Factors Influencing Growth of Youth Owned Small and Medium Enterprises in Nairobi County, Kenya

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Abstract: Small and Medium enterprises (SMEs) contribution to the Kenyan economy is widely acknowledged, they cut across all sectors of the economy and provide many employment opportunities and generate widespread economic benefits. Youth owned small and Medium Enterprises are faced with several challenges in their operations. SMEs face a mixture of success and failure with past statistics indicating that three out five fail within the first few months of operation. The general objective of this study was to investigate the factors influencing the growth of youth owned small and medium enterprises in Nairobi County. The study also sought to find out the influence of entrepreneurial skills, credit access, government policy and market access on the growth of youth owned small and medium enterprises in Nairobi County. This study adopted a descriptive research design. The target population of this study was all the 1319 youth owned SMEs in Kenya registered with Youth Access to Government Procurement Opportunities Program (YAGPO). This study used a stratified random sampling method to select 10% of the target population. The sample size of this study was therefore 132 youth SME owners. The study used primary data that was collected by use of questionnaires. In this study the collected data was edited and coded into a statistical package (Statistical Package for Social Sciences (SPSS) version 20) for analysis. Both descriptive and inferential statistics were used to analyze quantitative data. In descriptive statistics, the study used frequency, mean, standard deviation and percentages. A multivariate regression analysis was also carried out to determine the relationship between dependent variable and the four independent variables. The study established that entrepreneurial skills influence the growth of youth owned SMEs most followed by market access, government policy and credit access. The study established that some of the youth who had started SMEs had no training in business. This study therefore recommends that the government of Kenya should set up conferences and seminars to train entrepreneurs on business planning, book keeping, marketing, financial management and customer relations. The study also established that a good number of SME owners did not have access to credit. The study also recommends that financial institutions should consider reducing their requirements to fund the youth in their businesses. For instance, the can remove the collateral requirement in seeking for financing. The study also found that short repayment period and high interest rates were a challenge in obtaining a loan for their business. This study also recommends that financial institutions should increase the loan repayment period and reduce the interest rates. The study also established that government policies like business registration process, licensing and registration requirements and certification from various ministries affect the growth of SMEs negatively. The study therefore recommends that the government of Kenya should reduce the cost and smoothen the process of licensing and business registration.

Keywords: Credit access, Entrepreneurial skills, Government policy, Market access, SME growth: Youth

1. Introduction

Reducing youth unemployment is one of the major challenges facing most governments in the world for decades to come [1]. With an estimated 88 million young women and men worldwide unemployed, the need for employment creation efforts focusing on youth is undeniable. Youth are generally three and a half times more likely than adults to be unemployed [2]. In 2015, approximately 660 million young people will either be working or looking for work – an increase of 7.5 per cent over the number that was there in 2003.

This challenge has its own specific dimensions and therefore requires targeted responses [3]. Within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as an important means and a valuable additional strategy to create jobs and improve livelihoods and economic independence of young people. It is an innovative approach to integrating youth into today’s changing labor markets [4].

The importance of Small and Medium enterprises (SMEs) in contributing to job creation and output growth is now widely accepted in both developed and developing countries. Small and Medium Enterprises are regarded as the backbone of the economy [5]. There is no single criterion for classifying business enterprises as small or medium scale globally. In defining small-scale business, reference is usually made to some quantifiable measures such as: number of people employed by the enterprises, investment outlay, the annual turnover (sales) and the asset value of the enterprise or a combination of these measures. Small and Medium enterprises has a number of benefits [6]. One of its major significant benefits is that Small and Medium enterprises contributes to the creation of self-employment among those youth operating businesses and jobs to those who are employed in those enterprises amidst high level of unemployment [7].

SMEs contribution to the Kenyan economy is widely acknowledged, they cut across all sectors of the economy and provide many employment opportunities and generate widespread economic benefits [8]. The Government of Kenya revealed that 64 percent of its population was engaged in Small and Medium-Enterprise [9]. According to the economic survey of 2003, the SMEs sector accounted for 74.2% of the total persons engaged in employment and contributed up to 18.4% of the Kenya’s GDP in 2003. Economic recovery strategy for wealth and employment
creation 2003-2007 recognized the need to establish and maintain a favorable environment for the growth and transformation of small businesses into medium sized enterprises that can have capacity to create more employment opportunities.

In Kenya today, businesses employing between 1 to 99 people account for about 48 percent of all businesses; with a majority of these being managed or owned by the young people (25-34 years) [10]. Three out of five of these businesses fail within the first Three years of operation and those that continue 80 percent fail before the fifth year [11]. This failure of enterprises performance is marked by poor return and bankruptcy proceedings [12], having noted how important the contribution of SMEs sector is in Kenya; despite their poor performance. Leadership must be increased to effectively respond to the challenges of creating productive and sustainable employment opportunities in the country amongst the youths [13].

Although generally in Kenya there has been an increase in the promotion of youths owned enterprises, not much has been achieved. These promotions have been through the affirmative action like establishment of Youth Enterprise Development Fund (YEDF) in 2007. Budget of 2013/2014 set an ambitious youth and women empowerment programme (uwezo fund) by allocating 6 billion as revolving fund to be loaned to the youths and women, the presidential directive of thirty (30) percent access to government procurement opportunities to youth, women [14].

1.1 Statement of the Problem

Youth unemployment was one of the underlying causes behind the political upheaval in Kenya's 2007/2008 post-election violence [15]. Following the post-election violence, issues of youth poverty and unemployment were identified as critical issues and led to the Government of Kenya conceiving the idea of institutional financing such as Youth Enterprise Development Fund (YEDF) to provide young people with access to finance for self-employment activities and entrepreneurial skills development as a way of addressing unemployment and poverty which essentially are youth problems [9]. Despite this initiative, it was revealed that the established enterprises have a very low survival rate, with serious challenges leading to 60 percent failures in performance within the first three years of operation [16]. This poor performance has hampered their ability to contribute to the growth of Kenya’s GDP as required. It also makes them unable to compete with other larger businesses including multinational corporations, or take full advantage of the economy and access the global markets for profitability and sustainability [12].

While YEDF shows high small business birth-rates, the business failure or stagnation is equally high [3]. Despite many studies having been done in the past on youth unemployment [17], the obstacles to youth owned Small and Medium Enterprises development in Nairobi County as a major strategy to reduce youth unemployment have also not been adequately identified and, hence the research gap this study aims to address. Among the most important gap is the lack of emphasis on entrepreneurial skills, and credit access adopted by SMEs of which would mitigate enterprise stagnation and or failure among the youth owned enterprises. This study therefore sought to investigate the factors that influence the growth of youth owned small and medium enterprises in Nairobi County.

1.2 Research Objective

The general objective of this study was to investigate factors influencing the growth of youth owned small and medium enterprises in Nairobi County.

More specifically, the study sought to:
1) To find out the influence of entrepreneurial skills on the growth of youth owned small and medium enterprises in Nairobi County
2) To investigate the influence of credit access on the growth of youth owned small and medium enterprises in Nairobi County
3) To examine the influence of government policy on the growth of youth owned small and medium enterprises in Nairobi County
4) To determine the influence of market access on the growth of youth owned small and medium enterprises in Nairobi County

2. Theoretical Review

While in Neoclassical analysis (Marshall) the main focus is the conditions necessary to sustain an equilibrium, and Schumpeter's focus was to explain the progress in capitalistic system by using innovator entrepreneur's destructive creation, Kirzner- representing the Neo-Austrian approach to entrepreneurship-focused on answering the question of whether a market economy works and, if it does so, what is the process that leads the economy towards an equilibrium? Kirzner claims that initially the economy is in disequilibrium and the competition among 'alert' entrepreneurs leads to equilibrium [18]. Unlike Neoclassical economists, Kirzner realizes that markets are not always clear, there is no perfectly informed representative agent and for change to occur the entrepreneurs need incentives and this incentives comes from the difference among agents in terms of information and knowledge.

According to Kirzner, an improvement in the technique of production or a shift in preferences leads to change (disequilibrium) in the market where initially there was equilibrium [19]. If there is equilibrium in the market there is nothing for the entrepreneur to do and no exchange and profit opportunities for them since everybody will be able to carry out his initially determined exchange plans. But whenever the change has occurred, some planned activities will not be realized [20]. Kirzner states, there is no room for entrepreneurial discovery and creativity: the course of market events is foreordained by the data of market situation. Kirzner argues that the economy is in a constant state of disequilibrium due to shocks constantly hitting the economy [19].

Furthermore, economic agents suffer from "utter ignorance"-they simply do not know that additional information is
available [21]. In this world, the alert entrepreneur discovers and exploits new business opportunities and eliminates (some of the) “utter ignorance” and thus moves the economy toward equilibrium, which is the state where no more information can be discovered [22]. Kirzner’s analysis of entrepreneurship identifies a disequilibrium that can only be corrected (to equilibrium) by alert entrepreneurs who produce and exchange, but the emphasis is on the exchange opportunities and progress that comes mainly from this part. He postulates that entrepreneurial progress does not depend on a “great man” but it does depend on many great men, many players in the business arena. Profits from an entrepreneurial venture may not usually be very large and in some cases before the break-even point is established, the returns maybe negative. Since there is a lot of uncertainty in the business environment, profits is always a speculative affair by the entrepreneurs and therefore an entrepreneurship is an act of risk taking [23]. Seeing risk and grabbing them may be considered too certain and requires an extra talent of people who can see the extra ordinary things.

3. Conceptual Framework

This study sought to investigate the factors influencing the growth of youth owned small and medium enterprises. The independent variables in this study were entrepreneurial skills, credit access, government policy and market access. The dependent variable in this study was the growth of youth owned small and medium enterprises.

The growth of youth owned small and medium enterprises can be measure using various parameters. Measuring sales growth and relative employment growth during a specific time period is the most common indicators used [8]. Indicators such as assets, market share, profits and output are also commonly used, however not as commonly as sales and employment. Output and market share vary greatly within industries and is therefore hard to compare, total assets also depends on the industry's capital intensity and changes over time and profits is not that relevant unless measuring size over a long period of time [24]. Therefore sales and employment are the two most important indicators measuring firm size and growth [10]. Employment numbers is also a measure that is easily accessible, since it is an important figure for governments. Sales figures are on the other hand affected by inflation and exchange rates and it is difficult to compare sales figures between industries. That is why it is important to use multiple growth indicators to study firm growth [13].

Entrepreneurial skills assist Small and Medium Enterprises (SMEs) generate growth and development of new ventures in developing economies like Nigeria [23]. These new enterprises are faced with diversity of problems in Nigeria due to numerous entrepreneurial, domestic, economic problems and policy inconsistencies despite tremendous efforts made through policies to enhance the capacity, skills and profitability of the SMEs [21]. Since entrepreneurial skills influence implementation of sustainable growth of SMEs, the entrepreneur's success depends on the identification of crucial entrepreneurial skills for startup businesses, as well as for helping the business to survive and grow in the early years [25]. Although these skills can make the differences between the business success and failure, there is a substantial gap between the successfulness of the two basic approaches to entering into entrepreneurship: opportunity-based and necessity-based entrepreneurship [20]. The first one is better represented in the developed and more successful, competitive economies, and the second in the emerging and transition economies.

Owing to their cross-cutting nature, youth entrepreneurship policies require collaboration between different ministries, such as education, labor, industry, youth and finance, and the development of a collaborative multi-stakeholder approach [2]. Administrative and regulatory burdens on youth entrepreneurship are among key barriers for start-ups of young people in high-income and developing countries [26]. The business registration processes for instance are still cumbersome in most developing countries. Regulatory constraints also pose serious challenges to SMEs development and although wide-ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm-level. Licensing and registration requirements, as well as high cost of settling legal claims, and excessive delays in court proceedings adversely affect SMEs operations [3]. The political climate would determine if the business perform well in that where the political temperature are high the business level is low due to uncertainty in the industry [27].

Youth entrepreneurs face a lot of challenges in accessing finances to inject in their business both as startup, seed capital and finance expansion of the businesses. This is because of many factors which make their businesses less attractive in terms of lending. Due to the lack of self-sustaining resources, the absence of a substantive credit history, sufficient collateral or guarantees to secure loans or lines of credit, young people are often seen as particularly risky investments and therefore face difficulties in accessing finance [2]. Young entrepreneurs often have difficulties in meeting strict credit scoring criteria as banks often deal arbitrarily with terms and conditions. There is a lack of binding rules and clear general terms ensuring the transparency of rating procedures and credit scoring systems for young entrepreneurs [12]. They are easily put off by the documentation procedures and information required by many commercial lenders of credit. Particularly funds requiring less or no collaterals but that charge very high interest rates and fees often have more complex documentation procedures. Entrepreneurs are often not aware of all available types of finance, funding forms and special support programmes. They often do not understand the concept, the benefits, the possibilities and the drawbacks of the numerous forms of debt and equity financing [2].

Limited access to markets remains a severe constraint to SME growth and competitiveness in Kenya owing to a shrinking domestic market due to globalization. Limited access to market information makes SMEs less aware of opportunities in the market [17]. Overall aggregate demand for the sector’s products is low and markets are saturated due to overproduction and dumping of cheap imports. Markets do not function well due to insufficient information, high transaction costs and stiff competition for similar products [17]. High transaction costs are due to market
inefficiencies and information asymmetry. SMEs face difficulties accessing markets due to limited market information, poor marketing capacity and poor market research leading to a discrepancy between the supply and demand [13]. This brief generates the following variables and their relationships that can be summarized in the following conceptual framework in figure 1.

Figure 1: Conceptual Framework

4. Research Gap

Various studies have been conducted on the growth and performance of youth owned SMEs. However, these studies focused on different variables and locations in the country and outside the country. A study was conducted on factors affecting financial performance of youth owned enterprises Kisii Town [28]. The dependent variable in this study was financial performance which different from the growth of SMEs. In addition, the study was conducted in Kisii Town which has got different characteristics as compared to Nairobi County. On the other hand, a study was conducted a study on the factors influencing participation of youth in small scale businesses in Kilungu District [29]. In this study, the author was looking at factors influencing the youth to start small scale business which is different from factors influencing the growth of youth owned SMEs. In addition, the study was conducted in Kilungu District which is a rural area and hence its findings cannot be generalized to Nairobi County.

Further, another study was conducted to determine how entrepreneurship training, access to credit facilities, access to market and business competition influences the performance of the youth owned SMEs [8]. However, the dependent variable in this study was performance of SMEs which is different from growth of SMEs. Further, the study was conducted in Maara sub-county Tharaka –Nithi County which is in rural areas. The findings of this study cannot therefore be generalized to Nairobi County as the two settings have different characteristics. In addition, another study was conducted to determine how management, education and training, accessibility to finance on the growth of youth owned enterprises in Rachuonyo South District [23]. Nevertheless, this study was conducted in Rachuonyo South District which has different political, regulatory and economical attributes as compared to Nairobi County. Further, a study was done to establish to which extent the level of education, attitude of the youth towards loans, political leadership in Kieni East District, awareness and information on youth fund and entrepreneurial skills among the youth influences the uptake of Youth Enterprise Development Fund loans [27]. The setting of this study is a rural area which is different from an urban area like Nairobi. In addition, the dependent variable was the uptake of Youth Enterprise Development Fund loans.

5. Research Methodology

5.1 Research Design and Population

This study will adopt a descriptive research design. A descriptive research design seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitude, behavior or values [28].

Target population in statistics is the specific population about which information is desired. This definition ensures that population of interest is homogeneous. The target population of this study was all the 1319 youth owned SMEs in Kenya registered with Youth Access to Government Procurement Opportunities Program (YAGPO).

5.2 Samples and Sampling Procedure

This study used a stratified random sampling method to select 10% of the target population. A sample size of 10 to 30% is a good representation of the target population [29]. The sample size of this study was therefore 132 youth SME owners.

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Sample Size 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>210</td>
<td>21</td>
</tr>
<tr>
<td>Consultancy</td>
<td>105</td>
<td>11</td>
</tr>
<tr>
<td>Contractors</td>
<td>121</td>
<td>12</td>
</tr>
<tr>
<td>Office products and Printers</td>
<td>149</td>
<td>15</td>
</tr>
<tr>
<td>General Merchants</td>
<td>176</td>
<td>18</td>
</tr>
<tr>
<td>Electronics Communication and computers</td>
<td>187</td>
<td>19</td>
</tr>
<tr>
<td>Tours and Travel</td>
<td>108</td>
<td>11</td>
</tr>
</tbody>
</table>
5.3 Data collection Instruments

The study used primary data that was collected by use of questionnaires. The questionnaire is a fast way of obtaining data as compared to other instruments. The questionnaires were randomly administered to 10% of the respondents from the sample population. This helped in refining the questions through rephrasing and removal of ambiguous questions. It also helped to remove typographical errors. The pilot testing process was used to determine if questions asked are relevant and appropriate.

5.4 Data Analysis

In this study the collected data was analyzed by use of statistical package (Statistical Package for Social Sciences (SPSS) version 20) for analysis. Both descriptive and inferential statistics will be used to analyze quantitative data [29]. In descriptive statistics, the study used frequency, mean, standard deviation and percentages. The analyzed information was then presented in tables and figures. A multivariate regression analysis was also carried out to determine the relationship between dependent variable and the four independent variables.

6. Results and Discussion

6.1 Influence of Entrepreneurship Skills on the Growth of Youth Owned SMEs

The first objective of this study was to find out the influence of entrepreneurial skills on the growth of youth owned small and medium enterprises in Nairobi County. The study established that business skills have an influence on the growth of youth owned SMEs. Entrepreneurial skills assist Small and Medium Enterprises (SMEs) to generate growth and development of new ventures in developing economies. The study also revealed that entrepreneurship skills widen the youth business owners thinking capacity, gives them managerial skills, helps them to deal with competition, gives them a positive attitude towards their work and helps them to understand the market trend and their customers. The study also established that business skills helps them in decision making, helps them to handle customers and helps them to understand the needs of their clients. Entrepreneurial skills influence implementation of sustainable growth of SMEs, the entrepreneur's success depends on the identification of crucial entrepreneurial skills for startup businesses, as well as for helping the business to survive and grow in the early years.

The study also revealed that most of the youth SME owners had attended entrepreneurship training although a good number had not. The study also found that some youth SME owners had received training on business planning, customer relations, financial management, marketing and book keeping. The study also revealed that most of the respondents had attended training that took between 1 and 2 weeks. The more the number of training the more the skills acquired and the more the experience obtained. Lack of training is one of the reasons for the high failure rates of small enterprises, with up to 80 percent of new business collapsing within their first three years of operation. The study also found that training gives more knowledge which in turn improves the performance of the business. Further, training improves managerial and marketing skills, it gives the youth SME owners knowledge on how to establish and meet customers' needs. Further, training gives the SME owners knowledge on how to conduct competitor analysis, industry analysis, SWOT and PESTEL analysis.

6.2 Influence of Credit Access on the Growth of Youth Owned SMEs

The second objective of this study was to investigate the influence of credit access on the growth of youth owned small and medium enterprises in Nairobi County. The study found that most of the respondents had access to credit. Youth entrepreneurs face a lot of challenges in accessing finances to inject in their business both as startup, seed capital and finance expansion of the businesses. In addition, access to credit from commercial banks, Youth Enterprise Development Fund, microfinance institutions (Rafiki Deposit Taking Microfinance).

The study also revealed that credit access affects the growth of youth owned SMEs. Lack of access to finance is one of the major challenges facing youth owned SMEs worldwide. Access to credit helps to increase stock, capital, helps in conducting marketing, advertisements and promotions. The study revealed that the initial source of business start-up for most of the youth SME owners was self-financing followed by loans from banks. Other sources of finances indicated include loans from microfinance institutions, banks and SACCOs, family and relatives financing.

The study established that the youth SME owners were experiencing problems in raising capital and accessing financial services to a very great extent while accessing credit was experienced to a moderate extent. In addition, due to the lack of self-sustaining resources, the absence of a substantive credit history, sufficient collateral or guarantees to secure loans or lines of credit, young people are often seen as particularly risky investments and therefore face difficulties in accessing finance.

The study found that most of the youth SME owners in this study had borrowed loans since the start of their business. In addition, to the youth SME owners, short repayment period, high interest rates and lack of collateral were common challenges in obtaining a loan for their business. Other challenges quoted by the respondents include, guarantors requirement, long process, record keeping as part of the requirement and financial institutions lack of trust in the youth.

6.3 Influence of Market Access on the Growth of Youth Owned SMEs

The third objective of this study was to determine the influence of market access on the growth of youth owned small and medium enterprises in Nairobi County. The study...
found that most of the respondents were marketing their products or services. Limited access to markets remains a severe constraint to SME growth and competitiveness in Kenya owing to a shrinking domestic market due to globalization. Further, referrals was the most common method in marketing of products and services among youth SME owners, followed by door to door marketing, sales promotion, social media marketing, posters and advertisement. Other strategies used in marketing of products and services among youth SME owners include reduction in price, word of mouth, social media and use of business cards.

The study found that access to market influences the growth of youth owned SMEs. Limited access to market information makes SMEs less aware of opportunities in the market and hence a slow growth of their business. Market access increases the expansion of the business and increases business income. In addition, through market access more customers get to know about their products and hence an increase in sales. The study revealed that the youth SME owners were experiencing financial constraints when marketing goods and services, followed poor location and unfair tender allocation. Markets do not function well due to insufficient information, high transaction costs and stiff competition for similar products. The study revealed that most of the youth SME owners did not have any business connections (club) that they rely on in order to market their Goods and services.

6.4 Influence of Government Policy on the Growth of Youth Owned SMEs

The study also sought to examine the influence of government policy on the growth of youth owned small and medium enterprises in Nairobi County. The study found that government policy affects the growth of youth owned SMEs. Administrative and regulatory burdens on youth entrepreneurship are among key barriers for start-ups of young people in high-income and developing countries. The study also established that the government has channels and procedures and requirements that are not friendly to the youth. In addition, the government had influenced the growth of youth owned SMEs positively as it was giving the youth tenders. However, the government was highly taxing youth owned businesses and the licenses to operate a business were too costly.

The study established that business registration process, licensing and registration requirements, certification from various ministries, corruption and high taxation rate affect the growth of youth owned SMEs. Licensing and registration requirements, as well as high cost of settling legal claims, and excessive delays in court proceedings adversely affect SMEs operations. In addition, business registration processes are still cumbersome in most developing countries and affect the growth of youth owned SMEs.

7. Regression Analysis

A multivariate regression analysis was used to establish the relationship between the dependent and the independent variables. The multivariate regression model was;

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \]

Whereby \( Y \) is the growth of youth owned small and medium enterprises; \( X_1 \) is entrepreneurial skills; \( X_2 \) is Credit access; \( X_3 \) is Government policy; \( X_4 \) is Market Access; \( \varepsilon \) is Error Term; \( B_0 \) is Constant Term and \( B_1, B_2, B_3, B_4 \) Beta Coefficient

The four independent variables that were studied, explain a variation 50.8% of the growth of youth owned SMEs as represented by the \( R^2 \). This therefore means that other factors not studied in this research contribute 49.2% of the growth of youth owned SMEs. This shows that there are other factors that influence the growth of youth owned SMEs.

<table>
<thead>
<tr>
<th>Model</th>
<th>( R )</th>
<th>( R^2 )</th>
<th>Adjusted ( R^2 )</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.724</td>
<td>.524</td>
<td>.508</td>
<td>.51477</td>
</tr>
</tbody>
</table>

The table 2.27 shows the analysis of variance. The results indicated that the model was significant since the p-value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how entrepreneurship skills, credit access, market access and government policy influence the growth of youth owned SMEs. The F critical at 5% level of significance was 2.46 (4, 119). Since F calculated (32.788) is greater than the F critical. This shows that the overall model was significant.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>( F )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>84.754</td>
<td>4</td>
<td>21.188</td>
<td>32.788</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>31.534</td>
<td>119</td>
<td>265</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>116.287</td>
<td>123</td>
<td>216</td>
<td></td>
</tr>
</tbody>
</table>

The regression equation was:

\[ Y = 0.756 + 0.312 X_1 + 0.514 X_2 + 0.338 X_3 + 0.477 X_4 + \varepsilon \]

The regression equation above has established that taking all factors into account (entrepreneurship skills, credit access, market access and government policy) constant at zero the growth of youth owned SMEs will be 0.756 units. The findings presented also show that there is a positive significant relationship between entrepreneurship skills and the growth of youth owned SMEs as shown by a coefficient of 0.514 (p-value=0.000). This shows that a unit increase in entrepreneurship skills would lead to a 0.514 improvement in the growth of youth owned SMEs. In addition, there is a positive significant relationship between credit access and the growth of youth owned SMEs as shown by a coefficient of 0.312 (p-value=0.024). A unit increase in credit access leads to a 0.312 improvement in the growth of youth owned SMEs. Further, the findings show that there is a significant positive relationship between market access and the growth of youth owned SMEs as shown by a coefficient of 0.477 (p-
value = 0.000). A unit increase in market access would lead to a 0.477 improvement in the growth of youth owned SMEs. Lastly, there is a positive significant relationship between government policy and the growth of youth owned SMEs as indicated by a coefficient of 0.338 (p-value = 0.021). This shows that a unit improvement in government policy would lead to a 0.338 improvement in the growth of youth owned SMEs. This infers that entrepreneurial skills influence the growth of youth owned SMEs most followed by market access, government policy and credit access.

8. Recommendations

The study established that some of the youth who had started SMEs had no training in business. This study therefore recommends that the government of Kenya should set up conferences and seminars to train entrepreneurs on business planning, book keeping, marketing, financial management and customer relations.

The study also established that a good number of SME owners did not have access to credit. This study therefore recommends that youth SME owners should learn how to develop business plans for funding by financial institutions. The study also recommends that financial institutions should consider reducing their requirements to fund the youth in their businesses. For instance, the can remove the collateral requirement in seeking for financing.

The study also found that short repayment period and high interest rates were a challenge in obtaining a loan for their business. This study also recommends that financial institutions should increase the loan repayment period and reduce the interest rates.

The study also found that the SME owners were depending on referrals for marketing of their products. This study therefore recommends that SME owners should consider advertisement, sales promotion, posters and social media in marketing their products.

The study also established that government policies like business registration process, licensing and registration requirements and certification from various ministries affect the growth of SMEs negatively. The study therefore recommends that the government of Kenya should reduce the cost and smoothen the process of licensing and business registration.

9. Future Scope of the Study

This study focused on factors influencing the growth of youth owned small and medium enterprises. The study was limited to Nairobi County. The study therefore suggests further studies in to focus on the other 46 counties in Kenya. The study also recommends further studies on government policies affecting the growth of SMEs in Kenya.

References


