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CHALLENGES FACING YOUTH ENTERPRISE PERFORMANCE IN NYERI COUNTY

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ABSTRACT

The youth forms a large proportion of the Kenyan population. Though it is supposed to be the most productive, majority are unemployed. The main objective of the study was to establish the challenges facing youth enterprises in Nyeri County. The specific objectives were: to establish the effect of inaccessibility of capital on the performance of youth enterprises and to establish the effect of lack of entrepreneurial knowledge and skills on the performance of youth enterprises in Nyeri County. The study adopted simple random sampling to select 35 respondents. Descriptive research design was adopted and primary data was collected using structure questionnaires. Data collected was coded using a predetermined coding scheme and analyzed both qualitatively and quantitatively. Microsoft Office Excel was used. Quantitative analysis was done using descriptive statistics i.e. frequency counts, percentages, tables and graphs to describe distributions, per-charts to show differences in frequencies and bar charts to display nominal or ordinal data. The data was presented using pie charts, graphs, and tables as was found appropriate for each set of data. The study findings indicated that capital inaccessibility and lack of entrepreneurial knowledge and skills are obstacles towards the performance of youth enterprises. The study recommended for cheaper loans and entrepreneurial training of the youth before engaging in entrepreneurial activities.

Key Words: Youth, Youth Enterprises, Capital, Entrepreneurial Knowledge and Skills, Training

INTRODUCTION

Kenya has a large population of young people. According to the Kenya Youth Survey Report (2016), 80% of Kenya's population is between 18-35 years. This proportion is among the highest in the world which if put into productive use presents the economy with a vibrant manpower. However, the World Bank Report (2018) showed that the country leads the region in youth unemployment at 17.3% compared to only 6% in Uganda and Tanzania. Many theories have been advanced to explain the situation including poor global economic performance, population explosion, better health care, technology, poor governance, lack of adequate education and marketable skills among others. The consequences of this high rate of unemployment are slow economic growth, high dependent population, and increase in diseases, crime and insecurity like the formation of the criminal gangs such as Mungiki, Taliban, Ngaza, Wakali and others.

Entrepreneurship is the process through which individuals identify opportunities, allocates resources and creates value. The value creation is through identification of those unmet needs or through the identification of opportunities for change. Rajendar, (2012) defines youth entrepreneurship as the process through which people with business ideas take risks of developing, testing, and deploying the ideas as viable businesses. Youth entrepreneurship promotes innovation that encourages the youth to find new solutions for the market through experience based learning (Richard, Kaboski and Buera, 2013). According to the World Bank Youth Report (2003), most of the youth in developing countries rely on personal savings, friends and family for start-up capital and expansion.

In an effort to curb youth unemployment in Kenya, the government came up with the Youth Enterprise Development Fund (YEDF) in December 2006 to assist the youth to establish businesses. This was meant to help them in accessing credit which was a great hindrance towards youth entrepreneurship. The fund was later transformed into a state corporation in 2007 to enhance its efficiency. Today it not only offers loans but also helps in facilitating local and international labour markets. According to House, Ikiara, McCormick (2011), YEDF target was geared towards all forms of youth owned enterprises regardless of the ownership status, whether they were sole proprietors, companies, youth partnerships, cooperatives and/or any other forms of business ownership. The government of Kenya set aside one billion (Ksh. 1 billion) in the 2006/07 budget as a rollout package and funding for YEDF (GOK, 2008).

Statement of the Problem

As mentioned above, youth unemployment continues to be a major hindrance towards Kenya's economic growth and development. SMEs are the engines of economic development in Kenya. The Kenyan government sought to promote youth employment and empowerment through the Youth Enterprise Fund and Kazi Kwa Vijana (jobs for the youth) initiatives. The aim was to make them job creators and employers (Gok, 2008). The Kenya Economic Survey (2010) noted that the sector generated 87.6 percent of the total jobs generated in 2009. However, according to the Kenya National Bureau of Statistics (2011), 5 of the youth enterprises fail within the first few months of establishment. The challenges facing them include lack of finances, lack of entrepreneurial knowledge and skills, lack of innovation among others. Even with the Youth Development Enterprise Fund, only 28% of those eligible actually get the fund. On the other hand, those who are fortunate to be funded do not have the entrepreneurial knowledge and skills of engaging in entrepreneurship. Among the studies done on youth unemployment, Kanyari and Namusonge (2013), Wanjohi and Mugure (2008), Ramsden, (2010), and Oketch (2010) on youth entrepreneurship in Kenya, none has been conducted in Nyeri County. As such the study filled this gap.

Research Objectives

- To establish the effect of capital inaccessibility on youth enterprise performance in Nyeri County.
- To investigate the effect of lack entrepreneurial knowledge and skills on youth enterprise performance in Nyeri County.

Research Questions

- How does accessibility of capital affect youth enterprise performance in Nyeri County?
- Does entrepreneurial knowledge and skills affect the performance of youth enterprise performance in Nyeri County?

LITERATURE REVIEW

Human Capital Theory

The knowledge acquired from education and experience is a key resource that helps to identify opportunities and how to exploit them (Becker, 1995). The theory gives emphasis on behavioral aspects of skills, innovation and risk taking for developing and managing enterprises (Dejaeghere, 2014). Provision of education is the starting point in creating entrepreneurial societies that brings about creativity, problem solving skills, calculated risk taking and enterprising mindsets for young people. Empirical studies show that human capital factors are positively related to becoming entrepreneurs. Young people lack skills in sourcing and usage of finances, developing business ideas, preparing cash flow statements, writing business plans and business proposals among others. (White and Kenyon, 2001). The theory is relevant for the study as it shows that an entrepreneur needs wisdom in searching for credit and at the same time, must utilize these funds in the best ways possible.

Psychological Theory

According to this theory, the psychological makeup of an individual determines most of his behaviour towards entrepreneurial activities. The psychological traits include need for high achievement, risk taking, foresight, aggressiveness, proactiveness and creativity. Others include high level of intelligence, decisiveness, good judgement and alertness to environmental changes. Lumpkin and Dess (1996) argue that there is a link between psychological traits and entrepreneurship. People with a certain set of psychological traits might have a tendency to portray some inclination towards entrepreneurship. Coon (2004) defines personality traits as “stable qualities that a person shows in most situations.” Therefore according to the trait theorists there are enduring inborn qualities of an individual that naturally makes him an entrepreneur. Bwisa (2011) also argues that entrepreneurship is all about an individual. Entrepreneurs are also known to be opportunity driven, innovative and creative, show high levels of management skills, optimistic, committed, and persevering and thrive on competitive desire to win and excel. The theory is relevant for the study because there are those youth enterprises that succeed while others end up collapsing.

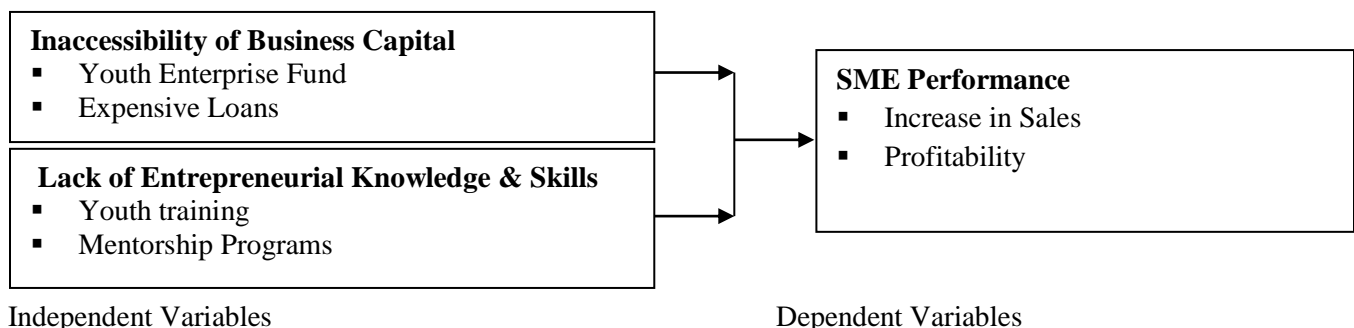


Figure 1: Conceptual Framework

Empirical Review

Credit Accessibility in Youth Enterprises

Nyatogo, 2012 carried out a study on the effects of credit access on the performance of youth enterprises in Nairobi. He concluded that credit accessibility is key to the success and sustainability of the youth enterprises. Chebet, 2016 looked at the factors that influence access to credit by youth enterprises in Sotik, Bomet. The research findings indicated that youth enterprises face many challenges like lack of collaterals, high interest rates, lack of education and cumbersome application processes e.t.c. Wachira (2012) conducted a study on the effects of interest rates on the uptake of youth credit at Eldama Ravine. The targeted group was 925,000 youth members with a sample size of 125 members. The findings showed a negative relationship between interest rates and the uptake of credit for the youth. The huge collaterals discourages the youth from applying for credit.

Entrepreneurial Knowledge and Skills and Youth Enterprises

This can be achieved through training the youth so as to equip them with the necessary knowledge and skills as well as managing the enterprises. Entrepreneurship training is necessary for the growth of youth enterprises. It creates an enabling environment to engage in entrepreneurial activities (Buruku, 2015). An evaluation of an entrepreneurship training program in Uganda showed that training had a positive impact on SME entrepreneurs. In Kenya, most of the institutions offering entrepreneurship training and business development training do not have adequate capacity. Therefore potential entrepreneurs are not well prepared in their entrepreneurial activities (Sessional Paper No.2, 2005). A report from the World Bank (2005) revealed that in Kenya, Uganda and Botswana entrepreneurship education is provided through Technical and Vocational Training (TVET)

METHODOLOGY

A descriptive survey approach was adopted to obtain information concerning the SMEs owned by youth. The purpose of descriptive survey is basically to observe, describe and document aspects of situations as it naturally occurs. It is not concerned with characteristics of individuals but provides information about population thus making it the preferred research design (Kothari, 2009). The Target population was the micro and small enterprises owned by youth within Nyeri County Central region. This information was retrieved from the list of registered youth groups at the Ministry of Youth and Sports in Nyeri Central who had benefitted from the Youth Enterprise Development Fund (YEDF) and others from parents and relatives funds. The total population was 350 youth entrepreneurs and out of this, a sample was selected for the study.

The sample size was determined by the number of registered youth groups in Nyeri Central. This was retrieved from the Ministry of Youth Affairs and Sports (County records). Stratified random sampling technique was used to draw the sample. This method helps improve the representation of each strata (groups) within the population, as well as ensuring that these strata are not over-represented Each youth group was given a number out of which 35 were picked randomly using Microsoft Office Excel. According to Mugenda and Mugenda (2003), a sample size of 10% of the total population is considered adequate for descriptive study. A random sample is preferential because it is free from bias and therefore each unit has a chance to be included in the sample. Random sampling is also easy to be conducted, (Srivastava, *et al*, 1993).

A standardized questionnaire was developed that captured the variables under study, and for the independent variables, a modified questionnaire of Hartenian and Gudmundson, (2000) cited by Ojokuku and Sajuyigbe, (2014) was adopted. The main instrument that was used to collect primary data for this research was a closed-ended and open ended questionnaire. Creswell (2014), states that closed-ended questions are practical because all individuals answers the questions using the response options provided. This enabled the researcher to conveniently compare responses.

The researcher made original field visits to obtain more information on the variable under investigation. The researcher conducted personal interviews on information on YEDF funding, entrepreneurial training, entrepreneurial skills and development so as to be able to get more clarification from the respondents through continuous probing. Similar techniques have been used with significant success, (Srivastava, *et al*, 1993). This method was used to compliment the questionnaire and improve the quality of information gathered

DATA PROCESSING AND ANALYSIS

Completed questionnaires were edited for completeness and consistency. Data collected was coded using a predetermined coding scheme and analyzed both qualitatively and quantitatively. The researcher used Microsoft Office Excel. Quantitative analysis was done using descriptive statistics i.e. frequency counts, percentages, tables and graphs to describe distributions, per-charts to show differences in frequencies and bar charts to display nominal or ordinal data. The data was presented using pie charts, graphs, and tables as was found appropriate for each set of data.

The data collected was presented in tables and pie charts to provide a picture of the variables under investigation and were analyzed by computing percentages. Out of the 35 MSEs sampled, 30 of the MSEs responded by completing the questionnaires thereby giving a response rate of 85 %.

Among the respondents 43% were aged between 21-30 years of age while 57% were aged between 31-35 years. 55% of the respondents had received loans from Youth Enterprise Fund while 45% got it from family and relatives. Those who got credit from YEF went through some form of training which was not adequate in running their enterprises while the rest relied on trial and error method. 25% of the enterprises were three years old, 20% were 2 years, 30% between 0-2 years while only 25% were above 3 years.

CONCLUSION AND RECOMMENDATIONS

Capital accessibility among the youth remains a key impediment towards the growth of youth enterprises in Kenya. The youth Enterprise Fund has only benefitted a small percentage leaving the majority in the cold .Lack of entrepreneurial knowledge and skills has also played a big part in underperformance of the youth enterprises. Provision of entrepreneurship training to sensitize and inculcate entrepreneurial culture among the young people is crucial in helping them to identify and exploit the existing opportunities as well as equipping them with the skills of managing their enterprises.

The youth should be sensitized about the opportunities available for them to exploit in order to start their own enterprises. This can be done through social media, the local FM stations, elders, church leaders, provincial administration, and traditional communication channels. The curriculum should also include entrepreneurship as a subject in all levels of education. Those already in business should receive training through attending seminars, trade fairs, conferences etc.

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