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Micro Support and Performance of Youth Enterprises

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Abstract:
Youth enterprises in Kenya are faced with performance difficulties related to revenue, risks, investment practices, decision making and market share. These enterprises are also experiencing an exponentially increasing competition. In order for them to become sustainable, productive and viable there is a dire need for them to be supported. Objective was analyzing Micro support on performance of selected youth enterprises in Kericho County, Kenya. The paper used financial intermediation theory and information asymmetry theory. Descriptive research design targeting 100 youth enterprises was used to obtain a sampled 30 youth groups. Data collected from the study was analyzed using descriptive statistics and inferential statistic. Findings indicated that the factors that hindered youth enterprises from accessing micro credit facilities which included interest rates, government policies, social and economic factors. This interfered with the performance of youth enterprises in Kericho County. Micro grants and micro training has assisted positive to a greater extent on performance of youth enterprise the only setback was the insignificants of micro insurance. In Conclusion, there is a need to increase the amount of credit facilities advanced to the youth enterprises. Interest rates should also be reduced so that youth enterprises can be in a position to repay and become sustainable and profitable and therefore improve their performance. Entrepreneurship training programs targeting the youths, recommended these Micro training tools should be uniquely designed to attain the needs of various youth enterprises.

Keywords: *Micro support, youth enterprises, entrepreneurship, Kericho, Kenya*

1. Introduction

Youth enterprises engage in activity in terms of socio-economic improvement of a nation (Baumol, 2008) because they provide fundamental steps in creating employment opportunities cheaply (Beck, et al., 2008). Both youth enterprises and SMEs contribute immensely in creating income generating activities to enable young people to be independent and sustain themselves in the livelihood, particularly in the developing countries (Beck, et al., 2005). Providing support services to youth enterprises plays a significant role in determining how they conduct their businesses and they are subject to conducive effective playing ground for expansion.

Economic Survey (Kenya National Bureau of Statistics, 2013), both youth enterprises and the small businesses that add up to 75% active and operational businesses, employ over 5 million jobless and 30%, equivalent to 87% of all new jobs, and contribute 19% Kenya's GDP. Starting and operating youth enterprises is characterized by both successes and failures. Lack of planning, poor funding and failed strategic approach in terms of managing the business has contributed immensely to the failure of youth businesses (Longenecker, et.al, 2013). Compared to larger organizations, youth enterprises have special features. One major characteristic which distinguishes youth enterprises form large business organizations, other than size itself, is that of uncertainty (Westhead and Storey, 26). Above this, external uncertainty has affected the youth enterprises and SMEs, particularly in accessing financial services due to their limited collateral and high level of survival uncertainty.

Performance comprises the actual output as measured against its intended outputs. This describes the strength of a business firm to create income and improve assets in order to maintain cash inflows (Greenwood & Jovanovic, 2011). Performance is an analysis of the goals and objectives. There are three core elements analyzed in performance. These elements are financial performance, shareholder value performance, and market performance. Performance indicators are applied to establish the performance of enterprises. Some of important financial ratios which business organizations use for analysis include liquidity ratio, profitability ratios, and financial leverage ratios, among others. These ratios, for some times are applied to analyze the stability of a company in terms of liquidity (Jayawardhera & Foley, 2000). Growth in assets on youth enterprises is significant and SMEs notwithstanding. Profitability can therefore be measured using assets (Murthy & Sree, 2003). ROA define by (Khrawish, 2011) as indicator of growth in assets of enterprise.

2. Literature Review

Scholars have concentrated on empowering youth and have not considered micro support that are essential in youth enterprise. To understand more theoretical and empirical review of the variable were outlined below;

2.1. Theoretical review

It indicates the use of financial intermediation and information asymmetry theory which has different approach to markets and the influence it gives to the enterprises.

2.1.1 . Financial Intermediation Theory

Leland and Pyle in 1977 developed Financial intermediation theory in which they defined financial intermediation being the activity of taking the extra units of funds to be deposited in a financial institution and then given to those with less amount so as to pay later with an additional amount. In the recent study done by Bisignano (1992) indicated that this is grouped into for different categories which include, that a certain amount of deposits are not in any way related to portfolio measured in terms of performance, that the assets generated or acquired are much longer than the deposits made, on a demand not a price inform of a cheque that indicates the liability index can be withdrawn anywhere anytime and the assets acquired and the liabilities measured cannot be transferred to anywhere.

Scholtens (2003) indicates that this theory enables enterprises to access funds easily, hence steady flow of funds from surplus to deficit units and this is significant to the study as it will sought to examine the impact of financial intermediation through provision of micro credit on the performance of youth enterprises in Kericho County, Kenya.

2.1.2 Information Asymmetry Theory

Michael S, Joseph E. improved the theory in the early 1970s. The interest was that information asymmetries is an ex ante nature, (Healy and Palepu, 2001). SMEs, including youth enterprises operate in an environment characterized by a high level of information asymmetry. Healy and Palepu (2001), put in clearly in their studies that there are pressures similar to hinder the goal of investors in an economy and hence asymmetric information play a crucial role 0on micro financing on performance of youth enterprises.

Palepu, (2001), Leland and Pyle (1977), showed in the study that it is a great knowledge to invest in assets that generate wealth. According to Diamond, (1984) organizations solve such problems. This theory is relevant as it sought to explain how knowledge through micro training affects youth enterprises in Kericho County. Findings show training is vital to the success on the business as it equip the entrepreneurs with the necessary skills, knowledge on cost management and risk.

2.2. Micro Support

It comprises of micro credit, micro insurance, micro training and micro grant.

2.2.1. Micro Credit Facilities

From the studies done by Abiola, (2011). Credit facility is a contractual agreement between an individual who needs funds and a lender, the lender agrees to repay the lender in some specified date agreed upon. Youth enterprises financial services issued by lending institutions such as micro finance. On the study done by (Quaye, 2011) asserts that this is because these enterprises do not have security required by these micro finance, whereas banks do not need to risk getting involved with these enterprises. Moreover, risks involved in lending to youth enterprises and SMEs make it unattractive to the banks to deal with them (Quaye, 2011). Vanderberg (2004) provided study that shows that youth business has higher percentage in failing to run the business, this makes it difficult for banks to access its viability and sustainability, hence inability to pay back amount given. Youth enterprises, therefore, need both financial and non-financial services to enhance their productivity, profitability, growth and performance. Sievers & Vanderberg (2004) hold the view that access to financial and business development services are essential for the performance, growth and development of youth enterprises and other SMEs globally.

Micro financing is very important in the management and survival of youth enterprises. Micro-Finance Institutions (MFIs), as part of their core business, provide credit to youth enterprises and other SMEs including women enterprises (Abiola, 2011).

According to Ogujiuba Ohuche & Adenuga (2004), credit facilities available to enterprises in Nigeria are long-term and short-term loans which are generate income and categorized as assets. According to the findings of a study by Joeveer, (2006), micro-financing is very important on indicators of youth business growth and SMEs in the developing economies.

Asiama, (2007) define micro-finance is a process whereby financial service provider provides such services as monetary value and cash management to its members in presentable well accounted manner for business growth and progress. Debt and equity financing are some of the factors that limit youth enterprises to develop. Finance access is the best option for youth businesses to showcase productivity capacity, compete, and create employment. Youth businesses across most developing countries lack access to funds for growth due to low deposits, (World Bank, 1994). On the other hand, youth enterprises hardly meet financial threshold provided by financial institutions, because Formal Financial Institutions (FFIs) perceive youth businesses in risk terms due to their inability to repay loan as a result of limited management styles. Without finance, youth businesses will never adopt evolving technologies for expansion, and hence less competition with larger business (CTAD, 2002).

2.2.2. Micro Insurance

According to Jacquier C. (1999), it is service provided to protect the wealth of the customers in an exchange of small fee called premiums; the services involved covering on risk associated with the nature of the business. However, target population consists of customers who have been affected by services involving social insurance schemes.

Churchill C. (2006) defines micro insurance as a situation whereby the public sector is expected to assist in developing capital infrastructure in order to aid in a competitive market especially for such products like agriculture which are vulnerable to poor climatic conditions. Micro financing function boosts productivity on growth for the youth enterprises. Several youth enterprises fail because they lack coverage on risks.

2.2.3. Micro Training

According to Cheung (2008, p. 501), youth enterprises mostly do not have experience and training in operations and supervision of the businesses. Studies done by Nafukho (2010) poor management of the business is the cause of collapse of most youth enterprises. Kayanula & Quartey, (2000) indicated in the study that despite management being very vital in any business it is the determinant of success and failure as well.

According to Munene, (1999), decisions on style and marketing adoption, the funds to collect, advertising programs, pricing strategy, recruiting employees for training, are the management functions any business person success factor. According to the studies done by Storey (1994), there are factors which influence business performance which includes past businesses, development, customers, management style and location of the enterprise. Significantly, Kupferberg, (1998) ascertain entrepreneurship and career commitment in entrepreneurship, indicated factors that influence the growth in terms of education, wealth creation and financial performance of enterprise.

Brownstein (2007) management training makes a crucial tool that assists in poverty alleviation which needs gradual changes for its alleviation. In Sub-Sahara Africa micro financing has improved quite significantly, which has never provided magic solutions to poverty since some other issues have not been addressed (Beck, et, al. 2008). Micro financing should therefore be given more support, especially in training youth entrepreneurs on management issues to yield some fruitful results. Currently, there should be a maximum awareness programs, create strict coordination, improvement in aid, and technology as well effectiveness. Financial improvements make the empowering the progress of youth enterprises easy on Millennium Development Goals, financing is the only way in a progress of reduce poverty and hunger in the region. Management training of youth entrepreneurs is very important on the youth enterprises on impoverished conditions. Management and operational lessons can provide the youth with valuable inputs that will enable them run the enterprises successfully (Beck, et. al., 2008).

2.2.4. Micro Grants

Micro grants are monetary and non-monetary products and services given to enterprises that have been started by youths. The main objective is to which will enable enterprises to be sustainable and profitable, NYDA, (2009). Micro grant, is a micro support initiative aimed at supporting business startups that has potential to improve on growth and sustenance. Danish foundation entrepreneurship report, (2011) depicts that in order to promote entrepreneurship as a career path, it is important also to support those youth who have good ideas by offering a series of micro grants to students.

According to NYDA, (2009), approximately 600 youth owned enterprises in South Africa have benefited from the grant initiative stating from R1,000 to R100, 000 (One thousand to one hundred thousand Rand) On the other hand, before being given the micro grant services, the youth in South Africa must be enrolled in the NYDA mentorship program for at least one year. This is to ensure that the youth gain competence and knowledge in the running business and therefore ensures youth businesses become sustainable. In Kenya the Wells Mountain introduced Micro-Grants Program in 2015 which provides a one-time grant of $100 to $1,000 (One hundred to one thousand dollars) to help youth start and expand their business in addition to supporting community service project.

3. Research Questions

The paper was to answers the following research questions.

- In what ways does access to micro credit affect the performance of youth enterprises?
- In what ways does micro insurance affect the performance of youth enterprises?
- In what ways does micro training affect the performance of youth enterprises?
- In what ways does micro grant affect the performance of youth enterprises?

3. 1. Research Methodology

Churchill (1991) descriptive design was used to investigate micro support and performance of youth enterprises in Kericho County, Kenya. According to Kericho County ministry of industrialization report of 2014, there are over 300 youth

owned registered enterprises operating in Kericho County. The target population was 100 youth enterprises in Kericho County, Kenya, who have accessed micro-support services from MFIs. Therefore, 100 youth business were targeted in Kericho County, Kenya. A sample size of 30 youth enterprises in Kericho County, Kenya was used. Mugenda and Mugenda, (2003), argue that if well selected, a sample of between 10-30% of the population is adequate for generalization of findings to the whole population. For the secondary data, the study used five-year period from 2011-2016.
Samples size = 30% of the Target population
Therefore, sample size = 30%*100 = 30

The questionnaires were self-administered which the researcher distributed to the targeted youth enterprises which were the primary tool of data collected. Data were analyzed using inferential statistics

4. Data Analysis, Results and Discussions

The return rate was 100% where all the 30 questionnaires that were supplied to the respondents in youth enterprises, all were returned.

General information of youth enterprises including the name of enterprises, the number of years the enterprises have been active, and the number of youth employed by the youth enterprises.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than a year	11	36.7	36.7	36.7
	1-3 years	12	40.0	40.0	76.7
	4-6 years	5	16.7	16.7	93.3
	6-8 years	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

Table 1: Length of Activeness in Enterprise
Source: Research Data (2017)

Majority of youth enterprises (40%) had been active between 1-3 years. The numbers of enterprises formed within less than a year are many with 11(36.7%) respondents. Meaning for the last three years 76.7% of the enterprise were founded. This could be attributed to the fact that majority of the youth had started embracing entrepreneurship mainly due to the emergence of the county government and youth empowerment programs.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 employees	16	53.3	53.3	53.3
	5-10 employees	5	16.7	16.7	70.0
	10-15 employees	4	13.3	13.3	83.3
	15-20 employees	4	13.3	13.3	96.7
	Over 20 employees	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Table 2: Number of Employees
Source: Research Data (2017)

The number of employees in the enterprise indicated that 16(53.3%) were less than 5 employees, for 5-10 employees there were 5(16.7%), 10-15 employees there were 4(13.3%), 15-20 employees there were 4(13.3%) and over 20 employees were 1(3.3%) employees.

Regression analyses were conducted and the following findings were obtained;

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.951[a]	.905	.890	.24761	.905	59.670	4	25	.000	2.340

Table 3: Coefficient of Determination Using SPSS Version 21
Source: Research Data (2017)
a. Predictors: (Constant), Micro Credit, Micro Insurance, Micro Grants, Micro Training
b. Dependent Variable: Performance of Youth Enterprises

The variation in performance is explained by micro credit, micro insurance, micro grants and micro training their contribution is 90.5%. This model is a fit for the two variables (micro support and performance of youth enterprises ($F_{(2,25)}$ = 59.670, P< 0.05).

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.187	.318		.586	.563		
	Micro credit	.242	.149	.276	2.627	.036	.132	7.597
	Micro insurance	.085	.058	.099	1.466	.155	.839	1.192
	Micro grants	.230	.110	.209	2.086	.047	.379	2.638
	Micro training	.431	.155	.478	2.785	.010	.129	7.768

Table 4: Coefficients of Regression Model Using SPSS Version 21
Source: Researcher (2017) A. Dependent Variable: Performance Of Youth Enterprises

From the above table 4, the researcher sought to establish the extent to which micro support affect performance of youth enterprises. The following regression equation was obtained:
Performance will change by 0.242 units increase in micro credit and other factors held constant. Increase in 0.085 units of micro insurance will alter performance by similar magnitude. There is an increase in 0.230 units of micro grants will affect the performance with similar scale. Increase in 0.431units of micro training will affect performance with same level.
Micro training, grants and credit were viewed to be positive significant contributors to performance to youth enterprises in that respective descending order (P<0.05). Micro insurance was not significant but a positive contributor to performance of youth enterprises (P>0.05).

5. Conclusions and Recommendations

The study established that interest rates, government policies, social and economic status were the major hindrance to accessibility of micro credit and therefore affected the performance. Therefore, there is a need to increase the amount of credit facilities advanced to the youth enterprises. Interest rates should also be reduced so that youth enterprises can be in a position to repay and become sustainable and profitable and therefore improve their performance. Further, micro credit schemes should be designed in a manner to overcome the numerous challenges that the youth enterprises face. The study also established that micro insurance is important to youth enterprises as it enables them to cover for the unforeseen risks. However, there is a need to ensure that youth entrepreneurs are enlightened on the importance of micro insurance. Liquidity constraints, cost of insurance, and trust issues are other factors that inhibit the youth from taking insurance policies. Therefore, there is need to ensure that cost of insurance is affordable to youth enterprises. Micro grants are important in order for the youth to access finance. Training of youth entrepreneurs including equipping the youth with necessary skills, enhancing their interests, cost of training, and improving technology.

The paper recommends that Micro credit schemes should be redesigned to overcome the challenges that inhibit their effectiveness. The challenges faced by youth enterprises in accessing micro credit services especially interest rates and government policies should be addressed.

Insurance issues should also be looked at in view of the need for insurance and financial institutions to redesign insurance policies that can be easily accessed by the youth enterprises especially in terms of cost. There is a need to ensure that youth entrepreneurs are enlightened on the importance of micro insurance. Liquidity constraints, cost of insurance, and trust issues are other factors that inhibit the youth from taking insurance policies. Therefore, there is need to ensure that cost of insurance is affordable to youth enterprises.

Entrepreneurship training programs should be rolled out mostly targeting the youths. These Micro training programs should be customized to meet the unique needs of various youth enterprises. The Micro training programs should be aimed at equipping the youth entrepreneurs with skills, and technology.

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