

**YOUTH ENTERPRISE DEVELOPMENT FUND AS A CATALIST FOR
GROWTH OF SMALL AND MEDIUM ENTERPRISES IN UASIN GISHU
COUNTY, KENYA**

BY

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DECLARATION

Declaration by the candidate

I hereby declare that this thesis is my original work and has to the best of my knowledge never been submitted before any other university or institution for a degree award. No part of this thesis may be reproduced without the prior written permission of the author and/or University of Eldoret.

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DEDICATION

This thesis is dedicated to my mother Mary Kenei and my entire family for their moral support, understanding and perseverance during my study period.

ABSTRACT

Developing countries are facing a great unemployment challenge due to a combined effect of slow economic growth and rapid increase in population. With the fact that Small and Medium Enterprises` sector not only provide the much needed jobs, it is a source of empowerment and poverty reduction; many governments are directing resources and policies towards developing this sector. Attempts to address growth of Small and Medium Enterprises in Kenya led to establishment of the Youth Enterprise Development Fund in the year 2006 with the sole purpose of reducing unemployment among the youth. The researcher sought to objectively assess the Youth Enterprise Development Fund as a catalyst for growth of Small and Medium Enterprises in Uasin Gishu County. The study sought to establish the effect of the business support services, availability of funds and entrepreneurial training by Youth Enterprise Development Fund on growth of Small and Medium Enterprises in Uasin Gishu County. A descriptive research design was employed. A target population of 445 Small and Medium Enterprises was used and a total sample size of 81 units obtained using stratified random sampling. In addition 5 Youth Enterprise Development fund officials working in the county were interviewed. Questionnaires and interview schedule were used as data collection instruments. The collected data was analyzed using descriptive and inferential statistics with the help of Statistical Product and Service Solution program. The findings revealed that in H_{01} : Business support services offered by the Youth Enterprise Development Fund have no significant effect on the growth of Small and Medium Enterprises. The results failed to reject the hypothesis ($\beta = 0.017$, $p < 0.847$). H_{02} : Availability of funds by the Youth Enterprise Development Fund has no significant effect on the growth of Small and Medium Enterprises. The hypothesis was rejected ($\beta = 0.299$, $p < 0.009$). H_{03} : The entrepreneurial training by the Youth Enterprises Development Fund has no significant effect on growth of Small and Medium Enterprises. The results were ($\beta = 0.061$, $p < 0.487$). The results failed to reject the hypothesis. Based on the findings the researcher concluded that Youth Enterprise Fund has led to the growth of enterprises. The study recommends that business support services be enhanced to reach more enterprises, organizations providing funds should work together to improve focus and that a policy encouraging entrepreneurship training at the primary school level should be formulated. This study would benefit future researchers by providing empirical evidence and the government in formulating their policy towards improving youth entrepreneurship.

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ABBREVIATION AND ACRONYMS

ERS	Economic Recovery Strategy
CEC	Commission for European Communities
C-YES	Constituency Youth Enterprise Scheme
GoK	Government of Kenya
GDP	Gross Domestic Product
ICT	Information Communication Technology
IGAs	Income Generating Activities
K-REP	Kenya Rural Enterprise Program
K-MAP	Kenya Management Assistance Program
MCD	Ministry of Cooperatives Development
MFI	Micro- Finance Institution
MDGs	Millennium Development Goals
MOYAs	Ministry Of Youth Affairs
NACOSTI	National Commission for Science Technology and Innovation
NGO	Non Governmental Organization
RDT	Resource Dependency Theory
SME	Small and Medium Enterprises
SACCOs	Savings and Cooperative Societies
UNIDO	United Nations Industrial Development Organization
UOE	University of Eldoret
YEDEF	Youth Enterprise Development Fund

OPERATIONAL DEFINITION OF TERMS

In this section, operational definitions were presented as used within the study context:

Availability of funds: The ease with which startup capital can be raised is important in determining the rate at which new businesses can be established and existing ones expanded (Waweru, 2011). In this study, this term was used to describe the existence and ease of access to YEDF financial aid by the youth owned enterprises in Uasin Gishu County.

Business Incubators: In this study, this term was used to describe successful and experienced enterprise agencies or centers which provide business advice, training, guidance and specialist access to finance exclusive people to the SMEs in Uasin Gishu County. The Fund has also partnered with Kenyatta University at the Chandaria Business and Incubation Centre to incubate young entrepreneurs, and is setting up a business incubation and mentorship centre in Nairobi's Westlands (YEDF, 2014).

Business Support Services: According to the department of Trade and Industry (2009), the term Business Support Services refers to a wide range of non financial services provided by public and private firms to entrepreneurs to help them operate efficiently and to grow their business with the broader purpose of contributing to economic growth, employment generation and poverty alleviation. In the context of this study, business support services were those non-financial services and products offered to entrepreneurs at various stages

of their business needs by YEDF including Market accessibility, mentorship, incubation, infrastructure and linking business networks or groups.

Entrepreneurial Training: According to Thaker (2008), “training is an organized procedure by which people learn knowledge and skills for a definite purpose”.(Tim & Brinkerhooff, 2008), insist that human capital development represents the planned opportunity that is provided for training as the overall process whereby an individual’s behavior is modified to conform to a pre-defined and specific pattern. This term was used in the study to mean practical provision of business management skills either on the job or otherwise to business owners to enable them conduct their activities effectively and efficiently in order to improve chances of success.

Growth of Small and Medium Enterprises: Hanks *et al.* (1993) defines a life-cycle or growth or development stage as ‘a unique configuration of variables related to organization context or structure. SMEs as a group generate more new jobs than large firm; they introduce innovative ideas, products, and business methods (Tarus & Ngaga, 2013). Accordingly growth is a positive change in size over a period of time; it can be physical or abstract. In this study the term referred to the numerical models for describing stages of maturation of the business towards fullness or fulfillment in terms of sales, market size, number of employees over the number of years in operation.

Infrastructure Support: Provision of trading premises/work sites to young entrepreneurs is one of the objectives of the Youth Enterprise Development Fund (YEDF, 2014). In the study the term was used to mean assistance by YEDF to enterprises in availing spaces to operate and other physical facilities

that enable the owners set up and run their businesses conveniently, efficiently and effectively.

Market Accessibility According to YEDF (2014) the Fund endeavors to support youth enterprises to market their products locally and abroad, and to form linkages with large enterprises. The Fund has been organizing youth trade fairs at county and national levels. Markets are of utmost importance to our economy and society; they can allow us as individuals to choose the work we do, for whom we work, where we live, and what we consume (Lazonick, 2010). In the study this term was used to refer to the ease at which enterprises access customers and consumers of their products.

Small and Medium Enterprise: This term was used to define Small and Medium sized Enterprises (SMEs). To be classified as an SME an enterprise has to satisfy the criteria of employees; micro between 0 to 9 employees, Small 10 to 49 employees, medium 50 to 249 employees and the following financial criteria; a turnover of less than Ksh 499,999 for micro-enterprise, Small enterprise from Ksh 500,000 to Ksh 4,999,999 and medium over Ksh5m, equipment investment plus registered capital not exceeding Ksh5m for micro-enterprise, small enterprise more than Ksh5m but less than Ksh20m, medium enterprise more than Ksh20m, and investment in plant machinery plus registered capital of micro not exceeding Ksh10m, small enterprise more than Ksh10m but less than Ksh50m, medium more than 50m as per the MSE act of (2010), and CEC, (1996).

Youth: The Millennium declaration summit has defined the youth as persons between ages 15-28 years old, In Uganda for instance the youth are classified as those individuals between ages 12 to 30 years, while in Nigeria, it is between 18 and

35 years (ILO, 2005). The Government of Kenya (GOK, 2006) defines Youths as those individuals aged between 18-35 years of age. In this study adopted the GoK definition that describes young people between ages 18-35 years of age.

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CHAPTER ONE

INTRODUCTION

1.1 Overview

This Chapter entailed the following: background information, the purpose of the study, the objectives which the research wanted to achieve, the research hypotheses, justification of the study, the scope of the study and the limitations of the study.

1.2 Background Information

The Small and Medium enterprises (SMEs) play a key role in triggering and sustaining economic growth and equitable development in both developed and developing countries. The exploitation of the potential of the indigenous sector as an engine for growth, using local resources and appropriate technology which is the nature of SMEs, is seen as an alternative development model to the traditional large scale intensive “stages of growth” paradigm in developing economies (OECD, 2005). Despite their importance, SMEs have generally shown asymmetrical development (Dunn & Holtz-Eakin, 2000). As a result, many government policies are geared towards supporting SME`s growth, an example being institutional financing.

Government funding programs are aimed to support the growth of these enterprises by alleviating credit constraints that have long been suggested to be one of the main impediments to their growth (Banerjee, 2011). Globally, SME funding has increased but lacks ability to reach out to the needy. Although funding has increased enormously, its visibility with the general public has never been higher. There is increasing debate that SMEs have become implementers of donor policies and their

relationship with donors compromises the work of civil society organizations (Gillies, 2006).

Funding for SMEs in Bangladesh and India has successfully shifted productive resources into poor citizens' hands and they in turn have demonstrated how their enhanced incomes are applied to raise household nutrition levels and improve the health and education status of their children (World Bank, 2008). The beneficiaries from this funding were mostly women and youth.

The post independence Africa economy did at least sustain a social infrastructure though while not comparable to the conditions in the west nevertheless served a wider population. The impact of these interventions was reflected in the subsequent dramatic changes in average life expectancy, infant and child mortality rates, improvements in nutritional status of the young, literacy levels and educational enrolment. (Muhumuza, 2005), researched on credit organizations in Uganda and found out that, credit organizations targeting mostly women focused on the active poor and discriminated against those in the absolute poor state because they considered them risky and a threat to future access to credit.

Nevertheless, SME funding has a positive impact on growth in developing countries with good fiscal, monetary and trade policies but has little impact on countries where such policies are poor (Banerjee, 2011). Further, funding in itself has small and insignificant impact on growth but small enterprise fund interacting with good policy have a positive impact on growth (GoK, 2005). Funded SMEs are likely to have little or no substantial impact in a poor sector-policy environment where projects are not well integrated. Part of the problem of funding ineffectiveness has a lot to do with the fragmentation of SMEs. The real effects of SME fragmentation among others include; each recipient must contend with many small projects from many different financiers

which breeds duplication, take much time of government ministers in aid intensive countries (Easterly, 2006).

The channeling of SME funding in the rural sector in Kenya can be traced to 1970s. It was mainly the identification of rural development as the focus of aid and development strategies under the aegis of World Bank. There was a large concern for the 'small farmer credit and youth enterprise fund' for the pre-occupation of the difficulties of low rural productivity, slow growth and small enterprises in Kenya (World Bank, 2008). Existing and new institutions began to offer subsidized loans to small enterprise owners in Kenya including Cooperative Bank, small farmers' cooperatives societies, and some non-governmental organizations which were driven by the social impulse for rural development (Bwisa, 2010).

The Youth Enterprise Development Fund (YEDF) was established in June 2006 as one of the strategies of addressing youth unemployment and SMEs growth. The mission of the fund is to increase economic opportunities for participation by Kenyan youth in nation building through enterprise development and strategic partnerships. YEDF targets all forms of youth owned enterprises whether owned individually, as a company, in groups, in cooperatives or any other legal forms of business ownership (YEDF, 2014).

In Uasin Gishu County the fund has hitherto directly benefitted 445 SMEs doing various business activities (YEDF, 2014). Most of the SMEs were intended to upscale their production, generate income, alleviate poverty and hunger and diversify to other IGAs. However, there has been little evidence to show that the intended programme objective of employment and income generation has been met by most SMEs. The research therefore was to investigate the Youth Enterprise Development Fund as a catalyst of growth of Small and Medium Enterprises in order to build a case for or

against the advancement of the fund to such Small and Medium Enterprises or to even further determine the factors that may have caused such an outcome.

1.3 Problem Statement

The Small and Medium Enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2012), the sector contributed over 79.8% of new jobs created in the year 2011. The lower Kenyan SME employs 1-2 workers while over 70% employ only one person. Many of these small firms have the potential to grow and add one to five employees (Namusonge & Kanyari, 2013). Though only a few SME grow to employ 6 employees or more as past statistics indicate that three out of five businesses fail within the first few months of operation (Tarus & Ngaga, 2013).

The Government of Kenya conceived the idea of supporting the development and growth of SMEs through the Sessional paper number 2 of 2005. In the policy, institutional financing to provide young people with access to finance for self-employment activities and entrepreneurial skills development is seen as a way of addressing unemployment and poverty which essentially are youth problems (RoK, 2005).

Hence, the YEDF concept which is based on the premise that encouraging Small and Medium Enterprise development initiatives are likely to have the biggest impact on job creation through SME growth (RoK, 2005). The fund in addition to providing loans provides business support services and also trains beneficiaries before and after they have received funding. The problem to be addressed by this research therefore was to determine the effect of YEDF as a catalyst of SMEs` growth in Uasin Gishu County.

1.4 Main Objective:

To assess the Youth Enterprise Development Fund as a catalyst of growth of SMEs in Uasin Gishu County.

Specific objectives

- i. To establish the effect of business support services by Youth Enterprise Development Fund on the growth of SMEs.
- ii. To determine the effect of availability of funds by Youth Enterprise Development Fund on the growth of SMEs.
- iii. To evaluate the effect of entrepreneurial training by Youth Enterprise Development Fund on growth of SMEs.

1.5 Research Hypotheses

H₀₁: Business support services offered by the Youth Enterprise Development Fund have no significant effect on the growth of SMEs.

H₀₂: Availability of funds by the Youth Enterprise Development Fund has no significant affect on the growth of SMEs.

H₀₃: The entrepreneurial training by the Youth Enterprises Development Fund has no significant effect on growth of SMEs.

1.6 Justification of the Study

This study was justified on the ground that studies relating to growth of SMEs have been done by other researchers but none known to the researcher has been done in relation to the effect of Youth Enterprise Development Fund (YEDF) as a catalyst of SMEs growth. As a result this study helped to shed light on the affect of YEDF as a catalyst of growth of SME`s in Uasin Gishu County.

1.7 Significance of the Study

The success of SMEs funded by Youth Enterprise Development Fund is very critical in stimulating economic growth in the country and providing employment opportunities for the ever increasing population of unemployed youth. This study sought to generate useful insights that can be used by the national and county governments and NGO`s to promote the growth of youth entrepreneurship as a viable alternative source of employment and poverty alleviation. The research also sought to offer useful recommendation and measures to aid in the realization of the Kenya vision 2030 as well as the Sustainable Development Goals (2015).

Apart from providing an understanding on how YEDF affects the growth of SMEs, the study would enable governments and NGO`s to structure their programs and policies to suit the needs of SME`s and as such achieve their set objectives.

1.8 Assumptions of the Study

The study was carried out with the assumptions that respondents would cooperate and provided accurate information. It was also assumed that the sample size chosen was adequate to enable the researcher draw a valid conclusion about the population.

1.9 Limitation of the Study.

Since most of the respondents were business people, who are at most times busy, a lot of time was used in data collection.

1.10 Delimitation

The researcher gave the respondents questionnaires and collected them after about one week. The study was restricted to only SMEs that had directly benefitted from the Youth Enterprise Development Fund in Uasin Gishu County.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed theoretical framework, growth of small and medium enterprises, and the youth enterprise development fund. The information in this chapter was obtained from secondary sources such as, journals, books, Internet and dissertations. The Conceptual framework clearly showed how the Youth Enterprise Development Fund affects growth of SMEs.

2.2 Theoretical Framework

Over the last two decades, growth of Small and Medium Enterprises has received considerable attention from researchers and policy makers around the world. The reason as identified by (Turok, 1991), for existence of high interest within the field of small firms' policy and research is the identification of features that distinguish firms which grow from those that stand still or fail. This was thought important if more selective small firms' policies and regulations were to be developed.

Identifying distinctive features of more and less successful firms may also provide useful insights into the factors influencing small firm development and hence improve understanding of the growth process (Gibb & Davies, 2003). There are several theories that have been advanced for Small and Medium Enterprises' growth as discussed as below:

2.2.1 Resource Dependency Theory

Resource Dependency Theory advanced by (Pfeffer & Salancik, 1978). Resource Dependency Theory (RDT) maintains that organizations are resource insufficient; they strive to acquire and sustain resources from their external environment. Pfeffer

and Salancik argue that resources are controlled by external actors who exert demands on the organization. These actors perceive certain advantages in their relationship with the organization and exercise power through control over the resources. The heavier an organization is dependent on external resources, the more the demands of particular actors controlling these resources (Pfeffer & Salancik, 1978).

The challenge is for the organization to proactively and effectively manage incompatible and competing demands. In relation to the study, SMEs rely on external funding by YEDF which can be faced with instability in the flow of the funds, effectiveness and efficiency of the trainings and the business support services provided, and it also deals with volatile policies. Accordingly, organizational behavior and growth is a reflection of the SME's better management of its dependence on an external resource and the ensuing demands of a donor controlling the resources (Banerjee, 2011). The magnitude of resource dependence often determines the behavior of SME. Therefore it is expected that SMEs characterized with high fund dependency tend to comply with fund objectives while those who fail to match the demand of financiers face difficulty in growth.

2.2.2 Theory of Innovative Enterprise

The theory of innovative enterprise posits that, under certain conditions, at certain times, and in certain industries, a business enterprise can exert its power over the allocation of labor and capital to transform the technological and market conditions that it faces at a point in time to generate higher quality, lower cost products over time (Lazonick & William, 2010).

By transforming technological and or market conditions, a small number of innovative enterprises might be able to differentiate themselves from other firms in an industry to gain sustained competitive advantage.

Politically, the theory of innovative enterprise provides a framework for the governance of organizations and the regulation of markets to generate equitable and stable economic growth (Lazonick & William, 2010). Accordingly SMEs can transform technology and market conditions for a sustained competitive advantage over other firms using capital availed by the Youth Enterprise Development Fund.

Subsequently the growth of SMEs is dependent on their ability to exert power over available resources, employ technological innovation and take advantage of favorable market conditions. Superior economic performance depends on innovative enterprise: the development and utilization of productive resources to generate higher quality, lower cost goods and services. Government policies to support the achievement of superior economic performance must be based on a theory of how an innovative enterprise evolves, operates and performs (Lazonick & William, 2010).

2.2.3 Life-Cycle or Stage Models of SME growth

The study is based on life cycle theory of SME growth. Hanks *et al.* (1993) define a life-cycle or growth or development stage as ‘a unique configuration of variables related to organization context or structure’. Contextual dimensions considered include enterprise size and age, growth rate, and focal tasks or challenges faced. Structural dimensions include structural form, formalization, centralization, vertical differentiation, and number of organizational levels. Hanks *et al.* (1993) derived a life-cycle model with four development stages and two disengagement (or arrested development) stages, as represented in Figure 2.1 below

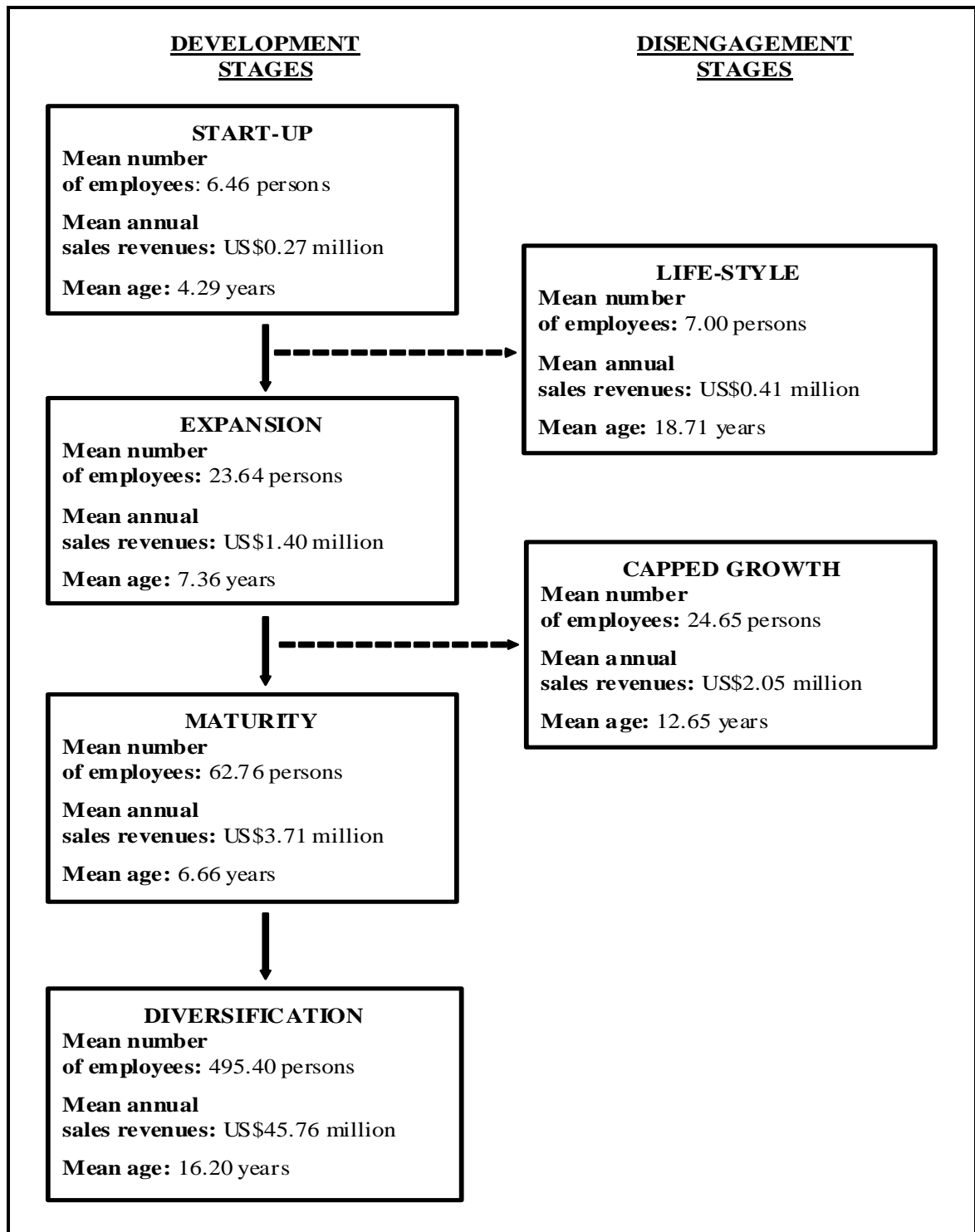


Figure 2:1 Enterprise Life-Cycle Model

(Source: Hanks *et al.*, 1993)

Hanks *et al.* (1993), further described the various development configurations or stages in their taxonomic life-cycle model as follows:

Start-up: Are young, small enterprises with simple organisational structures and a mean of 2.20 organisational levels. The organisation is highly centralised and quite informal (Churchill & Lewis, 1983). There is little functional specialisation, with a mean of 1.50 specialised functions. Product development appears to be the focal priority. Mean sales revenues growth is 91 per cent per annum, and mean employment growth is 29 per cent per annum.

Expansion: Slightly older and larger enterprises with more complex organisational structures and a mean of 3.18 organisational levels. According to Churchill & Lewis, (1983) the organisation at this stage is still much centralised and is a little more formal than in the start-up stage. Functional specialisation is generally adopted, with a mean of 3.4 specialised functions. Product commercialisation appears to be the focal priority. Mean sales revenues growth is 297 per cent per annum, and mean employment growth is 94 per cent per annum.

Maturity: Though not necessarily older, on average, than in the expansion stage, enterprises in this stage are typically more than twice as large (Hanks *et al.*, 1993). Organisational structures are more complex than hitherto, with a mean of 4.00 organisational levels. Centralisation is declining and formalisation increasing. There is a mean of 10.17 specialised functions. Mean sales revenues growth is 99% per annum, and mean employment growth is 28% per annum.

Diversification: Hanks *et al.* (1993), further explains that enterprises at this stage are generally medium-sized with increasing tendency to have divisionalized structures. There is a mean of 5.70 organisational levels. Centralisation is low, and formality is highest for any stage in the life-cycle model. There is a mean of 15.30 specialised functions. Mean sales revenues growth is 37 per cent per annum, and mean employment growth is 57 per cent per annum.

Figure 2.1 generally shows an increase in size and age of enterprises when reading down the list of life-cycle stages indicating that businesses may, in some sense, progress sequentially through the stages as they evolve and develop. Kazanjian & Drazin (1989) make a similar point based on findings of their study of growth in technology-based concern.

Hanks *et al.* (1993) further describe the two apparently stable and sustainable disengagement configurations or stages in their taxonomic life-cycle model as follows:

Life-style: these enterprises are slightly larger than those in the start-up stage, but are generally much older. In most other respects, they are organisationally like start-up businesses. Mean sales revenues growth is 34 per cent per annum, but there is no growth in employment. These enterprises appear to have disengaged from the growth process after establishing their viability at relatively small size following start-up. Hanks *et al.* (1993) observe that perhaps they represent life-style firms, where owners have consciously chosen to keep their firms small. Davidsson (1989), in his study of Swedish firms, found that for many small business managers, the negative effects of growth appeared to outweigh the positive outcomes once the firm had reached the size of five to nine employees, roughly the size of firms in this cluster. This configuration may also reflect firms whose growth is limited because they operate in very small market niches.

Capped growth: these enterprises are slightly larger than those in the expansion stage, but are generally much older. Organisationally, they are somewhat less complex than typical businesses in the expansion stage. Mean sales revenues growth is 44 per cent per annum, but mean employment growth is only 4 per cent per annum. These enterprises appear to have disengaged from the growth process after

successfully expanding to modest size following start-up. Hanks *et al.* (1993) observe that such businesses could be in Churchill & Lewis' (1983,) 'success-disengagement' sub-stage described as follows: the company has attained true economic health, has sufficient size and product-market penetration to ensure economic success, and earns average or above-average profits. The company can stay at this stage indefinitely, provided environmental change does not destroy its market niche or ineffective management reduce its competitive abilities. Accordingly all enterprises have a biological life. For SMEs to grow it is important to identify the stage they are in their life cycle in order to make decision in relation to specific efforts that are required to improve their performance.

2.3 Growth of Small and Medium Enterprises

Generally, Small and Medium Enterprises are widely seen as engines of economic growth. According to ILO (2004) SMEs are considered to have unique characteristics which influence the way they respond to their business environment. They are normally found in small under-developed niches of the market. They are not able to compete with large organizations in mass markets (ILO, 2004). SMEs rely heavily on indigenous resources which also influence their location. Majority of SMEs are family owned and in most cases are a sole proprietorship (Waweru, 2011). The problem with the one-man show is that it is difficult for the owner /manager to know everything and be able to carry out the jobs which in large organizations are done as different functions (Torrence, 2007).

SMEs are small scale in operations making their survival be relatively more sensitive to environmental dynamics than larger organizations (Stanworth & Curran, 2012). Because of their small sizes, their owners normally deal with many unknowns since they do not have the resources to investigate in the market before taking risk. Their

size also influences the speed and magnitude with which they establish their markets. Lack of money is also a factor in their size constraining research and expansion, which result in operating under capacity (Beck, 2003). Entrepreneurs in this sector lack time as they work with limited resources and make decisions alone. The danger is that it makes the situation very volatile as they could also lose all their investment in only one decision (Caprana & Cervone, 2010).

Globally, SMEs have historically played a vital role in creating jobs, increasing innovations, creating new products and services, and thus contributes to economic vitality, growth and stability. According to Magnistea (2010), the American economy which is arguably the largest economy of the world depends largely on the success of SMEs for “innovation, productivity, job growth and stability”. In Germany, the economy is characterized as having strong SMEs with about 70% of the workers being employed by these enterprises. In newly industrialized Asian countries, SMEs have become the driving force in their rapid growth. SMEs account for 99% of all enterprises and 88% of all employees in South Korea (World Bank, 2008).

SMEs in Africa have played a significant role in the economy. In South Africa, SMEs generated more than 55% of all jobs and 22% of the country's (GDP). Additionally, in some countries such as the Democratic Republic of the Congo, most local SMEs went bankrupt due to the civil war. Long-lasting civil wars have undermined the foundations for many SMEs (Muhumuza, 2005).

However, SMEs have achieved the highest growth in employment levels during the past two decades. According to the Economic Survey of (2009), the sector's contribution to the GDP in Kenya has increased from 13.8% in 1993 to about 40% in 2008, providing approximately 80% of total employment and contributing over 92% of the new jobs created. The development of competitive and resilient SMEs forms an

integral component of Kenya`s initiatives to be globally competitive and a prosperous nation with a high quality of life by 2030 (MOYAs, 2010). Only SMEs that are capable of harnessing technology and knowledge to develop high value added products of superior quality will be able to compete globally (GoK, 2007).

Nonetheless, even with this great potential to increase employment in these contexts, SMEs continue to face a number of challenges, many of these preventing those business ventures that have the potential to grow and develop more stable structures from formalizing.

In 2006, the Youth Enterprise Development Fund (YEDF) was conceived as a strategic move towards addressing youth unemployment in Kenya through enterprise development (YEDF, 2014). But even with strategies for accelerated youth development in place, it is apparent that economic development of the youth has been slower than expected; leading to continuing gross socio-economic disparities between the youth and the rest of population. Whereas the underlying premise is that economic development and poverty reduction can be achieved by enhancing access to financial resources, entrepreneurship policies should focus on expanding livelihoods (Department of Trade and Industry, 2009).

Table 2.1: Classification of SMEs as per MSE Act 2012.

Entity (Trade, service, industry or business activity	Number of employees	Annual Turnover limit	Investment in plant machinery and + registered capital	Equipm ent invested + Registe red capital
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Medium Enterprise	More than 10 but less than 50 people	More than Ksh 500,000 but less than Ksh 5 M	More than Ksh 5 M but less than Ksh 10 M	More than Ksh 5 M but less than Ksh 20 M
Micro	Less than 10 people	Less than Ksh 500,000	Less than Ksh 10 M	Less than Ksh 5 M

(Source: GoK, 2010).

Table 2.2: Classification of SMEs as per European Commission

Recommendation 2003.

	Micro	Small	Medium
Maximum Balance sheet Balance (In Million ECU)	-	5	27
Maximum Currency (In Million ECU)	-	7	40
No. of Employees	0-9	10-49	50-249

(Source: Commission of the European Communities Recommendation, 2003)

Growth of SMEs can be measured in terms of the number of employment opportunities created by the sector, and the growth in assets and capital as per the classification tables 2.1 and 2.2.

2.30 The Youth Enterprise Development Fund

The Youth Enterprise Development Fund was formed in June 2006 by the government as a strategic move towards arresting the run-away unemployment challenge which is virtually a youth problem. According to (RoK, 2005), Seventy five percent (75%) of those unemployed are the youth. The mission of the fund is to increase economic opportunities for participation by Kenyan youth in nation building through enterprise development and strategic partnerships (YEDF, 2014). The fund targets all forms of youth owned enterprises whether owned individually, as a company, in groups, in cooperatives or any other legal forms of business ownership. The government set aside Kenya shillings One billion in the 2006/07 budget as a revolving fund to fast-track this noble and timely initiative (YEDF, 2014).

The fund has made tremendous progress including partnering with 36 financial intermediaries which include, Non Governmental Organizations (NGOs), Savings and Credit Cooperatives, and Micro Finance Institutions, from which the Youth access funds to start or expand viable businesses (YEDF, 2014). The Financial Intermediaries manage funds which the youth will access either as individuals or as organized entities. Through this component youth can access up to Kshs. 1 million. The loan attracts an interest of 8% per annum. According to YEDF (2014), the fund has made achieved the following:

It has started a mandatory pre-financing training programme to enhance sustainability of youth enterprises. To date the Fund has provided entrepreneurship training to over 200,000 youth. The Fund has also partnered with the Ministry of Cooperatives Development to assist youth form savings and credit societies. So far the Fund has facilitated the formation of 24 youth savings and credit societies. Besides being marketing vehicles for youth enterprises these savings and credit societies will also be

used as financial intermediaries through which the Fund can reach members with credit facilities. Further YEDF has trained 2,500 youth in 24 constituencies on how to access procurement from the public sector. In addition, the Fund has supported two business plan competitions in which over 10,000 youth entrepreneurs have been trained and winners awarded. Some of the participants of the competitions have started very viable enterprises (YEDF, 2014).

Entrepreneurship training and provision of appropriate Business Development Services are key to the Fund's achievement of its mandate. Besides ensuring that the youth have adequate skills, it also assist them in identifying and tapping into business opportunities, while embracing modern business management techniques.

According to the YEDF 2014 status report, the fund has benefited 445 SMEs directly and 5,835 SMEs indirectly through intermediaries

2.3.1 The effect of the Business Support Services by the Youth Enterprise Development Fund on Growth of SMEs.

Business support services are services provided to enterprises to assist them in ensuring survival and growth. According to Schoof (2006) access to business support services such as mentoring, support networks, business clubs and incubators by young people enhances the chances of sustaining their enterprises beyond start up stage. However, young entrepreneurs often lack the support services that are viable to transforming fragile individual start-ups into successful small and medium-sized businesses (World Bank, 2008).

In essence as, has suggested, Business incubators are a powerful tool for supporting the entrepreneurial process and for helping to increase survival rates of young innovative start-up companies. Evaluations of business incubators in Europe and the US suggested that 90 per cent of incubated start-ups were active and growing after

three years of operation, which is a much higher success rate than that observed in start-ups launched without assistance (King & McGrath, 2004).

Business incubators according to ILO (2011) can be found in very different forms and can be private, public or based on a Public-Private Partnership initiative involving many partners at national, regional and local levels. In the last twenty years, many governments have successfully launched systems of public business incubators to encourage and assist young enterprises. However, the success of an incubator depends upon providing the right package of services for the entrepreneur.

According to a study undertaken by Darby (2004) in the UK, he found out that young entrepreneurs tend to be attracted to more unusual sectors and would therefore need support services to be tailored to their needs. Street and Sykes (2003) observed that enterprise and support agencies are often not responsive to these circumstances. They often design their services to serve the more mature SME companies rather than cash poor youth business start-ups. Generally, there are very few enterprise agencies or centers which provide business advice, training, guidance and specialist access to finance exclusive people.

The provision of appropriate business support services is key to the YEDF's achievement of its mandate. The Fund has partnered with Kenyatta University at the Chandaria Business and Incubation Centre to incubate young entrepreneurs, and is setting up a business incubation and mentorship centre in Nairobi's Westlands (YEDF, 2014). In addition, the Fund has supported two business plans competitions in which over 10,000 youth entrepreneurs have been trained and winners awarded. Some of the participants of the competitions end up starting very viable enterprises.

The Fund endeavors to support youth enterprises to market their products locally and abroad, and to form linkages with large enterprises (Njogu, 2011). As a result, the

Fund has been organizing youth trade fairs at county and national levels. Youth who exhibit unique products at the national level are sponsored to exhibit outside the country, thus linking them to the export market. The Fund has facilitated county youth trade fairs in the following counties: Kisumu, Kakamega, Nyeri, Mombasa, Garissa, Meru, Uasin Gishu, Busia, Kilifi, Nairobi and Nakuru (YEDF, 2014).

The Fund further aims to provide trading premises/work sites to young entrepreneurs. To achieve this, the Fund has engaged several county governments and other private sector players to partner in establishing commercial infrastructure appropriate for youth enterprise needs. Therein these partners are being lobbied to mainstream youth entrepreneurs in their existing market infrastructure. Among the county governments in partnership with the Fund are Nairobi, Nakuru and Meru (YEDF, 2014). The Fund has as a result partnered with Nairobi County to put up 20 candy shops which will provide trading space for 45 youth. The provision of continuous and relevant business development services to youth entrepreneurs is key to the success of enterprise development initiatives in creating long term employment (Namusonge & Kanyari, 2013).

2.3.2 The Effect of Availability of funds from the Youth Enterprise Development Fund on the Growth of SMEs

Despite their potential contributions in the economy SMEs face major challenges chief among them is lack of capital (World Bank, 2008). The availability, access and sufficiency of credit are critical to the development of SMEs as it enables the young people to acquire start-up capital as well as expansion capital. The ease with which startup capital can be raised is important in determining the rate at which new businesses can be established and existing ones expanded (Waweru, 2011).

The Euro Barometer (2006) revealed that lack of finance was seen as a major obstacle in two of the original EU6 -Italy and France which are among the more developed nations.

The Canadian Youth Business Foundation (CYBF) started in 1996 in Canada for instance and runs a Specialized Youth Business Loan Programme designed to help young women and men, particularly those who are unemployed and under-employed. Youth seeking loan funds from the foundation are not asked for collaterals other than just genuine commitment, appropriate business training, a valid business plan and an agreement to a mandatory mentor programme.

According to the Youth Business international (2009) many youth in developing countries relied on personal savings or turned to family and friends for start-up funding and expansion. Without such finances they had minimal chances of starting their own businesses.

A study carried out by Chigunta (2005) in Zambia, suggested that the majority of potential youth entrepreneurs (72.4 per cent) cited lack of capital as the major reason as to why they were not self-employed. Ayodele (2006) has also identified inadequate capital to be one of the principal factors hindering entrepreneurship in the Nigeria.

However, of late different African countries have set up special credit programmes to promote credit access among the youth.

The Umsobomvu Youth Fund (UYF) in South Africa formed in 2001 has promoted skills development for employment creation and provisions of capital among other services to address the growing youth unemployment problem.

Zambians have a Youth Enterprise Promotion scheme established in 1994 through government initiative to enable young people become more aware of self-employment through entrepreneurship and take it as a potential and viable career option (Chigunta,

2005). Its main aim is to provide loans to various youth groups and individual youth who do not have their own properties to use as collateral to secure funds from financial institutions.

The Youth Enterprise Development Fund in Kenya started in 2006 as a state corporation focuses on enterprise development as a key strategy to increase economic opportunities for, and participation by Kenyan youth in nation building (YEDF, 2014). Other than increasing capital access to young entrepreneurs, other mandates of the fund include; provision of business development services, facilitating linkages in supply chains, creating market opportunities locally and abroad for products and services of youth enterprises, and facilitating creation of commercial infrastructure to support growth of youth businesses (Njogu, 2011).

The YEDF provides business capital to the youth individually or as entities directly and through financial intermediaries such as banks, Non Governmental (NGOs), Savings and Credit Cooperatives (SACCOs), and Micro Finance Institutions (MFIs). YEDF disburses funds directly to the youth through the Constituency Youth Enterprise Scheme (C-YES). Funds provided by (C-YES) specifically target viable enterprises of youth groups within a given constituency. Through these components youth can access up to Kshs. 1 million. The loan attracts an interest of 8% per annum. The fund since its inception has been allocated Ksh 4.4 billion though the yearly budgets but it has disbursed Ksh 1.3 billion to the youth groups and individual youth entrepreneurs (YEDF, 2014).

2.3.3 Effect of Training by Youth Enterprise Development Fund on Growth of SMEs

Related to the question of what training and development is, lies the equally important one of where does training and development fit with the overall success of an

enterprise. According to (Robert, 2005) training is a learning activity, which is directed towards acquisition of specific knowledge and skills for the purpose of an occupation. It focuses on the job task ahead. The training can be both formal and informal and is usually carried out to assist a person understand and perform their job better. On the other hand he defines development, as a learning activity, which is more devoted towards future, needs, rather than present needs of the organization and is concerned with career growth and immediate performance (Robert, 2005).

(Bwisa, 2010), concurs with Robert that training is a systematic modification of behaviour through learning, which occurs as a result of education and instruction.

Today's business environment can be characterized as dynamic. The accelerated pace of advances in technology, increasing foreign competition due to globalization, widespread and growing unemployment creating serious adjustment problems, and diminishing resource supplies have affected the way business is conducted. This complex and unstable environment is a way of life, which will continue far into the future (Dalberg, 2011).

Rasmussen & Sorheim (2006) argue that entrepreneurship training has traditionally focused on teaching individuals, but many initiatives are increasingly becoming more action-oriented, emphasizing learning by doing. In their paper they present a number of action-based activities at five Swedish universities. The cases show that entrepreneurship education focuses less on teaching individuals in a classroom setting and more on learning-by-doing activities in a group setting and network context.

The role of entrepreneurship training is mainly to build an entrepreneurial culture among young people and in turn improve their career choices towards entrepreneurship (Deakins, et al. 2008). Entrepreneurship training should be mainly focused on starting a business and subsequent sustainability of such business.

According to Schoof (2006) entrepreneurship education and training is not only a means to foster youth entrepreneurship; it also seeks to equip young people with entrepreneurial attitudes and skills. Schoof (2006) further suggested that entrepreneurship education is crucial in assisting young people to develop entrepreneurial attributes, behaviors and develop enterprise awareness to understand and realize entrepreneurship as a career option.

Entrepreneurship education has expanded gradually over the past few recent years. The European Commission (EC) in 2006 for instance proposed that all EU member states should introduce entrepreneurship education into their national curriculum and in all institutions of learning. Lundström (2005) confirmed that there has been a rapid development in the area of enterprise education in the Nordic countries (Denmark, Sweden, Norway, Finland and Iceland) over the last decade.

In most developing and transition countries, enterprise education does not simply exist or has not been sufficiently adopted among in and out of school youth and where offered, it is not applied on all different levels of education including primary, secondary, technical and vocational and higher education (Schoof, 2006). According to Akanji (2006) while entrepreneurship education has continued to thrive in many societies, in Nigeria it has been neglected.

A study on Kenya, Botswana and Uganda by World Bank (2008) revealed that entrepreneurship education is essentially provided through technical and vocational training (TVET) and the pedagogy essentially remains limited to traditional classroom teaching even though the learning outcome is to teach students on how to start and run a business.

Research shows that majority of SME owners in Kenya are not quite well equipped in terms of education and skills. Due to high costs of education, poverty and lack of

appropriate facilities, most youth are forced to drop out, and those who graduate do not possess adequate skills to facilitate employment (GoK, 2006). The country's training institutions are not only inadequate, but lack the essential facilities and technology to prepare students for the challenging labor market demands (GoK, 2006). In addition, training institutions have no linkages with the labor market. Study suggests that those with more education and training are more likely to be successful in the SME sector (King & McGrath, 2004). As such, for small businesses to do well in Kenya, people need to be well informed in terms of skills and management. SMEs in ICT sector appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained college level education (Wanjohi & Mugure, 2008).

In realization that the acquisition of entrepreneurial education and training prior to starting business is critical to help in the identification of the business opportunities as well as its implementation; YEDF started a mandatory pre-financing training programme to enhance sustainability of youth enterprises. Given that past research results have consistently found SME training to result in better company performance, even under different cultural settings such as the Netherlands, Spain, Hungary, and China (Mullei, 2009), it is expected that implementation of YEDF-related training programs will lead to higher firm performance in Youth SMEs. To date the Fund has provided entrepreneurship training to over 220,000 youth. The Fund has trained 2,500 youth in 24 constituencies on how to access procurement from the public sector.

2.4 Effect of Entrepreneurial Traits and Attitudes

The role of personality traits, the decision to start a business and maintain it successfully is discussed controversially in entrepreneurship research. Personality

traits are defined as dispositions to exhibit a certain kind of response across various situations (Caprana & Cervone, 2010). According to Shane, (2004) entrepreneurs are required to detect and exploit opportunities, make rapid decisions under uncertainty and in a resource constraint environment, work harder than most employees, and possess a wide variety of skills, knowledge, and abilities such as leadership, management, marketing, and innovating.

Successful entrepreneurs irrespective of their age should exhibit the following traits; need for achievement, innovativeness, proactive personality, generalized self-efficacy, stress tolerance, need for autonomy, internal locus of control, and risk taking (Hekman, 2007). Accordingly entrepreneurs risk losing their investments in contrast to managers and are therefore high in risk taking. Risk taking is an important trait because entrepreneurs are required to take decisions in an environment full of uncertainty.

The need for achievement requires individual entrepreneurs to choose tasks of moderate difficulty, accepts responsibility for results and seeks feedback on action outcomes. According to McClelland (1961) entrepreneurs exhibit higher achievement motivation than managers. In order to perform well, entrepreneurs must be interested in what they are doing.

Stevenson & Jarillo, (2000) have suggested that entrepreneurial orientation has been recognized as one of the most important factors for a firm's growth and profitability. Research has shown that high growth correlates with a firm's entrepreneurial orientation. Hence, growth can be associated with innovativeness, pro-activeness and risk-taking behavior of the firm, which refers to an entrepreneurial orientation dimension.

Patchen, (2004) has revealed that innovativeness assumes a person's willingness and interest to look for novel ways of action. The trait of innovativeness helps entrepreneurs to foster innovations in their firms (Hekman, 2007). In current business environments, where product and business model life cycles are shortened, innovativeness is positively associated with better performance (Hekman, 2007).

Successful entrepreneurs need to be proactive. According to Frese and Fay, (2001) proactive personality is a personal disposition for personal initiative behavior. This personality is important for entrepreneurs because it enables them to be self starting and influence their environment by establishing new organizations and by identifying and acting upon opportunities.

Need for autonomy is another trait exhibited by successful entrepreneurs. It is associated with avoidance of restrictive environments. Entrepreneurs prefer to make decisions independent of supervisors and set their own goals and develop their own plans of actions in order to control goal achievement themselves. According to Cromie, (2012) people high in need for autonomy want to be in control, they avoid the restrictions and rules of established organizations.

Entrepreneurs should have internal locus of control. Rotter, (2006) has observed that business owners must believe in their own actions to determine the rewards (business outcomes) they obtain. People with a high internal locus of control feel that they are able to control outcomes. They exert more effort and persistence toward intended outcomes which, in turn, helps them to start an enterprise and to maintain it successfully. The Youth Entrepreneurship Barometer (2007) survey of young people in Europe showed that a majority of young people cautiously hold favorable attitudes toward entrepreneurs, with 12 percent having a "very favourable" and 87 percent a "somewhat favourable" opinion. The same survey revealed that young people in

Germany are very idealistic about the possibility of becoming entrepreneurs themselves with three quarters of school-age youth expressing a general openness to the idea of establishing their own company and going into business for themselves. 15 percent of them “definitely” considered that option, 61 percent “maybe.” 44 percent regard themselves essentially as “entrepreneur types,” while 57 percent considered themselves at least capable of developing entrepreneurial skills.

Another important determinant of being self employed which has been identified in the literature is that of having a self-employed parent. The probability of self employment in the USA is substantially higher among the children of business owners than among the children of non business owners (Dunn & Holtz-Eakin, 2000).

Although some youth still exhibited a negative attitude towards self employment, as Motts (2000) suggested in the case of South Africa, a survey evidence from Rwanda, Malawi and Zambia suggested that there is a positive change in attitudes towards self employment among youth (Chigunta 2005; Chigunta & Mkandawire, 2002).

2.6 Conceptual Framework

The conceptual framework as drawn in Figure 2.2 shows the interactions between the independent and dependent variables, how the Independent variables (YEDF), in terms of business support service, availability of funds and entrepreneurial training influence the dependent variable (Growth), in terms of number of employees, new products and inventory.

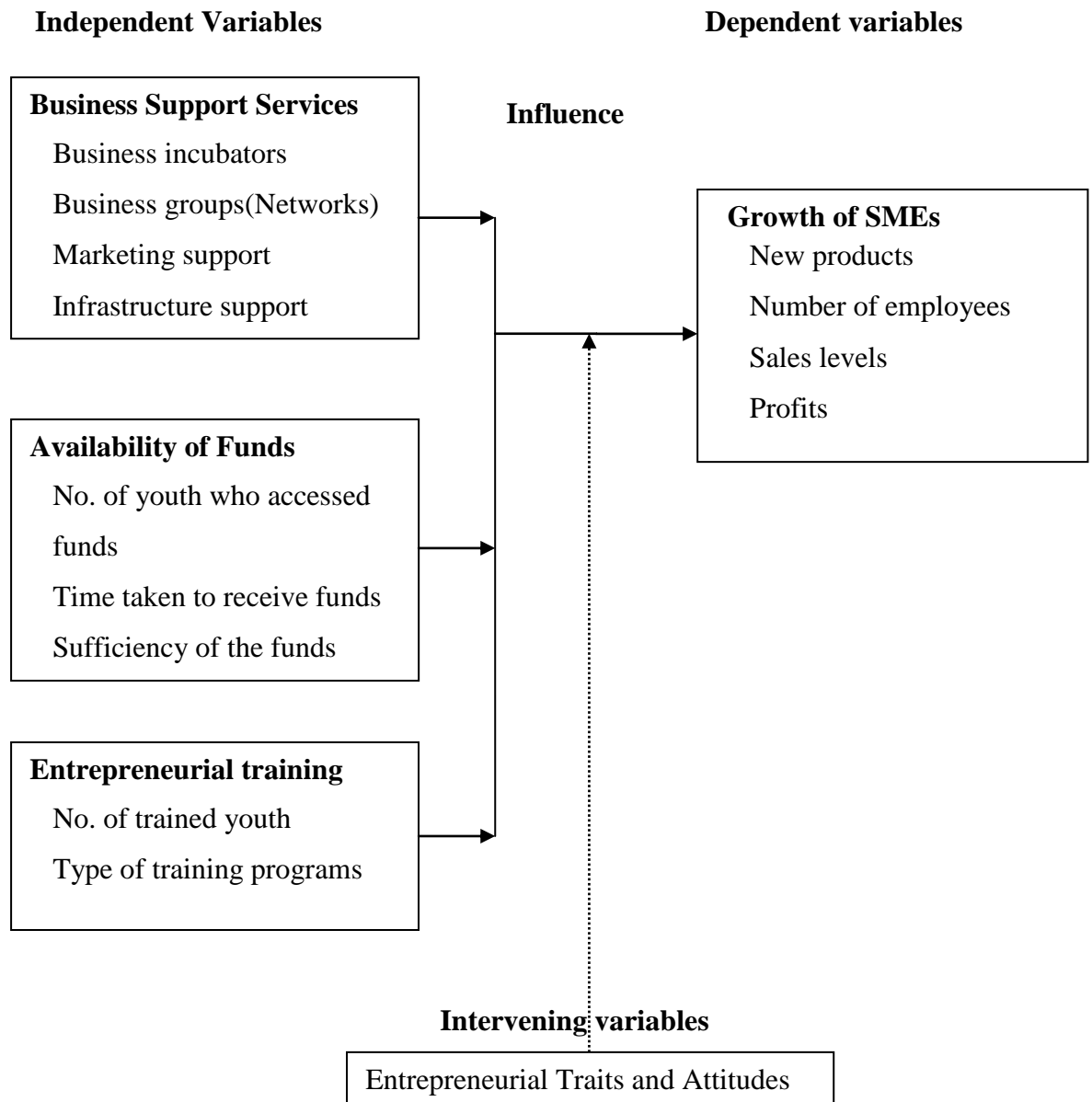


Figure 2.2: Relationships of independent and dependent variables

Source: Author (2016)

The figure further shows the presence of intervening variables (Entrepreneurial traits and attitudes) which are a conceptual mechanism through which the Independent Variables might affect the Dependent Variable. The intervening variable may be defined as ‘that factor which theoretically affects the observed phenomenon but cannot be seen, measured, or manipulated, its effect must be inferred from the effects

of the independent and moderating variables on the observed phenomenon (Caprana & Cervone, 2010).

From the framework the YEDF influences the growth of SMEs. This is from the basic fact that SMEs will have to borrow funds to achieve their objectives. Availability of the capital, the business support services and entrepreneurial training provided by YEDF have a significant impact on the increase in inventory, new products and the number of employees in an SME translating to growth.

2.7 Critique of the Literature

In consideration of the first objective, it was found that provision of business support services like facilitating networking, mentorship, infrastructure and marketing services goes a long way in ensuring survival and growth of SMEs. However available literature is still limited.

The second objective of this study was aimed at the effect of availability and sufficiency of the Youth Enterprise Development Fund. It was found that SMEs being dependent on external funding require continuous, sufficient and accessible capital to enhance their growth.

The third objective of this paper sought to examine the role played by the entrepreneurship training provided by YEDF as it aims to increase growth of SMEs owned by youth. Entrepreneur training and education as per the literature plays a critical role in ensuring and sustaining SME growth.

2.8 Research Gap Identified in the Literature Review

Reviewed literature revealed that unavailability and inaccessibility of credit among youth has been a major problem for those intending to engage in entrepreneurship as an alternative source of self employment.

According to literature reviewed, business support services are important for sustaining SMEs beyond the start up stage. However, the youth enterprise support programs in place have failed to consider socio cultural constraints limiting youth participation entrepreneurship. Another gap identified is that whereas both government and private institutions provide business support services, there is no limit in terms of the services provided which is required for specific support services to be directed to specific objectives by the different actors.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This Chapter describes the methodology and procedure that was used to obtain the research data. It outlined the following; research design, target population, sampling design, data collection instruments, reliability and validity of the study instruments, data collection procedure and analysis. This chapter further justifies the methods of research and analysis used.

3.2 Research Design

A descriptive approach was adopted to obtain information concerning the effect of YEDF as a catalyst for growth of SMEs owned by youth in Uasin Gishu County. The fact that it was not concerned with characteristics of individuals but provides information about population (Mugenda & Mugenda, 2003), made it the most preferred research design for this study. Further, the descriptive design was adopted because descriptive studies are not only useful for fact finding but often result in the formulation of important principles of knowledge and solution to significant problems. The purpose of descriptive survey was basically to observe, describe and document aspects of situations as it naturally occurs. Kombo and Tromp, (2007) observed that descriptive approach is designed to obtain information concerning the current phenomenon and wherever possible to draw valid conclusions from facts discussed.

3.3 Target Population

According to Kombo & Tromp, (2006) target population is the collection of elements that possess the information sought by the researcher. The population in this study

was SMEs owned by youth across all sectors and YEDF officials in Uasin Gishu County. The total population was 445 SMEs that had benefitted directly from YEDF and 5 YEDF officials working in Uasin Gishu County. Out of this, a sample was selected for the study.

3.4 Sample Size and Sampling Procedure.

This study adopted a census study for the YEDF officials since the target population was not so large, therefore the target population of 5 YEDF officials was used as the sample size. The target population for SMEs was 445 SMEs that had benefitted from YEDF. The sample size for SMEs was calculated using Nassiuma, (2000) formulae below.

$$n = \frac{NC^2}{C^2 + (N - 1) e^2}$$

$$n = \frac{445[0.5^2]}{0.25 + [445-1]0.05^2} = 81 \text{ Respondents}$$

Where n is the sample size, N is the population, C is the Coefficient of variation (0.5), and e is the level of precision (0.05), (Nassiuma, 2000).

Therefore 5 YEDF officials together with 81 SMEs for a total sample size of 86 respondents comprising 18% of the population were used. According to Mugenda and Mugenda (2003), a sample size greater than 10% but less than 30% of the total population is considered adequate for a descriptive study.

The target population was then stratified to ensure that the sample represented the entire county of Uasin Gishu. For each business in each strata to have an equal chance to be selected and in order to avoid biasness simple random sampling was used to draw the sample as per Table 3.1.

Table 3.1: Sampling Frame

Constituency Name	Total Population	Proportion	Sample Size
Eldoret North	145	18%	26
Eldoret South	144	18%	26
Eldoret East	156	18%	29
Total	445		81

(Source: Survey Data, 2016)

3.5 Research Instruments

The study used questionnaires and interview schedule to collect data for this research. The questionnaire comprised the Likert scale question type. Questionnaire is used as it is a way of getting data about a person by asking them rather than watching them (Kombo & Tromp, 2006). The respondents normally fill it. It was preferred because it has the ability to reach a larger population. Similarly, it was economical in terms of time and by using the questionnaire the researcher was able to obtain personal ideas and opinion from the respondents. A questionnaire enables the researcher to get first hand information about the work situation (Giddens, 2006).

The study used open ended and closed ended questions. Questionnaires were the most appropriate instrument since a quantitative data capture was a necessity, which could only be obtained directly from the respondents. The questionnaires were meant for the SME owners. The closed ended questions were used so as to reduce subjective information given by the respondents. Open ended questions were used in order for

the researcher to obtain the personal views of the respondents on various issues regarding the set objectives.

Interview schedule is an oral administration of a questionnaire (Giddens, 2006). It was used to obtain data required to most specific objectives of the study. This method was preferred because the researcher could establish a rapport with the respondents and also explain meanings of terms. Therefore the researcher used interview schedule for the YEDF officials.

3.6 Reliability and Validity of Research Instruments

3.6.1 Reliability

Reliability implies the degree to which a research instrument yields consistent results or data after repeated trials (Kombo & Tromp, 2006). To test reliability, the researcher used test retest method whereby questionnaires were administered to the same respondents twice at an interval of two weeks in a pilot study of eight (8) SMEs in Elgeyo Marakwet County. Questions with varied responses were reconstructed to give responses that are acceptable.

The Cronbach's alpha coefficient was applied on the results obtained to determine how items correlate among them in the same instrument. This was done to find out if the questionnaire was interpreted well by the respondents and to check on the consistency from one respondent to another on the variables being studied. The alpha values as per table 3.2 below shows that: for availability of capital it was 0.7454, Business support services was 0.7419, entrepreneurial training 0.7423, and growth of SME was 0.7765. An average of 0.7515 was generated which is above the recommended measure of 0.70 by Orodho, (2005). Therefore the instrument was considered reliable.

Table 3.2 Cronbach Alpha

Measures	No of Items	Cronbach Alpha
Availability of capital	5	0.7454
Business support services	6	0.7419
Entrepreneurial training and education	4	0.7423
Growth of SME	6	0.7765
Average		0.7515

(Source: Survey Data, 2016)

3.6.2 Validity

Validity refers to the degree to which an instrument measures what it is supposed to measure or it refers to the extent to which the instrument is a good example of behaviour skills which the instrument purports to measure (Mugenda & Mugenda 2003). It involved asking experts to judge whether the test tests a particular attitude of the examinee. For this reason the research instruments were assessed by subject experts from the School of Business and Management Sciences of the University of Eldoret.

3.7 Procedure for Data Collection

The researcher collected both primary and secondary data for purpose of making conclusion and recommendations. Primary data was collected by use of questionnaires and interview schedules. An introductory letter was provided from the University of Eldoret, a research permit was also obtained from NACOSTI to accompany each questionnaire. Another letter from the researcher indicating not only the area that the research was to be undertaken but also confirming confidentiality of the information and its use was attached. The questionnaires were administered to the SMEs while the interviews were conducted with the YEDF officials. The filled

questionnaires were collected from between one and seven days. The secondary data was collected from Business text books, economic surveys, Government reports, journal and periodicals.

3.8 Data Analysis

This began with pre-processing of collected data through editing to detect errors and make corrections where possible. It involved a careful analysis of the completed questionnaires in order to ensure that collected data was accurate and consistent with other information gathered. The collected data was then coded by the researcher for efficiency and to reduce the replies given by the respondents to a small number of classes. After coding was completed, the data was classified on the basis of common characteristics and attributes. The raw data was then assembled and tabulated in form of statistical tables to allow for further analysis.

For data analysis, the YEDF in terms of business support services, funds availability, and training was assessed in a Likert scale type of questions whose responses ranged from 1 to 5, (Strongly disagree to strongly agree). Each SME score on each item was then aggregated to arrive at a single measure of YEDF. Similarly, the SMEs' growth was established by scoring each enterprise on a number of items; Increase in stock level; number of new products introduced; increase in sales in comparison to competitors; increase in market size against expectations; growth in profits in relation to expectation; and increase in number of employees. The growth index was used as the dependent variable in the study. To investigate the contributions of YEDF on SME growth the indices were broken down to ranges representing very low, low, neutral, high and very high classes.

The data was analyzed using descriptive and inferential statistics. Descriptive statistics used included frequencies, percentages, means and tables. A correlation

analysis was then performed to ascertain the existence of relationship between the variables. With the aid of Statistical Product and Service Solutions (SPSS), the data was analyzed by tabulating it using frequency tables and multiple regression values. The inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients. A multiple regression was conducted to assess the Youth Enterprise Development Fund as a catalyst of growth of SMEs in Uasin Gishu County.

The regression equation was as follows:-

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where:

Y = Growth of SMEs,

β =beta

X₁=Business support services

X₂= Availability of funds

X₃= Entrepreneurial Training

e= Error term

The Bootstrap method by Preacher and Hayes (2004), with the aid of SPSS was applied to analyze the intervening variables (Entrepreneurship traits and attitudes). This is because bootstrapping does not violate assumptions of normality and is recommended for small sample sizes. Bootstrapping involves repeatedly randomly sampling observation with replacement from the data set to compute the desired statistic in each resample. Over hundreds of bootstrap re-samples provides an approximation of the sampling distribution of the statistic of interest (Preacher & Hayes, 2004). Further, it provides points of estimates and confidence intervals by which one can assess the significance of the intervening effect.

Content analysis was finally applied for the qualitative data in order to identify patterns, themes and biases.

3.9 Ethical Considerations

Permission to carry out the study was sought from the relevant authorities and from the participants of the study. During the course of data collection, the respondents were assured of anonymity, confidentiality and their ability to withdraw from the study at any time if they wished to do so. No names or personal identification number reflected on the questionnaires except the numbering of questionnaires, which was for the purposes of identification in data editing. The results of the study were availed to the relevant authorities and to those participants who were interested in knowing them.

The issue of missing values was handled by linear interpolation using Wiley (2014) formulae which takes two data points, say (x_a, y_a) and (x_b, y_b) and the interpolant was given by:

$$y = y_a + (y_b - y_a) \frac{x - x_a}{x_b - x_a} \quad \text{at the point } (x, y).$$

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter dealt with data analysis, presentation and interpretation of findings according to the research objectives and hypotheses, and in relation to reviewed literature. The data obtained was analyzed, interpreted and presented in form of tables. Most of the questions were closed-ended making the questions easy to summarize. The open ended comments served to enrich the closed ended questions. In this section, the study presented background information of the respondents covered by the study, the research specific question responses as well as the interview responses.

4.2. Response Rate

The researcher issued 81 questionnaires targeting SME owners who had benefited directly from YEDF. All questionnaires were filled meaning that the study had a 100% response rate. Three of the five YEDF officials scheduled for interview were interviewed as two were unavailable meaning a 60% response rate.

4.3 General information.

It was necessary to seek generalization in order to build information and assess demographic data. The information sought included the Gender of respondents, Age bracket, Years worked in the business, Highest level of education, Type of business engaged and Amount of capital initially invested in the business.

4.3.1. Gender of Respondents

Gender was important since it enabled the researcher to understand the type of the population under study. The research findings further showed the ratio of male to female respondents.

Table 4.1 Gender of Respondents

Gender	Frequency	Percentage
Male	61	75%
Female	20	25%
Total	81	100%

(Source: Survey Data, 2016)

Table 4.1 shows that there were more male (61) respondents than female ones (20) comprising of (75%) male and (25%) female. This implies that there were more male than female YEDF beneficiaries and that the researcher was able to collect information from both genders thus eliminating gender bias.

4.3.2 Age of Respondents

The researcher sought to find out the age of the respondent which was important as it enabled the researcher to understand the respondent ability according to age bracket.

Table 4.2 Age of the Respondents

Years	Frequency	Percentage
0-20	12	15%
10-20	18	22%
21-30	46	57%

31-40	4	5%
Above 40	1	2%
Total	81	100%

(Source: Data Analysis, 2016)

According to the findings as per Table 4.2 above, 57% of respondents were aged from 21-30, 22% aged from 10-20, 15% aged from 0-20, 5% aged from 31-40 and 2% were over 40 years of age. This implies that more young people are benefiting and thus they are well conversant and able to cope up with Youth Enterprise Development Fund requirements. It also indicates that the researcher was able to get information throughout the age groups.

4.3.3 Length of being in the business

The length of being in the business by the respondent was critical due to the fact that it enabled the researcher to understand the respondent's abilities to cope with the dynamic business environment and perform their duties effectively and efficiently.

Table 4.3 Length of being in the business

Years worked in the business	Frequency	Percentage
Less than 2 years	12	15%
Between 3-5 years	49	60%
Between 6-8 years	18	22%
9 years and above	2	3%
Total	81	100%

(Source: Data Analysis, 2016)

The years of being in the business by respondents was important since it gives an indicator of the experience that respondents had on Youth Enterprise Development Fund. Table 4.3 shows that the majority of the respondents had between 3-5 years which was 60%, 6-8years were 22%, less than 2 years were 15%, and lastly those with more than 9 years were 3%. This implies that majority had acquired adequate experience in the business and thus enhances Youth Enterprise Development Fund.

4.3.4 The Level of Education

The researcher sought to know the level of education of the respondents because it is vital in understanding the respondent's capability in terms of knowledge and skills translating to efficiency, effectiveness, innovation and proper communication at work.

Table 4.4 Highest Level of Education

Category	Frequency	Percentage
Primary	20	25%
Secondary	33	40%
Tertiary	13	16%
None	15	19%
Total	81	100%

(Data Analysis: Author, 2016)

The education of the respondents was important because it provides an indicator of the knowledge respondents had on the Youth Enterprise Development Fund. The findings as per Table 4.4 show that a majority of 40% had attained secondary level, followed by 25% primary, while 19% did not attain any level of education and lastly 16% had gone through tertiary level of education. This implies that most of the respondents had gone through some form of education and thus enterprise growth is being promoted through education.

4.3.5 The Type of Business

The study sought to find out the type of business respondents were engaged-in in Uasin Gishu County. This enabled the researcher to understand the respondent attraction to the different types of businesses and the contribution of YEDF on their development and growth across the industry.

Table 4.5 Type of Business

The type of business engaged in	Frequency	Percentage
Service	9	12%
Manufacturing	18	23%
Retail	23	30%
Agriculture	31	40%
Total	81	100%

(Source: Data Analysis, 2016)

Table 4.5 reveals that majority of respondents, 40% worked in agriculture. 30% worked in retails, 23% manufacturing and lastly 12% were in service industry. This implies that most of the respondents who worked in agricultural enterprise had benefitted from YEDF and thus youth enterprise growth.

4.3.6 Amount of Capital Initially Invested in the Business.

The amount of initial capital invested by SME owners was important for the researcher to understand the levels of business growth and expansion in Uasin Gishu County. It would also indicate the capital requirements and sufficiency of funds received from the Youth Enterprise Development Fund.

Table 4.6 Amount of Capital Initially Invested

Amount of capital	Frequency	Percentage
70,00-80,000	36	45%
55,00-70,000	24	30%
35,00-55,0000	9	12%
10,000-35,000	6	8%
2,000-10,000	4	5%
0-2,000	2	2%
Total	81	100%

(Source: Data Analysis, 2016)

The researcher sought to find out the amount of capital initially invested by the YEDF beneficiary SMEs in Uasin Gishu County. Table 4.5 reveals that majority of respondents stated that their initial investment was between Ksh 70,000 to Ksh 80,000 representing by 45%, those who had invested between Ksh 55,000 to Ksh 70,000 were 30%, while those who had invested between Ksh 55,000 and Ksh 35,000 were 12%. SME owners who had invested between Ksh 35,000 to Ksh 10,000 were 8%, and those who had invested between Ksh 10,000 and Ksh 2,000 were 5%. This implies that most of the beneficiaries in Uasin Gishu county had large initial capital investments facilitating their enterprise`s growth and expansion.

4.4. Effect of Business Support Services by Youth Enterprise Development Fund on Growth of Small and Medium Enterprises

The researcher sought to find out the effect of business support services by Youth Enterprise Development Fund (YEDF) on growth of SMEs in Uasin Gishu County.

Table 4.7: Effect of Business Support Services on Growth of SMEs

		S	A	U	D	SD	T
Effect of Business Support Services		A					
The YEDF helps us in creating networks with other businesses	F	48	24	0	6	3	81
	%	60	30	0	8	3	100
YEDF has linked us to successful mentors in the business	F	54	17	4	4	2	81
	%	67	22	5	5	2	100
YEDF has linked us to business incubation services	F	51	21	0	7	2	81
	%	63	27	0	9	2	100
I have attended fruitful trade fairs organized by the YEDF	F	60	14	5	0	2	81
	%	75	18	6	0	2	100
The YEDF organize us in groups and helps us in marketing our products and services	F	46	24	0	7	4	81
	%	57	30	0	9	5	100
YEDF provides infrastructure support to our business (Premises, ICT)	F	49	24	2	4	2	81
	%	60	30	2	5	3	100

(Source: Data Analysis, 2016)

The study sought to find the rate at which the YEDF helped respondents in creating networks with other businesses. The findings were as follows:- 48 (60%) strongly-agreed, 30% agreed, 8% disagreed and 3% strongly disagreed.

The study also sought to find the rate at which YEDF had linked the respondents to successful mentors in the business. Table 4.7 shows that a majority of:- 67% strongly-agreed, 22% agreed, 5 were un-decided, 5% disagreed and 2% strongly disagreed.

The researcher sought to find the rate at which YEDF had linked respondents to business incubation services. The findings were as follows:- 63% strongly-agreed, 27% agreed, 0% were un-decided, 9% disagreed and 2% strongly disagreed.

The study sought to find the rate at which respondents had attended fruitful trade fairs organized by the YEDF, the findings were as follows:- 75% -strongly-agreed, 18% agreed, 6% were un-decided, 0% disagreed and 2% strongly disagreed.

The researcher sought to find the rate at which YEDF had organized respondents in groups and helped in marketing their products and services. Table 4.8 shows the findings to be as follows:-57% strongly-agreed, 30% agreed, 0% were un-decided, 9% disagreed and 5% strongly disagreed. The YEDF endeavors to support youth enterprises to market their products locally and abroad, and to form linkages with large enterprises (YEDF, 2014).

The researcher further sought to find out the rate at which YEDF had provided infrastructure support to their businesses (Premises, ICT). The findings were as follows:- 60% strongly-agreed, 30% agreed, 2% were un-decided, 5% disagreed and 3% strongly disagreed. According to Schoof (2006) access to business support services such as mentoring, support networks, business clubs and incubators by young people enhances the chances of sustaining their enterprises beyond start up stage.

4.5 Effects of Availability of Capital from the Youth Enterprise Development Fund on Growth of Small and Medium Enterprises.

Availability of capital from the Youth Enterprise Development Fund (YEDF) to SMEs in Uasin Gishu County was vital as it enabled the young people put their ideas

into practice. The amount of capital availed should be enough to start or expand the business. The study sought to find out the effect of availability of capital from YEDF on growth of SMEs in Uasin Gishu County.

Table 4.8 Effects of Availability of Capital from the Youth Enterprise Development Fund on Growth of Small and Medium Enterprises

Availability of capital		SA	A	U	D	SD	Total
We receive funds from an organization called YEDF	F	49	23	0	6	3	81
	%	60	30	0	8	3	100
YEDF finances are availed to us soon after we have submitted the applications	F	60	17	0	2	2	81
	%	75	22	0	2	2	100
The amount of funds received is enough to start-up or expand the business	F	42	29	2	5	3	81
	%	52	37	2	6	3	100
YEDF Kenya officials do follow ups on funds they give us to ascertain our progress	F	53	21	2	2	3	81
	%	67	27	2	2	3	100
I have repaid my YEDF loan without any problems	F	48	26	0	5	2	81
	%	60	33	0	6	2	100

(Source: Data Analysis, 2016)

The study sought to find out the rate at which respondents received funds from an organization called YEDF. The data from the table shows that majority: - 60% strongly agreed, followed by 30% who agreed, 8% disagreed and 3% strongly

disagreed. The ease with which startup capital can be raised is important in determining the rate at which new businesses can be established and existing ones expanded (Waweru, 2011).

The rate at which YEDF finances were availed to enterprises soon after submitting applications was critical as it determines how quickly businesses are started, and expanded. The findings were as follows:- 75% strongly agreed, 22% agreed, 2% disagreed and 2% strongly disagreed.

The study sought to find out the rate at which the amount of funds received was sufficient for start-up or to expand on-going business. Table 4.8 shows that the findings were as follows:- 52% strongly agreed, 37% agreed, 2% un-decided 6% disagreed and 3% strongly disagreed.

The researcher sought to find the on the rate at which YEDF Kenya officials did follow ups on funds they gave respondents to ascertain their progress. The findings were as follows:- 67% strongly agreed, 27% agreed, 2% un-decided 2% disagreed and 3% strongly disagreed.

Accessing funds is essential but easy repayment means that SMEs are growing and harnessing the profits from opportunities they are engaged in. The study therefore sought to find out the rate at which they had repaid their YEDF loan without incurring any problems. The findings as per table 4.8 show that majority - 60% strongly agreed, 33% agreed, 6% disagreed and 2% strongly disagreed.

4.6 Effects of Entrepreneurial training by Youth Enterprise Development Fund on Growth of Small and Medium Enterprises.

The study sought to find out the effects of Entrepreneurial training by Youth Enterprise Development Fund on growth of SMEs in Uasin Gishu County.

Table 4.9 Effects of Entrepreneurial Training on Growth of SMEs

Entrepreneurship Training		SA	A	U	D	SD	T
The YEDF train us on business management	F	49	24	2	4	3	81
before giving us the funds	%	60	30	2	5	3	100
I have attended all the trainings that YEDF have	F	61	14	4	0	2	67
offered after giving us the funds	%	75	18	6	0	2	100
I find the trainings by YEDF to be helpful in	F	51	21	0	7	2	81
management of the business	%	63	27	0	9	2	100
The YEDF further trains us continuously on	F	54	17	4	4	2	67
business management after giving us the funds	%	67	22	5	5	2	100

(Source: Data Analysis, 2016)

The researcher sought to find the rate at which the YEDF trained SME owners on business management before giving them the funds. The findings were as follows:- 60% strongly-agreed, 30% agreed, 2% were un-decided, 5% disagreed and 3% strongly disagreed.

The study sought to find out the rate at which SME owners had attended all the trainings that YEDF had offered after giving them the funds. The findings were as follows:-75% strongly-agreed, 18% agreed, 6% were un-decided, 0% disagreed and 2% strongly disagreed.

The researcher sought to find the rate at which respondents found the trainings by YEDF to be helpful in management of the business. Table 4.9 shows the findings as follows:- 63% strongly-agreed, 27% agreed, 0% were un-decided, 9% disagreed and 2% strongly disagreed.

The study sought to find the rate at which the YEDF further trained respondents continuously on business management after giving them the funds. The findings were as follows:- 67% strongly-agreed, 22% agreed, 5 were un-decided, 5% disagreed and 2% strongly disagreed. Schoof (2006) suggested that entrepreneurship education is crucial in assisting young people to develop entrepreneurial attributes, behaviors and develop enterprise awareness to understand and realize entrepreneurship as a career option.

4.7 Contributions of YEDF on the Growth of SMEs.

The researcher sought to find out the contributions of YEDF on growth of enterprises in Uasin Gishu County.

Table 4.10 Growth of Small and Medium Enterprises

No. 81	Mean	Std. Deviation	Skewness	Kurtosis
Increased number of employees	4.6049	.76940	-2.895	10.537
Increase in stock level	4.4074	.94575	-1.999	3.932
Introduction of new products	4.5062	.89615	-2.263	5.370
Increased sales in comparison to competitors	4.1605	1.16680	-1.386	.987
Increased market size against expectations	4.2716	1.14031	-1.594	1.664
Increased profits in relation to expectations	4.3210	1.13828	-1.760	2.142
Growth	4.3786			

(Source: Data Analysis, 2016)

Skewness and Kurtosis study the characteristics of a distribution. Skewness shows the degree and direction of departure from symmetry (Giddens, 2006). Skewness thus points out variations of the data set while kurtosis gives the peakness and fatness of

distribution. Standard deviation on the other hand indicates how data points are close or far from the mean.

The study sought to find the average rate at which contribution of YEDF led to growth of SMEs in terms of increase in number of employees, increase in stock levels, introduction of new products, increased sales, increase in market size in comparison to competition and increase in profits against expectations. The findings as per table 4.10 above reveal that average mean was 4.3786. This means that according to the respondents YEDF contribute to growth of SMEs. The data is also highly skewed to the left. In comparing the mean against standard deviation, the data points are quite distant from the mean and more spread. Therefore the mean is not such an accurate representation of overall data.

4.8 Findings from the Interview Schedule

4.8.1 The uptake of YEDF in Uasin Gishu County.

The Youth Enterprise Development Fund officials were asked to indicate the uptake of YEDF in Uasin Gishu County. Majority of the officials indicated that the uptake was to a large extent satisfactory while others implied that the uptake was good while a minority indicated that the uptake was slow.

4.8.2 Overall view on the Business Support Services by YEDF on Growth of SMEs

The Youth Enterprise Development Fund officials were asked to indicate the overall view on the business support services by YEDF on growth of SMEs in Uasin Gishu County. Most of the interviewees agreed that business support services provided by YEDF were useful in helping the SMEs succeed in handling the day to day challenges in a practical way. A minority of the interviewees on the other hand however implied

that the business support services offered were not adequate, should be brought closer and be tailored to suit specific challenges faced by SMEs. According to Schoof, (2006) access to business support services such as mentoring, support networks, business clubs and incubators by young people enhances the chances of sustaining their enterprises beyond start up stage. However, young entrepreneurs often lack the support services that are viable to transforming fragile individual start-ups into successful small and medium sized businesses.

4.8.3 Effect of Availability of Youth Enterprise Development fund on Growth of SMEs.

The Youth Enterprise Development Fund officials were asked to indicate the effect of availability of capital by YEDF on growth of SMEs in Uasin Gishu County. The findings revealed that most of the respondents implied that the amounts of capital provided as loans to SMEs were availed on time and in sufficient amounts while minority indicated that the loans were availed on time though the amounts were not adequate for startups or expansion of the businesses.

4.8.4 Effect of YEDF Trainings on Growth of SMEs in Uasin Gishu County

The youth enterprise development fund officials were asked to indicate the effect of YEDF trainings on growth of SMEs Uasin Gishu County. A majority of interviewees implied that SMEs were trained before and after being given the loans and they agreed that the trainings offered were useful in business management. However, a minority of YEDF officials indicated that the training had a minimal effect in aiding the success of SMEs and that SMEs had not attended all the trainings offered. According to Schoof (2006) entrepreneurship education and training is not only a means to foster youth entrepreneurship; it also seeks to equip young people with entrepreneurial attitudes and skills. Schoof (2006) further suggested that

entrepreneurship education is crucial in assisting young people to develop entrepreneurial attributes, behaviors and develop enterprise awareness to understand and realize entrepreneurship as a career option.

4.9 Inferential Statistical Analysis

Inferential analysis was conducted to generate correlation results, and analysis of the variance and regression coefficients.

4.9.1 Pearson's Correlation analysis

Table 4.11 Pearson's Correlation analysis

Variable	Growth of SMEs	of Availability of funds	Availability of funds	Entrepreneurial training
Growth of SMEs	1			
Business support services	0.579**	1		
Availability of funds	0.485**	0.613**	1	
Entrepreneurial training	0.038**	.400**	.157**	1

Note: Correlation value is significant at *p<0.05, **p<0.01, *p<0.001**

Reliability estimations are shown diagonally (value 1).

(Source: Survey Data, 2016)

All the independent variables had a positive correlation with the dependent variable, with Business support services having the highest correlation of (r=0.579, p< 0.01) followed by availability of funds with a correlation of (r=0.485, p< 0.01) and Entrepreneurial training had the least correlation of (r=0.038, p< 0.01). This indicates that all the variables were statistically significant at the 99% confidence interval level 2-tailed. This also shows that all the variables under consideration had a positive and statistically significant relationship with the dependent variable.

It should be noted, from the above table that the coefficients were at 99% level of confidence, since 1 percent change in Business support services leads to 0.579% change in growth of SMEs, 1% change in availability of funds leads to 0.485% change in growth of SMEs and 1% change in entrepreneurial training leads to 0.038 % change in growth of Small and Medium Enterprises.

Our findings clearly indicate that business support services had the highest level of association with growth of SMEs as compared to other independent variable variables.

4.9.2 Regression Analysis and Hypothesis testing

A multiple linear regression model was used to investigate the hypotheses. The study hypothesized that:-

HO₁: Business support services offered by the Youth Enterprise Development Fund have no significant effect on the growth of SMEs. The results failed to reject the null hypothesis ($\beta = 0.17$, $p < 0.847$).

HO₂: Availability of funds by the Youth Enterprise Development Fund has no significant effect on the growth of SMEs, the hypothesis was not supported, therefore the null hypothesis result was rejected ($\beta = 0.299$, $p < 0.009$).

HO₃: The entrepreneurial training by the Youth Enterprises Development Fund has no significant effect on growth of SMEs. The results accepted the null hypothesis ($\beta = 0.061$, $p < 0.478$).

The results show that the regression weight of one of the independent variables (availability of funds) was significant. Thus role of availability of funds is the main predictor variable for growth of SMEs.

The coefficients indicate the corresponding change in the dependent variable when a change of one unit is effected in the independent variable. Thus, a 1% improvement of

business support services will lead to a 1.7 % growth of SMEs, a 1% availability of funds would lead to a 29.9% growth of SMEs, and a 1% improvement in entrepreneurial training would result in a 6.1% improvement in growth of SMEs.

Besides, the magnitude of the t values indicates that Availability of funds (t= 2.668) is the main predictor variable for growth of SMEs. This is followed by entrepreneurial training bidding (t= 0. 696) and then business support services (t= 0.193).

Table 4.12 Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.087	.448		2.424	.017		
Business Support services	.026	.132	.017	.193	.847	.626	1.596
Availability of Funds	.368	.138	.299	2.668	.009	.088	2.678
Entrepreneurial Training	.097	.139	.061	.696	.478	.068	1.283

Significant at p<0.01

(Source: Survey data, 2016)

The regression equation used to link the dependent and independent variable was as follows;

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3$$

Thus Dependent Variable: Growth of SMEs

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

$$Y = 0.017 X_1 + 0.299X_2 + 0.061X_3$$

Where y = Growth of SMEs,

$$\beta = \text{beta}$$

x_1 =Business support services

x_2 = Availability of funds

x_3 = Entrepreneurial Training

Table 4.13 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.261	.068	.039	.55874

a. Predictors: (Constant), Business Support Services, Availability of Funds and Entrepreneurial Training

(Source: Survey data, 2016)

From the results on model summary $R = 0.261$, $R\text{-square} = 0.068$, $\text{adjusted } R\text{-square} = 0.039$, and the $SE = 0.55874$. Multiple correlation R coefficients indicate the degree of linear relationship of growth of SMEs with all the predictor variables, where as the coefficient of multiple determinations $R\text{-square}$ shows the provision of the total variation in growth of SMEs that is explained by the independent variables; business support services, availability of funds and entrepreneurial training in the regression equation. The $R\text{-square}$ gives the coefficient of determination between the variables. The results from the regression analysis give an $R\text{-square}$ value of 0.068, which means that 6.8% of the independent variables cause the change on dependent variable (growth of Small and Medium Enterprises).

4.9.3 Results from Bootstrapping

The point estimates reveal the mean over the number of bootstrapped samples and if zero does not fall between the resulting confidence intervals of the bootstrapping method, one can confidently conclude that there is a significant intervening effect to report (Preacher & Hayes, 2004).

Table 4.14 Bootstrapping

		Descriptive Statistics			Bootstrap ^a		
		Statistic	Bias	Std. Error	95% Confidence Interval		
					Lower	Upper	
Youth Enterprise Development Fund	Mean	4.6049	-.0040	.0894	4.4205	4.7647	
	Std. Deviation	.76940	-.00842	.14202	.48130	1.02389	
	N	81	0	0	81	81	
Growth of Small and Medium Enterprises	Mean	4.4074	.0032	.0968	4.1874	4.5911	
	Std. Deviation	.94575	-.01265	.11393	.69081	1.13953	
	N	81	0	0	81	81	

Unless otherwise noted, bootstrap results are based on 81 bootstrap samples

(Source: Survey data, 2016)

From table 4.14 the point estimates reveal the mean over the number of bootstrapped samples. Zero does not fall between the resulting confidence intervals of the bootstrapping; therefore the researcher concludes that there is a significant intervening effect on the variables.

CHAPTER FIVE

SUMMARY AND DISCUSSION

5.1 Introduction

This chapter presents the summary of findings and discussion following the objectives and hypotheses of the study. Small and Medium Enterprises (SMEs) are widely considered as engines of economic growth. The government of Kenya conceived the idea of supporting the growth of SMEs through the Youth Enterprise Development Fund (YEDF). This study set out to examine the effects of business support services, availability of funds and entrepreneurial training by YEDF on growth of SMEs in Uasin Gishu County.

5.2 Summary of Hypothesis Testing

The summaries of hypothesis testing were as follows:-

H₀1: Business support services offered by the Youth Enterprise Development Fund have no significant effect on the growth of SMEs. The results failed to reject the Hypothesis ($\beta = 0.017, p < 0.847$).

H₀2: Availability of funds by the Youth Enterprise Development Fund has no significant affect on the growth of SMEs, therefore the hypothesis result was rejected ($\beta = 0.299, p < 0.009$).

H₀3: The entrepreneurial training by the Youth Enterprises Development Fund has no significant effect on growth of SMEs. The results failed to reject the Hypothesis ($\beta = 0.061, p < 0.487$).

The results show that the regression weights of one of the independent variable were significant. This means that two of the postulated hypotheses rejected the alternative hypotheses. Thus role of availability of funds is predictor variable for growth of SMEs.

5.3 Discussion of Findings

5.3.1 Effects of Business Support Services by Youth Enterprise Development Fund (YEDF) on Growth of Small and Medium Enterprises

According to Schoof (2006) access to business support services such as mentoring, support networks, business clubs and incubators by young people enhances the chances of sustaining their enterprises beyond start up stage.

The researcher sought to find the rate at which YEDF had linked SMEs to successful mentors in the business; the findings show that majority of respondents strongly-agreed. The Fund has partnered with Kenyatta University and the Chandaria Business and Incubation Centre to incubate young entrepreneurs, and is setting up a business incubation and mentorship centre in Nairobi's Westlands (YEDF, 2014). In essence as suggested, business incubators are a powerful tool for supporting the entrepreneurial process and for helping to increase survival rates of young innovative start-up companies (Street and Sykes, 2003). Therefore YEDF should further set up such centers in collaboration with universities in Uasin Gishu County to ensure objectives of such services are met effectively and efficiently.

The study sought to find the rate at which YEDF organized them in groups and helps in marketing of products and services; almost half of the respondents strongly-agreed. However, the researcher found that two thirds of the respondents had attended fruitful trade fairs organized by YEDF. The Fund has facilitated county youth trade fairs in

the following counties: Kisumu, Kakamega, Nyeri, Mombasa, Garissa, Meru, Uasin Gishu, Busia, Kilifi, Nairobi and Nakuru (YEDF, 2014).

Although the study revealed that majority of the respondents had accesses business support services offered by Youth Enterprise Development fund, its effect on growth of SMEs was minimal. Wanjohi & Mugure, (2008) in a study on factors impeding performance of youth owned enterprises revealed that only 26.2% of the respondents had access to business support services prior to starting their enterprises. This can perhaps be due to the fact that there are few players in the private sector involved in the provision of these services. According Wanjohi and Mugure, (2008), 73.1% of Business support services provided to the youth entrepreneurs came from the Government. The accessibility, efficiency and effectiveness at which business support services are provided can greatly affect the growth of small and medium enterprises.

5.3.2 Effects of Availability of Capital from the Youth Enterprise Development Fund (YEDF) on Growth of SMEs.

The Euro Barometer (2006) revealed that lack of finance was seen as a major obstacle for growth of SMEs in two of the original EU6; Italy and France which are among the more developed nations.

The study sought to find out the effect of availability of capital from the Youth Enterprise Development Fund (YEDF) on growth of SMEs in Uasin Gishu County. On the rate at which SMEs received funds from YEDF, the findings revealed that nearly two third strongly agreed. The researcher further sought to find the rate at which YEDF finances were availed to SMEs soon after submitting the applications and majority of three quarters of respondents strongly agreed. The study also sought to find the rate at which SMEs had repaid their YEDF loan without any problems. The findings implied that half of the respondents strongly agreed. These findings concur

with Waweru, (2011) in a study on factors influencing youth entrepreneurship in Kajiado county, which revealed that only 5.5% of the youth respondents had accessed startup funding from Banks and 10.3% from the Youth Enterprise Fund. (Essayed, 2005) observed that financial institutions in the formal sector generally regard the youth as high risk creditors and are reluctant to extend credit to them on favourable terms. This could explain why youths prefer YEDF as a source of finance as per the findings of this study. Youths in Kenya are eligible to borrow funds depending on their product line (YEDF, 2014).

5.3.3 Effects of Entrepreneurial Training by the Youth Enterprise Fund on Growth of Small and Medium Enterprises

The study sought to find out the effects of entrepreneurial training by Youth Enterprise Development Fund on growth of SMEs in Uasin Gishu County. On the rate at which the YEDF trained SMEs on business management before giving them funds, the findings revealed that majority, about two thirds, strongly-agreed. According to Schoof (2006) entrepreneurship education and training is not only a means to foster youth entrepreneurship; it also seeks to equip young people with entrepreneurial attitudes and skills. Schoof (2006) further suggested that entrepreneurship education is crucial in assisting young people to develop entrepreneurial attributes, behaviors and develop enterprise awareness to understand and realize entrepreneurship as a career option.

The researcher sought to find the rate at which SMEs had attended all the trainings that YEDF had offered after giving them the funds, majority of respondents strongly-agreed.

The study also sought to find the rate at which they found the trainings by YEDF to be helpful in management of the business. The findings revealed that more than half

of respondents strongly-agreed. Lundström (2005) confirms that there has been a rapid development in the area of enterprise education in the Nordic countries (Denmark, Sweden, Norway, Finland and Iceland) over the last decade. These findings concur with those of Njogu, (2011) in a study on factors affecting success of entrepreneurship training on youth projects that revealed that more than half (58%) of respondents agreed that entrepreneurship training led to success of youth projects. However, other researchers shows that majority of SME owners in Kenya are not quite well equipped in terms of education and skills. The provision of entrepreneurship education as revealed by the findings of a study carried out by Bwisa, (2010) showed that entrepreneurship education was still quite low as only 27.6% had access to it before commencing their businesses.

This can perhaps be attributed to the fact that entrepreneurship education is not offered at primary school level and whereas in secondary school it is offered as an optional subject and is more theoretical as opposed to being a bit practical. The World Bank (2002) observed that the pedagogy of entrepreneurship education remains limited to traditional classroom teaching even though the outcome is on how to teach students start and run business.

Wanjohi & Mugure, (2008) in their study suggest that those with more education and training are more likely to be successful in the SME sector.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents conclusions, recommendations and suggestions for the further study based on the main objective which was to objectively assess the Youth Enterprise Development Fund on growth of Small and Medium Enterprises in Uasin Gishu County.

6.2 Conclusions of the Study

Firstly, based on the findings that business support services provided by Youth Enterprise Development Fund have a no significant effect on growth of SMEs, it is logical to conclude that these services need to be enhanced and expanded to reach all youth owned enterprises so as to effectively address the growth of SMEs and the unemployment challenge.

Secondly, based on the findings that capital availed by the Youth Enterprise Development fund had a significant effect on the growth of small and medium enterprises, it can be concluded that poor credit access and unavailability is likely to slow down the development of youth entrepreneurship. State sponsored youth credit schemes such as the YEDF offering favourable credits schemes to promote youth entrepreneurship go a long way in solving the problem. However, these schemes should be designed in manner to overcome the numerous challenges they face.

Thirdly, based on the research findings that entrepreneurship training by YEDF has no significant effect on growth of SMEs it is logical to conclude that, the government's introduction of an entrepreneurship development fund with a view to encouraging the youth to venture into self employment, is very generous move which

deserves all the support from various stakeholders. However research shows that majority of SME owners in Kenya are not quite well equipped in terms of education and skills due to high cost of education and poverty (World Bank, 2008). As such, for small businesses to do well in Kenya, the owners need to be well informed in terms of skills and management. Long term measure like continuous entrepreneurship training should be put in place to improve chances of success. The study indicated that most of those who succeed in entrepreneurship are either trained on the kind of businesses they venture into or continue business training as they progress.

6.3 Recommendations

6.3.1 Recommendation for practice

From the above conclusions the study made the following recommendations:-

Business support services including mentorship, support networks, and business clubs should be enhanced and devolved to counties to increase the chances of sustaining enterprises beyond startup stage or increase the rate of growth of already existing ones. Youth entrepreneurs should be provided with services that are viable to transforming fragile individual startups into successful small and medium sized businesses.

On availability of funds, to most of youths who wants to be entrepreneurs, a major challenge is lack of capital. The availability, access and sufficiency of credit are critical to the development of SMEs as it enables the young people to acquire startup capital as well as expansion capital. There is need for the government to work in collaboration with international organizations and Non-Government Organizations (NGOs) worldwide, to enable them pool resources together to increase youth accessibility to capital to enable them grow their enterprises or start new ones.

Further it is recommended that since majority of SME owners in Kenya are not quite well equipped in terms of education and skills. Study suggests that Entrepreneurship training should be mainly focused on starting a business and subsequent sustainability of such business. Such training should be initiated in primary school level of education.

6.3.2 Policy Recommendations

- i. The Act of parliament that led to creation of Youth Enterprise Development Fund should be changed to allow devolution of the institution for easy management and increased sense of ownership by the youths. Devolving the fund will also result in increased healthy inter-county competition.
- ii. A policy encouraging entrepreneurship education and training programmes at primary and secondary school levels should be formulated. These programmes should be tailored in a manner that can equip the youth with skills to start their own enterprises and not just passing examinations.
- iii. The government policies and regulations on trade should be made more favorable for youth run enterprises through provision of tax holidays for startups as well as relaxing licensing regulations and the cost of business registration. The government should increase its consumption of products from youth run enterprises from the current 30% to 50% across all its ministries and parastatals.

6.3.3 Recommendations for Further Study

Finally, it is proposed that future research may be conducted in the following areas:-

- The effect of Youth Enterprise Development Fund on the performance of SMEs in Kenya.
- Effect of SMEs` life cycle on growth of SMEs in Uasin Gishu County Kenya.
- An analysis of Government, Private, NGO funding programs and growth of SMEs in Kenya.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Kenei Martin Kiplimo,

P.O Box 1125-30100,

Eldoret.

Tel. 0722971492.

Dear Sir/Madam,

REF: INTRODUCTION LETTER TO THE RESEASRCH PARTICIPANTS

I am a student at **University of Eldoret** currently pursuing **Master of Business Management** degree. I'm carrying out a study on **“Youth Enterprise Development Fund; Catalyst of growth of Small Medium Enterprises in UasinGishu County”**.

Your enterprise has been selected for the study. The purpose of this letter is to request you to kindly allow me carry out the study in your SME. Your identity will remain confidential. Please be honest in your responses and ensure that you attempt all questions.

Thank you for your time and cooperation.

Yours Faithfully,

MARTIN K. KENEI

APPENDIX II: QUESTIONNAIRE FOR SME OWNERS

Section A: General Information;

1. What is your gender?

Male []

Female []

2. What is your age bracket?

0-20 []

10-20 []

21-30 []

31-40 []

Above 40 []

3. How long have you been in this business?

Less than 2 years []

Between 3-5 years []

Between 6-8 years []

9 years and above []

4. What is your highest level of education?

Primary []

Secondary []

Tertiary []

None []

5. What is the type of business you engage in?

Service []

Manufacturing []

Retail []

Agriculture []

6. How much capital did you initially invest into your business? Ksh

SECTION B: RESEARCH SPECIFIC INFORMATION

1. Kindly rate the extent to which you agree with the following statements on the effect of availability of capital from the Youth Enterprise Development Fund (YEDF) on growth of SMEs.

Key: SA-Strongly agree, A-Agree, U-Undecided, D-Disagree, SD-Strongly disagree

	SA	A	U	D	SD
We receive funds from an organization called YEDF					
YEDF finances are availed to us soon after we have submitted the applications					
The amount of funds received is enough to start-up or expand the business					
YEDF Kenya officials do follow ups on funds they give us to ascertain our progress					
I have repaid my YEDF loan without any problems					

Other comments

2. Kindly rate the following statements on the extent to which you agree with them on the effect of business support services by Youth Enterprise Development Fund on growth of SMEs.

Key: SA-Strongly agree, A-Agree, U-Undecided, D-Disagree, SD-Strongly disagree

	SA	A	U	D	SD
The YEDF helps us in creating networks with other businesses					
YEDF has linked us to successful mentors in the business					
YEDF has linked us to business incubation services					
I have attended fruitful trade fairs organized by the YEDF					
The YEDF organize us in groups and helps us in marketing our products and services					
YEDF provides infrastructure support to our business (Premises, ICT)					

Other comments

3. Kindly rate the following statements on the extent to which you agree with them on the effect of Entrepreneurial training and education by Youth Enterprise Development Fund on growth of SMEs.

Key: SA-Strongly agree, A-Agree, U-Undecided, D-Disagree, SD-Strongly disagree

	SA	A	U	D	SD
The YEDF train us on business management before giving us the funds					
I have attended all the trainings that YEDF have offered after giving us the funds					
I find the trainings by YEDF to be helpful in management of the business					
The YEDF further trains us continuously on business management after giving us the funds					

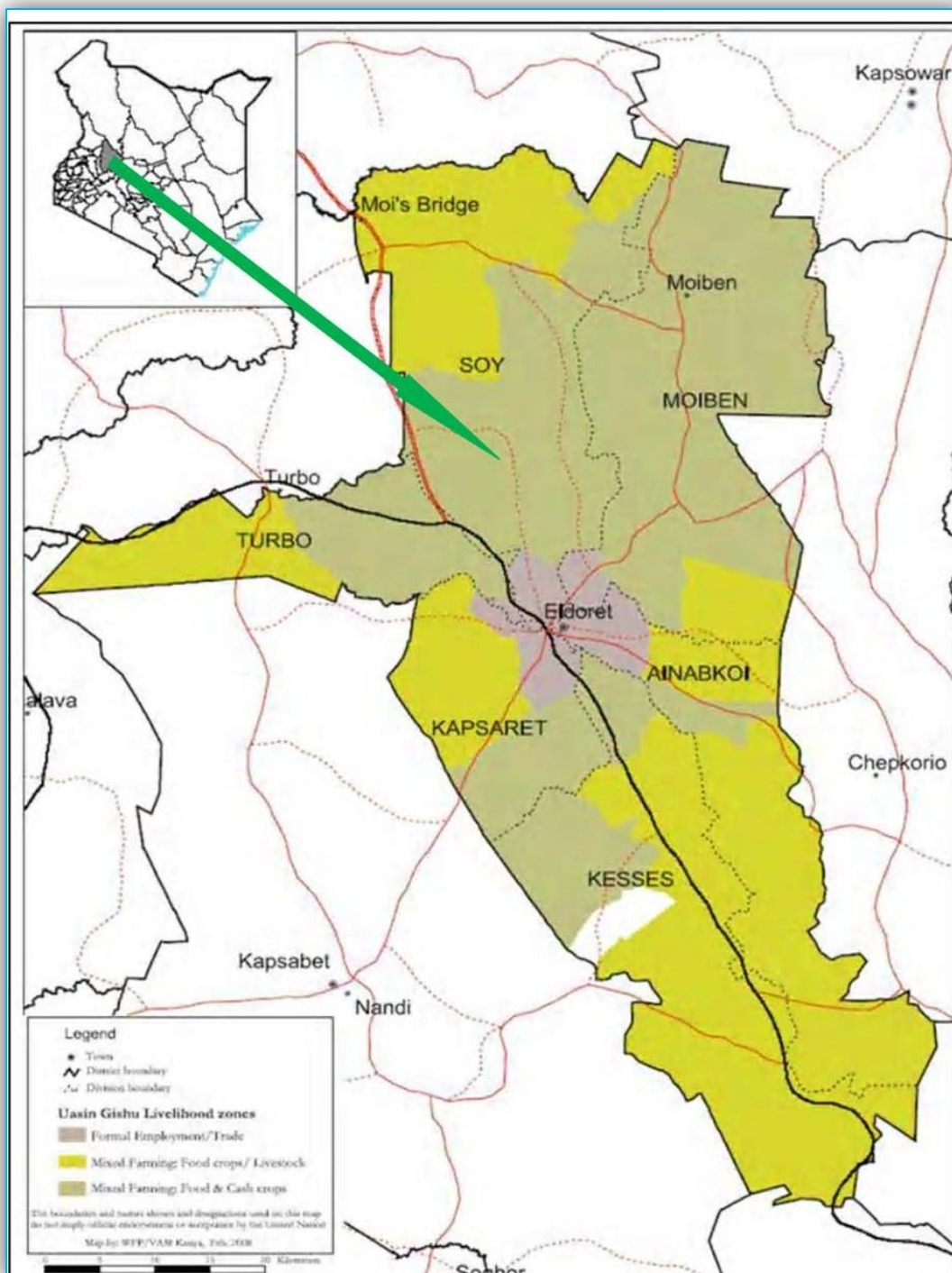
Other comments

4. Below are statements that your enterprise might have achieved in relation to the contribution of YEDF to growth of your business. Kindly rate them to the best of your knowledge. Use a scale of 1 to 5, Where; 1=very low; 2= low; 3= Neutral; 4=High; 5=very high.

GROWTH	1	2	3	4	5
Increase in number of employees					
Improvement in stock levels					
Introduction of new products					
Increase in sales in comparison to competitors					
Increase in market size in against to your expectations					
Growth in profits in relation to your expectations					

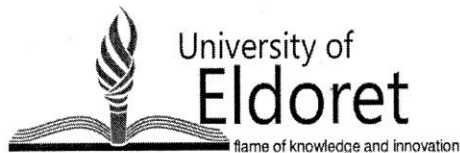
Other comments

APPENDIX 1V: MAP OF UASINGISHU COUNTY



Source: Google Maps

**APPENDIX V: LETTER OF AUTHORIZATION TO COLLECT DATA
FROM UNIVERSITY OF ELDORET**



P.O. Box 1125-30100, ELDORET, Kenya
TEL: 0572507092
WEBSITE: uoeld.ac.ke
EMAIL: deansbms@uoeld.ac.ke

**OFFICE OF THE DEAN
SCHOOL OF BUSINESS MANAGEMENT AND SCIENCES**

OUR REF: BMS/PGMBM/2001/14

DATE: 25th MAY, 2016

TO WHOM IT MAY CONCERN

RE: DATA COLLECTION - KENEI MARTIN KIPLIMO

The above matter refers;

This is to confirm that the above named person is a bonafide student in the University of Eldoret, school of Business and Management Sciences taking masters in Business Management. He is carrying out a research on: **Youth enterprise development fund: A catalyst for growth of Small and Medium Enterprises in Uasin - Gishu County, Kenya**. This is to kindly request you to allow him collect data that will be used for academic purposes only.

Any assistance accorded to him will be highly appreciated.


**DR. ROBERT I. OTUYA
DEAN, SCHOOL OF BUSINESS & MANAGEMENT SCIENCES**

**APPENDIX VI: LETTER OF AUTHORIZATION TO COLLECT DATA
FROM NACOSTI**



**NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION**

Telephone: +254-20-2213471,
2241349,3310571,2219420
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Email: dg@nacosti.go.ke
Website: www.nacosti.go.ke
when replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No.

Date:

NACOSTI/P/16/47146/12177

13th July, 2016

Martin Kiplimo Kenei
University of Eldoret
P.O. Box 1125-30100
ELDORET.

Proceed

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Youth enterprise development fund; a catalyst for growth of Small and Medium Enterprises in Uasin-Gishu County, Kenya,*" I am pleased to inform you that you have been authorized to undertake research in **Uasin Gishu County** for the period ending **12th July, 2017**.

You are advised to report to **the County Commissioner and the County Director of Education, Uasin Gishu County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.


DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Uasin Gishu County.

**COUNTY COMMISSIONER
UASIN GISHU COUNTY**

The County Director of Education
Uasin Gishu County.

*Research
authorised
Kumar*

**For THE COUNTY DIRECTOR OF EDUCATION
UASIN-GISHU COUNTY
TEL: 053-2063342 / 0719127212
P. O. Box 9843-30100,
ELDORET.**

