

FACTORS INFLUENCING PERFORMANCE OF YOUTH GROUP MICRO AND
SMALL ENTERPRISES IN KISUMU WEST DISTRICT, KISUMU COUNTY

BY:

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DECLARATION

This thesis is my original work and has not been presented for award of degree in any other University.

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We confirm that the work reported in this thesis was carried out by the candidate under our supervision.

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DEDICATION

This thesis is dedicated to all those whose contributions have enabled me reach this far in academic life. I equally dedicate this work to my wife Judith Akinyi Oywa, my children Michael and Maria Clara Adhiambo and to my parents Mr. & Mrs. John Okungu.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machines
ECA	Economic Commission for Africa
FGDs	Focus Group Discussions
GEM	Global Entrepreneurship Monitor
GOK	Government of Kenya
ICT	Information Communications Technology
IEF	Institute for Economic Affairs
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
MFI	Micro Finance Institution
MoYA	Ministry of Youth Affairs
NGOs	Non-Governmental Organizations
MSEs	Micro and Small Enterprises
SPSS	Statistical Package for Social Sciences
UNICEF	United Nations Children's Fund
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund
YG	Youth Group

ABSTRACT

Micro and Small Enterprises (MSEs) play an important economic role among the youth in Kenya. However, MSEs face a mixture of success and failure with past statistics indicating that three out five fail within the first few months of operation. This study sought to explore the factors influencing performance of Youth Group (YG) MSEs in Kisumu West district. The objectives of the study were: to assess the performance of MSEs undertaken by youth groups in Kisumu West district; to determine the opportunities available to youth group MSEs Kisumu West District; and to determine challenges facing the YG MSEs in Kisumu West district. The study targeted 300 MSEs owned by youth groups in Kisumu West district and the youth group members as primary respondents. A descriptive survey design was adopted for the study in which both cluster and simple random sampling methods were used to identify 30 MSEs as units of analysis and 150 respondents who were included in the study. Data was collected through questionnaires and Focus Group Discussions (FGDs) guides while data analysis was done using Statistical Package for Social Sciences (SPSS) for common purposes and presented through graphs, pie-charts tables and percentages. The findings indicate that even though most of the YG MSEs had not operated for more than three years, majority of them were performing well. Further, even though opportunities such as customer/market availability, loan facilities from Micro Finance Institutions (MFIs) and Youth Enterprise Development Fund (YEDF)/Women Enterprise Fund (WEF) among others exist, only a smaller proportion of the YG MSEs had exploited them. Most critical challenges/ barriers faced by YG MSEs include competition, insecurity, lack of capital and managerial problems. The study recommends that the good performance of the YG MSEs should be sustained by capacity development through seminars, workshops to enhance the managers with managerial and mitigation strategies. This will go a long way in helping the MSEs to exploit the latent opportunities. Appropriate mitigation strategies to the identified challenges are also suggested as well as areas for further research.

CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter presents the background information, statement of the problem, purpose of the study, objectives, and research questions. It also contains significance of the study, assumptions, theoretical and conceptual frameworks as well as the definition of terms.

1.1 Background to the study

Micro and small enterprises (MSEs) are widely recognized as a major source of employment and income in developing countries (Mano *et al.*, 2011). If they grow in size, they would contribute to economic growth and poverty reduction among the youth. Like the rest of the world, the Kenyan government has now embraced entrepreneurship development through formulation of policies favorable to development of small enterprises particularly in the recent years. Such policy initiatives include Sessional Paper number 2 of 2005 on development of MSEs for wealth and employment creation (Government of Kenya, (2005); Sessional Paper number 2 of 1992 for small enterprise and *jua kali* development in Kenya; Sector Plan for labour, youth and human resource development 2008-2012 (Republic of Kenya, 2008c); Poverty Reduction Strategy Paper 1999-2015 and MSE bill 2006 which led to the establishment of a council to facilitate the development of MSEs and creation of MSEs development fund (Government of Kenya, 2006). In addition, the Ministry of Youth Affairs (MoYA) established Youth Enterprise Development Fund (YEDF) in the year 2007 (MoYA, 2008) as a source of capital for registered youth groups in Kenya to start and/or boost their MSEs (Onugu, 2005). Most

commercial banks and financial institutions have also developed MSE tailored strategies to give loans to young entrepreneurs in groups or as individuals.

Despite these efforts, problems still face potential young entrepreneurs with recent statistics showing that three out of five MSEs in Kenya fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). Such challenges include identification of business opportunities and negative view of MSEs (Amyx, 2005), poor management (Longenecker *et al.*, 2006) and financial problems (Naidu and Chand, 2012). The major challenge the YG MSEs face is how to overcome the factors hindering growth (Mbonyane and Ladzani, 2011)

In reality, however, YG MSE's productivity remains low and their sizes remain small (Bloom and Van Reenen, 2010). While their low performances may be attributed to the unfavorable circumstances surrounding them (Wanjohi, 2010), recent empirical studies have identified problems within firms (Syverson, 2011; and Sonobe *et al.*, 2011). Although factors that influence MSEs have called the attention of some researchers from various countries all over the world (Wanjohi, 2009; Olawale and Garwe, 2010; and Krasniqi, 2010), little is still known about the factors influencing performance of small Kenyan enterprises especially those run by the YGs (Irwin, 2011). In as much as recent efforts have been made to better understand this subject in an African context, such as researches by Global Entrepreneurship Monitor (GEM) (2010), these studies only focused on MSEs owned by individual entrepreneurs (Fumo and Jabbur, 2011), not including YG owned MSEs in Kisumu West district; a district that recorded the highest

poverty rate of 74% in the recent past (KNBS, 2007). Therefore, one can say that there is a relative gap in state-of the-art on this subject, mainly for youth group MSEs in Kisumu West district. Thus, there is little apparent evidence on factors influencing performance of MSEs owned by YGs in Kisumu West district. As a consequence, the motivation for this study is: What are the main factors influencing performance of MSEs owned by YG's in Kisumu West district? Consequently, the scope of this study is to analyze the factors that influence performance of MSEs owned by YGs; confirming any opportunity available for exploration in this direction and making suggestions for development policies. The originality of this study is that it will provide empirical evidence of MSEs owned by YGs in Kisumu West district. Although other researchers have conducted studies on MSEs in Kenya (Wawire and Nafukho, 2010, Chittithaworn *et al.*, 2011), the reality of youth group MSE in Kisumu West district has never been analyzed before.

1.2 Statement of the problem

Donor agencies, Non-Governmental Organizations (NGOs) and the Kenyan government provide aid for income generation through youth groups (Bowen *et al*, 2009). There exist several interventions by the Kenyan government and NGOs in order to boost the performance of MSE sector in Kisumu West District (United Nations Development Program (UNDP) & MoYA, 2007). These strategies include budgetary allocations, policies, fiscal incentives and grants all geared towards making the MSE sub-sector vibrant (United Nations Economic Commission for Africa (UNECA), 2011). Some of these agencies lend or grant YGs funds for specific MSEs which are selected, prepared, appraised, supervised and evaluated (Wawire and Nafukho, 2010). However, many of the

youth groups MSEs' have not succeeded in getting off the ground (Wanjohi, 2010). Therefore, the question addressed in this study was: What prevents the growth of YG MSEs in Kisumu West district? As a concern to this mixture of success and failure of youth group MSEs (Wanjohi, 2010), this study sought to establish the factors influencing performance of youth group micro and small enterprises in Kisumu west district, Kisumu county.

1.3 Purpose of the study

The purpose of this study was to examine the factors influencing performance of micro and small enterprises (MSEs) owned by youth groups in Kisumu West district, Kisumu county.

1.4 Objectives

The objectives of this study were:

- 1) To assess the performance of Micro and Small Enterprises undertaken by youth groups in Kisumu West district.
- 2) To determine the opportunities available to youth group MSEs in Kisumu West district.
- 3) To determine challenges facing the youth group MSEs in Kisumu West district.

1.5 Research questions

- 1) How do youth groups' MSEs in Kisumu West district perform?
- 2) What opportunities are available to youth group MSEs in Kisumu West district?

3) What are the challenges facing the youth group MSEs in Kisumu West district?

1.6 Significance of the study

The YGs' income-generating project is one way of empowering the Kenyan youth economically. The findings of this study may be used for development of appropriate intervention strategies by the government of Kenya and NGOs to increase the success rates of MSEs owned by YGs since the study provides important information to be used by stakeholders in their effort to empower the youth and to develop the human resources required for Kenya's socio-economic development. Most youth groups in Kisumu West district who are currently operating MSEs or those aspiring to venture into MSEs may use the finding of this study to broaden their knowledge and skills in identification and optimal utilization of the available opportunities as well as adopting appropriate mitigation strategies against the challenges that face YG MSEs. This information is valuable to these agencies and policy makers because it means that YGs' MSEs will take-off and be sustained (i.e. deliver the intended level of benefits for a long time). Sustainability also means that the YG MSEs will enjoy low maintenance costs, increased level of benefits, quality services, accessibility of the community to the MSEs benefits, and starting and implementing their own MSEs instead of replicating successful YGs SMEs elsewhere which might not be appropriate. For individual members, once sustainability of the YG MSEs is achieved, they will be able to derive benefits such as: a yearly income from the proceeds and access to credit. Furthermore, the YGs may start MSEs for individual youths such as: dairy animal keeping; vegetable growing; fish farming. The findings of this study will also add to the existing body of knowledge on MSE management as well as provide basis for further research.

1.7 Delimitations and limitations of the study

This research study targeted MSEs managed by youth groups in Kisumu West district. The scope of the study was to examine the factors influencing performance of MSEs owned by youth groups in Kisumu West district, Kisumu county. Kisumu West district is a rural locality with different geographical, structural and demographic characteristics from other regions in Kenya, therefore generalization of the findings to other youth group MSEs shall be with caution. To curb this limitation, simple random sampling was used to select the respondents to ensure that the information collected was as representational as possible. The researcher could not get the respondents during all the days of the study so the data was collected during the days when they had group meetings. Medium enterprises were not included in the study and also not all factors that could hinder YG MSEs growth in Kisumu West district were included in the study.

1.8 Assumptions of the study

The f assumption of the study was that MSEs are faced with successes, failures, opportunities and challenges

1.9 Theoretical framework

This study was guided by the social systems theory of group functioning by Ludwig von Bertalanffy (1968) which theorizes groups as systems. Groups are conceived as entities that reasonably can be differentiated from their environment and have some kind of boundaries across which interactions take place with the environment. Transactions from the environment to the community systems are inputs while boundary management is

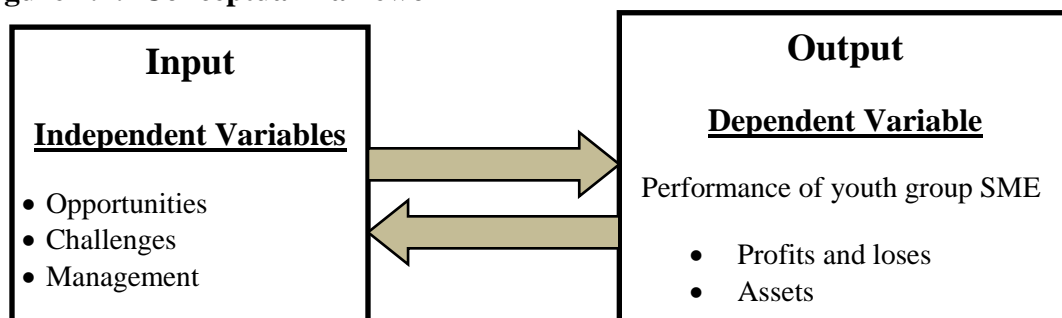
important to sort acceptable inputs from other potential stimuli through coding. Most groups are open systems taking into account the possibilities for spontaneous internal action and other forms associated with living behavior.

This theory formed the basis of this study since MSEs in this study are part of the functioning of youth groups. The groups' achievements of the goals MSEs are supported by the opportunities present both within and outside the youth group environment. These opportunities include accessibility to loans and other financial services, availability of market, education and training, technological advancement and infrastructure among other factors. On the other hand, some challenges such as lack of credit, poor management, competition and insecurity may hinder the success of group MSEs.

1.10 Conceptual Framework

Youth groups in Kisumu West district were perceived as open systems within which management of MSEs takes place. The established MSEs are supported by a number of factors present both within and outside group environments. The input and the output stages are critical in the MSE management cycle. See figure 1.1

Figure 1.1: Conceptual framework



The study explored the effects of opportunities available such as management, education/training, credit facilities/capital, personnel, market, and infrastructure among others on performance of youth group MSEs at the input level. Availability and utilization of these factors may lead to successful performance of youth group MSEs. On the other hand, the absence of or ineffective utilization of opportunities may pose challenges leading to stagnation, stalling or death of MSEs established by youth groups.

1.11 Definition of terms

Below are the meanings of terms as used throughout this study.

Challenges: - Constraints facing MSEs

Micro Enterprise: - A business, whose total cost is not more than Kshs. 100, 000.

Small Enterprise: - A business, whose total cost is more than Kshs. 50, 000 but less than Kshs. 250, 000.

Youth group: - A registered organization of individuals aged between 15-35 years.

MSE Performance: Ability of the MSE to continue operating while remaining profitable.

MSE Opportunities: - Conditions available and which if explored would facilitate MSE operation.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This section reviews related literature under different sub-topics relevant to the study objectives. These include: role of the MSE sub-sector in the economy, challenges faced by micro and small enterprises, and variables affecting youth groups' involvement in MSEs. This chapter also presents the summary of gaps in literature.

2.1 Role of the MSE sub-sector in the economy

There is growing global recognition of the important role of MSEs in economic development (Mullineux, 1997). Therefore, governments (Feeney & Riding, 1997) and researchers (Luo & Tung, 2007) have undertaken initiatives to promote the growth of MSEs because they view it as the basis for the achievement of wider economic and socio-economic goals, including poverty alleviation (Cook & Nixon, 2000).

Historical experience of economic growth and development in different countries indicate positive impact and contributions of MSEs in industrial developments (WBCSD, 2007) as well as in technological innovations (Newberry, 2006) and export promotion (Tung & Aycan, 2008). In most of the developed countries, over 90% of all enterprises are within the MSE sub-sector (Newberry, 2006) while 80% of the total industrial labor force in Japan, 50% in Germany, and 46% in USA are in the MSEs (Onugu, 2005). In OECD economies, MSEs account for over 95% of firms, 60-70% of employment and 55% of GDP (WBCSD, 2007). In Morocco, 93% of industrial firms are MSEs and account for

38% of production, 33% of investment, 30% of exports and 46% of employment (WBCSD, 2007).

Although it is difficult to obtain exact and comparable figures on MSEs for developing countries, it is obvious that the role of MSEs is equally important in the economies of developing and developed countries alike (WBCSD, 2007). In Kenya for example, MSE was well recognized by the 2003 in a speech delivered by the then Minister for Finance who noted that MSE activities formed a breeding ground for businesses and employees, and provided one of the most prolific sources of employment (Wanjohi, 2010). More so, Kenya Economic Survey 2006 indicated that MSEs' total recorded employment in the informal sector was 6,407,200 (Government of Kenya, 2006).

2.2 Challenges faced by micro and small enterprises

Starting and operating a small business include a possibility of success as well as failure (Bowen *et al.*, 2009). Although MSEs in developing countries and countries with economies in transition are regarded as the engine of economic growth (Onugu, 2005), they face enormous challenges in attracting investors and accessing modern technology (Abor & Quartey, 2010). Some of these factors include finance and lack of managerial skills (Abor & Biekpe, 2006), equipment and technology (Longenecker *et al.*, 2006), regulatory issues, and access to international markets (Gockel & Akoena, 2002).

2.2.1 Financing problems

The literature review revealed that one of the most significant problems faced by youth group MSEs is financing problems. Such constraints have been identified by Naidu and

Chand (2012) to include inability to obtain external and internal financing, insufficient working capital, high start-up costs, high interest rates on loans and inability to meet financial obligation. According to Naidu and Chand, (2012) and Wanjohi (2010), there is limited access to financial resources available to smaller enterprises compared to larger organizations and the consequences for their growth and development. Another crucial financial problem faced by MSEs is managing sales and debtors (Mboniyane and Ladzani, 2011). According to Ejembi and Ogiji (2007, p. 7), it can become problematic to run a business if the finances are not available or not managed and the owners cannot make projections. Mboniyane and Ladzani, (2011) confirmed that MSEs struggled to obtain loans from financial institutions which previous finding established that are playing insignificant role in funding group MSEs (Wawire and Nafukho, 2010)

2.2.2 Lack of management skills

According to Cheung (2008, p. 501), small business owners often lack experience and training in management of their businesses. Previous study by Wawire and Nafukho (2010), shows that poor management is the second most cause of MSEs' failure after lack of enough funds. This is despite the fact that management has been established to be a very important aspect that affects the success of any given enterprise. Despite the numerous institutions providing training and advisory services, there is still a skills gap in the MSE sector as a whole (Kayanula & Quartey, 2000). This is because entrepreneurs cannot afford the high cost of training and advisory services while others do not see the need to upgrade their skills due to complacency (King & McGrath, 2002). As a result,

they cannot meet the future needs of society. Ahmad (2009, p. 98) adds that factors that hamper MSEs growth include a lack of abilities and skills. Ihua (2009, p. 199) reports that one of the serious constraints on small business growth is lack of management skills, which results in the poor management actions taken by small business owners (Wawire and Nafukho, 2010). Literature makes it clear that 54 per cent of those who manage the MSEs had no training at all, while 38 per cent had some limited project management knowledge (Wawire and Nafukho, 2010). The literature is confirmed by finding of Mboniyane and Ladzani, (2011) that almost no training was provided for MSE staff.

2.2.3 Poor infrastructure

Ejembi and Ogiji (2007, p. 7) have found that poor infrastructure (location) hampers small business growth. Poor infrastructure includes bad roads, inadequate water supplies and erratic electricity supply. Chong (2008, p. 469) explain that a lack of information and communication technology can lower customer satisfaction and seriously limit growth in small businesses. Bowen *et al* (2009, p. 16) agree that infrastructure, as it relates to the provision of access roads, adequate power, water, sewerage and telecommunication services, poses a serious challenge to small businesses. Mboniyane and Ladzani, (2011) found out that MSEs had to contend with potholes, dust and sewerage close to their businesses or on their business premises and that the MSE operators were never informed about disruptions in electricity or water supply that would jeopardize their businesses. In terms of technology, MSEs often have difficulties in gaining access to appropriate technologies and information on available techniques (Naidu and Chand, 2012).

2.2.4 Insecurity

According to Asa *et al* (2006, p. 1867), crime hampers the development of small businesses. Losses incurred by small businesses include the cost of improving security or repairing damage and loss of items (goods). Insecurity is affirmed by Mboniyane and Ladzani, (2011) in their finding that crime is a serious threat to most micro-enterprises and small businesses. A study by Longenecker, *et al.*, (2006) of “Small Business Management: An entrepreneurial emphasis” found out that insecurity, finance and lack of managerial skills, equipment and technology pose challenge to MSEs

2.2.5 Competition

According to the finding by Fumo and Jabbur (2011), competition is ranked highest by the youth entrepreneurs. This finding further identifies three forms of competition as: the informal, competition from other enterprises in the same line and competition from foreign enterprises. This is further complemented by findings by Owino (2008) and Karanja (2008) that competition is a major problem encountered by MSE operators. In another study of “issues on MSE development in Ghana and South Africa”, Abor & Quartey, (2010) also established that MSEs face greater external competition. The MSEs therefore need to expand market share to avoid overreliance on local markets (Onugu, 2005). However, the MSE’s limited international marketing experience, poor quality control and product standardization, and little access to international partners, continue to impede MSEs’ expansion into international markets (Aryeetey *et al.*, 1994; Wanjohi, 2010).

2.2.6 Legal and licensing procedures

Regulatory constraints also pose serious challenges to MSEs development (Kauffmann, 2005) and although wide-ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm-level. Licensing and registration requirements, as well as high cost of settling legal claims, and excessive delays in court proceedings adversely affect MSEs operations (Wanjohi and Mugure, 2008).

2.3 Factors affecting youth groups' involvement in MSEs

A number of related studies have previously examined key independent variables found to affect youth involvement in MSEs, including demographic (Sherrod *et al.*, 2002), motivations (Flanagan & Van Horn, 2000), obstacles and efficacy (Felix, 2003). Lack of transportation (Scales & Leffert, 1999), lack of time (Sherrod *et al.*, 2002), and not being sure of the benefits of their contributions (Schulz *et al.*, 1995) can also limit the active involvement of youth. Scales & Leffert (1999) also identified four key barriers that keep youth from participating in MSE activities. These include lack of interesting programs, transportation problems, lack of knowledge about programs, and cost. Similarly, community organizations may be uncertain of the role or impact that youth may have in their efforts (Schulz *et al.*, 1995).

Barriers to participation prevent young people from engaging in meaningful learning opportunities to their fullest potential (Eames-Sheavly *et al.*, 2007). Existing norms, policies, and practices have resulted in limited roles for young people in community life

and negative attitudes toward youth. In this view, youth are seen as immature and incapable while adults are seen as experts. Youth lack knowledge, experience, and capacity to develop worthwhile ideas, to address critical community issues, or to handle major decision-making responsibility (Lekies, 2008). As a result, their involvement in meaningful forms of participation in community life is restricted, and expectations of what they can contribute are low (Messias *et al.*, 2008). Camino (2000) described partnerships between youth and adults as “breaking new ground” and “new territory.” Adults and youth are accustomed to established, less participatory ways of working. Adjusting to new roles and responsibilities can also be challenging, particularly if youth have not been given these opportunities before (Eames-Sheavly *et al.*, 2007). Adults may have limited knowledge and experience working directly with young people, as well as different perspectives and work styles, resulting in uncertainty how to work together (Frank, 2006). They may question the appropriateness of youth involvement for certain tasks and assume they have little interest in community development activities (Zeldin, 2004).

In addition, youth may be reluctant to embrace new roles since they have been conditioned to see themselves as a group that does not participate in community activities, does not have influence, and cannot create change. They are uncertain of how to proceed and often are in need of learning new skills and support to carry out new and unfamiliar tasks (Evans, 2007). The extent of participation can also vary depending on the composition of the youth participants and characteristics of the project. Greater levels of participation have been noted among projects with older adolescents, as well as for

those projects that were established, rather than at the beginning stages (Eames-Sheavly *et al.*, 2007; Lekies *et al.*, 2007).

2.4 Summary of gaps in literature

Although factors that influence MSEs have called for the attention of some researchers both internationally (Onugu, 2005; Olawale and Garwe, 2010; and Krasniqi, 2010) and locally (Wanjohi, 2009; Wawire and Nafukho, 2010), little is still known about the factors influencing performance of small Kenyan enterprises especially those run by the YGs (Irwin, 2011) and in Kisumu West district in particular. In as much as recent efforts have been made to better understand this subject in an African context (such as researches by Global Entrepreneurship Monitor (GEM), (2010)), these studies only focused on MSEs owned by individual entrepreneurs (Fumo and Jabbur, 2011), and never included YG owned MSEs especially in Kisumu West district; a district that recorded the highest poverty rate of 74% in the recent past (KNBS, 2007). The literature reviewed has left a relative gap in state-of the-art on this subject, particularly in the context of Kisumu West district. Thus, there is little apparent evidence on factors influencing performance of MSEs owned by YGs in Kisumu West district. As a consequence, the motivation for this study was: what are the main factors influencing performance of MSEs owned by YG's in Kisumu West district? The originality of this study is that it will provide empirical evidence of MSEs owned by YGs in Kisumu West district.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

This chapter presents a detailed descriptions of the methodology used in the study. It includes research design, description of the study area, target population, sampling techniques and sample size, instruments for data collection, validity and reliability of instruments, data collection techniques and methods for data analysis.

3.1 Study Design

The design adopted for this study was a descriptive survey. This design was found to be most appropriate given the exploratory and descriptive nature of this study (Wawire & Nafukho, 2010).The research design employed aimed at obtaining the most recent, relevant and in-depth information about the factors that influence performance of YG MSEs (Mboniyane and Ladzani, 2011) in Kisumu West District.

3.2 Variables

Dependent variable: - The dependent variable was MSEs performance. The MSEs performance indices were derived from scores obtained from the questionnaires on profits and losses, duration of operation, asset base, stock turnover, and sustainability. The codes used for scores were: 1 = Very poor; 2= Poor, 3 = Average; 4 = Good; and 5 = Very good.

Independent variables: - independent variables were the challenges, opportunities and management.

3.3 Location of the study

The study was conducted in Kisumu West district which covers an area of 360.8 square kilometers (Km^2) with a total population of 144, 907 and population density of 401.6 per Km^2 (KNBS, 2010). The study focused on the group MSEs within the district. The district is divided into two divisions and eight administrative locations. Due to its relatively high agricultural productivity Maseno division is densely populated while Kombewa division is sparsely populated and is characterized by rocky topography with minimal agricultural productivity. The southern part of Kombewa division is boarded by Lake Victoria in which fishing is the major activity of the people living along the shore. Other economic activities include subsistence farming of grain crops and animals, trading and transport. No commercial bank is established within the district. There are only three major markets within the district at Kombewa, Holo and Bar Korwa. These markets have shopping centers which are deficient of most consumer goods and services.

3.4 Target population

This study targeted 300 MSEs owned by youth groups within Kisumu West district. The group members were the primary respondents.

3.5 Sample size

The sample size was 30 MSEs (10% of the 300 youth group MSEs operated in Kisumu West District). The MSEs were the units of analysis and 10% of the MSEs were

considered adequate because the study was a descriptive survey (Gay, 1981) and that it would be representative and adequate to provide reliability because the population under investigation was similar. Five respondents were randomly sampled from each of the MSEs giving a total of 150 respondents for the study.

3.6 Sampling techniques and procedure

Purposive sampling was used to identify 300 YG MSEs in Kisumu West District which were operating some MSEs at the time of the study. The MSEs were then clustered into three clusters according to the nature of the business (i.e services, agriculture and trading). Proportionate random sampling was done within each cluster to sample a total of 30 MSEs which were the units of analysis (sampled MSEs were proportionately distributed as follows: services 22, agriculture were 6 and trading were 3). This ensured that all MSEs in each cluster were given equal opportunity to be included in the study and that data collected would be representative across the target MSEs. Finally, simple random sampling was applied to select five samples from each of the 30 MSEs giving a total of 150 respondents. The procedure involved having a number of pieces of papers equivalent to the number of members who attended meetings at the appointed days with MSE groups. Five of the pieces were marked with a tick (✓) while the rest were not marked. All pieces of papers were folded and mixed thoroughly before the members were asked to pick one paper each at random. Five members who picked the five marked papers were included in the study. Each MSE group was given a covering letter explaining the nature of the research project and a follow-up letter in which they were assured of protection of their privacy confidentiality maintained. Participants for the

FGDs were sampled by convenience from other members of the sampled MSEs who did not participate in the questionnaires. This aided broader opinion base.

3.7 Data collection instruments

Self-administered questionnaires were used to collect data from 150 respondents. Questionnaires contained both closed-ended and open-ended questions that were constructed according to the objectives. Additional data was collected using Focus Group Discussion (FGD) guide.

3.8. Pre-testing

Pre-testing of the instruments was carried out on 15 (fifteen) members from 3 (three) randomly sampled youth groups outside those sampled for the study.

3.8.1 Validity

Content validity was determined by pre-testing. This determined whether the items were correctly worded in order to avoid misinterpretation when they are finally administered to the samples in the main study. After pre-testing, the instruments were adjusted.

3.8.2 Reliability

Pre-testing was done to enhance consistency and dependency, accuracy and adequacy of the instruments. Consistencies of the test items were measured by the degree to which the test items attracted similar and related responses from the samples in the pilot testing exercise.

3.9 Data collection procedure

Prior arrangements were made and appointments sought with each of the 30 MSE groups which fell on normal group meeting days. After having been briefed by the researcher, five sampled respondents in each MSE group filled in the self-administered questionnaires after which the researcher collected them immediately. Data collection from each of the 30 MSEs groups was done during different appointments. A total of 150 respondent questionnaires were distributed to 150 respondents all of which were responded to and returned to the researcher during data collection which took place from 19th September, 2011 to 3rd October, 2011. Three FGDs were conducted on different days and were organized based on the days and time that were convenient to the participants. The first FGD had 12 participants (on 23rd Sep, 2012), the second and the third had 10 (on 29th Sep, 2012) and 11 (on 3rd Oct, 2011) participants respectively.

3.10 Data analysis and presentation

Data from the questionnaires was analyzed using the Statistical Package for Social Sciences (SPSS) for common themes. Microsoft excel was used to generate tables, charts and graphs for data presentation. Data collected through FGDs were coded and analyzed.

3.11 Ethical considerations

Prior permission to conduct research was obtained from the Ministry of Education. Researcher provided adequate and clear explanation on the purpose of the study to the respondents and their voluntary participation and consent sought. Respondents were also assured of confidentiality of the information that they provided since they were not required to indicate their names on questionnaires thus concealing their identities.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter highlights the findings of the study. This include: demographic data, performance of the YG MSEs, opportunities for YG MSEs' growth and the challenges encountered by YG MSEs under the study. A total of 150 respondents drawn from 30 YG MSEs participated in this study.

4.1 Characteristics of youth group MSEs

Almost three quarters (72.0%) of the MSEs deal in services, 18% are in trading while 10.0% engaged in trade. This finding contradicts finding by ILO (2008), Kauffmann (2007) and Macharia (2003) in different studies in which they established that majority of MSEs in many regions are engaged in trading. Slightly over a quarter (25.3%) of the MSEs had operated for less than one year while majority (74.7%) had been operational for a period between one to three years. This finding concurs with an earlier finding by M'Mithiaru (2008) and Wawire and Nafukho (2010) that member contributions constitute major source of finance for the MSEs. This could be due to limited access to financial resources available to smaller enterprises compared to larger organizations Wanjohi (2010).

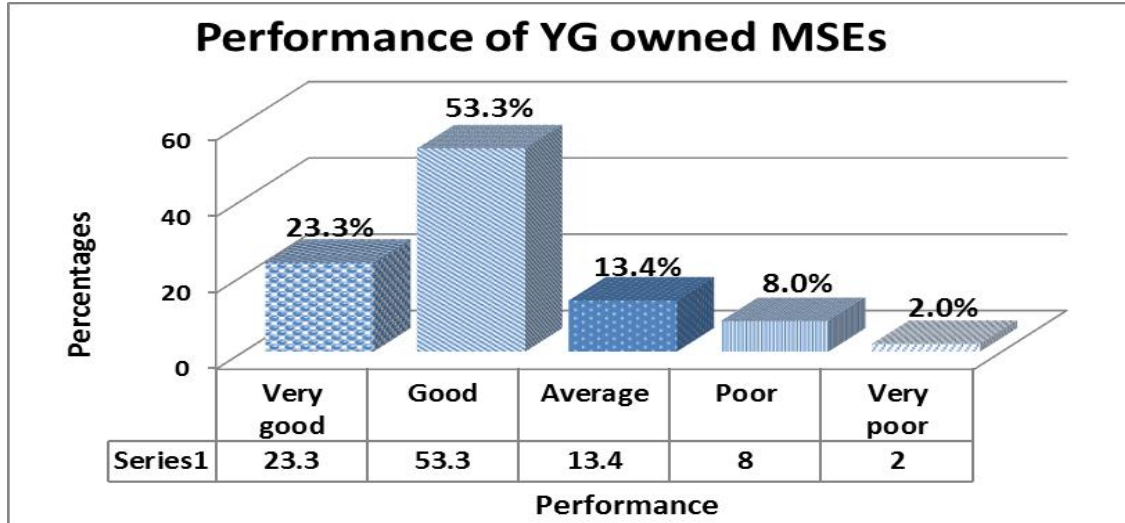
It was established that 80.0% of YG MSE's customers come from within the geographical locations. This finding concurs with an earlier finding of a study by Bowen *et al.*, (2009) in which they found out that most YG MSEs have their markets within their

locality. However, according to Ronge *et al.*, (2002), it is advisable that YG MSEs explore beyond the local market and may need to consider the markets within other regions and nations. About 64.0% of the YG MSEs are managed by group members thus corresponding with findings by Wawire and Nafukho (2010) that most group MSEs are managed through committee members. About 52.3% of the YG MSEs' managers are in 18-24 years age bracket thus contradicting the findings by Bowen *et al* (2009) that most micro and small enterprises are owned and mainly run by people in their late 20s and early 30s. On the other hand, 57.3% of members of the management team have a maximum of primary level education. This finding is in agreement with an earlier finding by M'Mthiaru (2008) that most (74.6%) of the MSEs are run by individuals who had a maximum of primary level education. More so, over two-thirds (68.7%) of the management teams do not have trainings on business related fields thus agreeing with an earlier finding by M'Mithiaru (2008) and Kayanula & Quartey (2000) that majority of the MSEs managers did not have business related training.

4.2 Performance of youth group owned micro and small enterprises

Objective 1: To assess the performance of micro and small enterprises undertaken by youth groups in Kisumu West district

The study sought to establish the performance of the current group MSEs. Analysis of respondents' perceptions presented in figure 4.10 indicates that 23.3% are very good 53.3% are good, , 13.4% are average, 8.0% are poor and 2.0% are very poor.

Figure 4.2: Performances of YG owned MSEs

This finding concurs with an earlier finding by Bowen *et al.*, (2009) in a study of “management of business challenges among micro small and enterprises in Nairobi Kenya” in which he established that enterprises are characterized by successes as well as failures.

4.2.1 Reasons for good performance of YG MSEs

A previous finding in this study indicated that one hundred and fifteen respondents (76.6%) considered their current MSE as being successful. When they were asked to state the factors for their MSEs good performance, 23.5% cited good financial management, 18.3% alluded to availability of customers while 16.5% reported good public relations appropriate business location (14.8%), as the most outstanding success factors. This information is represented in table 4.1.

Table 4.1: Reasons for good performance of YG MSEs

	Freq.	Percent (%)
Valid Good financial management	27	23.5
Availability of customers	21	18.3
Good public relations	19	16.5
Good business location	17	14.8
Personnel management, growth & dev.	11	9.5
Selling preferred variety of products	10	8.7
Availability of capital/credit	7	6.1
Good infrastructure	2	1.7
Better pricing	1	0.9
Total	115	100.0

4.2.2 Reasons for poor performance of YG MSEs**Table 4.2: Reasons for poor performance of YG MSEs**

	Freq.	Percent (%)
Valid Insecurity	6	17.1
Lack of capital/credit	5	14.3
Competition	4	11.4
Selling few variety products	4	11.4
High cost of production	4	11.4
Poor public relations	3	8.6
Poor personnel mgt, growth & dev.	3	8.6
Poor financial management	2	5.7
Poor infrastructure	2	5.7
Lack of customers	1	2.9
Others	1	2.9
Total	35	100.0

A finding of this study indicated that thirty five respondents (23.4%) considered their current MSEs as performing poorly. When these respondents were asked to state the factors for this performance, they indicated insecurity (17.1%), lack of capital (14.3%) selling small range of products (11.4%), competition (11.4%), and lack of customers (11.4%). as the most outstanding factors to the failure of current group MSEs. This is shown in table 4.2.

4.3 Opportunities available to YG MSEs

Objective 2: To determine the opportunities available to youth group MSEs in Kisumu West District.

The respondents were asked to identify key opportunities available within their areas and which if well exploited by YGs would ensure success and sustainability of the YG MSEs in Kisumu West district. In response, 38.0% of the respondents mentioned availability of customers/ market, 12.7% mentioned small loans, while 10.0% of the respondents identified mutual trust/ understanding among group members. Other identified opportunities included YEDF/ WEF (9.3%), goodwill (8.0%), availability of raw materials (6.0%), market liberalization (3.3%) and youth education and training (5.3). This information presented in table 4.3.

Table 4.3: Opportunities available to youth group MSEs in Kisumu West District.

	Freq.	Percent (%)
Valid Availability of customers/Market	57	38.0
Availability of loans in small amounts	19	12.7
Mutual trust & cooperation	15	10.0
YEDF & WEF	14	9.3
Goodwill (donor funding)	12	8.0
Availability of raw materials	9	6.0
Members' education& training	8	5.3
Technological advancement	6	4.0
Market liberalization	5	3.3
Infrastructure development	4	2.7
Availability of money saving facilities	1	0.7
Total	150	100.0

This finding agrees with the report by the participants in the FGDs who identified the availability of customers in the local market, small loans, availability of raw materials, seminars and short training, technology. Participants recognized that Kisumu West

district has large number of inhabitants that require different goods and services. They indicated that this market has not been sufficiently supplied due to lack of variety and good quality goods and services within the district which make the locals source from neighboring towns such as Meseno, Kisumu and Bondo. From the FGDs most participants acknowledge availability of few micro-finance institutions such as *Adok Timo*. However, groups have not been able to benefit from them sufficiently and most groups have to travel to either Bondo or Kisumu where other MFI have established branches.

4.3.1 Awareness of government initiatives to promote YG MSEs in Kisumu West

The respondents were further asked whether they were aware of government initiatives to promote YG MSEs existing in their area. A majority (78.0%) said that they were not aware while only 22.0% indicated that they were aware of the initiatives. This finding concurs with the finding by United Nations Children’s Fund (UNICEF) and Institute of Economic Affairs (IEA), (2011) in a report entitled “Youth Situation Review & Investment in Kenya” in which they said that most young people are also unaware of youth related government policies and programmes. The higher number of youth unaware of government initiatives to promote MSEs can be attributed to limited public education targeting the youth on the existing programmes, policies and legislative frameworks in order for them to adequately access services and participate adequately.

4.3.2 Impact of government initiatives on YG MSEs

The study further sought to find out whether the government initiatives had achieved

desired impact. Findings indicate that 75.0% reported that the initiatives did not have positive impact while 25.0% acknowledge the positive impact on group MSEs.

4.3.3 Suggestions for the enhancement of MSEs in the area

In view of the challenges presented during the FGDs, the respondents proposed a number of interventions in order to enable the group MSEs to thrive in the study area. The proposed intervention strategies include: curbing insecurity through regular police patrols and through the local provincial administration, offering sponsored/ subsidized workshops and short courses in management and entrepreneurship to youths, training the youth on proposal writing, establishing MFIs to provide money lending and money saving services to group MSEs and developing appropriate infrastructure so that the group MSEs can engage in more diverse business ventures and are able to reach external markets.

4.4 Challenges facing YG MSEs in Kisumu West district

Objective 3: To determine challenges facing YG MSEs in Kisumu West District

4.4.1 Most critical challenges

This study sought to establish the respondents' perceptions of the challenges facing their group MSEs. This study established that the major challenges facing MSEs are competition (31.3%), insecurity (18.0%), lack of capital (14.0%) and management problems (11.3%). Other factors mentioned by the respondents are low demand (4.7%), high cost of production (4.7%), debt collection (3.3%), diseases (1.3%), power interruptions (1.3%), and government bureaucracy (1.3%) as shown in table 4.4.

Table 4.4: Youth groups' MSEs most critical challenges

	No. of responses	Percent (%)
Increased competition	47	31.3%
Insecurity	27	18.0%
Lack of finance/Capital/Credit	21	14.0%
Management problems	17	11.3%
Others (Rent, lack of water, e.t.c)	13	8.7%
High cost of production	7	4.7%
Low demand	7	4.7%
Debt collection	5	3.4%
Power interruptions/ No electricity	2	1.3%
Diseases e.g. AIDS	2	1.3%
Policy & Government bureaucracy	2	1.3%
Total	150	100%

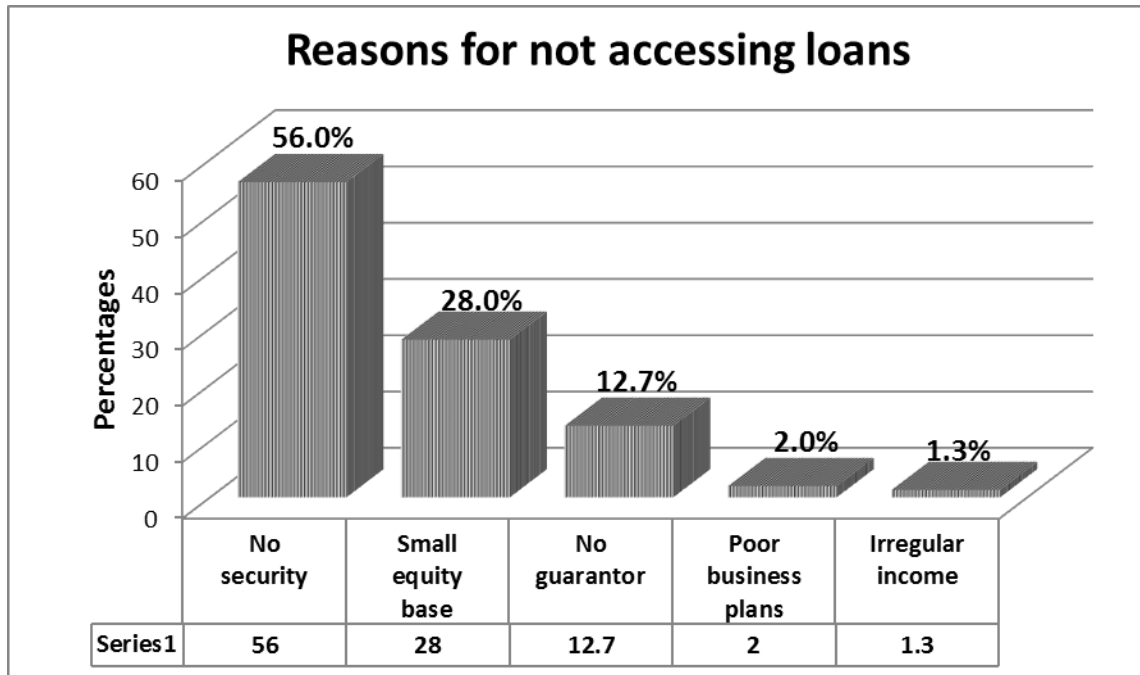
This finding affirms the findings by Owino (2008) in a study of “Factors Affecting the Growth of Micro and Small Enterprises in Kenya: A case Study of Uhuru market in Nairobi,” in which he established that competition, marketing strategies, capital/credit and legislation affect growth of MSEs. The finding is also in agreement with those of Karanja (2008) in her study of the “Investigation into the Factors Affecting the Growth of Women-owned Small and Micro Enterprises in Kenya: A case of selected markets in Nairobi Province” in which she found out that inadequate capital, debt collection, high cost of production, low demand, high production costs and competition are some of the problems encountered by MSE in their operation. This finding further affirms an earlier finding by Abor & Quartey, (2010) in a study of “Issues in MSE development in Ghana and South Africa” that MSEs face enormous challenges among the greater external competition and the need to expand market share. A number of previous studies also had findings that concur with the findings of this study on critical challenges. For example, Longenecker, *et al.*, (2006) in a study of “Small Business Management: An entrepreneurial emphasis” found out that insecurity, finance and lack of managerial skills,

equipment and technology pose challenge to MSEs while Bowen *et al.*, (2009) attributed lack of credit, regulatory issues, and access to international markets.

Participants FGDs identified a number of challenges including mismanagement of the MSEs, limited business knowledge in business, limited startup capital and growth fund, debt collection and insecurity. It was reported that most of the youths managing MSEs have limited primary level education and most of them are not trained in business. It was reported commonly across the FGDs that most group MSEs and prospective youth entrepreneurs face lack of capital. This was noted as the main reason why most group MSEs only offer few varieties of goods and services and do not expand as expected. Insecurity as a challenge was mentioned in all the FGDs. The dimensions of insecurity identified include theft of goods as well as injury and even murder of group MSEs' attendants. This was reported to affect commonly the youths in *boda boda* service.

4.4.2 Reasons for inaccessibility to loans from banks and micro finance institutions by YG MSEs

The respondents were further asked to give reasons for their inaccessibility to bank loans. Their responses included lack of security to pledge (56.0%), small equity base (28.0%), lack of guarantor (12.7%), poor business plans (2.0%), and lack of regular income (1.3%). This is presented in figure 4.3.

Figure4.3: Reasons for inaccessibility to bank loans and MFIs loans by YG MSEs

This result agrees with earlier finding by M'Mithiaru (2008) that lack of collateral is the second most common factor (by 29.0%) that hinders MSEs from accessing bank loans. Inability by the respondents to have security for bank loans may be attributed to the fact that most of the MSEs owned by youth groups have not expanded enough to own properties suitable as security for bank loans. Furthermore, majority of the youths studied are still young and have not officially acquired ownership of the family land from their fathers and even if they did, the land in the area studied does not have high value enough to attract interest of most of the banks to give substantial amount of loan.

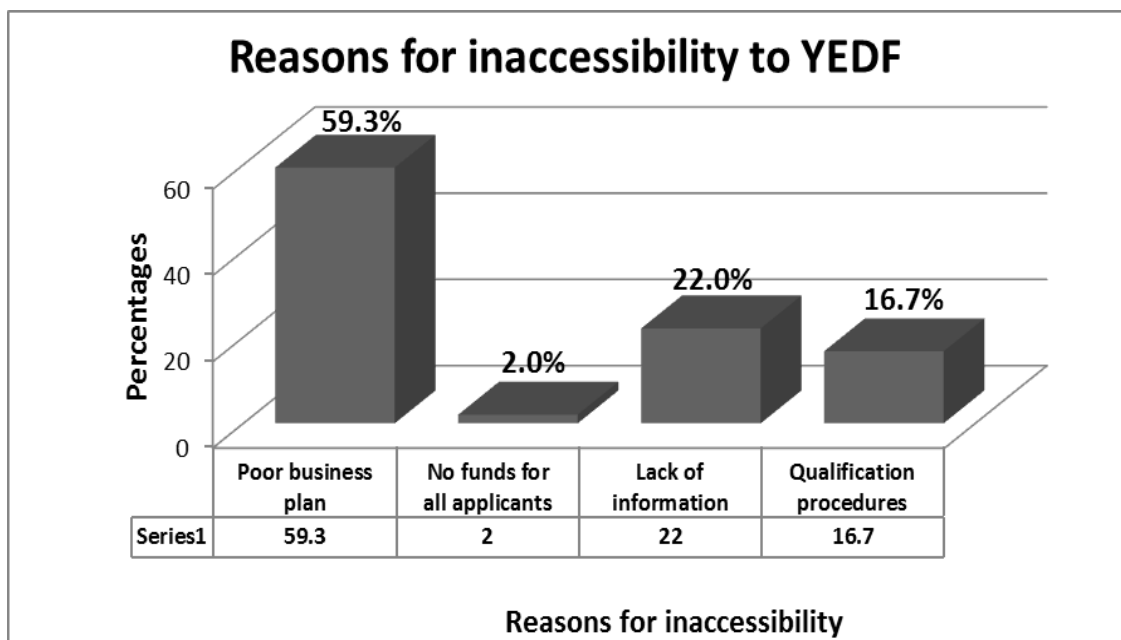
4.4.3 Accessibility to YEDF by YG MSEs in Kisumu West District

This study sought to establish whether the group MSEs had benefited from YEDF by the Kenyan government. The findings indicate that over three quarters of the group MSEs

(80.7%) had not received YEDF while only 19.3% of the respondents reported that their MSEs had benefited. This finding indicates that even though MoYA, reported that as many as 8,480 registered youth groups had received funds through the YEDF by 2009 (MoYA, 2009), majority of the registered youth groups from Kisumu West district have not benefitted.

When asked for the reasons why they did not qualify for the YEDF, majority of the respondents (59.3%) mentioned poor business plans/proposals while 22.0% mentioned lack of information about YEDF. This information is represented in figure 4.4.

Figure4.4: Reasons for inaccessibility of YEDF by YG MSEs



4.4.4 Strategies adapted to managing YG MSE's challenges

The study further sought to find out the strategies that have been used by the MSEs in managing the challenges reported. Analysis was done for the three challenges ranked highest by the respondents in table 4.4.

Competition: Out of the forty seven respondents who reported that their groups MSEs were experiencing competition, 29.8% stated that their mitigation strategy is good customer relations and services, 25.5% said they offer quality goods/services, 19.2% said they offer cheaper pricing while 17.0% said they sell variety of goods and services. This is presented in table 4.5.

Table4.5: Strategies for managing Competition

	Freq.	Percent (%)
Valid Good customer relations & services	14	29.8
Offering quality goods/services	12	25.5
Cheaper pricing	9	19.2
Selling variety of goods/services	8	17.0
Discounts	3	6.4
Credit offer	1	2.1
Total	47	100.0

Even though it was found out that cheaper pricing is one of the most commonly used strategies against competition, an earlier finding by Bowen et al., (2009) established that using price to compete may mean lower profits even if may translate into higher volumes.

Insecurity: Out of the twenty seven respondents who reported that their groups MSEs were faced with insecurity, 63.0% stated that they close early, 14.8% use security firms/guards while 11.1%) carrying stock home as shown in table 4.6.

Table4.6: Strategies for managing insecurity

	Freq.	Percent (%)
Valid Close early	17	63.0
Security firms/guards	4	14.8
Carry goods home	3	11.1
Traditional charm	2	7.4
Sleep within business premise	1	3.7
Total	27	100.0

Lack of finance/Capital/Credit: Out of the twenty one respondents (14.0 %) who ranked lack of finance/capital/credit common challenge, 38.1% said that they plough back the profits, 23.8% maintaining cheapest and regular suppliers, 19.0% avoid selling on credit, 14.3% apply for loan advancements while 4.8% acquire goods on credit from suppliers and pay once they are sold out. This result is presented in table 4.7.

Table4.7: Strategies for managing lack of finance/capital/credit

	Freq.	Percent (%)
Valid Profit plough back	8	38.1
Maintaining cheapest & regular suppliers	5	23.8
Avoiding selling on credit	4	19.0
Loan applications	3	14.3
Purchasing goods on credit	1	4.8
Total	21	100.0

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter contains the summary of findings, conclusions drawn from the study and the recommendations for policy and practice as well as recommendations for further research.

5.1 Summary of findings

This study focused on 30 YG MSEs in Kisumu district as units of analysis from which 150 respondents participated. It focused on the MSEs performance, opportunities available and existing challenges. The findings are summarized as follows:

5.1.1 Relating to MSEs' performances

Based on self-reports by the respondents, majority of the MSEs (76.6%) owned by youth groups in Kisumu West district are performing commendably even though they have been operational for less than three years. This good performance is attributed to good financial management, availability of customers and good public relations.

5.1.2 Relating to opportunities available

The most outstanding opportunities identified by the respondents for the YG MSEs are: availability of customers/ market, small loans facilities and mutual trust/ understanding among group members among others. However, this study established that most YG MSEs have not fully utilized these openings. Their potentials have since not been achieved. For example, only a few YG MSEs have accessed YEDF and WEDF.

5.1.3 Relating to existing challenges

The main challenges that face YG MSEs include competition, insecurity, lack of capital, and management problems. Other factors mentioned by the respondents are low demand, high cost of production and debt collection. Furthermore, majority of the MSEs' managers have only a maximum of primary level education and do not have trainings on business related fields.

5.2 Conclusions

This study concludes that even though most YG MSEs in Kisumu West district perform commendably, most of them die within the first three years of operation. The YG MSEs particularly in the location of the study have several opportunities which if exploited can enhance their profitability and sustainability. Such opportunities include market availability, availability of small loans and mutual trust among members. However, such noble opportunities are yet to be fully utilized. On the other hand, The YG MSEs face numerous and prohibitive challenges which hinder achieving their potentials. Such challenges as competition, insecurity, lack of capital and management problems can however be mitigated appropriately to minimize their negative effects on MSEs.

5.3 Recommendations for policy and practice

This study has two major practical implications. First, it demonstrates to future entrepreneurs, both in groups and individually, the possible challenges that they may encounter upon venturing into MSEs in Kisumu West district. Secondly, with knowledge of these possible challenges, the young entrepreneurs can develop mitigation strategies to minimize their possible impact on survival of their MSEs. These two practical contributions can be of assistance to MSEs thus leading to benefits to youth groups in

society and improving the quality of life in Kisumu west district, through the generation of both employment and income (Wawire and Nafuko, 2010).

5.3.1 Relating to MSEs' performances

Since majority of YG MSEs doing well attributed this to good financial management, it is suggested that all stakeholders (i.e MSEs management, government agencies, financial institutions and NGOs in particular) should continually emphasize on knowledge acquisition among the youth especially on managerial skills. This can be achieved by regularly organizing seminars and workshops for the youth in groups to boost their capacity to effectively manage MSEs' resources. On the other hand, since most of the MSEs were reported to succeed because of customer availability, the MSE's management and stakeholders should facilitate the YG MSEs exploration of external market. This can be achieved by infrastructure development and expansion to enable flow of goods and services as well as customers with ease.

5.3.2 Relating to opportunities available

Even though several opportunities were identified by the respondents, MSEs in this study did not benefit much from these opportunities. For the loans by MFIs, such institutions should intensify their marketing strategies among the YGs and explain the application procedures and requirements so that the YGs can explore. Importantly, the qualification criteria for such loans should be made flexible for the youth such that they do not need securities such as land title deeds and other assets which they do not have and without which they cannot qualify. The local district development officers and YEDF/WEF

officials are suggested to conduct civic education regularly among the youth aimed at enhancing the youth's capacity to qualify for the loan award and proper utilization of MSEs' funds. This strategy will go a long way in enhancing business plan/proposal development and financial management skills. It is essential for policy makers to recognize that there is need to have a precise public policy targeted at YG MSEs that will ensure their accessibility to the available financial opportunities (Naidu and Chand, 2012). This requires an extensive range of diverse and well-targeted programmes (Cohen, 2006) such as loan guarantee programmes, regulating the interest rate charged on MSE loans by the commercial markets, creating good awareness of the financial programs available to small businesses, and ensuring that MSEs keep proper financial records.

5.3.3 Relating to existing challenges

Several challenges were reported to face YG MSEs including competition, insecurity and lack of finance/capital. As mitigation strategies to competition, exploration of external market, diversification of products/ services and offering quality products that satisfy the customers' needs should be considered by both the youth groups. To ensure security, an administration police patrol base should be established in the locality by the government and prosecution of criminals to be intensified by the law enforcing agencies.

5.4 Recommendations for further research

Further research should be carried out in the following areas:

- i. A similar study could be carried out on other variables not included in this study.
- ii. Studies that relate to the effective implementation of programs and support policies for YG MSEs provided by stakeholders and Kenyan government.

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APPENDIX A: LETTER OF INTRODUCTION

Dear Respondent.

I am a master student at the Department of Community Resource Management & Extension of Kenyatta University. I am carrying out a study on '*Factors influencing performance of youth group micro and small enterprises in Kisumu West district, Kisumu County*' and the aim of this questionnaire is to gather information related to this topic. You are therefore requested to respond to the questions as honest as possible and information given shall be treated confidentially and used only for academic purpose. However, your participation in this exercise is voluntary.

Thank you

Yours sincerely,

Sign.....

Kenneth OywaOkungu

APPENDIX B: PARTICIPANT'S CONSENT FORM**Factors influencing performance of youth group micro and small enterprises in
Kisumu West district, Kisumu County**

Dear Respondent,

I am Kenneth Oywa Okungu, a masters' student at the Department of Community Resource Management & Extension of Kenyatta University. This study therefore seeks your response to the related questions in the questionnaire. The information gathered will remain confidential and be used only for academic purposes. Your participation is however voluntary.

Thank you

Sign.....

Kenneth OywaOkungu

Participant:

I have read and understood the content of this document and voluntarily consent to participate in the study.

Name of the participant/respondent.....

Signature..... Date.....

APPENDIX C: QUESTIONNAIRE FOR GROUP MEMBERS

District: **Kisumu West District**

SECTION A: DEMOGRAPHIC INFORMATION

- 1. Name of the MSE:.....
- 2. Address
- 3. Date of incorporation/ Registration.....
- 4. Number of members: Male..... Female Total
- 5. Age of the respondent. 18-22 yrs [1] 23-27 yrs [2] 28-32 yrs [3] 33- 35yrs [4]
- 6. Sex of the respondent. Male [1] Female [2]

SECTION B: TYPE OF MSE

- 7. Nature/Kind of enterprise (*Please tick as appropriate*)
 - Manufacturing [1] Educational [2] Agriculture [3]
 - Trading [4] Services [5] Construction [6]
 - Information Technology & Telecommunication [7]
 - Others (*Please specify*).....[8]
- 8. Major production lines.

.....
- 9. How long has your enterprise been in operation? (*Please tick as appropriate*)
 - Less than 1 year [1] More than 1 year but less than 3 yrs [2]
 - More than 3 yrs but less than 5 yrs [3] More than 5 yrs but less than 7 yrs [4]
 - More than 7 yrs but less than 10 yrs [5] More than 10 yrs [6]
- 10. What factors led to formation of this MSE?

(Please tick 1 against the most possible factor and 5 against the least possible factor)

- To create wealth and employment [1]
 Government & NGO factors [2]
 Inspiration by another successful group [3]
 Availability of market [4]
 Others (please specify).....[5]

SECTION C: MSE MANAGEMENT

11. Where do most of your customers/market come from?

- Within the center the business is located [1]
 Outside the location of the business [2]
 Both within and business location [3]

12. How is your current enterprise managed?

- By the members themselves [1]
 By a hired assistant(s) [2]
 All of the above [3]

13. What is the highest academic qualification of the members of the enterprises management team?

- No formal sch. [1] Primary sch. [2] Incomplete secondary sch. [3]
 Complete sec. sch. [4] Technical/ Vocational training [5]
 University or above [6] No response [7]

14. Is the leader of the SME management team trained in the line of business?

- Yes..... [1] No..... [2]

15. (i) Do you have confidence in your management team?

Yes..... [1] No..... [2]

(ii) If *Yes* in **Q26 (i)** above, what are the reasons?

a. **c.**.....

(iii) If *No* in **Q26 (i)** above, what are the reasons?

a. **c.**.....

b. **d.**.....

SECTION D: MSE PERFORMANCE

16. What is your rating the performance of your current business (MSE)?

Very good [5] Good [4] Average [3] Poor [2] Very poor [1]

17. If you consider your enterprise as performing well, please mark the most common factor that is contributing to the success your MSE.

Good financial management	
Good public relations	
Personnel management, growth & dev.	
Selling good and variety of products	
Good business location	
Available capital/credit	
Good infrastructure	
Availability of customers	
Better pricing/costing of the products	
Others (<i>Please specify</i>).....	

18. If you consider your current enterprise(s) as performing poorly, please mark the most factors that contributed to the failure the MSE.

Poor financial management	
Poor public relations	
Insecurity	
Poor personnel management, growth & dev.	
Selling good and variety of products	
Inappropriate business location	
Lack of capital/credit	
High cost of production	
Poor infrastructure	
Lack of customers/market	
Competition	
Inhibitive government policies	
Others (<i>Please specify</i>).....	

19. What is your ranking of your MSE in the following aspects?

i. Financial management

Excellent [5] Very good [4] Good [3] Satisfactory [2] Poor [1]

ii. Human resource management & public relations

Excellent [5] Very good [4] Good [3] Satisfactory [2] Poor [1]

iii. Asset management

Excellent [5] Very good [4] Good [3] Satisfactory [2] Poor [1]

iv. Time management

Excellent [5] Very good [4] Good [3] Satisfactory [2] Poor [1]

v. Communication management

Excellent [5] Very good [4] Good [3] Satisfactory [2] Poor [1]

vi. Business knowledge

Excellent [5] Very good [4] Good [3] Satisfactory [2] Poor [1]

SECTION E: MSE OPPORTUNITIES

20. Please, mark the following opportunities that are available for SMEs growth in your area (*tick appropriately*)

Members' education & training	
Mutual trust & cooperation among members	
Availability of customers/market	
Market liberalization	
Good will (donor funding)	
Availability of raw materials	
Availability of loans in small quantities	
Availability of YEDF and Women Enterprise Fund	
Infrastructure development	
Technological advancement	
Availability of money saving facilities	
Others (<i>Please indicate</i>).....	

21. Please rank the most common source of funds for your MSE from the following

Members' contribution	
Youth Enterprise Development Fund	
Main- stream bank Loans	
Micro-finance institutions	
NGOs	
Profit plough back	
Sale of enterprise assets	
Personal savings, friends/ <i>Harambees</i>	
Others (Please specify)	

22. Has your SME ever benefited from Youth Enterprise Development Fund?

Yes.....[1] No.....[2]

23. In your opinion, what factors leads to inaccessibility of YEDF by most SMEs in your locality?

Poor proposals [1] Lack of proper business plan [2]

No enough funds for all applicants [3] Lack of sufficient information [4]

Both *a, b & c* [5] I do not know [6]

Others (Please specify) [7]

24. Are you aware of any community initiative to promote SMEs growth in your area?

Yes..... [1] No..... [2]

25. If *Yes*, in *Q38* above, please name them.

.....

26. In your opinion, have the community initiatives created the desired impact on the MSEs in your area? Yes..... [1] No..... [2]

27. If *No* in *Q40*, what do you think are the reasons for your observation(s) in *Q37* above?

.....

28. In your opinion, what should the community & government do to enhance performance of SMEs among youth groups in your area?

.....

SECTION F: MSE CHALLENGES

29. Please mark with a tick the most critical challenge facing your MSE from the following

Increased competition	
Management problems	
Lack of finance/Capital/Credit	
Policy & Government bureaucracy	
Debt collection	
Insecurity	
Power interruptions/ No electricity	
Diseases <i>e.g. AIDS</i>	
High cost of production	
Low demand	
Others (<i>Please indicate</i>).....	

30. Please, indicate how you have been handling/ managing the challenges in **Q29** above

(i) Increased competition

.....

(ii) Management problems

.....

(iii) Lack of finance/Capital/Credit

.....

(iv) Debt collection

.....

(v) Insecurity

.....

(vi) Power interruptions/ No electricity

.....

(vii) High cost of production

.....

(viii) Low demand/few customers/ market

.....

31. Has your enterprise ever tried to borrow money from a bank?

Yes.....[1] No.....[2]

32. If *Not* in **Q31** above, what are the reasons? (*tick all that apply*)

We do not like bank loan [1] Lack of information about bank loans [2]

Interest rates are too high [3] No security/ collateral to pledge [4]

Lack of a pay slip [5] Unavailability of banks in the area [6]

Others (*please specify*).....[7]

33. In your opinion, what is the main challenge in accessing bank loans?

No security to pledge [1] Too small equity base [2] No guarantor [3]

No/poor proposal/ business plan [4] Lack of regular income [5]

Others (*Please specify*)..... [6]

-END -

Thank you for your participation

APPENDIX D: FGD GUIDE

1. Preliminaries
2. Characteristics of the existing MSEs in the area
3. Existing opportunities for MSE growth
4. Existing challenges to success of MSEs
5. MSE management
6. Challenges and success in utilization of government initiatives
7. Suggestions for the enhancement of MSEs in the area
8. Conclusions

APPENDIX E: LIST OF MSEs STUDIED

S/N.	Name of Group	Registration No.	Activity
1	North Kapuonja Kibilo Sand Quarry Youth Grp	KW/YG/11561/07	Service
2	Nyamor Kavibra Youth Group	KW/YG/8243/07	Services
3	Guba Youth Group	KW/YG/7102/07	Agric.
4	The Good Samaritan Integrated Youth Grp	KW/YG/7102/07	Services
5	Wefuwo development Youth Group	KW/YG/147/07	Services
6	Kondik Transporters Youth Group	KW/YG/043/07	Services
7	Jamesa Youth Group	KW/YG/080/07	Agric.
8	Ratirogi Adiera Youth Group	KW/YG/056/07	Services
9	Magada Youth Group	KW/YG/110/07	Services
10	Makasu Youth Group	KW/YG/110/07	Trade
11	Kowang'e Youth Group	KW/YG/106/08	Services
12	Kolenyo Brick dealers Youth Group	KW/YG/135/09	Services
13	Lela Boda Boda Youth group	KW/YG/138/09	Services
14	Era Pay Youth Group	KW/YG/144/09	Agric.
15	East Seme Rocket Stove Builders Youth Grp	KW/YG/145/09	Services
16	Jiajiri Youth Initiative	KW/YG/146/09	Services
17	Holo Builders Youth Group	KW/YG/147/09	Services
18	Rochong'wen Youth Group	KW/YG/160/09	Agric.
19	Kinet Youth Group	KW/YG/161/09	Services
20	West Seme Boda Boda Youth Group	KW/YG/163/09	Services
21	Badilika Initiative Youth Group	KW/YG/165/09	Trade
22	Kombewa Progressive Youth Group	KW/YG/171/10	Services
23	Naango Youth Group	KW/YG/178/10	Agric.
24	Kamonye Youth Group	KW/YG/159/09	Services
25	Goria Youth Group	KW/YG/165/09	Trade
26	Kit- Mikayi development Youth Group	KW/YG/143/09	Services
27	Focus Development Youth Group	KW/YG/142/09	Services
28	Ondoa Masikini Youth Group	KW/YG/148/09	Services
29	Reru Osiepe Moyie Youth Group	KW/YG/022/07	Agric.
30	Ramogi Youth Group	KW/YG/015/07	Services

APPENDIX F: RESEARCH BUDGET

S/No.	Item	Cost
1.	Stationery & Computer services	Kshs. 30, 000
2.	Transport and contingencies	Kshs. 20, 000
3.	Data collection and analysis	Kshs. 200, 000
4.	Information and communication	Kshs. 6, 000
5.	Thesis writing	Kshs. 5, 000
6.	Photocopying and Binding	Kshs. 5, 000
	TOTAL	Kshs. 266, 000

APPENDIX G: TIME PLAN

Activity	Duration	Time plan	Action by	Comment
Thesis defense & corrections	1 ½ months	Aug.- Oct. 2012	Supervisors and Student	
Graduation		December , 2012	KU	