



## **FACTORS INFLUENCING YOUTH ENTERPRISES DEVELOPMENT IN NAIROBI COUNTY**

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### **Abstract**

Youth participation in Kenya have been peripheral since independence. There is need for support of youth entrepreneurship so as to not only achieve economic development but address some challenges facing them. This is because they are faced by high unemployment rates, drug and substance abuses, crime, and cold participation in economic development. Hence, the current study examined the effect of access to credit, market access, government policy and entrepreneurial skills on youth enterprises development in Nairobi County. Descriptive research design was applied, and primary data collected through administration of 100 questionnaires. Descriptive and inferential statistics analyzed the data. Study findings indicate that there was a positive and significant effect of access to credit, market access, government policy and entrepreneurial skills on youth enterprises development in Nairobi County.

### **Introduction**

Youth participation in Kenya have been peripheral since independence. Rori, Bunei and Mwenza (2011) asserts that this have stimulated their high unemployment rates, drug and substance abuses, crime and cold participation in economic development. Similar trend has been recorded in sub Saharan Africa with notable statistics of 11.8% unemployment rates (Global Employment Trends for Youth, 2013). In Kenya the Rori et al., (2013) argues that the situation may be reversed through industrialization that is expected to achieved courtesy of vision 2030. According to Njoroge and Gathungu (2013) there is need for support of youth entrepreneurship so as to not only achieve economic development but address some challenges facing them.

Entrepreneurship development have been an item of focus in Kenya through technical training institutions. Kabugi, Mobegi, Kombo, Omari and Sewe (2012) argues that during formative sessions in technical training institutions students are sensitized on the need to pursue self-employment. This will not only enhance their deployment of skills but also enhance their participation in provision of local solution to programmable and non-programmable problems (Kshetri, 2011). Evidence indicates that youths have embraced entrepreneurship as a source of livelihoods. In Kenya youth policy framework (2012) defines a youth to be any individual aged from 18 to 35 years. This definition encompasses physical, psychological, social, cultural and political aspects of an individual. Kenyan constitution defines a youth as any individual whose have not achieved 35 years though have celebrated 18<sup>th</sup> birth day (GoK, 2010). According to Kaburi et al., (2012) youth enterprises success is dependent on their capacity to apply initiatives, creativity, risk taking and innovation in their work places so as to earn their living through non-formal employment platforms.

Developed and developing have blended their academic programs with entrepreneurship (Simiyu & Simba, 2012). According to Zepeda (2013) Kenya was among pioneers in Africa who introduced entrepreneurial training programs that were aimed to aid in adoption of graduates from different tertiary in formal and informal sectors. Kenyan National Youth Policy (2012) argues that unemployment rates in Kenya are high due to corruption, nepotism, low economic growth and demand for skilled set among recent graduates. Okirigiti and Rafey (2015) asserts that there is need for government policies aimed at bridging skill gaps among graduates and development of economic stimulus programs that would create business environment that would enhance likelihood of survival among SMEs. In Kenya measures such as provision of financing, formation of savings and credit cooperative societies, establishment of industrial parks and Jua Kali associations have been credited with growth of SMEs (Kanyari & Namusonge, 2013). The specific objectives were:

- To determine the effect of access to credit on youth enterprises development in Nairobi County.
- To examine the effect of market access on youth enterprises development in Nairobi County.
- To establish the effect of government policy on youth enterprises development in Nairobi County.
- To evaluate the effect of entrepreneurial skills on youth enterprises development in Nairobi County.

## **Literature Review**

Ondiba and Matsui (2019) studied social and behavioral attributes associated with women entrepreneurial skills in rural women entrepreneurs in Kakamega County. Descriptive research design was applied and primary data collected through administration of questionnaires among 153 women. Descriptive and inferential statistics were applied for data analysis. Study findings indicated that networking opportunities and engagement in social activities had positive influence on women entrepreneurial training in Kakamega County. The study should have considered data from men and women so evaluate factors that may evaluate the role of gender on entrepreneurship.

Sambo (2016) studied factors influencing entrepreneurship development in Kibera district. Cross sectional research design was applied and primary data collected through administration of questionnaires. Descriptive and inferential statistics analyzed the data. Study findings indicate that entrepreneurship was dependent on access to credit, highest level of education and length of business operations. The study may have considered adoption of chi square test of association instead of Product moment correlation coefficient.

Kinyua and Namusonge (2015) studied factors affecting performance of youth enterprises in Kirinyaga County. Cross sectional research design was applied and primary data gathered through administration of questionnaires. Descriptive and multiple regression analysis analyzed the data. Study findings indicates that there was positive and significant relationship between entrepreneurial networking, entrepreneurial training, marketing strategies and performance of youth enterprises. There was need for reporting of diagnostic tests prior to fitting regression model this would have minimized likelihood of drawing biased conclusions.

Murimi (2014) studied factors associated with success of youth enterprises in Nairobi County. Descriptive and exploratory research design were adopted in the study. Primary data was collected through issue of questionnaires. Data was analyzed through use of descriptive and inferential statistics. Study findings indicate that entrepreneurial training and financial management skills positively affected development of youth enterprises in Nairobi County. The study was limited to only those enterprises that were funded through youth enterprises fund. Thus, the findings may not be generalized to other enterprises that may have relied on alternative sources of income.

Kung'u (2018) studied factors affecting accessibility of youth enterprise fund in Nairobi County. Cross sectional research design was applied and primary data collected through issue of questionnaires. Univariate and multivariate techniques were used for data analysis. Study findings indicates that there was positive and significant effect of entrepreneurial training and government lending conditions and access of youth lending funds. There is need for consideration of training entrepreneurs so as to develop their capacity that would aid in optimal allocation of resources borrowed.

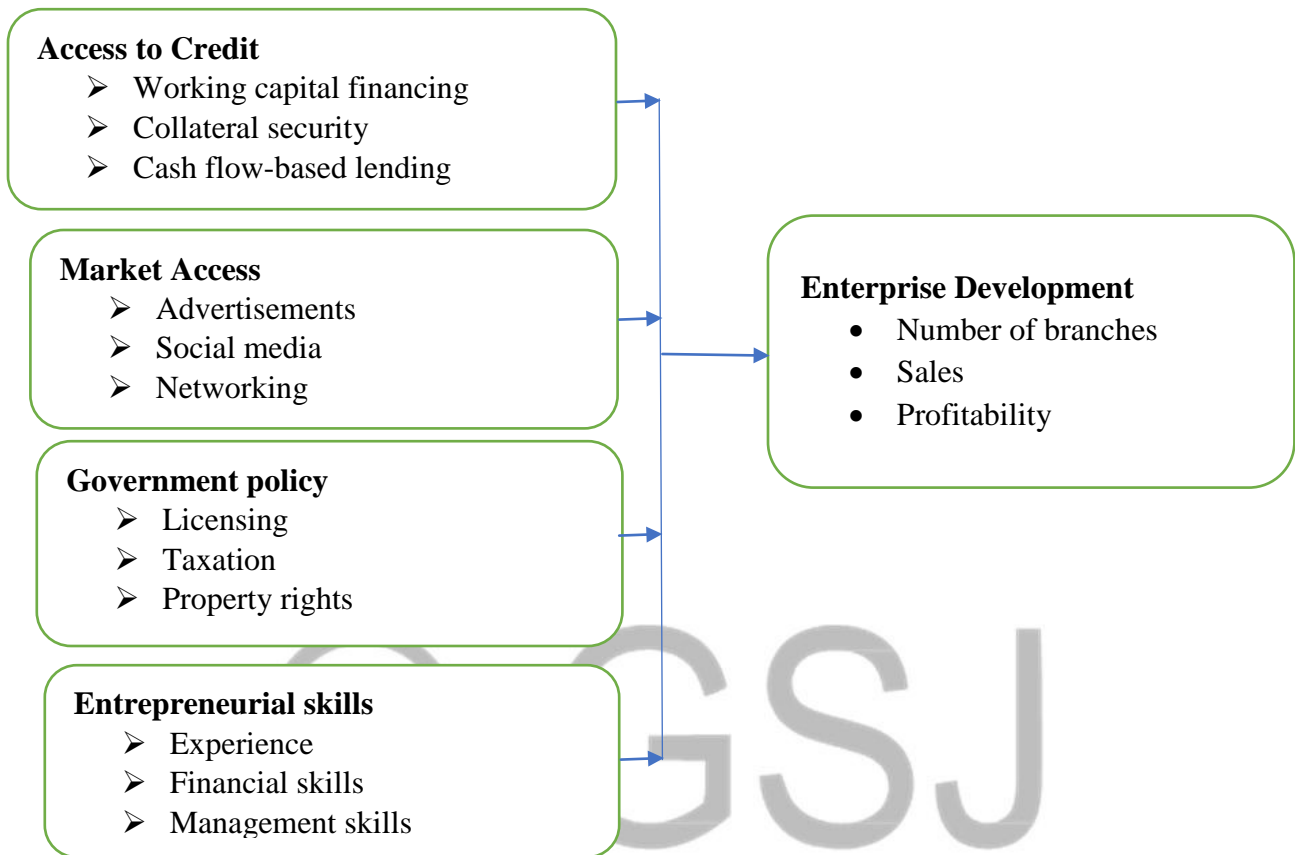
Njoya (2017) investigated factors affecting survival and growth of small and medium enterprises in Zimmerman ward. Descriptive research design was applied and primary data collected

through administration of questionnaires. Descriptive and inferential statistics were used for data analysis. Results of the study indicates that survival and growth of SMEs is dependent on human resources management, effectiveness of entrepreneurial training and adoption of information technology. These results may not be replicated in different parts of Nairobi County hence the need for a study that would draw enterprises from different parts of Nairobi County.

Kipseiele and Waiganjo (2015) studied factors affecting growth and development of youth enterprises in Yatta sub county. Descriptive research design was adopted and primary data collected through issue of questionnaires. Study findings indicated that growth of youth enterprises was dependent on management skills and access to market. The study should have reported classical modeling diagnostic tests before modelling so as to minimize odds of fitting spurious model.

Sharu and Wario (2013) studied factors influencing growth of youth and enterprises in Nairobi County. Cross sectional research design as applied and primary data collected through issue of questionnaires. Data was analyzed using descriptive and inferential statistics. Study findings indicated that growth of small and medium enterprises was affected by market access, growth policy and credit access. The study should have considered adoption of structural equation modelling in addition to regression analysis.

In this study it was conceptualized that youth enterprises development in Nairobi County was dependent on credit access, market access, government policy and entrepreneurial training. The relationship is as shown in Figure 2.1.



**Figure 2.1 Conceptual Framework**

## Research Methodology

The study adopted descriptive research design which according to Sekeran and Bougie (2013) is adopted whenever the researcher seeks to respond to questions on what, when and how in regard to items under interest. Descriptive research design was appropriate since the study aimed at describing youth enterprises development in Nairobi County. Further, the study examined the contribution of credit access, market access, entrepreneurial skills and government policy on development of youth enterprises.

Target population of the study comprised of 1000 youth enterprises registered in Nairobi City County. To select the respondent 10% of the target was sampled. This was in line with recommendations by Mugenda and Mugenda (2012) who asserts that in social sciences the sample should be at least 10%. Consequently, the sample for the study was 100 and it was selected through simple random sampling.

The study relied on primary data that was collected through administration of questionnaires. Five-point likert scale was used to examine the level of agreement with items under investigation in the study. Sekaran and Bougie (2013) asserts that questionnaires are mostly used in social sciences for data collection since they can be easily administered using alternative approaches such as one on one, online and drop and pick as compared to focus group discussions that are mostly carried out in a meeting or public baraza.

Data collected was analyzed through descriptive and inferential statistics. Descriptive statistics included mean, standard deviation, frequency and percentages. Inferential statistics included Product moment correlation that examined the strength of the effect of credit access, market access, government policy and entrepreneurial skills on youth enterprises development. Multiple regression analysis showed the nature of the effect of explanatory and youth enterprises development in Nairobi County. The model was of the form:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where Y = Youth Enterprises development

$X_1$  = Access to credit,  $X_2$  = Access to market,  $X_3$  = Government policy,  $X_4$  = Entrepreneurial skills,  $\alpha$  = constant term,  $\beta_{1..4}$  = Slope coefficients for  $X_{1..4}$ ,  $\mu$  = Error term.

## Findings and Discussion

The first objective of the study evaluated the effect of access to credit on youth enterprises development in Nairobi County. The respondents were requested to indicate their level of agreement on five-point Likert scale ranging from strongly disagree to strongly agree. Study findings in Table 4.1 indicate that majority agreed that access to credit have effect on youth enterprises in Nairobi County (mean = 4). There was an agreement that either access to working capital financing aids in growth of youth enterprises or use of leverage enhances development of youth enterprises (mean = 4.1). Majority (mean = 3.9) agreed that use of debtors and creditors have significant contribution on growth of their enterprises, proper record keeping aids in evaluation of credit worthiness and bank and cash management strategies are crucial for credit evaluation. Moreover, majority (mean = 3.8) agreed that failure to have collateral security inhibits access to credit.

**Table 4.1 Descriptive Statistics on Access to Credit**

	<b>Mean</b>	<b>Std. Dev</b>
Access to working capital financing aids in growth of our enterprises	4.1	0.9
Use of debtors and creditors have significant contribution on growth of our enterprises	3.9	1.1
Failure to have collateral security inhibits access to credit	3.8	1.2
Proper record keepings aids in evaluation of our credit worthiness	3.9	1.3
Bank and cash management strategies are crucial for credit evaluation	3.9	0.9
Use of leverage enhances development of our enterprises	4.1	0.8
<b>Overall average</b>	<b>4.0</b>	<b>1.0</b>

The second objective of the study investigated the effect of access to market on youth enterprises development in Nairobi County. The respondents rating on five-point likert scale was sought and analyzed in Table 4.2. Study findings indicates that majority agreed that access to market have effect on youth enterprises development in Nairobi County. Majority agreed (mean = 4.1) agreed that their promotional activities guides them in market segmentation or joining various groups aids in networking. Majority agreed that participation in seminars and forums aids in networking



(mean = 4.2). There was an agreement that either use of social media marketing have optimized their marketing budget or their marketing strategies are customized to specific target markets (mean = 3.9).

**Table 4.2 Descriptive Statistics on Access to Market**

	Mean	Std. Dev
Our promotional activities guide us in market segmentation	4.1	0.9
Use of social media marketing have optimized our marketing budget	3.9	0.8
Joining various business groups aids in networking	4.1	0.9
Participation in seminars and forums aids in networking	4.2	1.2
Participation in membership clubs' aids in business promotion	3.8	0.8
Our marketing strategies are customized to specific target markets	3.9	0.9
<b>Overall average</b>	<b>4.0</b>	<b>0.9</b>

The third objective of the study evaluated the effect government policy on youth enterprises in Nairobi County. Findings in Table 4.3 indicates that majority agreed that government policy have effect on youth enterprises development in Nairobi County (mean = 4.0). Majority agreed that either the government has put in place effective policies and regulations that promote development of SMEs or its control on usage of innovations in the country have influence on the development of youth enterprises (mean = 3.9). There was an agreement that youthful innovators capacity to comply with government policies and regulations have influence on their enterprises development (mean = 4.2). Moreover, licensing and registration process in Kenya have simplified thus influencing development of youth enterprises (mean = 4.3).

**Table 4.3 Descriptive Statistics on Government Policy**

	Mean	Std. Dev
The government has put in place effective policies and regulations that promote the development of SMEs	3.9	1.2
Issuance of licenses by the relevant government bodies is a major challenge affecting the development of youth enterprises	3.8	0.9
Government's control on the usage of innovations in the country influence the development of youth enterprises	3.9	0.9
Youthful innovators' capacity to comply with government policies and regulations	4.2	0.8

Taxation policies in Kenya should be aligned to demand for youth enterprises development	4.1	0.7
Licensing and registration process in Kenya have been simplified	4.3	0.8
<b>Overall average</b>	<b>4.0</b>	<b>0.9</b>

The fourth objective examined the effect of entrepreneurial skills on youth enterprises development in Nairobi City County. Study findings in Table 4.4 indicates that majority agreed that entrepreneurial skills have effect on youth enterprises development in Nairobi County (mean = 4.1). Majority agreed that communication skills have been improved through entrepreneurial training (mean = 4.4). Secondly, majority agreed either training on sales planning have optimized their production capacity or they have acquired strategic planning skills through training (mean = 4.1). There was an agreement that customer relationship management have enhanced growth of their enterprises (mean = 4.2).

**Table 4.4 Descriptive Statistics on Entrepreneurial Skills**

	<b>Mean</b>	<b>Std. Dev</b>
Customer relationship management have enhanced growth of my enterprises	4.2	0.9
Training on sales planning have optimized our production capacity	4.1	0.8
Through training business advocacy have been sensitized	3.8	1
Through training strategic planning skills have been acquired	4.1	1.1
Communication skills have been improved through entrepreneurial training	4.4	1.2
Entrepreneurial training has improved risk management skills	3.9	1.1
<b>Overall average</b>	<b>4.1</b>	<b>1.0</b>

Further descriptive statistics on youth enterprises development indicates that majority agreed that either the number of their customers have increased in the last five years or their profitability position have improved (mean = 3.9). Majority agreed that the firms has expanded its volume of business or the quality of the firm's products has improved (mean = 3.8). There was an agreement that youth enterprises have recorded increasing revenue growths over the last five years (mean = 4.4).

**Table 4.5 Descriptive Statistics on Development of Youth Enterprises**

	Mean	Std. Dev
The number of customers has increased in the last five years	3.9	1.3
The firm's product range has increased in the last five years	4.3	0.8
The revenues of the firm have been increasing over the period	4.4	0.9
The firm's profitability position has improved over the last five years	3.9	1
The firm has expanded its volume of business	3.8	1.1
The quality of the firm's products has improved	3.8	1.2
<b>Overall average</b>	<b>4.0</b>	<b>1.1</b>

Product moment correlation coefficient examined the strength of association between explanatory and youth enterprises development. Findings in Table 4.6 indicates that there was a positive and significant effect of access to credit on enterprises development in Nairobi County ( $\rho = 0.834$ ,  $p$  value  $< 0.05$ ). There was a positive and significant effect of market access and youth enterprises development in Nairobi County ( $\rho = 0.790$ ,  $p$  value  $< 0.05$ ). Government policy have positive and significant effect on youth enterprises development in Nairobi County ( $\rho = 0.848$ ,  $p$  value  $< 0.05$ ). Entrepreneurial skills have positive and significant effect on youth enterprises development in Nairobi County ( $\rho = 0.830$ ,  $p$  value  $< 0.05$ ).

**Table 4.6 Correlation Analysis**

		Enterprises Development	Access to Credit	Market Access	Government policy	Entrepreneurial Skills
Enterprises Development	Pearson Correlation	1	.834**	.790**	.848**	.830**
	Sig. (2-tailed)		0.00	0.00	0.00	0.00
	N		80	80	80	80
Access to Credit	Pearson Correlation		1	.358**	.271**	.447**
	Sig. (2-tailed)			0.00	0.00	0.00

	N			80	80	80
Market Access	Pearson Correlation			1	.612**	.415**
	Sig. (2-tailed)				0.00	0.00
	N				80	80
Government policy	Pearson Correlation				1	.219**
	Sig. (2-tailed)					0.00
	N					80
Entrepreneurial Skills	Pearson Correlation					1

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Multiple regression analysis results in Table 4.7 indicates that 82.6% of changes in youth enterprises development can be accounted for by access to credit, market access, government policy and entrepreneurial skills while the remaining percentage can be accounted for by other attributes excluded in the model. An F statistic of 89.005 and p value < 0.05, shows that there was significant effect of the selected attributes and at least one of them had non-zero slope coefficient.

Access to credit have positive and significant effect on youth enterprises development in Nairobi County ( $\beta = 0.225$ , p value < 0.05). This indicates that unit increase in access to credit increases youth enterprises development by 0.225 units while market access, government policy and entrepreneurial skills are constant. Market access have positive and significant effect on youth enterprises development ( $\beta = 0.84$ , p value < 0.05). This indicates that unit increase in access to market increases youth enterprises development by 0.84 units while access to credit, government policy and entrepreneurial skills are constant.

Government policy have positive and significant effect on youth enterprises development ( $\beta = 0.302$ , p value < 0.05). This indicates that unit increase in access to credit increases youth enterprises development by 0.302 units while access to credit, market access and entrepreneurial

skills are constant. Entrepreneurial skills have positive and significant effect on youth enterprises development ( $\beta = 0.451$ ,  $p$  value  $< 0.05$ ). This indicates that unit increase in access to credit increases youth enterprises development by 0.451 units while market access, government policy and access to credit are constant.

**Table 4.7 Regression Analysis**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.13	0.047		-.273	0.786
Access to credit	0.225	0.101	0.235	2.221	0.029
Market access	0.84	0.104	0.385	3.672	0.01
Government policy	0.302	0.113	0.314	2.676	0.010
Entrepreneurial Skills	0.451	0.122	0.483	3.695	0.000
R Squared	0.826				
Adj R squared	0.817				
F	89.005				0.000

### Conclusion and Recommendations

From the findings there is need for adoption of policies that are aimed at improving access to credit, market access and development of entrepreneurial skills among the youth. This would aid in minimization of levels of unemployment and development of innovation capacity. Government policy makers should sensitize on the need for adoption of entrepreneurship through adoption of training curriculum in all levels of education. Further, there is need for identification of skill gaps among entrepreneurs so as to enhance quality of products that they produce.

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