legal enforcement. Finally, the structure of networks; on this they conclude that different networks positioning results into different resources flow and these can have a bearing on the enterprise outcomes.

Hatala, (2007) argue that it is not networking per se that matters but the individual's position within the network. Network position describes the pattern of interaction between firms clustered in a particular community, district or region. The implication is that an individual's social position within a network may help to determine the utility of the network itself. The degree to which an individual actor is connected to others in a network is called centrality (Borgatti *et al.*, 1992). Centrality is used to obtain the positional features of an individual firm within networks.

Hite and Hesterly, (2001) in their research found that networking increases profit from investment and access to growth, particularly for new founded companies and made dynamic relationship to these companies. Graham *et al.* (2007) found that social networks lead to customer acquisition and a deeper understanding of customer needs, foster enterprise development in a competitive environment and are a source of competitive advantage for enterprises. For example, in a study of manufacturing SMEs in Nairobi, Moyi, (2003) established that entrepreneurs who refer their clients to other firms also stand a higher chance of receiving referrals from elsewhere. Lee & Tsang, (2001) also support this by saying that some studies in China examined the effect of an entrepreneur's networking behaviour on venture performance and generally found a positive relationship between networking and venture performance.

Gudda & Ngoze (2009) posited that through collaborations and strategic partnerships, business incubators can support the successful development of entrepreneurial projects of youth business ideas through an array of business support resources and services. The report further revealed that collaborative linkages and strategic partnerships provide the necessary infrastructure that can make a substantial contribution to employment creation and drives an entrepreneurial culture to self-employment by creating jobs directly and successful businesses innovation, through the use of new technologies, increases productivity and further expands existing market opportunities, which in turn strengthens incentives to innovate.

Siegel *et al.* (2013) identified other variables that might be correlated with the effectiveness of the entrepreneur's network to include prior successful entrepreneurial experiences, changes in careers, and even a more liberal education. Peprah, (2013) points out that in all environments, entrepreneurs must build reputation-enhancing relationships with outside resource providers who are willing to share valuable information, technology, and finance. In this regard, entrepreneurs use their own informal business and personal networks to establish new firms and the extent of the network determines the success of many entrepreneurs.

3.1 Research design

The study adopted a descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. This study used descriptive research design to investigate the effects of YEDF on growth of new enterprise in Mathioya district. The researcher used questionnaires to collect data from youth group officials and structured interview for the YEDF officials and the DYO. Questionnaires were used in order to get specific information for the study while interviews were used for an in depth understanding of the operations of the YEDF.

3.2 Target Population and Sample

The target group for this study was 273 youth group officials from 91 youth groups who were beneficiaries of the YEDF loans in the district and 2 YEDF officials and 1 DYO in Mathioya District. Stratified random sampling technique was used to draw the sample from the population. The district was divided into divisions and from each division ten youth groups were randomly drawn.

This ensured that the information was geographically accurate and reliable. From each youth group three officials; the chairperson, the treasurer and the secretary were chosen to constitute the sample as they are the custodian of group information. For the YEDF officials and DYO a census was done due to their small number. This resulted into a sample size of 123 respondents that constituted 120 youth group officials, 2 YEDF officials and 1 DYO.

3.3 Data analysis and presentation

The researcher chose the linear regression model below because on his part it was easier to understand and work with, secondly and most important its flexible and offers an important set of tools for understanding the association between the parameters of the study. The data collected was edited, coded, quantified and analyzed quantitatively and qualitatively. Qualitative data was analysed by deductive approach and results presented in each section. Quantitative data was analysed quantitatively by Statistical Package for Social Sciences (SPSS) software, using the linear regression model below;

$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \epsilon$

Y is the dependent variable (growth of new enterprises as determined by number of employees)

α_0 intercept (autonomous growth)

α_i coefficients of independent variables

X_i independent variables [X_1=Financial Support, X_2=Entrepreneurial Training and X_3=Entrepreneurial Networking]

4.1 Findings and Presentation

The researcher distributed questionnaires to 120 youth groups' officials of which 115 were returned for analysis, this represents a 96% response rate that was adequate for data analysis, as according to Shuttleworth, (2009) a response rate of 60% is good for analysis and reporting and a response rate of 70% and over is excellent and reliable. The researcher also carried out 3 interviews with 2 YEDF officials and 1 DYO in order to get an in depth understanding of the issues under study.

4.1.1 Socio Demographic Information

The research found that out 87% of the participants were between 25-35 years while 13% was between 18-24 years old. This can be attributed to the fact that most of individuals over 24 years have completed the formal education system in Kenya. When asked how old was the group majority of the groups 93% were less than 5 years while 7% was over 5 years old this show that most of the groups were formed after the establishment of the fund in 2006.

4.1.2 Financial Support

When asked to rate the constraints to accessing finance 75% of participants indicated that the constraints to accessing financial support faced by the youth groups' were high. With 25% indicating the constraints as low and this could be individuals who know the steps to follow in loan application. Only 28% of the participants felt that the financial support received from the fund was highly adequate this can be attributed to the fact that 86% of the youth groups received less than Ksh. 100,000 from the fund which is not enough capital for many business start-ups. Further, 96%of the participants felt that the amount of money received affect growth of their business in some way with 4% having a contrary opinion. 61% of the respondents were of the view that financing be pegged on group's business model, with 10% being neutral and 29% having a contrary opinion.

When asked the reasons for choosing YEDF as a source of funds for their businesses 78% cited lack of interest as the main reason for choosing YEDF as a source of funding, 72% cited long payment period, with 62 % citing easy accessibility and 58% citing no collateral requirements.

The interviews revealed that loans were evaluated based on CAMPARI credit evaluation method and between 40-50 groups sought funding from the fund annually, of which 70% are successfully financed.

4.1.3 Entrepreneurial Training

The participants were asked to rate the frequency of training that they receive from the YEDF, 32% indicated that trainings to entrepreneurs was moderate, while 46% indicated it was often. Data collected through interviews revealed that training was conducted every quarter (4 times a year). Financial management at 48% and bookkeeping at 40% were the major issues addressed in training. Also covered were marketing, role of members in groups, paying back loans and customer care. Interviews with the YEDF and DYO indicated that there were mechanisms in place to follow up trained individuals.

Of those surveyed 66% felt that training highly affected growth of their business due to the skills acquired while only 4% indicating it to have no effects. The results are as in table below

Table 1: Effect of training on business growth

Effects of Training on Growth	**Frequency**	**Percent (%)**
Very highly affecting	36	31
Highly affecting	40	35
Moderately affecting	21	18
Affecting	14	12
Not affecting	4	4
Total	**115**	**100**

The interviews revealed that the mode of training as well as time taken to train youth groups need to be increased both in length and frequency. In addition, project management, group dynamics and how to better utilize market linkages should be added as skills that youth are trained on.

4.1.4 Entrepreneurial Networking

When asked to rate the level of networking 76% indicated that the level of entrepreneurial networking was high among the youth groups. While 67% indicated that group membership to either formal/informal business networks was high. On its effects on growth of new enterprises 92% opined networking had positive effects on growth while only 8% opined it had no any effect. Further, the study found that 71% of the participants were assisted by the fund to link with other groups while 40% of those surveyed did not attend trade fair/exhibition organised by the fund.

When the participants were asked how useful would be a networking for all youth enterprise development fund beneficiaries in Mathioya district the results are as in figure 1 below.

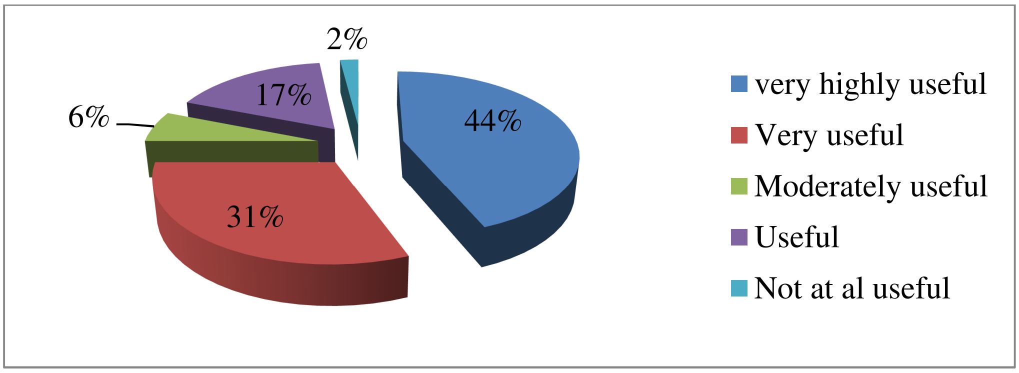

Figure1: Usefulness of business network

Through interviewing key informants indicated that some of the challenges facing entrepreneurial networking include lack of funds, few committee members, poor communication and lack of interest among some youth which was evidenced by poor turn up during training.

4.2 Regression of variables

A linear regression analysis of variables was carried out with SPSS at 95% confidence level.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929[a]	.863	.779	.014

a. Predictors: (Constant), Financial Support, Entr. Training, Entr. Networking

The R squared (R^2) which is coefficient of determination shows the variation in the dependent variable that is attributed to independent variables. The results shows that 86.3% of variation in growth of micro and small enterprises can be attributed to financial support, entrepreneurial training and entrepreneurial networking.

Table 3: ANOVA for effects of YEDF on growth of new enterprises

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	37.070	3	12.357	24.226	.000[b]
	Residual	56.617	111	.510		
	Total	**93.687**	**114**			

a. Dependent Variable: Employees
b. Predictors: (Constant), Financial Support, Entr. Training, Entr. Networking

From the ANOVAs results for th effects of YEDF on growth of new enterprises presented in Table 2 above, the probability value obtained was less than α=5% which implied that the regression model was statistically significant in predicting the role of youth enterprise development fund on growth of new micro and small enterprises. The F calculated at 5% significance level was 24.226. which was greater than the $F_{(3,111)}$ tabulated = 2.70, this shows that the overall model was significant.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.356	.247		3.866	.000
	Financial support	.720	.105	.555	6.856	.000
	Training	.446	.167	.278	2.172	.032
	Networking	.059	.059	.086	1.010	.315

Table 3 shows the coefficients and P values for the variables in the study. Findings show that financial support (p=0.000) and entrepreneurial training (p=0.032) were statistically significant at 95% confidence level. While entrepreneurial networking (p=0.315) was statistically insignificant. This means that financial support and training were critical in growth of new micro and small enterprises while the effect of entrepreneurial networking is on growth of these enterprises is low. Substituting the coefficients in the linear regression model;
Y = 0.356+0.720 Financial Support + 0.446 Entre. Training + 0.059 Entre. Networking

4.3 Recommendations

i. There should be a reduction in turnaround time for loans processing and increment of start-up loans.
ii. Financing of youths groups be based on the business model of individual youth groups.
iii. Funds disbursement should be done at district level in order to reduce the turnaround time of funds disbursement.

4.4 Suggestions for further study

The current study focused on effects of youth enterprise development fund on growth of new enterprises in Kenya. Future studies should look into the profitability and sustainability of such businesses.

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