AN ASSESSMENT OF THE FACTORS INFLUENCING CONSTITUENCY YOUTH ENTERPRISE FUND PROGRAMME IN PROMOTING THE GROWTH OF MICRO AND SMALL ENTERPRISES IN WEBUYE CONSTITUENCY, BUNGOMA COUNTY

BY

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REG NO: D53/10240/07

A Research Project Submitted in partial fulfillment for the requirement for the award of Masters of Business Administration (Project Management and Evaluation) of Kenyatta University.
DECLARATION
This research project is my original work and has never been presented for a degree award in any other university.

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School of Business, Kenyatta University
DEDICATION

This research project is dedicated to my parents and my entire family for their great support and encouragement to do all my best even when the going was very tough.
ACKNOWLEDGEMENT

My gratitude goes to all those who have contributed in various ways towards the successful completion of this project. I extend my sincere gratitude to the business owners and managers in Webuye constituency who were the respondents in this study. I sincerely reckon that with their support, and willingness to respond, this study would not have been a success. My sincere and special appreciation also goes to my supervisor Mr. Eluid Obere, for his invaluable advice and inputs to finalize this Project. Special thanks go to Kenyatta University for granting me an opportunity to further my studies.

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Lastly, I thank my husband Mark together with our loving children Ian and Ivan for the sacrifice they gave to allow me finish my studies.

God bless you abundantly!
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OPERATIONAL DEFINITION OF TERMS

Microfinance

The provision of basic financial services to impoverished clients who otherwise lack access to financial institutions.

Micro and Small Enterprises (MSEs)

These are business enterprise employing 1-50 people (Ministry of Research of Technical Training and technology, 1997).

Micro enterprises

These are business employing one to ten workers including the working owner.

Small enterprises

These are business employing more than ten but up to fifty workers (Baseline survey, 1999).

Constituency Youth Enterprise Fund

This is a youth fund established by the government through the Ministry of Youth Affairs to curb unemployment among the youth.
<table>
<thead>
<tr>
<th>ACRONYM</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>C-YEF</td>
<td>Constituency Youth Enterprise fund</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organizations</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organizations</td>
</tr>
<tr>
<td>ROSCAS</td>
<td>Rotational Savings and Credit Associations</td>
</tr>
<tr>
<td>ROK</td>
<td>Republic of Kenya</td>
</tr>
<tr>
<td>SSEs</td>
<td>Small Scale Enterprises</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development.</td>
</tr>
<tr>
<td>SIDO</td>
<td>Small Industry Development Organisation</td>
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<tr>
<td>YEDF</td>
<td>Youth Enterprise Development Fund</td>
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</table>
ABSTRACT

Access to credit has been considered as one of the main problems that MSEs have to deal with in order to survive and keep growing. An appropriate combination of access to credit, credit conditions, and adequate financial and operational policies, is the only way to deal with the complex problem of MSEs survival and growth. Provision of efficient financial services, especially by micro financial institutions has been noted in developing countries to stimulate productivity and poverty reduction through increase in enterprise productivity, net income and employment. The Constituency Youth Enterprise Fund (C-YEF) was introduced in Kenya in 2007 with an aim of improving the productivity of the youth enterprises, raise their level of income and create employment opportunities for MSEs. This was expected to increase the number of the youths employed, level of investments, profit and the enterprise output. However, with most MSEs using C-YEF products, there are still high levels of poverty and unemployment in Webuye Constituency. Many MSEs have closed down even after receiving/benefiting from the Constituency Youth Enterprise Fund. This study therefore, aimed at establishing the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county.

This study adopted a descriptive research design. The target population for this study included all the beneficiaries of C-YEF in Webuye Constituency where a questionnaire was used to collect primary data. Available secondary data from books, journals or annual reports was used. The data was analyzed using SPSS whereby both qualitative and quantitative techniques were utilized. Data analysis involved reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. Both descriptive statistics such as tabulation, frequencies and percentages as well as inferential statistics such as chi-square, ANOVA and Correlation analysis were utilized. The data was presented through the use of frequency distribution tables, percentages, bar charts and pie charts.

The study found out that the highest size of the loan ever awarded to most businesses was less than Ksh 50,000 which was relatively low for business expansion. This amount was inadequate hence not sufficient to effectively progress the businesses forward. The study recommends that the government through the concerned ministries to increase the
allocation to the youth enterprise fund. This will ensure the amount allocated to the MSEs by the C-YEF is increased to achieve fast business growth.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Medium and Small enterprises play an important role both in developed and developing countries. Some of these roles are as job provider, income distribution through business opportunities, rural development and increase investment and development in the country (Kotey and Meredith, 1997). Therefore proper financing of these enterprises is crucial to enhance their survival and growth. Over the past decade, micro-enterprise development programs have emphasized the provision of credit to already existing business that are well established and well salaried individuals. Such groups have collaterals payrolls that are used to secure loans just in case they (debtors) fail to repay. The financial institutions therefore have been skeptical to the youths who are mainly starters, unemployed and with less or no entrepreneurial skills. Their enterprises therefore perform poorly because they lack opportunity to borrow from financial institutions (World Bank 2010).

Access to credit is a necessity needed for MSEs survival and growth. Capacity building activities are important for the MSE performance (Ondiege, 1995). The MSE sector has a greater impact on employment and income generation where aspects of credit, training accessibility and market opportunities have been provided. These factors influence the performance of these enterprises greatly as compared to those without access to this kind of assistance (Ondiege et al, 1991).

The MSE sector is also expected to promote the degree of indigenous participation and control of the economy and help improve the distribution of income in all social-economic sectors. In attempt to improve the economy most MSEs are challenged by: lack of capital, poor management practices, and inadequate access to credit, poor infrastructure and lack of protection among others (Ondiege and Aleke- Dondo, 1991). These constraints hinder entrepreneurs from realizing their full potential. However, credit, has greater impact on employment and income generation in the MSE sector (Ondiege and Aleke- Dondo, 1991; CBS et al, 1999).
SMEs in both industrialized and developing countries have difficulties in obtaining financial assistance from banks and other financial institutions. Small enterprises thus find it difficult to perform well when they lack the opportunity to borrow from lending institutions (World Bank, 1987). Businesses which stagnated at small size even though they might have certain advantages tied to their size (Fox 1996) face certain disadvantages one of which relates to the reluctance of commercial banks to finance them because of high transaction cost relative to loan size. Almost all surveys addressing MSE problems in Africa have discovered that the leading problem cited by small business owners is lack of capital (Morewagae, et al, 1995).

Unlike most developing countries, Kenya has recognized informal enterprise as more than a residual employer for most youths. The government has identified the small-scale enterprise sector for support to assist it to graduate into the formal sector and to become a major player in the creation of new jobs and economic growth (GoK, 1992). The Constituency Youth Enterprise Fund (C-YEF) is a MSEs financing scheme that was introduced in Kenya in 2007. Since its inception, the scheme has been active in providing financing to small youth owned business. The C-YEF scheme targets the youths in Kenya with a mission of increasing opportunities for, and participation by Kenyan youth in national building through economic development and strategic partnerships. Since its formation in 2007, the Fund has disbursed over Kshs. 2.9 billion to more than 89,000 youth enterprises across Kenya. This includes Kshs 2.5 billion disbursed to 80,000 enterprises through financial intermediaries, and Kshs. 400 million disbursed to 9,000 groups through the constituency component (GOK, 2010).

The C-YEF loan given to youth constitutes an important contribution to employment creation, income generation and enhanced enterprise productivity. It offers small, uncollateralized loans; sometimes as less as Ksh. 50,000 to a group of 10 or more youth of which 30% can be aged above 35 years. Such a fund attracts greatly reduced cost of capital which stands at 8 percent per annum. This is a strategy to make the fund affordable to the Youth. However, most of these SMEs still find it difficult to realize their full potential in aspects of enterprise performance and growth.

The statistics available in Webuye Constituency youth office show that only 186 MSEs have been funded through C-YEF scheme since its inception (Webuye Constituency
youth office, 2011). Table 1.1 shows the MSEs funding by C-YEF in Webuye Constituency as at 2011.

<table>
<thead>
<tr>
<th>Location in Webuye constituency</th>
<th>Number of MSEs funded by C-YEF in Webuye Constituency</th>
<th>Percentage number of MSEs funded by C-YEF</th>
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</thead>
<tbody>
<tr>
<td>Namarambi</td>
<td>27</td>
<td>14.5</td>
</tr>
<tr>
<td>Ndivisi</td>
<td>23</td>
<td>12.4</td>
</tr>
<tr>
<td>Lugusi</td>
<td>19</td>
<td>10.2</td>
</tr>
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<td>Sitikho</td>
<td>14</td>
<td>7.5</td>
</tr>
<tr>
<td>Chetambe</td>
<td>15</td>
<td>8.1</td>
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<tr>
<td>Misikhu</td>
<td>14</td>
<td>7.5</td>
</tr>
<tr>
<td>Webuye</td>
<td>24</td>
<td>12.9</td>
</tr>
<tr>
<td>Marinda</td>
<td>19</td>
<td>10.2</td>
</tr>
<tr>
<td>Maraka</td>
<td>13</td>
<td>7.0</td>
</tr>
<tr>
<td>Ngwelo</td>
<td>18</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>186</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(Source: Webuye Constituency Youth Office, 2011)

Initially, most MSEs were funded by individuals’ own savings, loan from banks and grants from NGOs. However, the need to promote youth participation in economic development through employment creation necessitated the setting up of constituency youth fund through an Act of Parliament. The aim of the C-YEF was to facilitate youth empowerment through implementation of the National Youth Policy. However, cases of unemployment of youth and closure of enterprises some of which have benefited from the youth fund are evident. This study will therefore seek to establish the factors influencing C-YEF programme in promoting the survival and growth of MSEs in Webuye Constituency, Bungoma County.

1.2 Problem Statement

Small enterprises have become important contributors to the Kenyan economy. The sector contributes to the national economy by creating employment opportunities, training
entrepreneurs, generating income and providing a source of livelihood for the majority of low-income households in the country accounting for 25 per cent of GDP (ROK, 2005). The sector has a high potential for contributing to the country’s development yet the majority of entrepreneurs in this sector are considered un-creditworthy by most formal credit institutions hence are denied access to credit facilities. Lack of access to credit is the major constraint inhibiting the growth of MSEs sector, and more so for youth entrepreneurs.

The Constituency Youth Enterprise Fund (C-YEF) was introduced in Kenya in 2007 with an aim of solving the problem of credit access to youth operating small enterprises. This Youth Enterprise Fund was expected to increase the number of self-employed youths, increase the level of youth investments, profit and the enterprise output. However, with most MSEs using C-YEF products, there are still high levels of poverty and unemployment in most constituencies including Webuye Constituency. According to the Webuye Constituency youth office (2011), most youths in Webuye Constituency are still idle while others live below the poverty line despite the available enterprise funding from the C-YEF. The Webuye Constituency youth office also note that some youth are still ignorant of the services offered by the C-YEF contributing to the many cases of unemployment and idleness among the youths in the area.

Previous studies on MSEs have largely concentrated on barriers and challenges to development and performance (Kaleka and Katsitkeas 1995, Cromie 1990, Leonidou 2004, Goitom 2006) as well as the determinants of export performance (Were, 2002, Alvarez 2002, Hollenstein 2005). Furthermore, these studies have concentrated heavily on the manufacturing sector which is mostly dominated by medium to large enterprises, leaving the MSE sector that is the target of Youth enterprise fund out of policy considerations.

In addition, statistics from World Bank (2010) show that over 50% of the MSEs continue to have a deteriorating performance with every 3 out of 5 MSEs failing/closing down barely 3 years of establishment. This has happened even after receiving/benefiting from the Constituency Youth Enterprise Fund programme. Despite the declining performance of youth enterprises, no study has been done to document the factors influencing
Constituency Youth Enterprise Fund programme on the growth of MSEs. This poses a knowledge gap. Therefore, this study seeks to fill this gap by examining the factors influencing Constituency Youth Enterprise Fund in promoting the growth and survival of MSEs with reference to Webuye constituency in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study is to establish the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county.

1.3.2 Specific Objectives

i. To determine the influence of the amount allocated by the C-YEF on the growth of MSEs in Webuye Constituency, Bungoma, county.

ii. To investigate the influence of the policies and regulatory procedures adopted by C-YEF on the growth of MSEs in Webuye Constituency.

iii. To establish the effect of C-YEF Beneficiaries’ level of entrepreneurial training on the growth of MSEs in Webuye Constituency.

iv. To determine the effect of C-YEF repayment mode on the growth of MSEs in Webuye Constituency.

1.4 Research Questions

The study seeked to answer the following research questions:

i. What is the effect of the amount allocated to MSEs by the C-YEF on the growth of MSEs in Webuye Constituency, Bungoma, county?

ii. How do the policies and regulatory procedures adopted by C-YEF influence the growth of MSEs in Webuye Constituency?

iii. What are the effects of C-YEF Beneficiaries level of Entrepreneurial training on the growth of MSEs in Webuye Constituency?

iv. How does the C-YEF repayment mode influence the growth of MSEs in Webuye Constituency?
1.5 Significance of the study

This study is designated to enhance the understanding of the factors influencing C-YEF in promoting the growth of the youth owned MSEs in Webuye constituency, Bungoma County. This study focused on Constituency Youth Enterprise fund which has not been fully exploited by the targeted beneficiaries (the youths). This study will therefore be useful to the government especially the Ministry of Gender and youth affairs in their bid to improve and increase the uptake of the youth fund and promote enterprise development among the youth enterprises.

The results of the study may form a basis on the decisions to be made by the policy makers who will find the result of the study valuable for future planning especially in relation to funding small enterprises. Entrepreneur and other stakeholders may find this study important incase credit will be a factor to business growth.

Academicians who may want to do research on this topic or any related to business finance may find this study useful. Further, the study will be of paramount importance to financial institutions in their bid to design products targeting small enterprises.

1.6 Assumptions of the Study

The following assumptions were made in this study:

1) The respondents were accurate, reasonable, reliable and they were open and provide true and honest answers to all items in the questionnaire.

2) The study also assumed that the findings of this study can be generalized to represent the situation within other constituencies in the country

1.7 Scope of the Study

The study covered youth based enterprises funded by C-YEF in Webuye constituency, Bungoma County, Kenya. The Webuye constituency was selected as study site because it has a proportionately large number of youth based enterprises funded by C-YEF since its inception. The sampling units of the study were the owner or managers of the youth based enterprises funded by C-YEF programme in Webuye constituency.
1.8 Limitations of the Study

Most of the respondents did not know the importance of the study and hence were reluctant to give the needed information. To overcome this, the researcher secured a research permit as well as an introductory letter from the university explaining the purpose of the research. Illiteracy was also a major limitation that was encountered during the field study. Many of the respondents did not know how to read and write. Therefore the researcher interpreted the content of the questionnaires to them in the native local language during the field study. This was necessary to increase the response rate in the study.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
The literature review is essential as a means of organizing the researcher’s thinking and a record of evidence and material gathered. According to Wiersma (1995), the review of literature provides the background and context of the research problem. This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. This chapter examines the global perspective of MSEs Financing, government intervention on promotion of MSEs sector, Constituency Youth Enterprise fund, the conceptual framework and the summary of the review.

2.2 Global Perspective of MSEs Financing
A well functioning financing system is an important factor in accelerating economic growth and reducing poverty in both developed and developing countries (Levine, 2005). A developed financial system helps to put society’s savings to the most effective use in the economy by mobilizing and pooling savings, collecting and analyzing information about companies and investment opportunities, monitoring investments, exerting corporate governance, and helping to diversify and manage inter temporal risk (Levine and Zervos, 2008).

The development of micro and small enterprises has attracted the attention of many policy makers in both developed and developing countries. Most developing countries are faced with the problem of providing employment to its people, and hence come up with various policies designed to enhance entrepreneurship culture in micro and small enterprises. If income generation, employment creation and increased investments are the focus of micro-enterprise development strategies in any given program, the rationale is mainly welfare and poverty alleviation. These programs need to promote the production of high quality products in a society (Mayoux 1995). According to Holt, (1991) Supply-driven programs such as large quantities of credit given to MSEs are only successful in increasing income for their clientele in the short-run. However, they do not focus on sustainability of the MSEs. They also tend to be paternalistic toward women youths
regarding decision-making and participation. An enterprise development focus is based on demand-driven and market-responsive provision of services. If fund provisions and trainings are well designed, their impact on MSEs can have positive impacts beyond enterprise development (Levine, 2005).

2.3 Growth and Survival of MSEs

Micro-financing plays an important role in the survival and growth of MSEs. Provision of efficient financial services has been noted in developing countries to stimulate the productivity, employment and growth through increase in net income (Levine and Zervos, 2008). According to Oketch, Mutua and Dondo (1991), the informal sector that receives credit records an increase in the average value of investment, jobs and changes in the product input, size of the market and various categories of supplies and customers. Credit is extended to MSEs in order to provide the anticipated benefits in terms of employment, income generation, poverty reduction and provision of goods and services to rural and urban populations (Levine, 2005).

Credit has largely contributed to the development of various projects in the MSE sector. Kibas (1995) investigated the use of NGOs credit on micro enterprises in Kenya. He found out that most of the entrepreneurs that had acquired micro credit started new businesses, acquired more assets and expanded their business. This also led to improvement in their profits, assets, cash flows, management practices and family welfare. A study by Oketch (1999) ascertains that credit enabled the entrepreneurs to avoid drawing down the inventories and or capital from enterprise so as to deal with immediate financial needs.

Ojo (2009) in his research on the role of micro finance in entrepreneurship development found out that there was a significant difference in the number of entrepreneurs who used Microfinance Institutions and those who did not. Microfinance is sustainable to the development of entrepreneurship activities in Nigeria and that Microfinance has influenced entrepreneurship in the country positively. He concluded that Micro-financing of enterprises has a positive relationship with the Nigerian economy represented by expanded GDP. Although the interest rate is not significantly influential, microfinance institutions and their activities go a long way in the determination of the pattern and level of economic activities and development in the Nigerian economy.
Recommendation was that the financial institutions need to put more effort in financing MSEs, their role need to be felt by the MSEs in terms of growth and development.

Ochieng' (1987), in his study on the effects of financial capital in the growth of Nairobi's urban informal sector observed that injection of credit had a positive impact on growth of the informal sector. Increased income enabled SMEs to save and buy property. Savings can also deal with severe crisis such as times of hunger, drought and illness. Most entrepreneurs use their savings to expand their businesses in order to operate on the economies of scale. Savings empowers majority of young women. According to USAID (1991), women who are financially empowered, felt that their position in the family had been strengthened, set up businesses and run them, could occupy a political office at local levels and had attained a real change in their lives and self-esteem when they compare themselves to that period before. He suggested the need for more future research that must focus on a deeper understanding of poverty alleviation since microfinance is only treating the symptoms than attacking the real causes.

Sebstad et al (1991) disagrees with the view of advancing credit to MSEs and noted that not all entrepreneurs who accessed credit and other support from microfinance improved their business performance. Similar views were expressed by Kilemi (1997) who indicated that there were MSEs who are still non-performing despite the efforts by MFIs to help them grow. The survey carried by Webster et al (1996) on women who had been funded by some MFI indicated that the financial services offered to Women enterprises did not contribute significantly to the performance of their business. From their opinion the provider need to emphasize much on giving business development knowledge and skills as well as post training follow ups (Webster et al, 1996). Joshi (2004) also asserts that most SMEs are still worse off even after accessing credit loans.

The growth and survival of MSEs can be enhanced by adopting prudent capital investment decisions for micro enterprise capital in order to ensure the best return possible. The decisions of capital investment often suffer from a number of constraints.
The amount of capital that an entrepreneur collects is limited and it brings down the constraint on the choice of the enterprise over various project investments. In terms of business risk management, most SMEs are moderately satisfied in terms of achievement of business risk management skills. This implies that majority of the youth micro entrepreneurs are unable to adequately deal with business risks and therefore in the event such risks occurs, their micro enterprises are significantly influenceed (Mochona, 2006).

2.4 Government Interventions in the Promotion of MSEs Sector

The Session paper No.2 of 1992 outlines some of the major benefits derived from MSEs to the economy. MSEs contribute significantly on the economy in terms of output of goods and services, creation of jobs and development of a pool of skilled and semi-skilled workers. It also strengthens forward and backward linkages among social-economical and geographically diverse sectors of the economy, creating demand as well as supply in that 90% of rural enterprise products are marketed directly to the rural household. As a result, excellent opportunities for SMEs enhance economic development in the area increasing savings and investments thus encouraging use of local resources leading to more effective use of capital (GoK, 1992).

Governments and Donor agencies have been providing support for SMEs through funding and services such as training, technology transfer, marketing assistance, business advice, mentoring, and information for entrepreneurial activities since the mid-1970s (Goldmark 1996). In Kenya, the Government is committed to funding youth who are majorly influenceed by unemployment.

2.4.1 The Status of Youths

According to ILO (2004), nearly half of the world's population is under the age of 35 years. The International Labor Organization estimates that 351 million children under the age of 18 are economically active. The World Bank (2010), research estimates that there are approximately 1.2 billion young people. As MFI has become a development tool for poor women, youths have been left out of the adult focused formal and informal lending sectors. Young people of legal age have been relegated to the sidelines accessing MFI services due to perceived risk, age and status in society.
Carothers (2003) argued that many young people work long hours and accept low wages in the informal sector. Some of the working youths combine education (school, vocational training or apprenticeship) with paid work. Although it allows youth to continue with education, their ability to perform well can be compromised. The ability of youth to control the scheduling of work and educational can be applied in the operation of their own businesses. Unfortunately, one of the biggest constraints to young people in business is access to financial services (credit and saving services) yet their growth rates was expected to increase by 30 percent by 2010.

According to ILO (2004), the growing population and high unemployment rates influence youth disproportionately raising the need for increased Micro financing services to support youth owned enterprises. To effectively work with the youth, the Micro financing institutions (MFI) need to expand its market base. MFI s should be pioneering strong customer loyalty and relationship building for a young market that will be with them for years to come.

Poor working youths are creative, persistent and resourceful and they have learned to think like adults on how to sell, rationalize, budget and manage risk either completely on their own or with families and/or community networks. Despite the fact that these younger entrepreneurs are self-learned, they are sales savvy, quick with complex mathematics transactions and hardworking, they still cannot access financial services. It should be said that not all children and youth will be entrepreneurial nor may microfinance be appropriate for their needs (Rahmat et al, 2006). However, there are competent and viable young entrepreneurs and businesses that employ young people who are in need of credit to run their enterprises more efficiently and safely and are viewed as too risky and unbankable (Carothers, 2003).

According to GoK (2010), youth represent 30 percent of Kenya’s population and their unemployment is twice the country’s average. Almost one third of Kenyans are between 15 and 29 years, and the total reached almost 11 million people in 2009 (compared to 8.5 million in 1999). According to the Kenya census report (2009) this age cohort is now at a historical high (in absolute and relative terms). Youth in Kenya face serious challenges, including high rates of unemployment and underemployment. The overall unemployment
rate for youth is double the adult average, at about 21 percent. Statistics on joblessness suggest that the magnitude of the unemployment problem is larger for youth with 38 percent of youth neither in school nor work (aggregating the rates of reported unemployment and inactivity) (Rahmat et al, 2006).

The violence in early 2008 highlighted the critical importance of addressing the problem of poverty and inequality, and in particular the increasing problem of idle youth. In addition, the Country Social Analysis (World Bank, 2007) found that youth’s unemployment, especially among males, is a major contributor to frustration and tension, in particular in urban areas. Clearly, unemployment among the youth has now become a matter of serious policy concern in the country. Evidence from previous analytical work shows that lack of action on the challenges that influence youth will escalate both the social and economic costs of development in Kenya (Edwards, 2007).

2.5 Constituency Youth Enterprise Fund

The government of Kenya has fully appreciated the importance of MSEs in employment creation and their role in economic development hence the establishment of C-YEF fund (Westhead, 2011). The Constituency Youth Enterprise Fund (C-YEF) is an MSEs financing scheme that was introduced in Kenya in 2007. Since its inception, the scheme has been active in providing financing to small youth owned business. Since its formation in 2007, the Fund has disbursed over Kshs. 2.9 billion to more than 89,000 youth enterprises across Kenya. This includes Kshs 2.5 billion disbursed to 80,000 enterprises through financial intermediaries, and Kshs. 400 million disbursed to 9,000 groups through the constituency component (GOK, 2010). To ensure equity in the distribution the Fund, the following criteria was used: the first half of the Fund (Ksh. 345 million) has been divided equally to all districts and the second half of the Fund (Ksh. 345 million) has been divided as a factor of the population of young people in each district (C-YEF guide, 2009).

2.5.1 Amount Allocated by the C-YEF

The amount allocated to a business enterprise has an impact on the profitability, growth and improvement of a business as demonstrated by Rahmat and Maulana (2006). The study done by Rahmat and Maulana (2006) investigated the Impact of Microfinance to
Micro and Small Enterprise’s Performance in Indonesia. Results of their study indicated that the amount allocated by Microfinance institution had a positive impact to improvement of MSE’s performance as indicated by sales. However, doubling the amount of loan was however found to have a negative impact on the performance since most entrepreneurs started saving instead of further investments. To address this negative impact, the recommendation was that it is very important to allocate the loan to the productive activities, such as investment, in a way that improves the business opportunity.

According to GoK (2010), Constituency Youth Enterprise fund (C-YEF) is a financial service rendered mainly to youth group operating small enterprises to help them in developing self-employment opportunities, increasing on the productivity of their enterprises and various income generating activities. However, the maximum amount of money one can borrow is small in size and has diversified utilization. This however limits the potential of the borrowers. It has however flexible terms and conditions.

2.5.2 Policies and Regulatory Procedures
Having good policies and regulatory framework is crucial for the provision of efficient financial services in order to stimulate the growth and productivity of MSEs. The growth of MSEs leads to employment creating through increase in net income (GoK, 1992). A study by Olomi (2006) in Tanzania found out that NGO-MFIs offer credit to MSEs but the terms and conditions make it inaccessible to most entrepreneurs especially those based in rural sparsely populated areas with few economically active populations. In most countries, government managed micro-finance funds and programs are implemented by local governments as well as small industry development organization (SIDO). However the funds managed by local government have been politicized because councilors and members of parliament often influence decisions on who should borrow, which then leads to very low payment rates.

World bank (2010) indicated that most micro financing institutions has slightly modified their standards loan products to suite youths although major efforts has been to market their product to businesses employing youth and family-run businesses where the youth tend to manage the daily operations.
In Kenya, the Sessional paper no. 2 of 1992 on small enterprises development led to the reviews of various rules and regulations that influence operations and growth of the MSEs. Many important aspects of the regulatory environment as it influences micro and small enterprise have been improved on paper including abolition of Trade Licensing Act, streamlining of the Municipal Licensing Act, abolition of Chiefs Authority Act, abolition of the Building Standards Act which defined standards of factory premises which were inappropriate for small businesses in Kenya, and abolition of the Power Act, allowing the legal entrance of private power suppliers to the supplement an increasingly inefficient, undercapitalized and unreliable power company. This has encouraged more entrepreneurs to seek finances available from both private and government MFIs. In addition, there have been task forces to review laws that impact on the performance of the sector and trade-licensing reform introducing the single business permit (GoK, 2002).

All credit offered by C-YEF is short term and therefore offers no opportunity for long term investment. This is an important issue for MSEs to consider especially if they want to expand their business. The various rules and regulations that govern the operations C-YEF need to be reviewed to promote the growth of the MSEs in the country. Many important aspects of the regulatory environment of the youth fund influences micro and small enterprise and therefore need to be improved.

2.5.3 Beneficiaries' Entrepreneurial Training
According to odienge et al (1991), access to credit alone does not guarantee growth of SMEs. Business/entrepreneurial training skills enable the entrepreneurs to independently carry out economic activities, widen their horizons of business transactions and generally manage the day to day business challenges. Capacity building activities helps in business management, market analysis and risk determination and these are important ingredients for business growth. According to Webster and Fidler (1996), business skill training accompanying the provision of micro loans most likely improves the capacity of the youth entrepreneurs to use funds and hence impacts on business performance.

A study done by Bowen et al. (2009) shown that 50% of the entrepreneurs who were trained in their areas of business expressed satisfaction and this was reflected in their business performance. On the other hand, most young women skill base is narrowed by gender roles imposed on them as the care givers in both families and the community. This
limits their business options considerably. With young men on the other hand having greater degree of freedom therefore have much access to skills with greater technical input (Westhead et al. 2010).

2.5.4 Repayment Mode adopted by C-YEF

The repayment mode adopted by any micro financing scheme plays an important role in leveraging the benefit of the fund to the beneficiaries. According to GOK (2010), the Kenyan government established the Constituency Development Fund (CDF) as an economic boost to reach the local minority in the communities. This fund targeted to meet the demand of the ever growing youth population and unemployment. This fund is disbursed to the Kenyan youths who fall between 18-35 years with the intention of investing the fund in a business venture. Since the fund is a loan, it must be paid back to facilitate loaning other youth enterprises legally registered and operating in Kenya. The beneficiaries are expected to repay the loan with interest rate of 8% (C-YEF Guide, 2009). However, failure to properly analyze the repayment mode of the fund may put the sustainability of the youth fund in jeopardy.

In Webuye constituency, the growth of MSE appears to decline while other remains relatively stagnant. There has been an increase of the closer of MSEs barely less than three years of their establishment. In addition, majority of the participants in the MSEs sector (mostly below 35 years of age) are moving towards a situation of increasing misery in spite the availability of C-YEF and the government commitment to end youth unemployment. This happens even after business benefiting from the youth fund. Failure to fully analyze the repayment mode of the C-YEF may therefore foreclose the dreams of stemming the high levels of poverty, graduation of MSE's in the enterprise continuum and unemployment among the youths. However, if well developed, the MSE sector can play a significant role in expanding the economic basket due to its strategic advantages associated with it (World Bank 2010).

2.6 Conceptual Framework

The framework presented in figure 2.1 shows the various independent variables and their effect on the independent variable through the moderating variable. The independent variables of the study includes; amount allocated to MSEs by the C-YEF, policies and regulatory procedures adopted by C-YEF, Beneficiaries' level of Entrepreneurial training
and C-YEF repayment mode. These influence the Constituency Youth Enterprise Fund Programme which is the moderating/intervening variable. The dependent variable is the growth of MSEs.

Figure 2.1: Conceptual Framework

(Source: Researcher, 2012)

Figure 2.1 shows the conceptualization of how the independent variables relate with the dependent variable through the moderating/intervening variable. The framework show that addressing the independent variables leads to an improved and efficient Constituency Youth Enterprise Fund Programme which ultimately contribute to growth of MSEs which is the dependent variable of the study. The dependent variable (MSEs Growth) indicators will include: business profitability, increased in business size, increase in staff number, Increase in sales/revenue, Increase in branches and increase in assets base.

2.7 Summary of the Review

The MSE sector has been identified as one of the priority sectors in the Kenya strategy to enhance global competitiveness of the Kenya as articulated in vision 2030 (GOK, 2008).
However, there has been persistent tendency to generalise the findings of studies undertaken in more developed economies and use the same as the basis for articulating support policies for sub-Saharan Africa (Leonidou 2000). Other researchers like Bodur (1986), Das (1994) and Okoroafo and Torkonoo (1995) have cautioned against such generalisations citing differences in political, economic and infrastructural environments between developed and developing countries. However, despite the extensive body of literature on the performance of the MSEs, comparatively less information is available on the factors influencing C-YEF in promoting the growth of MSEs since its inception in 2007 (Westhead et al. 2010; Westhead, 2011). This poses a gap. This study therefore seeks to fill this gap by examining the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs with reference to Webuye Constituency in Kenya.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
According to Kothari (2003) research methodology gives details regarding approaches and procedures used in conducting studies. It includes all techniques, methods and procedures adopted in the research. The key sections described in this chapter includes the research design, target population, sampling strategy, data collection instruments, data collection methods and data processing and analysis.

3.2 Research Design
This study adopted a descriptive research design. According to Kothari, (2003) descriptive research design describes the state of affairs as it exists. The researcher applied this design to investigate the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county. This design helped the researcher to collect data from members of target population to determine the current status of that population with respect to study variables (Mugenda and Mugenda 2003).

3.3 Target Population
According to Mugenda and Mugenda (2003), a target population refers to all the members of a population to which the researcher wishes to generalize the results of the research. This study targeted all the Owners or Manager of MSEs in Webuye Constituency which have benefited from C-YEF micro financial scheme. The Owners or Manager were selected because they are directly involved in capital sourcing for their business hence well conversant with the C-YEF scheme.

3.4 Sampling Strategy
According to Mutai (2003), sampling design is that part of the research plan that indicates how cases are to be selected for observation. In this study, purposive and simple random sampling methods were used to select the sample. Purposive sampling methods was used to select MSEs that have benefited from the C-YEF as well as select the owner or
manager because they there directly involved in the capital sourcing of their business. On the other hand, simple random sampling technique was used to select specific MSEs from the list of the ones that have benefited from the C-YEF scheme. This will help to eliminate bias since any MSEs that has benefited from C-YEF will have an equal chance of being selected in the sample.

3.4.1 Sample Size Determination

According to Webuye Constituency youth office (2011) by the 2011, a total of 186 MSEs had benefited/ been funded through C-YEF. According to Kothari (2003), an optimum sample is the one that fulfills the requirements of efficiency, representativeness, reliability and flexibility. This sample should be in a range of 10%-30%. A sample of 30% of the beneficiaries of C-YEF was drawn from the target population to satisfy these requirements of optimality and representativeness. Based on the 30% sampling percentage, a sample size of 56 respondents (30% of 186) was obtained.

3.5 Data Collection Instruments

Primary data was used in the study. This was collected using questionnaires which contained both open ended and closed ended questions. For easy administration of research tools, the researcher targeted the owners or managers who are beneficiaries of the C-YEF scheme in order to understand the contribution of C-YEF on the growth of their SMEs. Secondary data available in journals, reports and other published literature was also be utilized to supplement the primary data collected from the questionnaires.

3.6 Data Collection Procedures

An introductory letter from the Kenyatta University and permission to carry out research in the target MSEs was obtained to enable the researcher to administer questionnaires to the target population. The researcher re-assured the respondents about the confidentiality of their feedback. The questionnaires were administered during the official working hours for all the respondents. This was necessary to increase the response rate.

3.7 Data Processing and Analysis

The collected data was checked, edited and coded as soon as the questionnaires were returned. Analysis of the raw data was then done using statistical package for social sciences (SPSS) to make statistical inferences. This involved reducing accumulated data
to manageable size, developing summaries, looking for patterns and applying statistical techniques. Quantitative data was analyzed through the use of descriptive statistics such as frequencies and percentages as well as inferential statistics such as correlation analysis tests. Qualitative data was analyzed using content analysis technique. Data was presented through the use of tables, bar charts and pie charts.
CHAPTER FOUR

DATA ANALYSIS

4.1 Introduction

This chapter contains the results and presentation of the findings of the study. The study aimed at establish the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county. The independent variables of the study includes; amount allocated to MSEs by the C-YEF, policies and regulatory procedures adopted by C-YEF, Beneficiaries’ level of Entrepreneurial training and C-YEF repayment mode while the dependent variable was the growth of MSEs. The findings are presented based on the study research objectives. A total of 56 respondents were sampled which represented 100% response rate since all administered questionnaires were all received back fully filled. The data collected was coded and entered in SPSS package where analysis was done. Quantitatively, data was analyzed through the use of descriptive statistics such as frequencies and percentages as well as inferential statistics such as Pearson correlation analysis upon which interpretations and conclusions were made. The findings are presented through the use of tables, bar charts and pie charts.

4.2 Demographic Characteristics of the Respondents

This section presents the background information of the respondents in the study. The findings show that majority of the respondents were male as accounted by 53.6% while female respondents accounted for 46.4%. Additionally, most of the respondents were in the age category of 25-34 years (53.6%) with most businesses having been in operation for 4-7 years (69.6%), the findings further show that most respondent's were both Owner and Manager in the business (44.6%) with most businesses legal status being sole proprietorship (53.6%). In addition, most respondents had known the constituency youth enterprise fund for 3-5 years as accounted by 83.9%. These analysis and the findings are shown in table 4.1.
### Table 4.1: Background Information of the Respondents

<table>
<thead>
<tr>
<th>Background Information</th>
<th>Frequency (n)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>30</td>
<td>53.6</td>
</tr>
<tr>
<td>Female</td>
<td>26</td>
<td>46.4</td>
</tr>
<tr>
<td><strong>Age category</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25-34 years</td>
<td>30</td>
<td>53.6</td>
</tr>
<tr>
<td>35-44 years</td>
<td>26</td>
<td>46.4</td>
</tr>
<tr>
<td><strong>Duration the enterprise has been in operation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>2</td>
<td>3.6</td>
</tr>
<tr>
<td>1-3 years</td>
<td>15</td>
<td>26.8</td>
</tr>
<tr>
<td>4-7 years</td>
<td>39</td>
<td>69.6</td>
</tr>
<tr>
<td><strong>Respondent’s Status in the business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner</td>
<td>20</td>
<td>35.7</td>
</tr>
<tr>
<td>Manager</td>
<td>4</td>
<td>7.1</td>
</tr>
<tr>
<td>Both Owner and Manager</td>
<td>25</td>
<td>44.6</td>
</tr>
<tr>
<td>Employee</td>
<td>7</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Legal status of the enterprise</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole proprietorship</td>
<td>30</td>
<td>53.6</td>
</tr>
<tr>
<td>Partnership</td>
<td>24</td>
<td>42.9</td>
</tr>
<tr>
<td>Private limited company</td>
<td>2</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Knowledge of Constituency youth enterprise fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>3</td>
<td>5.4</td>
</tr>
<tr>
<td>1-2 years</td>
<td>5</td>
<td>8.9</td>
</tr>
<tr>
<td>3-5 years</td>
<td>47</td>
<td>83.9</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Overall Total (N)</strong></td>
<td>56</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.3 Amount Allocated to MSEs by the C-YEF

The first objective of the study sought to determine the influence of the amount allocated by the C-YEF on the growth of MSEs in Webuye Constituency, Bungoma, county.

4.3.1 Highest size of the loan ever awarded

The study sought to establish the amount of the loan that constituency youth enterprise fund has ever made available to the respondents’ businesses at once. The finding show that the most respondents were given was Less than Ksh 50,000 as accounted by 94.6% as shown in Table 4.2.

Table 4.2: Highest size of the loan ever Awarded

<table>
<thead>
<tr>
<th>Size of the loan</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Ksh 50,000</td>
<td>53</td>
<td>94.6</td>
</tr>
<tr>
<td>Ksh 50,000 -200,000</td>
<td>3</td>
<td>5.4</td>
</tr>
<tr>
<td>Over Kshs 200,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.2 Adequacy of the loans given by C-YEF

The respondents rated the adequacy of the loans given by C-YEF to their businesses. The findings show that majority of the respondents with who were given less than Ksh 50,000 (73.2%) rated it as inadequate as shown in figure 4.1. This shows that the amount given was not sufficient to effectively progress the businesses forward.

Table 4.3: Adequacy of the loans given by C-YEF
<table>
<thead>
<tr>
<th>Size of the loan</th>
<th>Very Adequate</th>
<th>Adequate</th>
<th>Inadequate</th>
<th>Very inadequate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Ksh 50,000</td>
<td>1.3%</td>
<td>21.4%</td>
<td>73.2%</td>
<td>4.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Ksh 50,000 -200,000</td>
<td>12.4%</td>
<td>78.65%</td>
<td>7.8%</td>
<td>3.2%</td>
<td>100%</td>
</tr>
<tr>
<td>Over Kshs 200,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**4.3.3 Effects of Doubling the Amount of Loan Given by the Youth Fund**

The findings further shows that doubling the amount of loan given by the youth fund would have an increase effect (85.7%) to the growth of the business. This is shown in Figure 4.2.

![Figure 4.2: Doubling the Amount of Loan Given by the Youth Fund](image-url)
4.4 Policies and Regulatory Procedures Adopted by C-YEF

The second objective of the study sought to investigate the effect of the policies and regulatory procedures adopted by C-YEF on the growth of MSEs in Webuye Constituency. In discussing these objectives, the areas considered were: Flexibility of terms and conditions of the youth enterprise fund, policy and regulatory framework governing the youth fund and the nature of the credit offered by the youth fund.

4.4.1 Flexibility of Terms and Conditions of the Youth Enterprise Fund

The findings show that the terms and conditions of the constituency youth enterprise fund (C-YEF) are flexible as accounted by 83.9%. Very flexible, and not flexible at all accounted for 5.4% and 10.7% respectively as shown in figure 4.3.

Figure 4.3: Flexibility of Terms and Conditions of the Youth Enterprise Fund

4.4.2 Policies and regulatory framework governing the youth fund

The findings show that most respondent rated the policies and regulatory framework governing the youth fund as poor as accounted by 64.3%. This is shown in figure 4.4.
4.4.3 Nature of credit offered by the youth fund

The respondent were asked to rate their level of agreement or disagreement with the statement that ‘The credit offered by C-YEF is short term and therefore offers no opportunity for long term investment’. This findings show that majority of the respondents agreed with this statement as accounted by 57.1% as shown in figure 4.5. This means that the credit offered by C-YEF is short term and therefore offers no opportunity for long term investment. As a result, the businesses have not greatly benefited from the youth fund because 64.3% reported a slight improvement, 32.1 reported to have a declined growth while 4.6 % remained the same as shown in figure 4.10.
4.5 Beneficiaries' Level of Entrepreneurial Training

The third objective of the study sought to establish the effect of C-YEF Beneficiaries' level of entrepreneurial training on the growth of MSEs in Webuye Constituency.

4.5.1 Highest level of education

The findings show that the highest level of Education of most respondent was secondary as accounted by 66.1% as shown in figure 4.6.
4.5.2 Attendance of the business training offered by the Youth fund

The findings further shown that majority of the respondent had attended the business training courses offered by the Youth fund Programme as accounted by 85.7%. run their businesses.

Table 4.3: Attended Business Training Courses Organised by C-YEF

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>48</td>
<td>85.7</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>14.3</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.3 Effectiveness of Training Received on Business Operations
The respondent were asked to rate how the training services received had helped them in various business operations. The findings shows that reduction in costs (62.5%) and day to day risk management challenges (78.6%) were greatly improved while Keeping formal accounts (69.6%) and development of new products (78.6%) were slightly improved. In addition the findings shown that market analysis (75.0%) and improving management practices (66.1%) were never improved as shown in table 4.4.

<table>
<thead>
<tr>
<th>Business Operations</th>
<th>Not able to rate</th>
<th>Never</th>
<th>Slightly</th>
<th>Greatly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keeping formal accounts</td>
<td>1.8</td>
<td>69.6</td>
<td>28.6</td>
<td></td>
</tr>
<tr>
<td>Development of new products</td>
<td>3.6</td>
<td>7.1</td>
<td>78.6</td>
<td>10.7</td>
</tr>
<tr>
<td>Reduction in costs</td>
<td>1.8</td>
<td>16.1</td>
<td>19.6</td>
<td>62.5</td>
</tr>
<tr>
<td>Day to day Risk management</td>
<td>7.1</td>
<td>3.6</td>
<td>10.7</td>
<td>78.6</td>
</tr>
<tr>
<td>challenges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market analysis</td>
<td>7.1</td>
<td>75.0</td>
<td>17.9</td>
<td></td>
</tr>
<tr>
<td>Improving management practices</td>
<td>3.6</td>
<td>66.1</td>
<td>23.2</td>
<td>7.1</td>
</tr>
</tbody>
</table>

4.5.4 Level of Satisfaction with the Training Received

Additionally, the findings show that most of the respondents were not satisfied with the training received from the Youth fund Programme as accounted by 60.7% as shown in
4.6 Repayment Mode of C-YEF

The fourth objective of the study sought to determine the effect of C-YEF repayment mode on the growth of MSEs in Webuye Constituency.

4.6.1 Follow-up by Youth funds officials

The study sought to establish if the youth funds officials undertake follow up after they disburse the loan. The findings show that youth funds officials do not undertake follow up after they disburse the loans as accounted by 85.7% (No response) as shown in table 4.5. Lack of follow up by the youth funds officials has an effect on C-YEF repayment mode and overall growth of MSEs in the target region.
Table 4.5: Follow up after Loan Disbursement

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8</td>
<td>14.3</td>
</tr>
<tr>
<td>No</td>
<td>48</td>
<td>85.7</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6.2 Repayment Mode adopted by the youth fund

The findings in figure 4.8 show that according to majority of respondents (62.5%), the repayment mode adopted by the youth fund is poor.

Figure 4.8: Repayment Mode Adopted by the Youth Fund
4.6.3 Interest on the Loan Offered by Youth Fund

The findings show that the interest charged on the loan of the youth fund is high according to majority of the respondents as accounted by 50%. Very high and fair responses accounted for 32.1% and 17.9% respectively.

Figure 4.9: Interest on the Loan Offered by Youth Fund

4.6.4 Sustainability of the repayment mode in the long run

According to majority of the respondents, the repayment mode adopted by the youth fund is not sustainable in the long run as accounted by 58.9%. This is shown in table 4.6.

Table 4.6: Sustainability of the Repayment mode in the Long Run

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>23</td>
<td>41.1</td>
</tr>
<tr>
<td>No</td>
<td>33</td>
<td>58.9</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.6.5 Constituency Youth Enterprise Fund Programmes

The respondents were presented with the various aspects of the constituency youth enterprise fund programmes and were required to rate the speed in which they are performed in the Programme. A five point likert scale comprising of; very high, high, moderate, low, very low was used and the results presented in table 4.7.

<table>
<thead>
<tr>
<th></th>
<th>Very low</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Speed of Loan processing</td>
<td>3.6</td>
<td>10.7</td>
<td>5.4</td>
<td>3.6</td>
<td>76.8</td>
</tr>
<tr>
<td>Collateral requirements</td>
<td>3.6</td>
<td></td>
<td>30.4</td>
<td></td>
<td>66.1</td>
</tr>
<tr>
<td>Service fees</td>
<td>1.8</td>
<td>3.6</td>
<td>23.2</td>
<td></td>
<td>71.4</td>
</tr>
<tr>
<td>Guarantees required by the fund</td>
<td>1.8</td>
<td>3.6</td>
<td>62.5</td>
<td></td>
<td>32.1</td>
</tr>
<tr>
<td>The documents required</td>
<td>1.8</td>
<td>5.4</td>
<td>57.1</td>
<td></td>
<td>35.7</td>
</tr>
<tr>
<td>Amount granted relative to amount requested</td>
<td>39.3</td>
<td>41.1</td>
<td>14.3</td>
<td>5.4</td>
<td></td>
</tr>
<tr>
<td>Time to obtain a response</td>
<td>19.6</td>
<td>14.3</td>
<td>7.1</td>
<td>14.3</td>
<td>44.6</td>
</tr>
</tbody>
</table>

The findings show that; Speed of loan processing (76.8%), collateral requirements (66.1%), service fees (71.4%), guarantees required by the fund (62.5%), documents required (57.1%) and time to obtain a response (44.6%) were rated either high or very high by majority of the respondents. In addition, the amount granted relative to amount requested was rated low by most respondents (41.1%). This is shown in table 4.7

4.7 Growth of MSEs

The study sought to assess the growth of MSEs after the disbursement of the youth enterprise fund.

4.7.1 Growth of the business after the Youth fund
The respondents were presented with the various aspects of business Growth and were required to rate whether those aspects had increased, decreased or remained the same since they received the Youth fund.

<table>
<thead>
<tr>
<th></th>
<th>Remained the same</th>
<th>Decreased</th>
<th>Increased</th>
<th>not able to rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Profitability</td>
<td>8.9</td>
<td>28.6</td>
<td>62.5</td>
<td></td>
</tr>
<tr>
<td>Business size</td>
<td>66.07</td>
<td>23.2</td>
<td>10.7</td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td>55.4</td>
<td>28.6</td>
<td>16.1</td>
<td></td>
</tr>
<tr>
<td>Sales and revenue</td>
<td>19.6</td>
<td>32.1</td>
<td>48.2</td>
<td></td>
</tr>
<tr>
<td>Branches network</td>
<td>76.8</td>
<td>12.5</td>
<td>3.6</td>
<td>7.1</td>
</tr>
<tr>
<td>Assets base</td>
<td>48.2</td>
<td>7.1</td>
<td>3.6</td>
<td>41.1</td>
</tr>
</tbody>
</table>

The findings show that according to majority of the respondents, Profitability (62.5%) had increased while business size (66.1%), number of employees (55.4%), branches network (76.8%) and assets base (48.2%) has remained the same. Most respondent were unable to rate Sales and revenue (48.2%) as shown in table 4.8.

4.7.2 Overall Growth of the business since receiving the youth fund

Figure 4.10 shows the overall growth of the business since the respondents received the support from the youth fund. The Figure shows that the business has slightly improved as accounted by 64.3%. This shows that the businesses had not greatly benefited by the youth fund.
4.7.3 Relationship among the Study Variables

In order to assess the relationship among the study variables, a Pearson Correlation Analysis were performed whereby the correlation coefficient (r) was computed. Statistically, a correlation coefficient ranges from -1 to +1 (George and Mallery, 2003). The sign of the correlation coefficient indicates the direction of the relationship (positive or negative). The absolute value of the correlation coefficient indicates the strength, with larger absolute values indicating stronger relationships. If the significance level (P-value) is very small (that is; less than 0.05) then the correlation is significant and the two variables are linearly related. If the significance level is relatively large (greater than 0.05) then the correlation is not significant and the two variables are not linearly related. Even if the correlation between two variables is not significant the variables may be correlated but the relationship is not linear. The Pearson Correlation Analysis/test is shown in table 4.9.
Table 4.9: Pearson Correlation among Study Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Growth of MSEs</th>
<th>Deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount allocated to MSEs</td>
<td>Pearson Correlation 0.061</td>
<td>Positive correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (P-value) 0.656</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 56</td>
<td></td>
</tr>
<tr>
<td>Policies and regulatory procedures</td>
<td>Pearson Correlation -0.052</td>
<td>Negative correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (P-value) 0.706</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 56</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial training skills</td>
<td>Pearson Correlation 0.156</td>
<td>Positive correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (P-value) 0.252</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 56</td>
<td></td>
</tr>
<tr>
<td>Repayment mode of C-YEF</td>
<td>Pearson Correlation -0.193</td>
<td>Negative correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (P-value) 0.154</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 56</td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level.

The findings in table 4.9 show a positive Pearson Correlation of 0.061 and 0.156 for Amount allocated to MSEs and Entrepreneurial training skills respectively which are not statistically significant (p>0.05). This shows that the two variables are positively correlated with the growth of MSEs. This means that amount allocated to MSEs and Entrepreneurial training skills were positively impacting on the growth of MSEs. In addition, the findings show a negative Pearson Correlation of -0.052 and -0.193 for policies and regulatory procedures and repayment mode of C-YEF. This shows that the two variables are negatively correlated with the growth of MSEs. This means that the policies and regulatory procedures and repayment mode of C-YEF were negatively impacting on the growth of MSEs in the region hence the need for them to be reviewed.
CHAPTER FIVE

DISCUSSION OF RESULTS

6.0 Introduction
The chapter contains the discussion of the findings of the results in chapter four.

5.1 Amount Allocated to MSEs by the C-YEF
The first objective of the study sought to determine the influence of the amount allocated by the C-YEF on the growth of MSEs. The findings show that the highest amount of the loan ever awarded to the respondents was less than Ksh 50,000. Basing on this, we see that the loan awarded was relatively low for business expansion. Contrary to Rahmat and Maulana (2006), the amount allocated by Microfinance institution had a positive improvement of MSE’s performance as indicated by sales.

From the findings, doubling the amount of the loan given would contribute to the growth of the business. However, according to the study by Rahmat and Maulana (2006), doubling the amount of the loan was found to have a negative impact on the performance since most entrepreneurs started saving instead of further investments.

5.2 Policies and Regulatory Procedures Adopted by C-YEF
The second objective of the study sought to investigate the influence of the policies and regulatory procedures adopted by C-YEF on the growth of MSEs. The findings show that most respondent rated the policies and regulatory framework governing the youth fund as poor. It is however important to have good policies and regulatory framework in order to stimulate the growth and productivity of MSEs. Therefore, the youth enterprise fund policies and regulatory framework need review to accommodate divergent clients.

The terms and conditions of the constituency youth enterprise fund (C-YEF) are also flexible. The flexibility in terms and conditions attributed to a slight improvement in terms of growth of the businesses.

The findings further show that the credit facility offered by C-YEF is short term and offers no opportunity for long term investment. There is therefore need for re-designing the program to capture long term investment.
5.3 Beneficiaries' Level of Entrepreneurial Training
The third objective of the study sought to establish the effect of C-YEF Beneficiaries' level of entrepreneurial training on the growth of MSEs. The findings shown that majority of the respondent had attended the business training courses offered by the Youth fund Programme which shows that most entrepreneurs were keen on acquiring new skills needed to effectively run their businesses. Business training enable the entrepreneurs to independently carry out economic activities, widen their horizons of business transactions and generally manage day to day challenges (Odiege et al (1991).

However, the findings show that the business training courses was only effective on reduction in costs and day to day risk management challenges. The training was found to be ineffective in keeping formal accounts and development of new products as well as market analysis and improving management practices. Contrary to Webster and Filder (1996), training did not improve the capacity of the Youth entrepreneurs to use the funds.

Most business owners were not satisfied with the training received from the Youth fund Programme as reflected by the infectiveness in keeping formal accounts and development of new products as well as market analysis and improving management practices. This therefore attributed to a slight growth to most businesses. This is in contrast to the study done by Bowen et al. (2009) which showed that 50% of the entrepreneurs who were trained in their areas of business expressed satisfaction which was reflected in their performance. This calls for improvement of the training program in order to meet the needs of the programme’s beneficiaries.

5.4 Repayment Mode of C-YEF
The fourth objective of the study sought to determine the effect of C-YEF repayment mode on the growth of MSEs in Webuye Constituency. The study found out that the youth funds officials did not undertake follow up after they disburse the loans. Lack of follow up by the youth funds officials has an effect on C-YEF repayment mode and overall growth of MSEs in the target region. As a result the youths could not access more funds as refinancing of their enterprises would only be done after successful the previous loan of Kshs 25,000. This has greatly affected the amount of loan given to the youths since the amount of money given to them would be increased upon successful repayment of the loan. This therefore limits the growth of their businesses. On the other hand, the amount available for disbursement to other youths would be inadequate.
The findings further showed that the interest charged on the loan by the youth fund was high and not sustainable in the long run. This has a negative influence on the rate of growth of micro and small enterprises. The overall growth of the businesses showed a slight improvement.

Since the banks were being involved to provide financing facilities to the businesses. The service fees, collateral requirements, documents required and time to obtain a response were high and hence influenced the processes of borrowing and overall process of loans disbursements.

Using Pearson Correlation Analysis (r) the study shown that the amount allocated to MSEs and Entrepreneurial training skills were positively impacting on the growth of MSEs. In addition, the policies and regulatory procedures and repayment mode of C-YEF were negatively impacting on the growth of MSEs in the region hence the need for them to be reviewed.
CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction
The chapter presents the summary of findings derived from the study. The chapter also details the conclusions and recommendations of the study.

6.2 Summary of the Findings
The purpose of this study was to establish the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county. The study investigated the following aspects: amount allocated by the C-YEF, policies and regulatory procedures, Beneficiaries’ level of entrepreneurial training and C-YEF repayment mode.

6.3 Conclusions
The purpose of this study was to assess the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county. Key factors investigated included; amount allocated by the C-YEF, policies and regulatory procedures, Beneficiaries’ level of entrepreneurial training and C-YEF repayment mode. The study shown that the highest size of the loan ever awarded to most businesses was less than Ksh 50,000 which was relatively low for business expansion. This amount was inadequate hence not sufficient to effectively progress the businesses forward.

The youth enterprise fund policies and regulatory framework is poor and need review to accommodate divergent clients in addition, the credit facility offered by C-YEF is short term and offers no opportunity for long term investment.
Most business owner and manager had attended the business training courses offered by the Youth fund Programme to acquire new skills needed to effectively run their businesses. However, the business training courses was only effective on reduction in costs and day to day risk management challenges. The training was ineffective in keeping formal accounts, development of new products, market analysis and improving management practices.

The youth funds officials did not undertake follow up after they disburse the loans. This lack of follow up by the youth funds officials had an effect on C-YEF repayment mode and overall growth of MSEs. In addition, the repayment mode adopted by the youth fund was poor hence need review. The interest charged on the loan by the youth fund was high and not sustainable in the long run.

The service fees, collateral requirements, documents required and time to obtain a response was high and hence influenceed the processes of borrowing and overall process of loans disbursements. In addition, overall, the business has slightly improved since the businesses received the support from the youth fund. This shows that the businesses had slightly benefited from the youth fund.

### 6.4 Recommendations

Various areas for improvement are proposed based on the findings of the study.

- The government through the concerned ministries needs to increase the allocation to the youth enterprise fund. This will ensure the amount allocated to the MSEs by the C-YEF is increase to achieve fast business growth.
- The government need to review the existing policies and regulatory procedures for the youth fund to ensure it is friendly to the clients/borrowers.
- There is need to review the credit facility offered by C-YEF to focus on long term basis since this study found that the fund targeted short term basis and offers no opportunity for long term investment.
- There is need to review the repayment mode of C-YEF since it was found to negatively impact on the growth of MSEs in the region.
6.5 Suggestions for Further Research

This study targeted Webuye constituency, therefore future studies can be extended to cover other constituencies with a countrywide scope for comparison purposes to check the variations and ascertain if similar factors apply to these constituencies.

Future studies can be done to assess the factors influencing the implementation of other government funding programmes such as LATF and special programmes run by government agencies.
REFERENCES


UNECA (2005), Economic Report on Africa: Meeting the Challenges of Unemployment and Poverty in Africa, UNECA, Addis Ababa,


Appendix A: Introductory Letter

Dear the respondent,

RE: REQUEST TO CONDUCT A STUDY

I am a postgraduate student at Kenyatta university and conducting a study on: "The factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county."

You have been selected as one of the respondents in this study. I would like to request you to complete the Questionnaire. The information supplied will be treated as strictly confidential and will not be used for any other purpose.

Your cooperation will be highly appreciated.

Thank you.

Nabangala Delephine
Appendix B: Questionnaire

This questionnaire is meant to collect information on the factors influencing Constituency Youth Enterprise Fund Programme in promoting the growth of MSEs in Webuye Constituency, Bungoma, county. Kindly answer the questions by writing a brief statement or ticking in the boxes provided as will be applicable. The information you give will be treated as strictly confidential and at no time will your name be mentioned in this study.

Section One: Demographic Information

1. Indicate your age category
   1) Below 25 years
   2) 25-34 years
   3) 35-44 years
   4) 45-55 years
   5) Above 55 years

2. What is your gender?
   1) Male
   2) Female

3. How long has your enterprise been in operation?
   1) Less than one year
   2) Between 1-3 years
   3) Between 4-7 years
   4) Over 7 years

4. What is your Status in this business?
   1) Owner
   2) Manager
   3) Owner and Manager
   4) Employee
   5) Others

5. Legal status of the enterprise.
   1) Sole proprietorship
2) Partnership
3) Private limited company
4) Other (Specify)

6. For how long have you known constituency youth enterprise fund (C-YEF)?
   1) Less than 1 year
   2) 1-2 years.
   3) 3-5 years.
   4) Over 5 years

Section Two: Amount Allocated by the Youth Fund

7. What is the highest size of the loan that constituency youth enterprise fund has ever made available to your business at once?
   1) Less than ksh 50,000
   2) Ksh 50,000 -200,000
   3) Over Ksh 200,000

8. How would you rate the adequacy of the loans given by C-YEF to your business?
   1) Very adequate
   2) adequate
   3) Inadequate
   4) Very Inadequate

9. In your view, what would be the effect of doubling the amount of loan given by the youth fund to the growth of your business?
   1) Increase
   2) Reduce
   3) Remain the same
   4) Don’t know

Section Three: Policies and Regulatory Procedures

10. How would you rate the flexibility of terms and conditions of the constituency youth enterprise fund (C-YEF)
11. How would you rate the policies and regulatory framework governing the youth fund?

1) Excellent
2) Good
3) Poor
4) Very poor
5) Not able to rate

12. To what extent would you agree with the statement that the credit offered by C-YEF is short term and therefore offers no opportunity for long term investment?

1) Strongly agree
2) Agree
3) Neutral
4) Disagree
5) Strongly Disagree

Section Four: Beneficiaries' Entrepreneurial Training

13. What is the highest level of education?

1) Primary and below
2) Secondary
3) Tertiary College
4) Undergraduate
5) postgraduate
6) Other (specify)

14. Have you attended the business training services offered by the Youth fund Programme?

1) Yes
2) No

15. If yes above, how would you rate the training services received to have helped you in the following business operations? Rate as follows; 4 = Greatly, 3 = Slightly, 2 = Never, 1 = not able to rate
a) Keeping formal accounts
b) Development of new products
c) Reduction in costs
d) Risk management day to day challenges
e) Market analysis
f) Improving management practices

16. How would you rate your level of satisfaction with the training received from the Youth fund Programme?
   1) Very satisfied
   2) Satisfied
   3) Dissatisfied
   4) Very dissatisfied
   5) Not able to rate

Section Five: Repayment Mode Adopted by Youth Fund

17. Do the Youth funds officials undertake follow up after they disburse the loan?
   1) Yes
   2) No

18. How would you rate the repayment mode adopted by the youth fund?
   1) Excellent
   2) Good
   3) Poor
   4) Very poor
   5) Not able to rate

19. How would you rate the interest on the loan of the youth fund?
   1) Very high
2) High
3) Fair
4) Low
5) Very low

20. Do you think the repayment mode adopted by the youth fund is sustainability in the long run?
   1) Yes
   2) No

21. Comment of your answer above?

22. How would you rate the following in respect to the constituency youth enterprise fund programmes? 5= very high, 4= High, 3= moderate, 2= low, 1= very low

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Speed of Loan processing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Collateral requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Service fees</td>
<td></td>
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<tr>
<td>d) Guarantees required by the fund</td>
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<tr>
<td>e) The documents required</td>
<td></td>
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<tr>
<td>f) Amount granted relative to requested amount</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>g) Time to obtain a response</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Section Six: Growth of MSEs

23. How would you rate the growth of the following in your business from when you received the Youth fund? Rate as follows; 4= increased, 3= Decreased, 2=remained the same, 1= not able to rate
<table>
<thead>
<tr>
<th></th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Business size</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Number of employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Sales/revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Branches network</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Assets base</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

24. How would you rate the overall growth of your business since you received the support from the youth fund? The business has.............

1) Grown significantly
2) Slightly improved
3) Declined/Negative Growth
4) remained the same
5) Not able to rate

25. What would you attribute to the slow growth and ultimate closer of small business in this area?

__________________________________________
__________________________________________

26. What recommendations would you make to Constituency youth fund Programme to enhance their support to youth enterprises to promote enterprise growth?

__________________________________________
__________________________________________

THANK YOU FOR YOUR RESPONSES