FACTORS INFLUENCING PROMOTION OF MICRO AND SMALL ENTERPRISES OWNED BY YOUTH IN THIKA TOWN, KENYA.

BY

SILVESTERS WACHIRA NGUGI

REG. NO.D53/10755/2006

A Research project submitted to the School of Business in partial fulfillment of the requirements for the award of the degree of Masters in Business Administration of Kenyatta University

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Ngugi, Silvesters
Factors influencing promotion of micro
DECLARATION

This research project is my original work and has not been presented anywhere for consideration for a degree in any other University.

Signature............................................. Date...............................27/07/2011

Silvesters Wachira

REG. NO. D53/10755/2006

This research project has been submitted for examination with our approval as the University supervisors.

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

Muathe SMA

Business Administration Department,

Kenyatta University.

Signature............................................. Date...............................08/11/11

Mrs. JaneEsther Karugu

Business Administration Department,

Kenyatta University.

For and on behalf of Kenyatta University

Signed............................................. Date...............................09/11/11

Mr. S.Bett.

Chairman,

Department of Business Administration,

Kenyatta University
DEDICATION

This research project is dedicated to my parents, Mr. and Mrs. Francis Ngugi who inspired me to attain my academic potential. My wife Ann Wairimu for her patience and encouragement throughout the period of my proposal writing. Lastly to my son Ean Kamau for his great inspirations.
ACKNOWLEDGMENTS

I wish to acknowledge Kenyatta University for the support accorded to me through the Masters Degree course. I am indeed grateful to my supervisors Muathe SMA and JaneEsther Karugu for their support and guidance through the period of my research. Their great efforts and constructive criticism shaped this research project.

Lastly, I wish to thank my wife Ann Wairimu for all the support both financially and emotionally accorded me during the time of this research.
ABSTRACT
Kenya has a population of approximately 34 million with those aged 35 years and below making up over 75% of the population. In 2003 and 2005, when the national unemployment stood at 40%, the youth accounted for about 78% and 67% of the national unemployment in the two years respectively. This encompasses all youth including recent college and university graduates. Taking into account that these numbers include recent university and college graduates, the resulting waste of resources is enormous. It therefore makes economic sense to have more youth engage in entrepreneurship to combat unemployment and reduce the resource wastage. For a country that has traditionally raised college graduates to expect wage employment, this requires a concerted effort cutting across all facets of the society

This study sought to examine the factors influencing promotion of MSEs owned by Youth in Thika town, Thika district. Specifically the study examined how access to capital, availability of appropriate technology, government policy, availability of market and basic infrastructure influence growth of Youth owned enterprises. The study is considered important to various stakeholders including the government and other agencies formed with an aim promoting the informal sector in Kenya. Other researchers will also use the study to identify the information gap that need to be filled.

The target population was 1357 Micro and Small Enterprises owned Youth in Thika town. A sample size of 135 respondents which is 10% of the target population was selected. Stratified sampling technique was used to categorize the town in to 3 distinct areas namely; Central business area, Industrial area and Residential area. Simple random sampling was used to select the actual respondents.

Primary data was collected using self-administered questionnaire methods. Secondary data was obtained from sources such as loan records from district Youth office, Municipal council of Thika and selected financial intermediaries as well as brochures from other lenders. The collected data was summarized using descriptive statistical techniques. The results were presented using tables and figures.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE PAGE</td>
<td>i</td>
</tr>
<tr>
<td>DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF ABBREVIATION</td>
<td>vii</td>
</tr>
<tr>
<td>DEFINITION OF TERMS</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF FIGURE</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF TABLE</td>
<td>x</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

1.1 Background of the study ........................................ 1
1.2 Statement of the Problem ...................................... 6
1.3 Objective of the Study .......................................... 8
1.4 Research Questions ............................................. 8
1.5 Significance of the study ..................................... 9
1.6 Scope of the study ............................................. 10
1.7 Limitation of the Study ........................................ 10

## CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction .................................................... 11
2.2 Promotion of Enterprises ..................................... 11
2.3 Theoretical Review of Entrepreneurship ....................... 12
  2.3.1 Economic Theory ........................................... 12
  2.3.2 Psycho Social Theory ...................................... 14
  2.3.3 Psychological Theory ...................................... 15
2.4 Empirical Review ............................................... 16
  2.4.1 Government policy on Youth Entrepreneurship ............... 16
  2.4.2 Access to Capital in promoting Youth Entrepreneurs ...... 18
  2.4.3 Availability of Infrastructure in promotion of Youth Enterprises ........................................ 20
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction .................................................................................................................. 45
5.2 Summary of the Findings ............................................................................................. 45
5.3 Conclusions .................................................................................................................. 47
5.4 Recommendations of the study .................................................................................. 48
5.5 Recommendations for further study ........................................................................... 48

REFERENCES .................................................................................................................... 49

Appendix 1. COVER LETTER .......................................................................................... 54
Appendix 2. QUESTIONNAIRE ......................................................................................... 55
# LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICEG</td>
<td>International Center for Economic Growth</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>KIE</td>
<td>Kenya Industrial Estates</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>K-REP</td>
<td>Kenya Rural Enterprises Programme</td>
</tr>
<tr>
<td>MF1</td>
<td>Micro Finance Institutions</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Government Organization</td>
</tr>
<tr>
<td>SAPs</td>
<td>Structural Adjustment Programmes</td>
</tr>
<tr>
<td>SSEs</td>
<td>Small Scale Enterprises</td>
</tr>
</tbody>
</table>
DEFINITION OF TERMS

Entrepreneur is an agent who buys factors of production at certain prices in order to combine them into a product or service with a view to selling it at uncertain prices in future. He identifies an opportunity, gather resources and exploit the opportunity.

Entrepreneurship-is the attempt to create value through recognition of business opportunity, making risk to mobilize resources with an aim of making profit.

Government policy- This is a government and local authorities deliberate plans and regulations to guide decisions and achieve rational outcomes in the economy.

Innovation – This refers to doing something new or something different. It also refers to creation of new products or modifying the existing ones with a view of improving performance.

Micro Enterprises –This refers to business units employing up to ten people within their operations including the working owner.

Promotion of Micro and Small Enterprises-This is defined as the process of enabling Micro and Small enterprises to increase control over and improve their enterprises.

Small Enterprises – These are business units employing more than ten and up to fifty workers.

Technology –State of the art skills and knowledge aimed at improving performance. Improved technology leads to better standards of living for the population.

Youth-This is the time of life between childhood and adulthood . In Kenya this is used to refer to persons between 18 years old and 35 years. The youth form the majority of population in Kenya.
LIST OF FIGURES

Figure 2.1 Schematic diagram.................................................................23
Figure 4.1 Education level of the Respondents........................................29
Figure 4.2 Respondents length in business.............................................30
Figure 4.3 Level of Education.................................................................32
Figure 4.4 Type of Business ownership..................................................32
Figure 4.5 Reason for Starting a Business...............................................34
Figure 4.6 Rate of business growth.........................................................35
Figure 4.7 Survey on Government policy ...............................................36
Figure 4.8 Sources of capital.................................................................37
Figure 4.9 Number of Training Institutions in Thika..................................40
Figure 4.10 Status of Business Premises..................................................41
Figure 4.11 Extent of technology use in Businesses...................................41
Figure 4.12 Methods of Advertising.......................................................43
LIST OF TABLES

Table 3.1 Target Population ................................................................. 26
Table 3.2 Sample size ........................................................................ 26
Table 4.1 Response rate ..................................................................... 28
Table 4.2 Gender of Respondents ...................................................... 30
Table 4.3 Number of Employees ........................................................ 33
Table 4.4 Correlation between Government policy and promotion of Youth owned enterprises... 37
Table 4.5 correlation between Capital employed and promotion of Youth owned enterprises..... 39
Table 4.6 Correlation between use of Technology and promotion of Youth owned enterprises.... 42
Table 4.7 Correlation between market demand and promotion of Youth owned enterprises....... 44
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Economic development of any country or any region is a direct result of a purposeful human activity. It is an accepted belief that without entrepreneurial activities the process of industrialization is not possible. Entrepreneurship is said to be a result of both individual and environmental factors. Entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit that combines the factors of production to supply goods and services. It is believed that a natural talent for business, innovative spirit, risk taking ability and desire to achieve are the major individual characteristics, while social outlook, family traditions, government policies, financial resources and infrastructure are the external environmental related factors influencing entrepreneurship among the youth (Batra, 2003).

Developing countries are faced with various constraints, many of which are associated with the economic growth. High rates of unemployment and poverty are among the top ranked problems. Various studies in these countries have shown that the informal sector can play a major role to alleviate some of the problems by creating jobs. MSEs are believed to generate more direct jobs per dollar of investment than do large enterprises. The ILO (1972) report shows that about 90% of all jobs come from small businesses. These jobs would result in a more even income distribution and possibly reduction of poverty. The informal sector is generally characterized by a large number of micro enterprises, small scale and medium size businesses which tend to be labor intensive use minimal capital inputs and are often oriented to local markets (GOK, 1986). They serve as a ground for developing technical and entrepreneurial skills and by the virtue of their use of indigenous technological capabilities they promote local inter sectoral linkages and contribute to the dynamism
and competitiveness of the economy (Webster, 1991).

The role of MSEs in developing countries cannot be overemphasized. They are an important tool in job creation, resources allocation and utilization, wider distribution of income, forward and backward linkage formation in industry, and promotion of change (ILO, 1972). To achieve these objectives MSEs need to grow and expand in their operations. According to Reed and Befus (1994), growth also refers to as promotion. It involves changes in the means of production, increase in sales volume, increase in asset, and increase in specialization. Growth of an enterprise can generally be measured in terms of number of jobs created, volume of sales, value of assets, amount of profit and formation of networks with other organizations. They further argued that, growth of an enterprise can be constrained by factors which may either be controlled by the entrepreneur (internal factors) or those outside the power of the entrepreneur (external factors). Internal factors are those that are within the firm such as management and technical skills while external factors are those factors in the outside environment which surround the enterprise, for instance the raw materials, infrastructure and competition.

The sessional paper no. 2 of 1991 on Small Enterprises and Jua Kali sector development in Kenya states that ‘besides a conducive policy environment and adequate credit, small scale enterprises require various non-financial services at different stages of their growth. These include managerial and technical training, counseling, marketing, extension, program design, program implementation and evaluation, use of technology and quality production. The paper further observed that resources in terms of professionally qualified staff in both the private and public sectors is of great importance for effective entrepreneurship programs to start-up, operation and expansion phases of businesses. The paper highlighted poor project and programs planning as one of the factors leading to slow growth of the businesses with little chances of graduating into the formal sectors (GOK, 1991).
According to data from the Ford Foundation, in Kenya, every year over 500,000 students join the workforce from various levels of the education system. Only approximately 300,000 jobs are created annually on average, the bulk of which are self employment opportunities in the informal sector. In 2005 for example, the informal sector created 430,000 jobs while the formal sector created only 30,000 jobs. The bulk of the unemployed are the youth, defined by the Ministry of Youth Affairs as those between 18 and 35 years, a group that makes up 75% of the population. In 2003, the national level of unemployment stood at 40% with over 78% of this representing the youth while in 2005 the youth accounted for 67% of the national unemployment. Faced with such a worldwide problem there is need to prepare the youth for self employment (Mbogo, 2006).

According to Maina (2009), various efforts to promote entrepreneurship among the youth in Kenya exist. These tend to focus on equipping students with technical skills or to provide finance through microfinance institutions. The government has set up a separate ministry for youth development and initiated some schemes to improve their conditions. The primary aim of these schemes is to help youth in taking up gainful employment and self – dependence. For instance, in 2006 the government introduced the National Youth Enterprise Development Fund (NYEDF) aimed at addressing the rising Youth unemployment as well as providing funding to both start-ups and existing Youth entrepreneurs.

To this end the government has invested in a nationwide network of youth polytechnics that aim at equipping the youth with practical self employment skills such as metalwork, furniture making, bakery etc. These initiatives however have in the past tended to target non graduates. At college level, entrepreneurship promotion initiatives tend to be in form of entrepreneurship courses; for example, teacher training colleges offer a higher diploma in entrepreneurship education, a practical oriented
course that includes an internship. All the universities offer business degrees and most of the programs have electives in Entrepreneurship and Small Business Management, while some graduate level degree programs specialize in Entrepreneurship. The impact that these programs have on youth entrepreneurship, however, is limited due to a tendency to have a theoretical approach. There is therefore a need to have practical sessions such as internships incorporated in degree programs (Maina, 2007).

The government encourages Strong Networks and Relations of Trust Network that involves a group of people who exchange information, experience and contacts for professional, business or social purposes. Nthenya et al. (2002) say that networks are important during the establishment, development and growth of small businesses. The network may include family members, or even friends, or professionals. Networks are of growing importance to MSEs in any economy. Africans being notoriously social, networking becomes a vital tool for success of SMEs; it becomes like ‘an inborn trait’ or an opportunity that comes by natural flow. Networking involves distance.

The government has provided market stalls and Jua Kali sheds to MSEs in various part of the country. According to Tulus (2005) in an Indonesian perspective, he observes that clustering plays an important role in the growth of small businesses and governments should support it. Hence, close proximity is crucial to enterprise. From the context of Kenya, small enterprises like mitumba (selling of second hand cloths), we find the business clustered in one place. This is aimed at creating a closely-knit network that ultimately increases the inflow of customers.

An enabling environment is an opportunity that should be utilized by the micro and small enterprises in Kenya. With changing governments, which come with promises of a better tomorrow and definition of
new business policies, reconstruction of economy, improvement of infrastructures and security, small businesses are expected do well. The legal and economic framework in which enterprises operate is crucial to their performance. In the literature on enterprise development, it has been argued very forcefully that the legal framework of many countries serves as a barrier against enterprise. In many cases across Africa, the reduction of open hostility has been more important for smaller enterprises than any positive program of engagement from the state (King & McGrath, 2002). The government has initiated several revisions in policies to reduce the barrier to entry and growth of MSEs.

The Government has been encouraging MSEs to diversify their products and activities. Diversification inherently constitutes networking, reaching out in terms of services and products, or/and having variations. A number of strategies can be employed. One such strategy is for a company to diversify its range of products. A firm may even become its own supply of its raw materials or services. Diversification may also include a firm moving into related new markets with new product. In the context of Kenya, small businesses like street trade where one sells firm produce like fruits harvested from one’s shamba (farm). Another example would be hotel, where one’s firm supplies foodstuffs. A firm that produces a number of largely unrelated goods and services is said to be diversified. A diversified company might be offering services such as research, and at the same time selling computer accessories and printing. Diversification gives a company more financial security than it would have if it produced only one kind of product. Because a diversified company operates in various industries, it can usually offset declines in one industry with advances in another. Diversification is therefore an opportunity for growing small businesses in Kenya, for it ensures stability and continuity (Maina, 2007).

Government encourages Franchising among MSEs, according to Storey (1995) this refers to an
arrangement whereby a party (franchisor), who has developed a way of running a business system successfully, licenses to another the rights to operate that system using either his/her trademark or name or and other rights. The rationale behind franchising lies in acquiring support in the area of training, which includes building personnel, management and overall opening up of new horizons in the market place. In Kenyan perspective, the business environment (though not all that conducive due to heavy cost of investment and production, partly because of heavy taxation and energy issues) has enabled a number of macro and micro enterprises to rise.

1.2 Statement of the Problem

Micro and Small Enterprises has become an important contributor to economic growth and employment creation. Aquilina et al (2006) for example indicate that in a very large cross section of countries at different levels of economic development the importance of small and medium sized enterprises (SMEs) is positively related with GDP per capita growth. Thus the government and its development partners have spent so much resource in implementing policies and programs aimed at encouraging more people to set up and run small businesses.

The MSEs’ sector needs to grow and expand to be effective in alleviating problems of Youth unemployment. According to ILO (2004) report youth constitute up 75% of the total population and accounted for 67% of the national unemployment. Studies conducted in Kenya (Macharia, 1989 & McCormick, 1988) suggest that a large number of Micro enterprises have not expanded partly due to lack of adequate financing and managerial skills. Further studies on the informal sector promotion (Sifuna , 1986 & King,1990) found that although many MSEs are established, most were unable to grow and were just surviving.
While general barriers to successful business launch and growth apply to youth (such as lack of access to capital, problem of markets, problem of under-utilization of capacity and technological problems), young entrepreneurs face specific challenges which include: Lack of credibility. Social pressure and Poor supporting structures: Young people, especially outside Nairobi, have few avenues through which to access business training. An investigation into levels of entrepreneurship development within Kenya which focused on the types of training entrepreneurs received outside of academic schooling (e.g., management, technical training, marketing and business counseling) showed that training in entrepreneurship is generally lacking in the Micro and Small Enterprise (MSE) sector. On the whole, 85% of the entrepreneurs surveyed had not received any entrepreneurial skills training. For the few that had received training, most received technical (i.e., non-business) training (Mbogo, 2006 & Maina, 2007).

Previous research carried out in Kenya as part of a new program to address barriers to growth-oriented youth MSEs growth observed that: Entrepreneurial spirit is present but the level of business understanding among micro enterprises is very shallow. Micro and Small Enterprises are fragmented and disconnected from supply chains. The operations and assets of most MSEs are yet to be incorporated into the formal economy. The Kenyan financial sector has not yet produced attractive funding options for growth-oriented micro enterprises. Diffuse approaches to MSE development are well-intentioned but inefficient (GOK, 2005 & Maina, 2007).

There lacks a comprehensive analysis of factors influencing promotion of Micro and Small Enterprises owned by Youth in Thika town, Kenya. This is the information gap that this study sought to fill.
1.3 Objectives of the Study

1.3.1 General Objective

To determine the factors influencing promotion of Micro and Small enterprises owned by the Youth in Thika town.

1.3.2 Specific Objectives of the Study

i. To analyse how access to capital helps in promotion of Small and Micro Enterprises owned by Youth in Thika town.

ii. To evaluate how technology influences promotion of micro and small enterprises owned by youth in Thika town.

iii. To find out how government policies influence promotion of Micro and Small Enterprises operated by Youth in Thika town.

iv. To find out how availability of market influence promotion of Micro and Small Enterprises owned by Youth in Thika town.

v. To determine how infrastructure influence promotion of Micro and Small Enterprises owned by Youth in Thika town.

1.4 Research Questions

i. How does access to capital affects promotion of Small and Micro Enterprises owned by Youth in Thika town?

ii. How does the technology influence the promotion of Micro and Small Enterprises owned by youth in Thika town?

iii. How do government policies influence promotion of Micro and Small Enterprises operated by Youth in Thika town?
iv. How does market influence promotion of Micro and Small Enterprises owned by Youth in Thika town?

v. In which way does infrastructure influence promotion of Micro and Small Enterprises owned by Youth in Thika town?

1.4 Significance of the Study

**Government**

The government can use the findings to provide assistance to MSE in establishing improved management structures, policies and operations for growth. For instance, they may initiate financial literacy programs that could strengthen youth entrepreneurs’ ability to prepare and read financial statements.

**Non Governmental Organizations**

The results may be used by those developing programmes for Youth. They may need to develop entrepreneurial programs to assist the youth entrepreneurs in identifying business venture, mobilizing resources and exploiting the opportunity.

**Scholars**

The study’s findings will help other researchers on factors that influence promotion on youth owned enterprises in identifying the areas that require further research so as to fill the information gap and also to add to the pool of currently existing knowledge.
1.6 Scope of the Study

The study attempted to analyze the factors that influence promotion of youth owned enterprises. Thika municipality, Thika District, Central Province of Kenya was chosen due to its high representative of many sectors of businesses. Population sample was drawn from a population of young entrepreneurs based in the town. Thika town has been divided into three broad areas namely; Central business, industrial area and residential area.

1.7 Limitation of the Study

Some respondents were unwilling to divulge all information required due to fear of imagined reprisals from KRA, Municipal council and lenders and therefore confidentiality was assured when collecting data.

Some Youth Entrepreneurs were unable to read and write and therefore could not fill the questionnaires in their own. To overcome this, a research assistant was used to take the respondents through the questionnaire in a language they could understand.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter reviews the literature on theories of entrepreneurship. It also highlights the empirical studies carried out in the entrepreneurship in Kenya and discussed the effects of capital, infrastructure, government policy, technology and market on the promotion of entrepreneurship in Thika town. The review then outlines the research gaps and provides the conceptual framework of the study.

2.2 Promotion of Enterprises
The promotion of enterprises is a broad and wide-ranging subject because enterprises take many forms, not just in terms of size, sector and spatial dimensions but also in terms of how an enterprise is managed and governed and its legal status and operational objectives. All enterprises are part of society; they shape and are shaped by the communities in which they operate.

Promotion of enterprises involves enabling people to have a greater control and improving their enterprises. This is all about strengthening the institutions and governance systems which nurture enterprises because strong and efficient markets need strong and effective institutions and ensuring that human, financial and natural resources are combined equitably and efficiently in order to bring about innovation and enhanced productivity. This calls for cooperation between government, business and society. Enterprises therefore need to ensure that their core business activities continue to add value and are undertaken efficiently and effectively. Enterprises also need a supportive enabling environment (ILO, 2007).
2.3 Theoretical Development of Entrepreneurship

The concept of entrepreneurship promotion has its foundations in many disciplines notably, psychology, sociology and economics. Hence, its study requires a multi-disciplinary approach for one to have a full appreciation of the field of entrepreneurship and its contributions to economic development.

2.3.1 Economics perspective

The first major work on entrepreneurship came from Schumpeter (1934) who for the first time put the human agent at the centre of the process of the economic development and assigned a critical role to the Entrepreneurship in the ‘Theory of Economic Development’.

Economic theory is said to have had a much stronger influence on the development of entrepreneurship. Concepts of risk bearing, innovation, provision of capital and growth of the firm which are associated with an entrepreneur, have their origin in economics. (Schumpeter, 1934) viewed an entrepreneur as an innovative risk bearer involved in production and creation of new products, markets and the growth of enterprises. He viewed entrepreneur as a necessary innovator and risk bearer who introduces competition which leads to economic development.

Growth in enterprise production can be explained using Rostow’s theory(1960) of economic growth. According to Rostow, firms go through several stages in their growth process. They begin at traditional society level and go through a transformation stage, take- off stage, maturity and end with mass production stage. Many firms, however, do not reach the final stage according to Rostow. The theories state that entrepreneurship and economic growth takes place when the economic conditions are favorable. Economic incentives are the motivator of entrepreneurial activities. Economic incentives
include taxation policy, industrial policy, sources of raw materials and finance, infrastructure availability, access to information about market conditions, investment and marketing opportunity.

Penrose (1959) indicated a number of factors that could hinder growth of an enterprise. These includes: managerial ability, uncertainty, risk and the market. Managerial ability was mentioned as being a major limitation to growth of an enterprise. Uncertainty in an economy may be viewed in terms of unexpected price changes, risk of business failure and lack of distribution channels. Besides co-ordinating activities of the enterprise, the entrepreneur needs to have a vision of where the firm is heading and what it requires to get there. However, the entrepreneur may not always have such vision resulting to loss of opportunity for growth and expansion.

Growth appears to be linked to success as one leads to the other. For instance, a growing enterprise is said to be successful as it attain its goals. Growth of an enterprises can either be horizontal or vertical (Liedholm, 1990). Whereas, Vertical growth involves graduation and transformation into more modern small and medium enterprises, horizontal growth includes formation of more enterprises at the micro enterprise level. Vertical growth is desired for many MSEs because it has been associated with increased capacity for employment generation.

The process of MSEs’ growth entails risking. Richard Cantillon’s Theory of Risk-bearing views entrepreneur as risk-bearing agent of production. According to him, an entrepreneur is the one who buys factors of production at a certain price, combines the factors of production into a product and sell the product at uncertain price. He argues that when an entrepreneur is initiating a project the costs involved are certain because they can be determined before undertaking the project, however, the
entrepreneur cannot determine the price of the product before undertaking the project. He went further to conclude that without risking there can be no growth (Sharma, 1987).

Innovative ideas support MSEs growth. Schmpeter visualized entrepreneur as an innovator. He considers a person an entrepreneur, if the person acts as a catalyst by his innovative ideas and actions and introduces dynamism in the economy, thereby interrupting and altering the stagnant circular flow of the economy and bringing about growth and development (Schmpeter, 1934).

2.3.2 Psychosocial Perspective

Entrepreneurship is likely to get a boost in a particular social culture. Societal values, taboos, religious beliefs and customs influence the behavior of an individual in a society. Entrepreneur being a role performer acts according to the expectations of a society.

Hagan’s Theory of Social Change- Hagan brought forth the view that psychological consequences of social changes are responsible for nurturing Entrepreneurship qualities among those subjected to the social changes. According to Hagan, many social groups experience a radical loss of status at some point of time. When the groups lose their status, the group responds in many ways. Hagan categorized the response pattern of those who have lost their status, into five types, retreatism, situationism, innovation, reformism and rebellion. Out of these five response patterns, retreatism aids in promotion of entrepreneurship (Mohan, 2006).

Hoselitz’s Theory of Marginal groups emphasizes the role of culturally marginal groups in the growth and development of entrepreneurship. According to Hoselitz, marginal men, because of their ambiguous position from a cultural and social stand point, are peculiarly suited to make creative
adjustments in situations of change and in the course of this adjustment process to develop genuine innovations in social behavior (Wigley, 1992).

2.3.3 Psychological Perspective

Entrepreneurship gets a boost when the society has sufficient supply of individuals with necessary psychological characteristics. The psychological characteristics include need for high achievement, vision or foresight and ability to face opposition. These characteristics are formed during individual upbringing which stress on standard of excellence, self-reliance and low father dominance.

McClelland (1967) Theory of Achievement wanted to identify the internal factors in the form of human values, motives e.t.c., that lead man to exploit opportunities and to take advantages of the favorable trade conditions. He, along with his research associates, isolated several inner concerns that are found responsible to induce men to act towards economic growth. He identified the need for achievement as chief among these concerns. He urges that a person whose need for achievement is high will have the drive to excel and win. He will take personal responsibility and will be a high achiever.

According to Tandon (1987), an individual who is using internal control factors and is given adequate resources, can exploit an opportunity to create new enterprises. He further suggested that an individual efficacy is a major contributor to the entrepreneurial effectiveness and success. Tandon asserted that as an individual work towards stated goals, they will be influenced by the perceptions and beliefs about themselves. Pareek & Rao (1978) found three related factors necessary for personal efficacy as being: motivation, self-awareness and pro-activity. Their study indicated that highly motivated persons were high in personal efficacy.
Based on McClelland’s theory and other contributors from psychology, it can be stated that entrepreneurs who are high in Achievement are likely to do well in their businesses. Growth and development are possible outcomes.

2.4 Empirical Review

2.4.1 Government policy in promoting Youth Entrepreneurs

The governments have a range of policies to enable MSEs to come into existence and to grow. The simple justification for such policies is that MSEs are major sources of job creation, innovation and competitiveness in a modern economy and that it is the government task to promote these characteristics in order to enhance its citizen welfare.

According Lundstrom & Stevenson (2002), the general goal of MSE policy is to strengthen the existing base of small enterprises by ensuring they can compete in the market place and they are not prejudiced because of their small size, relative to large firms. They argued that to derive such policies government is faced with choices. First policy option is lowering the entry barriers to the new formation. Examples of such barriers include the length of time taken to start a business, the number of cost of any permits or licenses required or the minimum capital required of a new firm. A second policy option is to reduce the burdens on those individuals already operating MSEs, such burdens include the severity of the tax regime and the difficulties over the hiring and firing of labour. The third policy option is to use public funds to provide finance directly and indirectly or to provide information, training and advice to both individuals considering starting a firm and to existing established MSEs.

In Kenya the government has liberalized policies on small industries to bring about better co-ordination between small sector and the medium and large sectors to ensure that small enterprises graduate easily into large enterprises (GOK, 1985). The government uses taxation to allocate public goods such as law
and order and defense and quasi-public goods such as education and health care. Taxation and government expenditure may also have the effects of redistributing income from the rich to the poor, or vice versa, and of stabilizing the economy according to Keynesian Theories of economic management. However, the process of taxation may be progressive—in which case as income rises greater and greater percentage is taken in taxation, proportional—in which case as income rises the same percentage is taken in taxation, or retrogressive—in which case as income rises a lesser and lesser percentage is taken in taxation (Wigley, 1992).

Regulatory activities and licensing of commercial activities by both central and local government influence the operations and growth of small and micro enterprises. Simplified regulatory framework for small scale enterprises encourages starting and growth of the enterprises. The government has continued to provide incentives to manufacturers and businessmen to encourage dispersion and decentralization of industries to rural areas (GOK, 1995). Trade licensing as a regulatory control and as a means of raising revenue has undergone considerable reform. Procedures have been simplified and bureaucracy reduced to a minimum. The government is undertaking a comprehensive review of pertinent regulatory acts and all licensing requirements. Availability and secure access to land is critical to the success of MSEs because they need convenient location relative to their potential customers. The prohibitive land act as continued to be a stumbling block to the success of MSEs. Land near commercial sections of Kenya towns and cities should be made available to MSEs. Title deeds provide small scale entrepreneurs with the security they need to invest more in their enterprises so that they can grow, take on more employees and become more formal businesses (GOK, 1991).

The government of Kenya has recognized education as an agent of change in domain of productivity and particularly in regards to promotion of small and medium enterprise sector (GOK, 1988). In the
1970s education was geared toward overall national development and to the expansion of the formal subsector of the economy. In 1980s educational policies shifted to measures of enhancing non formal business activity which was considered by ILO report of 1972 as an increasing important subsector.

The Kenya Government has embraced entrepreneurship development through formulation of policies favorable to development of small businesses particularly in the recent years (GOK, 2005). With the support of International bodies, National Associations and the numerous small business development stakeholders Entrepreneurship Development Fund was introduced with a view to encouraging the youth to venture into self employment.

Structural adjustment programs (SAPs) intends on creating an enabling environment, but SAPs have actually tended to work against Small Enterprises (McCormick, 1996). By liberalizing international trade before national trade SAPs have favored large exporters. Measures related to structural adjustments reinforce and even intensify social-economic differences among entrepreneurs in certain sub sectors (Brand et al., 1993).

2.4.2 Access to Capital in promoting Youth Entrepreneurs

Almost every firm needs substantial financial input to grow. The financial resources to a young entrepreneur are therefore very important. There are various sources of finance which include; income from other sources, own capital, contribution by business partners, received loan from family or financial institutions e.t.c. capital is regarded as lubricant to the process of production. With an increase in capital investment, capital-output ratio also tends to increase. This results in increase in profit which ultimately goes to capital formation. This suggests that as capital supply increase, entrepreneurship also increases (Mohan, 2006)
The studies conducted by Abudho (2004) revealed that inadequate and delayed availability of bank finance has been one of the causes for sickness among Small Enterprises. The studies recommended for a change in the attitude of the bankers who should be guided more by the viability of the project rather than the viability of the enterprises. There is a need for providing concessional finance to agencies created exclusively to service the small enterprises. It would be desirable for the banking system to extend term loans in addition to working capital to small enterprises. Formal banks view MSEs activities as risky ventures with high administrative costs and low returns (Braverman & Guasch, 1986).

Baseline Survey conducted by K-REP and ICEG in 1999 estimates that demand for credit is high but only 10% of these MSEs had access to credit from formal institution and NGOs. MSEs, in order to grow and develop into viable economic activities need financial support to meet their working capital needs, finance asset acquisition and improve and expand their business premises (Yunus, 1991).

Muturi (2005), found out that raising capital is the biggest obstacle to starting and operating businesses. He affirms that the greatest difficulty in raising capital is the high interest rates charged by financial institutions. This is also perceived by borrowers as the most expensive borrowing cost. Government has put a lot of emphasis in encouraging entrepreneurship as a tool of job creation and in this respect it has made several attempts to break barriers of access to finance by MSEs (GOK, 1986 & GOK, 1992).

Maiyo (1998) identified the most common sources of funding to Jua Kali Enterprises as follow; 38.5% use Personal Savings this primary source of capital for most new businesses comes from savings and other forms of personal resources. 9.7% use Banks and Credit Unions. The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.19.2% plough back profit from their business. Friends And Relatives also provide capital to
many entrepreneurs especially when starting out in a business venture. Often, money is loaned interest free or at a low interest rate, which can be beneficial when getting started.

2.4.3 Availability of Infrastructure in promotion of Youth Entrepreneurs

These are the auxiliary services to the operation of business which include road and communication network, water supply and electricity, learning institution and good health facilities. Improved infrastructure will be added incentives to the growth of economy. Social mobility involves the degree of mobility, both social and geographical, and the nature of mobility channels within a system. High degree of mobility is conducive to entrepreneurship (Khanka, 1999).

In Kenya there has been a great deal of policy attention given to the infrastructure for small enterprises (GOK, 1992). Some of the most visible expressions of this include Jua Kali sheds that have been put up by local governments in various towns and cities. World Bank (1992) acknowledged that most basic requirement about infrastructure has been met.

The significance of labour to entrepreneurship highly depends on the qualitative aspects more than quantitative aspects. Research in developing countries has shown that an entrepreneur's level of education may be associated with MSEs characteristics, such as growth and performance (Hisrich, 1986 & Barkham, 1990). This is because higher levels of education are associated with greater verbal, communication, computational and comprehension skills, all which are important in business decision making and management (McCormick and Pederson, 1996). He noted that Entrepreneur with college based education tend to establish larger firms while those with primary and secondary education set up small firms. In this regard the necessary infrastructure is need to guarantee quality training in project
development and enterprise management skills as well as proper choice of line of manufacture are essential elements in quality source of labor for the success of entrepreneurship (Batra, 2003).

2.4.4 Technological Factors that promote Youth Entrepreneurs

Technology is the base of the industry. In modern times a lot of attention is being devoted towards the improvement of the technology. Fortunately the technology is developing rapidly and one can find a very sophisticated technology in the market. However, Micro and Small Enterprises cannot think of using the advanced technology because of their poor financial structure and lack know-how. Availability of technology in the area of the entrepreneurs facilitates his movement towards entrepreneurship. Some people become entrepreneurs by availing themselves of the easy technology in nearby areas; choice of technology also plays an important role in the development of entrepreneurship (Batra, 2003).

Piore and Sable (1984) argue that, the key to prosperity of firm’s lies in innovative and flexible systems of multipurpose machines operated by skilled workers able to respond to continuous change. However, Micro and Small businesses in developing world use simple technology to produce basic, often low quality goods for domestic market. Lack of industry-specific information on small establishments makes it difficult to appreciate the range of technology within the given industries (McCormick, 1993).

According to Orari (1990) one key constraint is small firms’ lack of access to information on available technologies. Small scale enterprises are unaware of technologies that may be appropriate to their needs, despite the fact that such technologies are widely used elsewhere. In some sectors, appropriate technologies do not exist or they require modification.
2.3.5 Market for Youth Enterprises’ Goods and Services

Marketing is a key factor in determining the success of an industrial concern. Market of the product is a crucial area and which is one of the major stumbling blocks, for small scale enterprises. A SSE may be able to establish a good unit and to bring out a quality product but if there is no market then it cannot succeed in the market (Batra, 2003).

A market is not a place, but a situation; a situation in which sellers and buyers are in contact, able to accept a price and to offer a price. Markets are of two broad types, product markets and factor markets. In product markets goods and services are supplied by firms and demanded either by other firms or by consumers. In factor markets the four factors of production-land, labour capital and enterprise-are supplied by their owners and demanded by firms which wish to use them to make goods and to provide services (Wigley, 1992).

The size and composition of market both influence entrepreneurship in their own ways. For instance, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market. Market expansion coupled with the rate of expansion is most significant characteristics of the market for entrepreneurial emergence (Mohan, 2006).

Production requires either a large existing market for product or consumers with enough disposable income to allow producers to create demand through advertising. Markets in developing countries are often small because of small, mostly poor populations. Transport difficulties further shrink markets by imposing geographic limits. Demand may also fluctuate, either cyclically or erratically (Ongile & McCormick, 1993).
2.5 Summary of the literature review and research gaps

From the literature reviewed, it is evident that no comprehensive study has addressed the factors influencing promotion of Entrepreneurship among the Youth in Kenya. The few studies that have been carried out have focused on the effects of training on entrepreneurial culture among the youth. It is therefore important to factor in any elements that influence promotion entrepreneurship among the Youth. Such elements, includes government policy, infrastructure, capital, technology and market availability. The literature is very limited and this therefore translates into lack of knowledge in this area. This study therefore comes in to bridge this gap.

2.6 Conceptual Framework

The figure below shows the relationship between access to capital, availability of infrastructure, technological factors, market availability and government policy as independent variables and promotion of youth enterprises.

```
Finance/Capital
Infrastructure
Technology
Market demand
Government
(Independent Variables)

Promotion of Micro and Small Enterprises owned
by Youth in Thika Town
. Number of Employees
. Sales Volume
. Number of Years in Operation
(Independent Variable)

Source: Researcher, 2011
```
Interpretation

**Capital/Finance** is the resources required by the Enterprise to meet its fixed costs such as premises and also its variable costs such as raw material electricity and labour. Availability of capital greatly promotes Youth’s Micro and Small Enterprises.

**Infrastructure** is the support services required by an enterprise for smooth running of its operations. Such services include water, electricity, roads etc. Improved infrastructure helps in promotion of Youth’s Micro and Small Enterprises.

**Technology** is the state of the art skills and knowledge aimed at improving performance. Improvement in technology makes an enterprise’ operations ease, faster and at relatively low cost. This results to better Youth’s Micro and Small Enterprises.

**Government policy** is a laid down rules and regulations code aimed at governing the operation of a sector. Favorable government policies ensure a conducive environment for promotion of Youth’s Micro and Small Enterprises.

**Market Demand** is the number of customers that a business has and the distribution of such customers within the area of operation. If there is ready market for Youth enterprise products then, there will be a great promotion in their performance.

**Promotion of Youth owned MSEs** refers to as a process of enabling young people to increase control over and improve their business activities.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research design which was used to carry out the research. The chapter covers
the study population, sampling techniques, data collection procedures and the methods used for data
analysis.

3.2 Research design
The study used descriptive research design where statistics like percentages, proportions, correlations
and graphs. The descriptive research design was applied since the study involved describing the
relationship that exists between a set of variables. The study aimed at collecting information from
respondents on factors influencing promotion of micro and small enterprises owned by the youth in
Thika town. (Appendix 2).

3.3 Target population
The study targeted Youth Entrepreneurs under a single business unit. According to business register in
Thika municipal council office as at 2011, there were 3421 registered businesses in the District and out
of these 2417 businesses were licensed to operate within the municipality. This study however targeted
the population of young entrepreneurs in the municipality that totals to 1357 businesses.
### Table 3.1 Target population

<table>
<thead>
<tr>
<th>Market Area</th>
<th>Number of Businesses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Business Area</td>
<td>815</td>
<td>60</td>
</tr>
<tr>
<td>Industrial Area</td>
<td>178</td>
<td>13</td>
</tr>
<tr>
<td>Residential Area</td>
<td>354</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1357</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source (Municipal council of Thika- 2011)

### 3.4 Sampling design and Procedure

To ensure equitable chances of sampling, stratified random sampling technique was used to categorize the town into three areas. From each area, a proportional 10% random sample size will be drawn. Mugenda & Mugenda(2003), further says that where the population of interest is relatively large (more than 300), a 10% sample size optimizes on cost implication and the sampling mean converges to that of the population. Simple random sampling was used to select the actual respondents.

### Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>Market Area</th>
<th>Total Population</th>
<th>Multiplier Factor (10%)</th>
<th>Sample Population</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Business Area</td>
<td>815</td>
<td>0.1</td>
<td>82</td>
<td>61</td>
</tr>
<tr>
<td>Industrial Area</td>
<td>178</td>
<td>0.1</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>Residential Area</td>
<td>354</td>
<td>0.1</td>
<td>35</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1357</strong></td>
<td></td>
<td><strong>135</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source (Researcher, 2011)
3.5 Data Collection procedure

The study used primary data and secondary data. Primary data was collected through a questionnaire. For the purpose of data validation, the researcher first conducted a pilot survey on 20 respondents picked randomly from the study area. The questionnaire was then restructured to take care of the lessons from the pilot survey and the final collection conducted on self-administering basis. Secondary data was gotten from the existing records. The data collection procedure took approximately one month.

3.6 Data analysis

The researcher checked the data collected from the field for completeness, accuracy, error and omissions. The data was then analyzed by use of descriptive statistical technique. These included the use of frequency distribution tables, percentages, pie charts and proportion to organize and give a summary of the collected data and display in a meaningful and understandable manner so as to aid in describing and interpreting the outcome of the research. Correlation of factors was used show the significance of the independent variables to the dependent variable. A Statistical Package for Social Sciences (SPSS) was also used as an aid to analyze the obtained data.
CHAPTER FOUR
FINDINGS OF THE STUDY

4.1 Introduction

This chapter presents the data analysis and interpretations of the findings. The data presented by the respondents aimed at responding to the research objectives. Correlations were used to establishing the relationship between the study variables, reports were presented using pie charts, graph and percentage. A sample of 135 young entrepreneurs was selected through stratified random sampling. Out of the total respondents 79% reported a growth in their enterprises and only 21% had not recorded any meaningful growth in their enterprises (Figure 4.6).

4.1.1 Response Rate

The study was descriptive in nature and targeted 135 youth owned micro and small businesses operating within Thika town. One hundred and thirty two questionnaires were successfully answered. Therefore the study response rate was ninety eight percent (98%). According to McBurney (2001), above 50% response rate is acceptable for the study. He notes that low response rate could have a potentially biasing effect on the study results. Considering that the study used stratified sampling, 98% response rate was good for the study as the population was well represented in the captured proportion of the population.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Respondent</td>
<td>3</td>
<td>2%</td>
</tr>
<tr>
<td>Actual Respondents</td>
<td>132</td>
<td>98%</td>
</tr>
<tr>
<td>Target Population</td>
<td>135</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (Field data, 2011)
4.2 Characteristics of the Respondent and the Enterprises

In order to capture the general information of the respondents and the Micro and Small enterprises under study issues such as age, gender, marital status, highest level of education, business ownership, employees in the organization, duration of operation, reason for starting the business, business performance were addressed in the first section of the questionnaire. This was important because it enhanced reliability and gave the basic understanding of the respondents.

4.2.1 Age of respondents

The study sought to establish the age of the respondents under study and the findings are shown on Figure 4.1 below. The results show that majority of the respondents who took part in the study were in the age brackets of 31-35 years and they represented a 45% of the population, those between the age brackets of 26-30 years were 30% while 21-25 years and 15-20 years had a percentage of twenty five and ten percent respectively.

![Age distribution chart](source.png)

Source: (Field data, 2011)

Figure 4.1: Respondents as per Age

29
4.2.2 Gender of the respondents

This section of the study sought to establish the gender of the respondents under study. The respondent's findings are shown on the table 4.2 below. The number of female respondents was slightly higher representing 51% while that of male represented 49% of the respondents.

Table 4.2: Gender of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>male</td>
<td>64</td>
<td>48.5</td>
</tr>
<tr>
<td>female</td>
<td>68</td>
<td>51.5</td>
</tr>
<tr>
<td>Total</td>
<td>132</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: (Field data, 2011)

4.2.3: Respondents as per length in business

The study sought to establish the period the respondents had been in the current enterprises and the figure 4.2 below shows the results. The study established that 37% of the respondents had been in their enterprises for duration of below one year, 24% indicated that they had operated businesses for 1-2 years while 21% and 18% said that they had operated for 3-5 years and over 5 years respectively.

McBurney, (2001) noted that in research respondents experience on the study subject add values to the information collected in the respective study. The high the number of years in experience a respondents has the deep the understanding of study subject. In this study, more than half of the respondents had cumulative experience of above 1 year this can be interpreted to mean that the respondents had a deeper understanding of the Micro and Small enterprises hence quality of information provided in the study.
Figure 4.2: Respondents as per length in business

4.2.4: Level of Education of the Respondent

The figure 4.3 below analyses the educational level of the youth operating small businesses and the results reveal that 45% of the respondents possess college education while high school graduates and primary school leavers constitute 33% and 18% respectively. University graduates were just 4% of the respondents.

The researcher observed that, education plays a crucial role in the process of making business decisions as well as implementing them. With at least secondary education, youths are able to evaluate the performance of their businesses, examining the business environment and deciding on how best to achieve the business objectives. The findings are similar to McCormick and Pederson (1996), he asserted that entrepreneurs with college-based education tend to establish larger firms and perform fairly well in operations of enterprises.

Source: (Field data, 2011)
2.5 Type of business ownership

The figure 4.4 below shows that, most youth 49% of the respondents operate their business individually. The researcher found out that, this is a true measure of resource endowment that the inhabitants in this area are capable of rising to support their small scale businesses. Thirty six percent operate the business with a partner which 15% had their enterprises jointly owned.
4.2.6 Number of Employees

The table 4.3 below shows the number of employees working in the micro and small businesses owned by the youth. Majority of the businesses (82%) have employed between 1-5 people, 6% of the businesses employed 6-10 employees, 9% of the businesses employed between 11-15 employees while 3% have above 16 employees.

The researcher found that, most of the businesses had between 1-5 employees. Upon further investigation the researcher realized that a high number of these enterprises have only one person running them and in most case being the owner.

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 5</td>
<td>108</td>
<td>82</td>
</tr>
<tr>
<td>6 to 10</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>11 to 15</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Above 16</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>132</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (Field data, 2011).

4.2.7 Reason for starting a business

The figure 4.5 below illustrates the reasons why most youths in Thika town started their enterprises. This reasons included availability of a viable opportunity, earning extra income, social influences such as family pressure and creation of employment. Only 9% of the respondents indicated that they chose to be in business because of spotting a viable opportunity and equally 12% because of social pressure. However, majority, 55% of the youth are driven into business by an urge of creating self employment.
This implies that many youth are turning into business as a result of lack of employment in the formal sector. This means that youth are able to make a rational decision based on the circumstance they face on day to day operation of the business and creatively come up with solution to their problem.

Source: (Field data, 2011)

Figure 4.5: Reason for starting a business

4.2.8: Rate of business growth

The figure 4.6 below was used to analyze the rate at which businesses grow and from the results it shows that 79% of the respondents think their business are recording high growth based on the sales volume while 12% and 9% think their businesses are either stagnant or declining respectively.

The researcher observed that, high growth was brought about by higher level of education and creativity of the youth necessitated by high competition in the town. However, the researcher felt that the business operators needed some business management skills to boost business growth.
4.3 Finding Relevant to the Study Objectives

4.3.1 Government policy

This was the study first objective that aimed at establishing the influences of government policies on the growth of youth owned enterprises. Under this objective various questions aimed at capturing relevant information were captured.

According to Lundstorm & Stevenson (2002), the government role in the promotion of small scale enterprises cannot be underestimated. The responses revealed 58% agreed, 18% disagreed, 15% strongly agreed, while 9% strongly disagree that government policy affect the operations of youth owned micro and small enterprises in Thika town. The government has provided youth with several incentives based on financial, training, review of business licenses and lowering of entry requirements, infrastructure development. However, on government policy enforcement slightly above half of the respondents viewed the council by laws as unfair.

Source: (Field data, 2011)

Figure 4.6: Rate of business growth
4.3.2 Correlation between Government policy and promotion of Youths’ enterprises in Thika town

The table 4.4 below shows a strong correlation ($r = 0.678$) between the government policy and promotion of youth enterprises in the Thika town. The relationship was statistically significant as $p$ value $(0.02)$ was less than 0.05 at 95% confidence level.

According to GOK (1995) Regulatory activities and licensing of commercial activities by both central and local government influence the operations and growth of small and micro enterprises. The study identified rising trends of small enterprises as a result of Simplified regulatory framework for small scale enterprises, less taxation and provision of required capital in form of youth development fund which encourage starting and growth of the enterprises. The government has continued to provide incentives to manufacturers and businessmen to encourage dispersion and decentralization of industries to rural areas.

It can be observed that increase in Government protection and control of youth owned micro and small enterprises will translate to a positive growth of the enterprises. This will help the youth to explore both
the local and foreign market. The enterprises will also expand in size and create the much needed employment.

Table 4.4: Correlation between government policy and the promotion of youth owned enterprises

<table>
<thead>
<tr>
<th>REGR factor: Promotion of youth owned enterprises</th>
<th>REGR factor score: Effects of Government policy on promotion of Youth owned enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson correlation</td>
<td>Sig.(2 tailed)</td>
</tr>
</tbody>
</table>

Source: (Field data, 2011)

4.4. Availability of capital

According to Maiyo (1998) the most common source of finance for micro and small enterprises remains personal saving. These results are similar to those of Muturi (2005) which suggests that the greatest difficulty in raising capital is the high interest rates charged by financial institutions. Personal savings provides the most cost effective source of capital.

The Figure 4.8 below shows that 58% of the youth in Thika use personal savings as source of capital for their businesses, banks provided 27% of the capital while friends and relative contributed 9% of the finance. Micro finance institutions provided only 6% of the capital because of the cost involved in accessing it and the requirements one has to provide security such as collaterals which most youth lack.

This indicates that Youth in Thika town has limited resources and it is important that more focus is given to finances targeting youth such as youth development fund.
4.4.2 Correlation between capital employed and the growth of youth owned enterprises

Table 4.5 below indicates a Pearson’s product moment correlation computed at 95% confidence level. It shows that there exists a weak positive correlation (r = 0.114) between the amount of initial capital and promotion of youth owned businesses. The results were statistically significant at p value 0.529>0.5.

This findings support mohan(2006) study on effects of capital on entrepreneurship development that noted a positive relationship between capital employed and the growth of micro and small enterprises.

Although capital employed act as a pillar to business growth, a weak relationship was observed between the capital and the length of time in operation. This could be due to effects of other factors that influence youth in promotion of businesses such as lack of skills and cultural factors.
Table 4.5: Correlation between Capital employed and the Growth of Youth owned enterprises

<table>
<thead>
<tr>
<th></th>
<th>Initial capital</th>
<th>The business age/duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's capital rho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>0.114</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.529</td>
</tr>
<tr>
<td>N</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>The business age/duration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>0.114</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.529</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>132</td>
<td>132</td>
</tr>
</tbody>
</table>

Source (Field data, 2011)

4.5 Availability of infrastructure

This objective aimed at establishing the effects of infrastructure in terms of training, operating premises, connectivity of micro and small enterprises and their environs. The figure below shows 60% of the respondents affirmed that there were many and quality training institutions in the town which offer market driven courses to the youth. Thirty six percent reported very many institutions and only 4% reported few institutions being available.

Such results concur with recommendations of ILO (2003) which note that training strategies of MSEs must be adapted according to local needs, capacities and potential. These results are similar to those of
European Commission (2007) which suggests that a well-designed and effectively delivered training program enhances survival strategies in MSEs.

Source: (Field data, 2011)

Figure 4.9: Number of training institutions in Thika town

4.5.2 Operating premises for MSEs in Thika

The figure 4.10 below shows that 67% of the respondents are operating their businesses in rental premises and majority of youth cited lack of resources as the reason of not having their premises. They also complained of high monthly rents that use a big junk of their income. 25% of the youth use public land such as road reserves and complain of regular harassment by the council askaris. However 8% of the youth are operating in either family owned or their own premises.

This implies that majority of the respondents are still at their infancy in terms of resources and experience which is considerably low. Most of these youth operate in smalls stalls which hinder their expansion.
4.6 Technological development

The figure 4.11 below shows the use of technology in running of businesses by the youth. 34% of the respondents always use technology in running their businesses, thirty percent reported less often use of technology and 24% most often use technology. On the other hand 12% of the respondents do not use technology at all. A closer examination on the use of technology reviewed that 43% cited cost of technology as the major hindrance to use of technology.
4.6.2 Relationship between use of technology and business growth in terms of sales volume

Table 4.6 below indicates a weak correlation \( r = 0.127 \) between the technology use and the growth of youth owned enterprises in terms of level of sales in Thika. The relationship was statistically significant as p value (0.481) was less than 0.5 at 95% confidence level.

These findings are similar to Pioere and Sable (1984) who argued that the key to prosperity of the firm lies in innovative and flexible systems of multipurpose machines operated by skilled workers able to respond to continuous changes.

Table 4.6 Correlation between the extent of use of ICT and the promotion of youth owned enterprises

<table>
<thead>
<tr>
<th>The extent of ICT use</th>
<th>The extent of ICT use</th>
<th>sales volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.127</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.481</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>132</td>
<td>132</td>
</tr>
</tbody>
</table>

Source: (Field data, 2011)

4.7 Availability of Market

According to Lean (1998), market refers to services related to the selection, pricing, sale and distribution of products, advertising or promotional activities and access to raw materials, inputs and equipment.

The Figure 4.12 below illustrates the various methods used by youth in Thika town to reach their markets. Majority 70% of the youth use personal selling to reach their market, this was found to be an
advantage on meeting the customers and gathering vital business information regarding market trends. Use of posters contributed to 24% of respondents while use of media and no advertising took 3% each.

![Diagram showing methods of reaching customers]

Source: (Field data, 2011)

Figure 4.12: Methods of reaching customers

Regarding the target market for youth enterprises in Thika town, ninety percent of the respondents reported targeting the local market; this result is similar to Gumede and Rasmussen (2002), they affirmed that micro and small enterprises mostly supply the immediate local market. Very few are able to access the regional or national markets. However, over reliance on the local market for youth products and services may be a hindrance to business growth. Youth need to open up other markets both in the country and outside the country to promote their enterprises.

7.2 Correlation between market demand and the promotion of Youth owned enterprises

Table 4.7 below shows there was a strong positive relationship (r = 0.561) between availability of market and the growth of youth owned enterprises in Thika town. This relationship was statistically significant at 95% confidence level as p value (0.03) was less than 0.05. These results support the findings of (Mohan, 2006). Who found that the size and composition of market both influence entrepreneurship in their own ways. He further argued that market expansion
coupled with the rate of expansion is most significant characteristics of the market for entrepreneurial emergence. Thika town is surrounded by many rural areas which offer a wide market to various Youth’s products and services. Ninety percent of the products and services produced and merchandised in the town was consumed by the local market.

Table 4.7: Correlation between market demand and the promotion of Youth owned enterprises

<table>
<thead>
<tr>
<th>REGR factor: Promotion of youth owned enterprises</th>
<th>REGR factor score: Availability of market on promotion of Youth enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson correlation</td>
<td>0.561</td>
</tr>
<tr>
<td>Sig.(2 tailed)</td>
<td>0.03</td>
</tr>
<tr>
<td>N</td>
<td>132</td>
</tr>
</tbody>
</table>

Source: (Field data, 2011)
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusions and recommendation from the study. The data were collected from one hundred and thirty two youth operating micro and small enterprises in Thika town, Thika district. The study intended to answer the following research questions.

How does access to capital affects promotion of Small and Micro Enterprises owned by Youth in Thika town? How does the technology influence the promotion of Micro and Small Enterprises owned by youth in Thika town? How do government policies influence promotion of Micro and Small Enterprises operated by Youth in Thika town? How does market influence promotion of Micro and Small Enterprises owned by Youth in Thika town? In which way does infrastructure influence promotion of Micro and Small Enterprises owned by Youth in Thika town?

5.2 Summary of the Findings

The following are the study findings based on and as guided by specific objective;

The study findings reveal there was a positive relationship between the level of capital employed and growth of youth owned enterprises in Thika town. This was statistically significant at 95% confidence level. It was observed that holding all other factors constant capital influences the growth of youth enterprises by 79%.
The study concludes that most MSEs in Thika town use technology in their operation. The study correlation findings indicate that there was a weak relationship between the use of technology and promotion of youth owned enterprises. This was statistically significant at 95% confidence level.

The study concludes the government policies have a great effect on the growth of youth enterprises. The protection and regulating policies were found to positively influence the performance of the enterprises. The study observed that although the central government efforts were good, the local government efforts were found to be lacking. Constant harassment of the roadside sellers was reported as affecting these enterprises negatively.

The study concludes that availability of market is crucial to the growth of micro and small enterprises owned by the youth in Thika town. A strong positive relationship was established between availability of the market and the growth of enterprises in terms of sales volume and the expansion of the respective enterprises.

The study reveals that majority of the youth who dominated the Micro and small enterprises in Thika aged between 25 – 35 years. A high number of the youth possess college level education although they lack the basic training in business management. The study further reveal that most of the youth entrepreneurs are married and have been in the current business for between 1- 5 years.

The study also shows that sole proprietor is the preferred type of the business operated by youth. This has contributed to limited resources for business expansion, skills and knowledge to run the business. Most of the enterprises therefore, have between 1 -5 employees. When asked the reasons for starting their business 55% of the youth cited creation of employment as the major reason while only 9% had
identified an opportunity in their current business. The researcher therefore observed a lot of duplication of business ideas and this is likely to result to high competition resulting to low prices of good and consequently low returns on investment.

5.3 Conclusions

The study concludes that creation and enhancing of market demand for Youth enterprises is a crucial role that can influence promotion of youth owned enterprises which are characterized by lack of market. However, as observed in the study, Youth enterprises may not fully benefit from this strategy due to high dependency of the local market and less use of mass media of advertising.

The study concludes that capital is crucial factor in growth of youths' enterprises. It is through capital that an enterprise is able to meet its fixed costs as well as operating cost. However, barriers such as high interest rates, lack of awareness on the available sources of finance may hinder the availability of capital and the promotion of youth enterprises.

The study concludes that use of technology is important in promotion of youths' owned enterprises. Technology makes work easier and increase production of an enterprise. However, lack Finance, skills and knowledge on the appropriate technology may hinder the effectiveness of such technology in promotion of Youths' enterprises.

The study concludes that government policies on micro and small enterprises have a great effect on the growth of the enterprises. The protection and regulation laws positively influence the growth of youth enterprises. However, some rules such as council by-laws have been found to impede the growth of youth enterprises due to regular harassment of traders by the law enforcers.
5.4 Recommendations of the study

Based on the findings, interpretations and conclusions of the research, the following recommendations were made.

The study recommends for establishment of micro finance institutions which are able to take care of financial needs of the micro and small enterprises by providing loans at low interest rates and shorter loan procedures.

There is need to offer training on business management skills so that the youth may be able to prepare business books of account and run their enterprises more effectively. Training may also help the youth entrepreneurs in indentifying business opportunities available to them.

Government should constantly audit the youth enterprises development fund so as to ensure proper utilization, availability to the target group and progress in realization of the its intended purpose of stimulating youth engagement in business activities and economic development.

5.5 Recommendations for further research

1. To examine the effects of youth owned enterprises on the economic development of the country.

2. To establish the effects of micro financing on small scale business operations.
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Dear sir/ Madam,

RE: REQUEST TO CONDUCT A SURVEY

I am an MBA student at Kenyatta University, admission number D53/10755/2006. As part of the fulfillment for the requirements of the MBA Degree, we are required to undertake a research project. The objective of the study is to identify and analyze the factors influencing promotion of entrepreneurship among the Youth. The study's target population is Youth Entrepreneurs in Thika Town.

As a key player in the industry, you have been identified to be among those sampled to offer the information needed to conduct the study. You are also assured that the information sought is basically for academic purpose and will not be used to victimize you in any way.

Thanking you for your anticipated cooperation.

Silvesters W. Ngugi
Tel: 072267318
APPENDIX 2. QUESTIONNAIRE

Please tick as appropriate

SECTION A: CHARACTERISTICS OF THE RESPONDENT

1. What is your Age? .............................................

2. Kindly indicate your Gender. Male { } or Female { }

3. What is your marital status? Single [ ] Married [ ]

4. What is your level of education? Primary School{ } Sec School{ } College{ } University{ }

PROMOTION OF ENTREPRISES

5. Type of business ownership. Sole proprietor { } Partnership { } Others{ }

6. How many employees does your business has? Below 5[ ] 6 to 10 [ ] 11 to 15 [ ] Above 16

7. How long Have you been in this business? Less than 1 year [ ] Less than 2 Years[ ]

8. How long Have you been in this business? Less than 5 years [ ] 5 years and above.

9. Why did you start this business? Spotted an opportunity [ ] To earn extra income [ ]

10. Pressure from family [ ] To create self employment [ ] Due to retrenchment [ ]

11. How would you describe your business sales volume?

   Declining [ ] Stagnant [ ] Rising [ ]

SECTION B: GOVERNMENT POLICY


   Strongly disagree [ ] Disagree [ ] Agree [ ] Strongly Agree [ ]

11. Do you find town council by- laws fair to business Yes [ ] No [ ]

12. If NO above, What do you think should be done to improve the council regulation?

   Changing the existing by-laws [ ] Strengthening the existing by-laws [ ]

   Training the by-laws enforcers[ ]

13. Has the government taxation been fair in promotion of youth entrepreneurship in Kenya?

   Yes [ ] NO [ ]

   Give reason for your answer.................................................................

SECTION C: TECHNOLOGICAL ASPECT

14. How often do you use technology in your business?

   Not at all [ ] Less often [ ] Most often [ ] Always [ ]

15. To what extent are ICT practices applied in promotion of Entrepreneurship in Thika town?
26. How do you reach to your customers?
   
   No advertising [ ] Through personal selling [ ]
   Using posters [ ] through Media [ ]

27. Competition leads to innovation?
   
   Strongly disagree { } Disagree { } Agree { } Strongly Agree { }

28. In your own opinion how do you rate the quality of goods from enterprises' owned by youth in Thika town?
   
   Very Poor { } Poor{ } Good{ } Very good { }

   Give reason for your answer................

THANK YOU FOR YOUR RESPONSE AND COOPERATION