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ABSTRACT

Microfinance has established itself as an integral part of financial sector emerging in the developing countries. Small and Medium youth Enterprises development specialists agree that finance can make great contribution to spur MSEs financial Performance, there is still another concern as to whether finance is the most pressing need of youth enterprise performance especially given the fact that some SMEs fail to prosper despite having adequate finance. In Kenya, there exist a knowledge gap on the role of Microfinance on the performance of youth enterprise especially those owned by the Youths. The general objective of this study was to determine effect of micro financing on the performance of youth enterprise in Kitui County in Kenya. Specifically, this study aimed to find out the effect of Lending, saving, Discounting bill of exchange and Marketing on the performance of youth enterprise in in Kitui County. The study adopted a case study research design. The study collected secondary using secondary data collection sheet for period of five years in eight constituency of Kitui County. The study employed a linear panel regression to analyze the role of micro financing on the performance of youth enterprise in Kitui County. Results of the study revealed positive and significant effect of lending, saving, discounting bills of exchange, training and firm performance of youth enterprises in Kitui County. It was concluded that there the need to transform the country from being agriculture produce-dependent to a developed and industrializing nation is apparent and is documented under the country's vision 2030. There is need for customized provision of bills and invoice discounting to aid in management of working capital and creation of liquidity among youth enterprises. There is need for youth enterprises to develop training and seminars that are aimed in development of skills that would aid in management. It was recommended that the need to educate the entrepreneurs of the need for prudent utilization of borrowed funds is very apparent. Regardless of the terms of payment and interest rates, credit when effectively managed can lead to improved enterprise performance, which in turn will enable timely repayment of the loans and sustain the enterprise operations.

Key Words: *Lending, saving, Discounting bill of exchange, Marketing*

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INTRODUCTION

The concept of microfinance as currently used throughout the world traces its origin to Bangladesh with Muhammad Yunus being credit for pioneering the modern version of microfinance. As he continued work at Chittagong University in 1970, Yunus began offering small loans to destitute basket weavers (Khan & Rahaman, 2007). Yunus carried on this mission for nearly a decade before forming the Grameen Bank in 1983 as a way to reach a much wider audience. Today, the Grameen Bank's 2,500 branches serve more than 8 million borrowers in roughly 81,000 villages. According to Grameen Bank, its clients, 97 percent of whom are women, repay loans more than 97 percent of the time, a recovery rate higher than any other banking system (Khandakar, & Danopoulos, 2004). In 2006, Yunus and Grameen Bank were jointly awarded the Nobel Peace Prize for their micro financing work. Joseph Blatchford is also credited with helping build up the modern-day micro financing efforts (Khan & Rahaman, 2007).

With the global youth, populations reaching a historical height of 1.5 billion, economies worldwide are increasingly unable to provide young people with jobs, as youth employment grew by only 0.2% over the past decade against the global youth population growth rate of 10.5%. This prompted the first-ever Global Youth Micro Enterprise Conference held in Washington, D.C. in September, 2007 to address the rising youth unemployment situation (Fiona, 2007). World over, provision of micro finance to the vulnerable has been considered an innovative and sustainable approach where the youth can engage in micro enterprise activities to generate income so as to improve their livelihoods and contribute to economic growth. Rural-based micro finance programs in particular have the potential to help poor people perform business activities through which they may acquire employment as well as income. This is in view of the fact that the Micro and Small Enterprises (MSEs) sector has a potential to create wealth and employment as demonstrated in previous studies (Aryeetey, 2007).

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 do not. Microfinance is sustainable to the development of entrepreneurship activities in Nigeria and that Microfinance has affected entrepreneurship in the country positively. He concluded that Microfinance institutions have 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.

In Kenya, the Small-scale enterprise market is an important part of the business banking market. Findings of the Strategic Business Advisors Africa Ltd. (SME Banking Sector, 2007) revealed that there are about 2.2 million small and medium enterprises in Kenya of which 23 percent had bank accounts. The definition given by the Central Bureau of statistics, 2004 is that” Small and medium enterprises constitute of semi organized and an unregulated activity largely undertaken by self- employed persons in the open markets, stalls, in undeveloped plots or streets within urban areas and centers. They often pay fees to the municipal or local councils. A positive relationship has been documented between small and medium enterprises development and economic growth in developed countries (Harris and Gibson, 2006; Monk, 2000; Sauser, 2005). Since the 1980s, almost all African countries implemented economic and financial reforms to achieve macroeconomic stability and improve economic governance. In many countries these reforms have led to greater

macroeconomic stability, improved fiscal and monetary management as well as better, though still unsatisfactory, overall economic performance.

Statement of the Problem

Microfinance has established itself as an integral part of financial sector emerging in the developing countries. The main agenda of microfinance was to help in combating poverty through the provision of small loans to the low-income groups and the poor. Many studies have been carried out focusing on the merits of microfinance as a strategy for poverty alleviation. The current studies have mainly focused on the areas such as the effects of group lending on loan repayment rate, the tradeoff between MFIs profitability and serving the poor, MFIs accountability amongst others. Small and Medium Enterprises development specialists agree that finance can make great contribution to spur MSEs financial Performance, there is still another concern as to whether finance is the most pressing need of SMEs performance especially given the fact that some SMEs fail to prosper despite having adequate finance. The controversy notwithstanding, finance to MSEs is probably the only type of sustainable MSEs assistance that can be provided currently (National MSEs Baseline survey, 2010).

The youth form the majority owners when it comes to SMEs. This arises from the fact that youth population is growing at a very high rate compared to employment rate. With this disparity between the growth rate of youths and employment, they are thus faced with little options for survival. Some youths choose to turn to crime whereas other resort to self-employment through establishment of SMEs. Turning to crime is generally a disaster as we all still remember with sadness the role youths played in the Post-Election Violence (PEV) in the last general election in Kenya. This therefore give all the stakeholders the reasons of getting involved with youths especially those that keep themselves busy by actively involving in businesses. Those that are idle still should not be ignored but rather an enabling environment needs to be created to bring them on board that is in business or any meaningful ventures. The SMEs thus is the most appropriate sector for keeping the youth actively in business.

Objectives of the Study

The main objective of the study was to examine the effect of micro finance activities on financial performance of youth enterprises in Kitui County. The specific objectives were;

- To find out the effect of lending on financial performance of youth enterprises in Kitui County.
- To determine the effect of saving on financial performance of youth enterprises in Kitui County.
- To assess the role of discounting bill of exchange on financial performance of youth enterprises in Kitui County.
- To investigate the effect of training on financial performance of youth enterprises in Kitui County.

The study was guided by the following study hypothesis;

- H_{o1}: Lending has no significant effect on financial performance of youth enterprises in Kitui County.
- H_{o1}: Saving has no significant effect on financial performance of youth enterprises in Kitui County.
- H_{o1}: Discounting bills of exchange has no significant effect on financial performance of youth enterprises in Kitui County.
- H_{o1}: Training has no significant effect on financial performance of youth enterprises in Kitui County.

LITERATURE REVIEW

Theoretical Review

Financial System Model

The aim of financial systems approach is achievement of maximum outreach of MFIs services through a sustainable institution that focus on a financial intermediation model (Rosenberg, 2003). In this approach MFIs do provide finance to

the public e.g. commercial banks; or serve only their members such as village banks. This MFIs loan portfolio is financed from savings mobilized or commercial debt and for-profit investment, or retained earnings such as micro lenders. These MFIs are differentiated from informal moneylenders like, unregulated institutions such as NGOs and from subsidized formal micro credit where a regulated institution such as a state-owned bank channels government or donor funds to borrowers at subsidized interest rates (Rosenberg, 2003).

Those who support the financial system believes that, both the government and donors need to shift the allocation of their scarce resources to promoting the replication of this model as oppose to direct financing of loan portfolios. This model however poses a challenge in terms of; the approach relies on market approach which may be thin and weak in marginal areas (Rutherford, 2000). Bogan, et al., (2007) however, argued that, even in these areas, market solutions can be found to overcome any obstacles. The theory fits the study since there is need for seeking sourcing of lending and discounting of bills of exchange so as to enhance performance of youth enterprises in Kitui County.

Grameen Model

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially adopts a methodology where a bank unit is set up with a Field Manager and a number of bank workers covering an area of interest. The manager and workers start by visiting villages to familiarize themselves with the local milieu in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to the local population.

Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan ((Brannen, 2010).

The group-lending model is a cornerstone of the Grameen methodology. In this model, individuals must form a group and receive a five-day financial training in order to receive a loan from Grameen. The emphasis from the very outset is to organizationally strengthen the Grameen clientele, to build their capacity to plan and implement micro-level development decisions. Multiple groups form a center and meet every week to repay their loans and meet with Grameen staff. This model explains role of group loan lending and saving on the performance of youth enterprise in in Kitui County.

Empirical Literature Review

Najaragan (2015) points out that microfinance for youth is a complex activity requiring long term commitment and adequate microfinance capability. The researcher further states that the involvement of microfinance institutions or organizers aware of both microfinance best practices and youth issues is critical for the success of the program. He insists that for effective use of micro finance by the youth especially below 20 years of age programs should consider combining entrepreneurial skills training with basic life and financial education. Von (2012), states that microfinance services mainly refer to small loans: saving, mobilization and training in micro enterprise investment services extended to poor people to enable them undertake self-employment projects that generate income. He further asserts that microfinance came into being from the application that micro entrepreneurs and some poorer clients can be “bankable” that is they can repay both the principal and interests on time and also make savings.

Curtain (2016), indicates that access to micro credit to the young people is a major constraint to the

growth of youth run enterprises. The researcher further asserts that while potential youth entrepreneurs and existing youth run enterprises generally lack access to credit in both developing countries and less developing countries but the problem is particularly acute in the latter. The researcher continues to explain that not only are they few micro finance institutions in many countries but those specifically targeted at the youth are even fewer. He points out that a review of 902 organizations in 96 countries listed under micro summit council of practitioners revealed only 21 organizations with youth in their title. He further insists that it is important to note that micro credit schemes have failed in many countries and the overall message from the failure of this schemes suggests that success or failure in terms of financial viability and servicing the poor and in this case the young people largely depends on the design of the program.

Various studies have been conducted both locally and internationally on the role played by microenterprises on the performance of youth enterprises. Oywa (2012) conducted a research on factors that influence the performance of youth Group and Micro and Small enterprises in Kisumu County in Kenya. The study targeted 300 MSEs owned by youth groups in Kisumu West district and the youth group members as primary respondents. A descriptive survey design was adopted for the study in which both cluster and simple random sampling methods were used to identify 30 MSEs as units of analysis and 150 respondents who were included in the study. Data was collected through questionnaires and Focus Group Discussions (FGDs) guides. The research found out that even though most of the YG MSEs had not operated for more than three years, majority of them were performing well. Further, even though opportunities such as customer/market availability, loan facilities from Micro Finance Institutions (MFIs) and Youth Enterprise Development Fund (YEDF)/Women Enterprise Fund (WEF) among others exist, only a smaller proportion of the YG MSEs had exploited them.

Osoro and Muturi (2013) explored the role of micro financial institutions on the growth of SMEs in Kenya. The study entailed a case study of Kisii County. The specific objectives were: To establish the role of credit provision on growth of SMEs in Kisii Town, to determine the role of training offered by MFIs in helping the SMEs to grow and role of savings account from MFIs on growth of SMEs in Kisii Town. The authors used a representative sample of 100 respondents obtained randomly and conducted a survey using structured interviews The study revealed that savings account offered by micro financials assist the entrepreneur's in developing a culture of saving. The survey established that accessibility of training is positively related to growth of SMEs. The study concludes that provision of credit and training and a cheap savings account helps the growth of SMEs.

Lalkaka (2003) posits that business incubators provide solid foundation for young entrepreneurs to exploit their innovations as well as facilitate venture creation and development processes. Hisrich and Brush (2007) noted that mentorship, business advisors and associates, support systems, business friends and participating in trade associations greatly influence business performance. Fraser (2005) and Wheeler (2005) asserted that informal mentorship as well as supportive relationships supports business growth by enabling the new entrepreneur to avoid impediments which would otherwise hamper business growth and personal satisfaction. Studies have shown a link between mentorship through parental occupation and business performance. Parker (2004) showed that new entrepreneurs who followed parental occupation recorded higher business performance. Fairlie (2009) also established that new entrepreneurs who worked in family businesses before starting their own businesses registered higher business performance of the businesses.

Garvey and Garrett-Harris (2008) through review of numerous literature showed that mentorship promote understanding and knowledge acquisition, enhance sales and business networking, improve confidence and job fulfillment, enhance leadership development, and promote positive attitude which promote business performance. According to Chigunta, (2002) most enterprises owned by young people have lower market value or inventory hence many youth-run enterprises both in developed and developing countries largely rely on the local markets. Evidence available suggests that heavy reliance on the local market, especially in poor countries is a key constraint on earnings and growth of enterprises (Chigunta, 2002).

Bowen et al. (2009), in a study done in Nairobi, Kenya consisting of 198 respondents comprising of business owners and managers found that 49.5% of the trained entrepreneurs on business management registered business growth. The study results also showed that 60.8% of the entrepreneurs who had not participated in the training their businesses were doing poorly. Another study by Berge et al. (2011) found that through training the profit margin had increased by 24% while sales had increased 29% for male entrepreneurs who had participated in the training and continued to have increasing impact on the business growth. These findings are also affirmed by Valdivia (2011) who found a 20 percent increase in the trained entrepreneurs as oppose to the untrained entrepreneurs.

The World Bank (2010) in a study to determine the influence of training on business performance using value added and gross profit as the key indicators noted that the trained participants achieved higher growth rates and good business performance after the training than non-participants. In terms of gross profit, the training contribution was comparable to about 160% over one year in both groups. In terms of business routines, those who participated in the training programs showed a stronger tendency to adopt new business routines in financial management (bookkeeping), production management (organization of workshops), and marketing which also led to improved business performance.

Conceptual Framework

This study sought to establish the role of Micro Financing on the Performance of Youth Enterprise. Atkinson, (2006) defines conceptual framework as a research tool that purposes to develop an understanding of the variables under investigation. According to him, a conceptual framework considers the theoretical and conceptual issues surrounding research work and form a coherent and consistent foundation that was underpin the development and identification of existing variables. The conceptual framework of this study was illustrated in Figure 1 below.

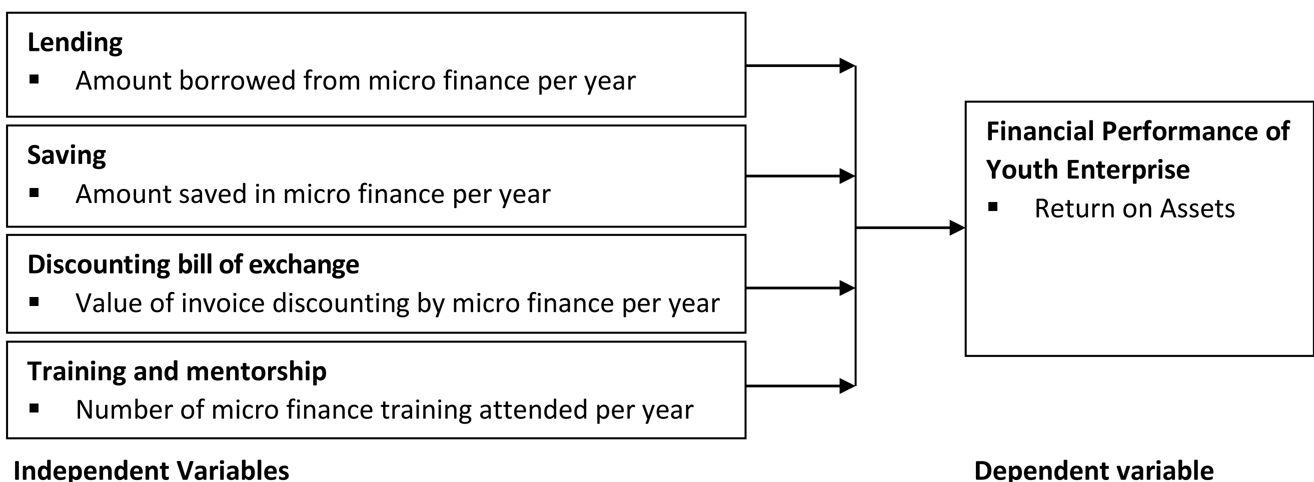

Figure 1: Conceptual Framework

METHODOLOGY

Expo facto research design was adopted in this study. Blumberg, Cooper and Schindler (2005) posit that expo facto place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations.

Quantitative data was analyzed using descriptive and inferential statistics. The study employed the linear regression model to analyze the role of micro financing on the performance of youth enterprise in Kitui County. The model for the study was;

$$Yit=\beta 0+\beta_1 Lit+\beta_2 Sit+\beta_3 DBEit+\beta_4 Mit+\varepsilon$$

Yit = Financial Performance of Youth enterprise i at time t

β_0 =Constant

Lit = Lending i at time t, Sit = Saving i at time t, DBEit = Discounting Bill of Exchange i at time t, Mit = Marketing i at time t.

FINDINGS AND DISCUSSIONS

Descriptive measures of dispersion and central tendency were adopted in the study. As shown in Table 1 the average firm performance was 3.5 percent, with maximum of 7 percent. Firm performance of firms in Kitui County was normally distributed as accounted for by Jarque-Berra coefficient that was greater than 0.05. Average lending was 12.8 units with maximum of 38.9, lending was not normally distributed since its Jarque-Berra coefficient had p value less than 0.05. The average savings was 16.1, with minimum of 7.7 and maximum of 31. The data was not normally distributed since Jarque-Berra p value was less than 0.05. The average discounting bills of exchange was 9.8, with a maximum of 22.3 and minimum of 6.9. The data was not normally distributed since its p value was less than 0.05. Average of training was 19, with minimum of 9 and maximum of 38. There were also normally distributed since Jarque-Berra coefficient was 3.2 and p value greater than 0.05.

Non-normality of financial data is anticipated since studies such as Githira, Muturi and Nasieku (2019) reported non-normality of financial data from financial statements of listed companies in East Africa securities exchanges. This was in contrast with Wanjau, Muturi and Ngumi (2018) who found that financial data of listed companies in East Africa securities exchange to be normally distributed on their examination on the effect of corporate transparency on financial performance of listed companies in East Africa. Muchiri, Muturi and Ngumi (2016) reported that financial data normality is not conformity on their study on the effect of financial structure on financial performance of listed companies in East Africa securities exchange.

Table 1: Descriptive Statistics

	Financial performance	Lending	Saving	Discounting bill of exchange	Training
Mean	3.5	12.8	16.1	9.8	19
Median	3.1	9.4	18.0	9.6	20
Maximum	7.0	38.9	31.0	22.3	38
Minimum	0.7	6.6	7.7	6.9	9
Std. Dev.	1.5	6.9	6.4	2.1	7.5
Skewness	0.5	1.9	0.3	3.8	0.3
Kurtosis	2.5	6.5	2.1	21.6	2.2
Jarque-Bera	3.9	88.3	3.7	1341.1	3.1
Probability	0.1	0.0	0.2	0.0	0.2
Sum	279.2	1022.3	1286.3	781.5	1493.6
Sum Sq. Dev.	186.3	3767.4	3234.1	335.3	4468.9
Observations	160	160	160	160	160

Correlation Analysis

Product moment correlation coefficient was adopted to evaluate the strength of the relationship between micro finance activities and financial performance of youth enterprises in Kitui County. As shown in Table 2, lending had strong positive effect on financial performance of youth enterprises (rho = 0.70, p value < 0.05). Savings had strong positive on financial performance of youth enterprises in Kitui County (rho = 0.67, p value < 0.05). Discounting bills of exchange had strong positive effect on financial performance of youth enterprises in Kitui County (rho = 0.68, p value < 0.05). Training had strong positive effect on financial performance of youth enterprises in Kitui County (rho = 0.64, p value < 0.05).

These findings concurred with Pretorius and Shaw (2013) who documented positive effect of lending on firm performance. Similar sentiments were argued by Atieno (2012) who documented that lack of borrowing services had significant effect on performance of small and medium enterprises. Positive effect of savings on firm performance was in support of Brannen (2010) who argued that institutions were better placed in accessing finance if they depicted savings either in short or long term since they indicated ability to manage working capital needs. Positive contribution of training and development on firm performance was in conformity with Valdivia (2012) who reported positive and significant effect of training and development.

Table 2: Correlation Analysis

	Financial Performance	Lending	Saving	Discounting bills of exchange	Training
Financial Performance	1				
Lending	0.70	1			
	0.01	-----			
Saving	0.67	0.36	1		
	0.00	0.00	-----		
Discounting bills of exchange	0.68	0.20	0.320	1	
	0.06	0.07	0.004	-----	
Training	0.64	0.56	0.816	0.273	1
	0.00	0.00	0.000	0.014	-----

Regression Analysis

Regression analysis was fitted to examine the influence of micro finance activities on financial performance of youth enterprises in Kitui County. As shown in Table 3, an F statistic of 14.285 revealed that there was significant effect of lending, saving, discounting bills of exchange, training and mentoring and firm performance and at least one of them was greater than 0. An r squared of 0.709, indicated that 70.9 percent of changes in financial performance of youth enterprises in Kitui County can be explained by lending, saving, discounting bills of exchange and training and mentoring, the remaining percentage can be accounted for by other attributes excluded in the model.

The first hypothesis of the study stated that lending had no significant effect on financial performance of youth enterprises in Kitui County. Study findings revealed lending had significant effect on financial performance of youth enterprises. Also, there was positive effect of lending on financial performance (β= 0.012, t = 2.369, p value < 0.05). This implies that unit increase in lending while holding constant saving, discounting bills of exchange and training constant. These findings were in support of Laffnot and N'Guessan (2012) who documented positive and significant effect of lending on firm performance of SMEs. Ghatak and Guinnane (2012) supported the need for SMEs to form groups that would in negotiation of loans.

The second hypothesis of the study stated that saving had no significant effect on financial performance of youth enterprises in Kitui County. Study findings revealed positive and significant effect saving on financial performance of youth enterprises in Kitui County (β= 0.034, t = 2.757, p value < 0.05). This implies that unit increase in savings while holding constant lending, discounting bills of exchange and training constant increased financial performance by 0.034 units. These findings mirrored Abuga (2014) who argued in favor of developing saving culture among small and medium enterprises. Also, Kanyi (2014) concluded on the need to develop saving resources amalgamation among SMEs so as to foster their growth and development.

The third hypothesis of the study stated that discounting bills of exchange had no significant effect on financial performance of youth enterprises in Kitui County. Study findings documented positive and significant effect of discounting bills of exchange on financial performance of youth enterprises in Kitui County (β= 0.149, t = 2.628, p value < 0.05). This indicated that unit increase in invoice discounting increased financial performance by 0.149 units while holding lending, saving and training constant. These results mirrored Barbosa and Lauri (2015) who documented that provision of invoice discounting services aided in provision of short-term financial services among SMEs. This would aid in adoption of appropriate working capital management strategy.

The fourth hypothesis stated that training had significant effect on financial performance of youth enterprises in Kitui County. Study findings revealed positive and significant effect of training and development on financial performance (β= 0.065, t = 2.762, p value < 0.05). This implies that unit increase in training and mentorship increased financial performance by 0.065 units while holding lending, saving and discounting bills of exchange. These results confirmed Aderemi (2007) who found positive and significant effect of employee training on firm performance. Also, it was in support of resources-based theory since training created intangible resources.

Table 3: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.224	0.960	1.275	0.207
Lending	0.012	0.005	2.369	0.000
Saving	0.034	0.012	2.757	0.000
Discounting bills of exchange	0.149	0.057	2.628	0.000
Training	0.065	0.023	2.762	0.000
R-squared	0.709	Mean dependent variable		3.490
Adjusted R-squared	0.683	S.D. dependent variable		1.536
S.E. of regression	1.272	Akaike info criterion		3.457
Sum squared residuals	110.019	Schwarz criterion		3.814
Log likelihood	-126.260	Hannan-Quinn criterion.		3.600
F-statistic	14.285	Durbin-Watson stat		1.150
Prob (F-statistic)	0.000			

CONCLUSION AND RECOMMENDATIONS

Credit availability plays a fundamental role in the development and sustainability of an enterprise. The borrowers get the opportunity to utilize the funds in financing their enterprise operations. The lenders, on the other hand, get to earn interest on the credit offered. The exchange of the financial resources in the market enables the functioning and development of the economy at large. There the need to transform the country from being agriculture produce-dependent to a developed and

industrializing nation is apparent and is documented under the country's vision 2030.

Fundamental to the achievement of the vision is empowering the youths especially in the growing face of unemployment. In response to this, the government of Kenya over the past has provided the environment for the establishment of microfinance institution-whose credit target are the low income, and poor families, most of whom live in the rural areas. Additionally, the government has established special youth programmes and policies. Among the youths, programmes include the Uwezo Youth Funds. The policies include the one in which youths are allocated a specific percentage of government tenders. All these initiatives are directed towards empowering the youths. But most importantly is the availability of credit from the micro financial institution.

There is need for customized provision of bills and invoice discounting to aid in management of working capital and creation of liquidity among youth enterprises. This would aid in mitigation against experience of cash crunch. However, there is need for provision of accounting books management and knowledge on preparation of cash budgets to aid in identification of working capital trends and cycles.

There is need for youth enterprises to develop training and seminars that are aimed in development of skills that would aid in management. The study thus, postulated that among the determinant for such recorded firm performance could include poor management of the youth enterprises. Majority of the educated members of the county who, otherwise could have provided effective management of the enterprise often leave the rural areas to seek for formal employment in the urban areas. As such, there is always an element of brain drain to effectively manage such enterprises.

The need to educate the entrepreneurs of the need for prudent utilization of borrowed funds is very apparent. Regardless of the terms of payment and interest rates, credit when effectively managed can lead to improved enterprise performance, which in turn will enable timely repayment of the loans and sustain the enterprise operations. As such, it is very important the members of the youth enterprises are trained in financial management. Similar to the establishment of the apprenticeship in the rural areas, it is important that the government consider the deliberate training of other important skills, particularly management; this could be achieved by incorporating such finance and management course in the youth polytechnics.

Indeed, the need for such skills has become very important regardless of the field one is aligned to. Alternatively, the government can sponsor the leaders of the youth enterprises for short finance and management courses. Since the microfinance bears the largest cost of loan default, it is also prudent that they collaborate with the government and other interested stakeholders to deliver such important training. The training should also consider educating the entrepreneurs of the need to select economically viable investment ventures, and discourage agriculture, or at least offer best alternative agricultural practices.

Another intervention is the harmonization of the credit terms offered by the microfinance. There is no justified reason to have the microfinance offer such unfavorable terms to such a vulnerable group. Commercial banks, whose major clients are usually the middle and upper-class members are offering affordable credit to borrowers, with the interest rates capped at 16% basis points, yet the microfinance institutions have their interest rates at an average of not less than 20%. Moreover, some of the commercial banks offer a relatively longer grace period for repayment, usually three months. This is rarely the case with microfinance institutions which often demand that the repayment is made almost immediately after the loans have been issued. The government through the financial regulatory authority needs to look into this issue with the perspective of how effective the microfinance institutions have accounted for development and

empowering of the vulnerable community. The current studies and similar others are evidence that the microfinance institutions have not effectively delivered their mandated function of curbing poverty.

Lastly, policy-making and another prudent decision making should always be based on the information. The current study is just one among many others that have since been done in relation to the matter of microfinance and youth enterprise performance. If better decisions are to be made, more evidence is required hence, the need for more research study on the topic. Future studies should factor that inform the high-interest rates and unfavorable repayment terms by the microfinance institutions. This way, it will be possible to formulate a win-win policy. This is important considering the fact that the need for the continued existence of microfinance institutions is very crucial to the development of youth enterprises. Regulatory policies or harmonization of the current credit terms of the institutions should not only be done from the perspective of the borrower.

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