

EFFECT OF YOUTH ENTERPRISE DEVELOPMENT FUND ON PERFORMANCE OF YOUTH ENTERPRISE BUNGOMA COUNTY, KENYA

David Simiyu Waswa 

Department of Accounting and Finance, Masinde Muliro University of Science and Technology, Kenya

daviewaswa@gmail.com

Charles Yugi Tibbs

Department of Accounting and Finance, Masinde Muliro University of Science and Technology, Kenya

Alala Benedict Ondiek

Department of Accounting and Finance, Masinde Muliro University of Science and Technology, Kenya

Abstract

Despite the initiative by the government to introduce Youth enterprise development funds in Kenya, the real effect of these funds is yet to be experienced on performance of the youth enterprises. The purpose of this study is to examine the effect of Youth enterprise development funds on performance of youth enterprises Bungoma County. Explanatory survey research design was use adopted. The study targeted a population of 67117 of youths in Bungoma County and employed the Agency theory. The study adopted stratified random sampling procedure to arrive at 380 respondents. Data was collected using questionnaire, Secondary data was obtained from the financiers of the YEDF. The researcher collected both quantitative and qualitative data. Both inferential and Descriptive statistical analysis was employed to analyze data. The results of data analysis was presented in tables, charts and interpretations made based on the research objective. The fund has created employment and empowerment of youths who have managed to access them, however there are also challenges like poor management, lack of awareness, Little training, long procedures in acquiring the funds which the Government should address to ensure transparency.

Keywords: Youth enterprise, Performance, Development, Kenya

INTRODUCTION

Unemployment is one of the most daunting economic challenges facing Kenya. Youth unemployment is one of the biggest development challenges in the Third World today. In Kenya over 15 million people live below the poverty line, with over three million classified as unemployed. The government has consistently placed job creation at the top of policy agenda. Youth account for 61% of the unemployed. It is in recognition of the above facts the government started institutional financing as a way of addressing unemployment which is essentially a youth problem. The concept is based on the premise that small enterprise development initiatives are likely to have the greatest impact on job creation (YEDF, 2011). YEDF was established in the year 2006 with the sole purpose of reducing unemployment among the youth. The target of the Fund is young people within age brackets of 18 years to 35 years who number 13 million. The Fund was gazetted on 8th December, 2006 and then transformed into a state corporation on 11th May 2007. The fund's strategic focus is on enterprise development as a key strategy that will increase economic opportunities for, and participation by Kenyan youth in nation building (YEDF, 2011). In the year 2005, the Fund developed a three year strategic plan to address varied needs and aspirations of the youth, and to address challenges it has faced in the past. The Fund is currently working on a 5 year strategic plan with the Medium Term Plan (MTP) of vision 2030. The Fund's objectives is to provide on-lending to the youth enterprises, attract and facilitate investment in small and medium oriented commercial infrastructure that will be beneficial to youth enterprises, support youth oriented small and medium enterprises to develop linkages with large enterprises and facilitate marketing of products and services of youth enterprises both in domestic and international markets. The Fund also provides business development services to youth enterprises (YEDF, 2011). The Fund comes with free entrepreneurship training, charges no interest at the start up stages and does not require any collateral. The Fund also guarantees convenient appraisal and repayment terms. The Fund has financed over 144,000 youth enterprises to the tune of Kshs.5.2 billion. It has also helped thousands of the youth build their enterprises through market support and enterprise training. The Fund has trained over 200,000 young entrepreneurs (YEDF, 2011). The fund has facilitated long-term economic growth for themselves, their families and their communities Yasmine Miemiec (2013).

Statement of the problem

The Kenyan government, in line with the Medium Term Plan (MTP) of Vision 2030, has chosen to support start-up and growth of youth enterprises. There has been overemphasis by previous studies on the issues that address challenges and administration of devolved funds with less regard on the real influence on youth development (Mboga, 2008; Davies, 2012). Despite of

these funds, it has been revealed that the establishments of enterprises have a very low growth rate, with serious challenges leading to 60 percent failures in performance of youths

The government of Kenya has chosen to support youth enterprise sector by providing enabling environment and support programmes that develop the sector. However the Fund has not made significant impact on growth of MSEs (Gudda & Ngoze, 2009). The Fund's objective is to provide on-lending to the youth enterprises, attract and facilitate investment in micro, small and medium oriented commercial infrastructure that is beneficial to youth enterprises (YEDF, 2011).

The statistics from Bungoma County department of trade enterprises (2013) shows that youth enterprises has not been fully accessed financial assistance from lenders. The percent is very low in Entire County. It is against this background that this study examines the effect of youth enterprise development fund on the performance of youth enterprise in Bungoma County.

Objective of the study

Examine the effect of youth enterprise development fund on performance of Youth enterprises in Bungoma County, Kenya

LITERATURE REVIEW

Youth Enterprise Development Fund

The unemployment challenge is global and presents an economic and social crisis that threatens the dignity and livelihoods of millions of individuals, including young people (ILO 2010). Globally, over 75 million young people between the ages of 15 and 24 years are outside the formal labor market, yet they are looking for work (ILO 2010). A study by the International Labor Organization found that over 75 per cent of young people aged between 15 and 29 are involved in informal work as their primary economic activity (Elder *et al.* 2015). Many of the under- and unemployed young people are in the least developed countries in the global South (ILO 2010). In sub-Saharan Africa, young people constitute more than 50 per cent of the entire population (United Nations 2012); furthermore, it is estimated that 'each year between 2015 and 2035, there will be half a million more 15-year-olds than the year before' (World Bank 2014: 2). While the high numbers of young people present an opportunity for the continent, the 'youth bulge' also presents significant economic, social and political challenges.

This YEDF concept is based on the premise that encouraging micro, small, and medium enterprise development initiatives is likely to have the biggest impact on job creation (MOYAs, 2010). The Fund has continued to diversify its product base by focusing on interventions that are more responsive to the needs of the youth and are geared towards addressing specific challenges facing young entrepreneurs (MOYAs, 2010).

Kamau (2010) researched on the; “the role of Youth Enterprise Development Fund on growth of Micro and Small Enterprises in Kenya: a case of Kiharu Constituency, Murang’a County”. The study specifically sought to: To establish the extent to which YEDF provides on-lending to youth MSEs, support youth MSEs develop linkages with large enterprises, facilitates marketing of products and services of youth MSEs locally and internationally and establish the extent to which YEDF provides business development services to youth MSEs

The fund is accessed by both groups and individuals. Functions of the fund include lending to the youth, market linkage, supporting youth enterprises to develop linkage with large enterprises, facilitating market of products and services of youth enterprises, facilitate employment of the youth in the international labour market, and provide business development services to youth enterprises. There are specific products designed for groups and individuals. For example, *Rausha* Programme and *Inua* Programme is designed for group’s business expansion purpose. The *Vukaloan* and *Smart loan* is for individual business expansion. The funds are awarded through a competitive process (Otieno, 2015).

Agency theory

According to Rees (1985), the theory focuses on the relationship between principals and agents who exercise authority on behalf of organizations. This theory is of the view that principals must solve two basic tasks in choosing and controlling their agents: first, they have to select the best agents and create inducements for them to behave as desired. Second, they have to monitor the behavior of their agents to ensure that they are performing as agreed (Ayee, 2005). A problem arises when the parties’ goals conflict or when it is difficult for the principal to verify what the agent is actually doing.

In devolution of funds the principal agency relationship arises, the national government as being the principal and the youth enterprise funds management committees and staffs being the agents. If the relationship between the two parties is not well checked, then the problems associated with the agency theory, like the information asymmetries are bound to occur thus limiting the effect of the fund.

METHODOLOGY

Area of Study

The study was carried out in Bungoma County situated on Western part of Kenya. Bungoma has 9 Constituency with a population of 1,375,063 and an area of 2,069 km² (Wikipedia 2013). It lies on latitude 0^o25.3’ and 0^o53.2’ north and longitude 34^o24.4’ and 35^o 04’ east of Kenya.

Research Design

The researcher adopted explanatory research

Target Population & Sampling

This study targeted youths who have enterprises in Bungoma County. The study used stratified random sampling to select samples to participate in the study. Sample size of 380 youths in Bungoma County that were used in the study, Survey Monkey (2017).

$$n = \frac{Z^2 \times P (1 - P)}{e^2}$$

$$1 + \frac{Z^2 \times P (1 - P)}{e^2 N}$$

Where,

N = Total population

P = Expected proportion of accessible population at 50% according to survey monkeys

Z = Level of confidence of 95%

E =Tolerable error

$$n = \frac{(1.96)^2 \times 0.5 \times (1- 0.5)}{0.05^2}$$

$$1 + \frac{(1.96)^2 \times 0.5(1- 0.5)}{0.05^2 \times 67117}$$

$$n = 380$$

Table 1 Sampling Design

Constituency	Target Population (x)	Sample size (y)
Kanduyi	38405	217
Kabuchai	18257	103
Webuye East	822	5
Kimilili	9631	55
Total	67117	380

Source; Census Report (2009)

Questionnaire was used as instruments for primary data collection. Secondary data was obtained from the financiers of the YEDF on the number of applicants, number of successful applicants.

ANALYSIS AND FINDINGS

Response Rate

Among the 380 questionnaires distributed, 234 were duly filled and returned, they were subjected to computer software for analysis as this represented a response rate was 61.57%. According to Mugenda (2003), a response rate of 50% or more is adequate, Kanduyi had the majority of respondents with 42.7%, Kabuchai had 33.8%, Kimilili had 14.5% and Webuye east had the least response of 9.0% of the respondents, the female participants were the majority by 53%.The gender participation truly reflects the percentage of gender inclusion (role) in most of organization fundable projects in Bungoma, since most women are organized in groups in the name of Merry-go-round, table banking among other activities which make them form and access the funds as compared to men counterparts.

According to age bracket 32-35 Years recorded the highest percentage of 26.1%, 36-41 Years had 24.4%, 24-27 Years had 17.1% and those above 42 Years registered the least response of 9.0%. This study results were in connection with the study finding of Martey et al (2013 who conducted their research which showed that age of an entrepreneur was the most influential determinant of performance of youth enterprises.

The results indicates that, most of the respondents were people who have stayed in the study area(Bungoma) for 15 and above Years Similarly, Woldie et al (2008) concluded that SME growth was largely influenced by firm characteristics such as age of the business, sector, legal status and number of employees

Youth Enterprise Development Fund on Performance of Youth Enterprise.

Table 2 Constituency * Youth Fund Cross tabulation

		Youth Fund				Total
		Good	Average	Worst	Nothing	
Constituency	Kabuchai	9	29	31	10	79
	Kanduyi	11	48	34	7	100
	Webuye East	4	7	7	3	21
	Kimilili	3	14	11	6	34
Total		27	98	83	26	234

Table 2 indicate that most of respondents were average across the target constituencies on the performance of youth funds at 98 of 234 of the general respondents, 83 of 234 rated it as the worst performing devolved in Bungoma, good and Nothing recorded the lowest response on this

ratings. This implies that youth funds has an average effect on youth empowerment in Bungoma.

Table 3 Level of employment

		Frequency	Percent
Valid	Agree	17	7.3
	Neutral	161	68.8
	Disagree	17	7.3
	Strongly Disagree	39	16.7
	Total	234	100.0

Table 3 indicates that majority of respondents were neutral whether youth funds has facilitated employment opportunities at 68.8%, 16.7% strongly disagreed on the fact that it has led to any employment, 7.3% agreed and the same portion disagreed that youth funds has led to unemployment. This implies that most youths are neutral on the fact that youth fund has led to employment.

Table 4 Weakness of the Programme

		Frequency	Percent
Valid	Corruption and discrimination	147	62.8
	Follow-up activity	14	6.0
	Lack of co-operation among members	15	6.4
	Little training	58	24.8
	Total	234	100.0

Table 4 indicates that, 62.8% of youth enterprise fund beneficiaries are associated with corruption and discrimination, 24.8% reported that there is little training to the public pertaining the funds, 6.4% noted that there is lack of co-operation among members while 6.0% reported that there is little follow- up activities done by the funding agencies.

This implies that problems affecting the access to and use of youth enterprise Fund are majorly poor management and discrimination, little training to members and the public pertaining the use of funds, poor follow-up activities which has further encouraged poor co-operation among benefiting members. These findings were clearly seconded by (Ministry of Youth Affairs and Sports, 2010). Who did the same and found out the same challenges affecting youths in Kenya. The above challenges are supported by a research which was carried out by

Wawire and Nafukho (2010) s which indicates that there is poor management which leads to Failure of youth enterprises.

Table 5 Solution to the Programmes

		Frequency	Percent
Valid	equal distribution of funds	147	62.8
	intensive follow-up plans	33	14.1
	training on profitable projects	8	3.4
	working together in unity	15	6.4
	youth awareness programme	31	13.3
	Total	234	100.0

Table 5 indicates that 62.8% of the respondents suggested that the distribution of funds should be done equally to all beneficiaries regardless of the region or the constituencies they belong, 14.1% suggested that the agents of the funds should make an intensive follow up plans to ensure the commissioning of the funds ,13.3% suggested that youth awareness program should be implemented to sensitize youths on the funds, 6.4% suggested that youth should come up with a policy and a culture of working together in unity and 3.4% recommended that youths should trained on profitable project before venturing into such investments.

Table 6 Correlation Analysis of youth enterprise Fund

		Youth Fund	Performance
Youth Fund	Pearson Correlation	1	.366*
	Sig. (2-tailed)		.011
	N	234	234
Performance	Pearson Correlation	.366*	1
	Sig. (2-tailed)	.011	
	N	234	234

**correlation is significant at the 0.01 level (2-tailed)

*correlation is significant at the 0.05 level (1-tailed)

The results in table 6 indicates that the relationship between youth enterprise Fund and performance of Youth Enterprises in Bungoma County is positive and statistically significant (0.366, $p < 0.05$ and $N=234$) with 99.0% confidence level. This implies that youth fund has a positive significant effect on performance of youth Enterprise in Bungoma County Kenya. This findings support findings by Kamau (2010) who researched on the; the role of Youth Enterprise

Development Fund on growth of Micro and Small Enterprises in Kenya and emphasized that the funds has developed business services among the youths, Further the findings also supports Otieno (2015) who suggested that the fund has facilitated employment of the youth in the international labour market, and provide business development services to youth enterprises.

Regression analysis of Youth enterprise development fund and performance

Tables 7 Model Summary of Youth Enterprise Fund and performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.366 ^a	.134	.130	.783

a. Predictors: (Constant), Youth Fund

In establishing the effect of youth fund on performance of youth enterprise in Bungoma County, The study established a Pearson product moment coefficient of correlation (R) as 0.366 which reveals that the aspect of youth fund is significantly explained up to -36.6% of the performance of youth enterprises in Bungoma county Kenya. The study also looked at a coefficient determination (R Square) which is the proportion of variance in dependent variable which is performance of youth enterprises from the independent variable youth fund. This value indicates that 13.4% of the variance in youth fund can be predicated from performance of youth enterprise. The adjusted R square of 0.130 yields an estimate of the R square of 0.134 which reveals that there is less difference because we are dealing with only one variable.

Table 8 ANOVA Table on youth enterprise Fund

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.931	1	21.931	35.813	.000 ^b
	Residual	142.069	232	.612		
	Total	164.000	233			

a. Dependent Variable: performance

b. Predictors: (Constant), Youth Fund

The ANOVA result revealed that the percentage variation that has been accounted by Youth fund is statistically significant with $F(1) = 35.813$, $p < 0.05$. This implied that there is a statistical significant relationship between the predictor variable Youth fund and performance of youth enterprise in Bungoma County.

Table 9 Coefficients table of youth fund and performance

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	4.599	.218		21.141	.000
	Youth Fund	.366	.061	.366	-5.984	.000

Dependent Variable: performance

The unstandardized regression coefficient value of youth fund is 0.366 with a t test of 21.141 and significant level of $p < .05$. This indicated that a unit change in youth fund would result to change in performance of youth enterprise in Bungoma County by .366. Hence, reject the null hypothesis since $p < 0.05$, which implies that there is a significant relationship between youth funds and performance of youth enterprises in Bungoma County Kenya. The results supports the findings of MOYA (2010) who suggested that youth enterprise Development Fund encourages micro, small, and medium enterprise development initiatives which has the biggest impact on job creation and performance of youths, this outcome also support findings by Kamau (2010) who researched on the; the role of Youth Enterprise Development Fund on growth of Micro and Small Enterprises in Kenya and emphasized that the funds has developed business services among the youths, It also shows that YEDF has actually been on the ground and has assisted some youth in developing their entrepreneurial skills which have assisted the youth in developing their enterprises. Further the findings also supports Otieno (2015) who suggested that the fund has facilitated employment of the youth in the international labour market, and provide business development services to youth enterprises. Hence the regression equation to estimate the performance is estimated as:

$$Performance = 4.599 + 3.66 Youth fund$$

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The objective of the study was to examine the effect of youth enterprise development fund on performance of youth enterprise in Bungoma County. The regression coefficient value of youth fund is 0.366 with a t test of 21.141 and a probability value of $p < .05$. This indicated that a unit change in youth fund would result to change in performance of youth enterprise in Bungoma County by .366. Hence, this implies that there is a significant relationship between youth funds and performance of youth enterprises in Bungoma

From the findings of this study the researcher concludes that, youth fund is popular in Bungoma. It is also noticed that youths nearer county administrators' office have benefited more

as compared to those far from offices. Kanduyi constituency carries more beneficiaries of devolved funds. Devolved funds has suffered from: poor management, little training and awareness programme, poor follow up activities and lack of cooperation among the member upon access to fund. People concerned should ensure that they disburse the funds for the purpose and development of youths in the Bungoma county Kenya.

The researcher recommends that; a further study be carried out to reveal a deep insight into the perception, competence and attitude towards devolved funds more so on the repayments plans.

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