



**FACTORS AFFECTING ACCESSIBILITY OF MICROFINANCE SERVICES AMONG THE YOUTH IN NAKURU COUNTY, KENYA**

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**ABSTRACT**

Financial sector development is recognized as a prerequisite to growth and poverty reduction. The goal of microfinance is to provide “booster shot”, and financing that would lead to the following projected outcomes, self-sufficiency for talented youth entrepreneurs, breaking of poverty cycle, facilitating and encouraging entrepreneurial spirit in quest for self-reliance and economic empowerment through business expansion and growth. Microfinance is seen as a solution to include on a large-scale previously excluded poorer groups like the youth without access to capital into the financial system so that they may “rise out of poverty” by on their own. This study was designed to assess the factors influencing accessibility of microfinance services amongst the youth in Nakuru County. The aim of the study was based on three objectives: entrepreneurship education and training and government policies and their influence on accessibility of microfinance services for youth. However, the study intended to answer two research questions based on the two objectives in relationship to accessibility of microfinance services for the youth. The study adopted survey design that was carried out in Nakuru County. The study sample comprised of 75 registered groups in the county. The instruments of data collection were self-administered questionnaires. The study concluded that, potential of entrepreneurship education and training to the overall sharpening of entrepreneurial instincts of youth entrepreneurs cannot be understated. Entrepreneurship education and training can drastically convert a novice youth entrepreneurs into a budding one with the knowledge to adapt, conquer and cope with the challenges in the world of business. Availability of affordable and accessible microfinance services is virtually important in enabling the budding youth entrepreneurs to succeed in business. Government policies on youth entrepreneurship should aim at reducing the bureaucracy in the participation of youth entrepreneurs in business. The current regime of regulatory framework requires an adaptation and inclusiveness to ensure that the youth entrepreneurs are incorporated and accommodated to engage in entrepreneurship. The study recommended that In order to enhance the full participation of youths in entrepreneurship and improve the wellbeing of their survival, the youths should be facilitated to access affordable microfinance credits. Also the government in collaboration with development partners should build capacity for youths to use credit efficiently and enforce laws for defaulters. On areas for further studies, the study on the determinants of entrepreneurial characteristics affecting accessibility of microfinance services among the youth in Nakuru County should be undertaken in other counties in Kenya.

**Key Words:** *Accessibility, Microfinance*

## INTRODUCTION

The financial performance of Small and Medium Enterprises largely depend on the ability of such firms to utilize certain resources appropriately. These resources are in terms of credit and non-credit services. Sources of these resources are numerous to large companies however to SMEs they are limited with the major provider being microfinance organizations (ILO, 2006). Small and Medium Enterprises (SMEs) play a crucial role in uplifting the living standards of the low income earners and the poor both in the urban and rural in the developing countries. In these less developed countries, SMEs constitute roughly 90% all firms and hence play important role in economic development, job creation and poverty reduction. It therefore follows that the financial performance of these SMEs is important if the advantages accruing from SMEs is to be realized (Ciper, 2008).

Webster (2007) defines the term micro to mean small, tiny or trivial. Micro-finance describes the range of financial products such as micro-loans, micro-savings and micro-insurance products that micro-finance institutions (MFI's) offer to their clients. Micro-finance began in 1970's when social entrepreneurs begun lending money on a large scale to the working poor, Grameen Bank (2007). Therefore, micro-finance is the provision of financial services to low income clients or solidarity lending groups including consumers and the self-employed who traditionally lack access to banking and related services.

### Historical background of MFIs in Kenya

Operations of the micro finance in Kenya can be traced to 1984 with the start of Kenya Rural Enterprise Programme (K-Rep) as an NGO support programme for Small and Micro Enterprises

founded by World Partners. In 1989 K-Rep changed its services to micro-credit lending which has become its core business since (ILO, 2006). Microfinance industry in Kenya is so diverse and its size cannot be accurately estimated. The Association of Micro Finance Institution of Kenya (AMFI) has a total of 59 member institutions serving approximately 6,500,000 (AMFI Website, 2013). The mix market data on the other hand estimates that the number of micro finance clients in Kenya was 10.5 million by 2012. Both AMFI and Mix Market may not be accurate because they do not take into account small and informal players in the field of micro finance. If therefore all players were taken into consideration the number of industry players would be much bigger (Ciper, 2008).

Micro finance players in Kenya are divided into formal, sub-formal and informal sectors of the economy. The informal sector is mainly characterized by small players while the formal sector has large players such as banks and registered institutions (Word Bank, 2005). Faith based organizations (FBOs), community based organizations (CBOS), non-governmental organizations (NGOs) and charitable institutions are classified as sub-formal sector and usually they play the role in helping the poor rise to the mainstream. The informal sector basically includes the ROSCAs, ASCAs groups and individual money lenders (AMFI Website, 2013).

Nakuru town has almost all the major microfinance institutions in Kenya such as KWFT, Equity bank, Co-operative Bank, KCB and Faulu Kenya. Other organisations operate through agents for example SMEP, Equity Bank, Ushirika bank, Mwalimu Sacco, Nakuru Teachers Sacco, Metropolitan Sacco, among other. The youth can access financial assistance from all these organizations. Youths' have established

businesses in all sectors ranging from manufacturing, service industry, farming, Jua kali, pottery, fishing and many others. There are no records of the exact number of youths' involvement in SMEs as some are not even registered.

### **Statement of the problem**

MFIs have been known to provide a channel for increasing the efficiency, depth, breadth and reach (access) of financial systems (Goyal et al., 2011). Microfinance is seen as a solution to include on a large-scale previously excluded poorer groups like the youth without access to capital into the financial system so that they may "rise out of poverty" by on their own (Banco, 2006). According to Kiberenge (2013) the Government of Kenya has initiated a number of programmes to address the access of finances to the youth such as Youth Enterprise Fund and Uwezo Fund. The Kshs.6 billion Uwezo fund is the latest government bid to uplift youth through enterprise.

However much the government has tried these initiatives, it is reported that many youth have no access to financial services because of problems like, lack of collateral security, inadequate information about financial services and fear to lose their property after failing to pay back the loans among others (AMFIU, 2013). In many Kenyan microfinance institutions youth forms only 24% of the customers while over 40% are individuals aged over 40 years (Mueni, 2012). In Kenya 90% of youth micro enterprises collapse in their first year of start-up, due to lack of financial resources. Although many financial institutions have been vigorously marketing their credit facilities, few youth enterprises have been accessing them (Ataya, 2012). Existence of many regulatory barriers hampers effective delivery youth financial services by many microfinance institutions in Kenya. Interventions by policy

makers and regulators such as Ministry of Finance, Ministry of Youth, Ministry of Education, Central Bank, and financial services supervisory authorities have not yet enabled many young people to easily access micro finance services (Ataya, 2012).

Lack of addressing of the youth financial issues may be catastrophic for the future of peaceful coexistence in future. It should be emphasized that youth unemployment is one of the underlying causes behind the political upheaval across North Africa, which began in the middle of December 2010 (Ondoro, 2012) and in Kenya's 2007/2008 post-election violence. The rapid growth of youthful populations combined with high levels of unemployment, economic stagnation and poverty will lead into violent activities in Kenya.

Despite the importance of microfinance services on youth financial empowerment, previous studies by Ataya (2009), Mueni (2012) and Ondoro (2012) failed to address the factors affecting accessibility of microfinance services amongst the youth in Kenya. This indicates that few studies have addressed the challenges of microfinance services accessibility among the youth in Kenya and especially Nakuru County which was an epicenter of 2007/2008 post-election violence. This study aimed at filling this gap.

### **Objectives of the study**

The main objective of the study was to assess the factors influencing accessibility of microfinance services among the youth in Nakuru County. The specific objectives of the study were; to outline the influence of entrepreneurship education and training and government policies on accessibility of microfinance services among the youth in Nakuru County.

## Research questions

The study was guided by the following research questions;

- i. To what extent does entrepreneurship education and training influence accessibility of microfinance services among the youth in Nakuru County?
- ii. How do government policies influence accessibility of microfinance services among the youth in Nakuru County?

## Scope of the study

The study was carried out in Nakuru County in Kenya. Nakuru County is largely a cosmopolitan area, with Nakuru town as one of the fastest growing towns in terms of population in Kenya and Africa. It has one of the largest concentrations of MFI's outside Nairobi. The study focused on the registered youth SME's in various spheres of business.

## THEORETICAL REVIEW

### a) Agency theory

This is a theory that looks at how to ensure that agents (executives, managers) act in the best interests of the principals (owners, shareholders) of an organization. This happens because of the separation of ownership and control, when the owner of the company or the board of directors (the 'principals') have to employ managers ('agents') to run the business and need to monitor their performance to ensure they act in the owner's interest (Luhman & Cunliffe, 2012). The main concern of agency theory as proposed by Jensen and Meckling (1976) is how to write contracts in which an agent's performance can be measured and incentivized so that they act with the principal's interests in mind.

Many MFIs were established to reduce poverty and make financial services more accessible to the

unbanked and poor. In the early days when MFI started they were financed by donor funds that had a poverty eradication goal. Hence the performance of the MFI was measured on how much MFI reached to the poor (outreach) and impact (how far the lives of those who got financial services were changing as compared to those who didn't get these services). But as the MFI industry grew in size, the need for increased financing coupled with unpredictability of donor funds triggered the issue of building sustainable MFIs that stand on their own leg i.e. MFIs started covering their own cost of operation from their program revenues. Managers are tasked with the responsibility of building sustainable MFIs and at the same time increase access. This creates an agency problem. This research will seek to show how the agency problem has resulted in accessibility of the MFI services by the youth who desperately require these services (Luhman & Cunliffe, 2012).

## Conceptual framework

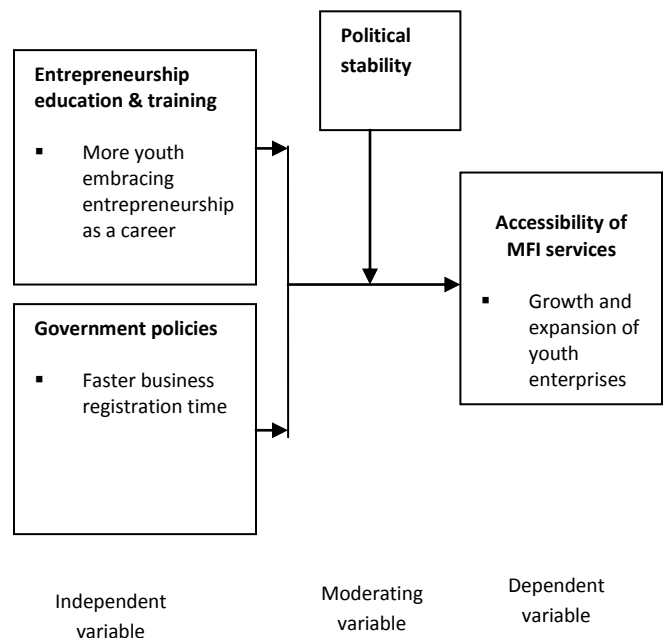


Figure 1. Conceptual framework

## **Review of the variables**

Empiricism is a concept that emphasizes the role of experience and observation in acquiring knowledge (Keeton, 1962). Empiricism focuses on those aspects of scientific knowledge that are closely related to experience, especially as formed through deliberate experimental arrangements. It is a fundamental requirement of scientific method that theories must be tested against observations of natural world, rather than resting solely on a prior reasoning, intuition or revelation (Mugenda, 2008).

### **a ) Entrepreneurship education and training on accessibility of microfinance services**

Sexton and Similor (1997) defined entrepreneurship education as a formal structured instruction that conveys entrepreneurial knowledge and develops focused awareness relating to opportunity, recognition and the creation of new ventures among students. The major objective of enterprise education is to develop enterprising people and inculcate an attitude of self-reliance using appropriate learning processes.

The role of entrepreneurship education is mainly to build an entrepreneurial culture among young people and in turn improve their career choices towards entrepreneurship (Deakins, et al. 2005). Entrepreneurship education should be mainly focused on starting a business and subsequent sustainability of such business seeking affordable finances from microfinance institutions. Entrepreneurship is not an easy option for everyone; it is only best suited to those with the necessary skills and acumen. According to Schoof (2006) entrepreneurship education is not only a means to foster Youth Entrepreneurship; it also seeks to equip young people with entrepreneurial attitude and skills. Schoof (2006) further suggested that entrepreneurship education is crucial in assisting young people to develop

entrepreneurial attributes, behaviors and develop enterprise awareness to understand and realize entrepreneurship as a career option. Since the 1990s, entrepreneurship education has grown substantially especially in countries already known to be entrepreneurial such as the US, Canada and Australia as well as in Nordic European countries (Schoof, 2006).

According to OECD (2010) many experts believe that entrepreneurial education and training should begin as early as possible for two main reasons; first in that it forms an essential component in the preparation of potential young entrepreneurs to go into business by themselves. Second is that it instils entrepreneurial habits in the mind and work skills which can serve equally well for successful employees in the new, globalised, post-industrial economy and those who actually choose to establish their own enterprises. Entrepreneurship education has expanded gradually over the past few recent years. The European Commission (EC) in 2004 for instance proposed that all EU member states should introduce entrepreneurship education into their national curriculum and in all institution of learning. Lundström (2005) confirmed that there has been a rapid development in the area of enterprise education in the Nordic countries (Denmark, Sweden, Norway, Finland and Iceland) over the last decade.

However, a report by European Network on youth employment (2010) suggested that in many European countries entrepreneurship education is not yet sufficiently integrated into the curriculum of higher education institutions particularly in some of the Member States that joined the EU after 2004. Providing entrepreneurship training at secondary schools can be regarded as an element of life-skills education, but it also aimed at sensitizing young people to entrepreneurship as a

career option (ILO, 2006). Ryan (2003) states that as traditional job-for-life career paths become rarer, youth entrepreneurship is regarded as an additional way of integrating youth into the labour market and overcoming poverty. Supporting this shift in policy is the fact that in the last decade, most new formal employment has been created in small enterprises or as self-employment. Given global demographic trends, it is important that the social and economic contributions of young entrepreneurs be recognized. Entrepreneurship can unleash the economic potential of young people since it enables them to have the capacity to plan and seek financing from micro finance organizations. Much of the youth entrepreneurship in Africa may be attributed to necessity (Rogerson, 2001).

Empirical evidence indicates that young people get involved in enterprise to solve socio-economic problems such as lack of employment, income generation and contending with poverty (Chigunta, 2001). Youth entrepreneurship reduces crime, poverty and income inequality. This indirectly induces an environment for national and regional economic growth and development (Mutezo, 2005). The drive for youth entrepreneurship in Kenya is premised on the need to get young people gainfully employed and contributing economically, despite the inevitable challenges like financing. To support the assertion, the government of Kenya has come up with programmes like the Youth Enterprise Fund and Uwezo fund to complement the youth entrepreneurs by channeling the funds through micro financial institutions for easier access by the youth (Kiberenge, 2013).

#### **b) Government policies and accessibility of microfinance services**

Youth entrepreneurship policies are fairly recent and hence have not been widely tried and tested.

Schoof (2006) observed that owing to their cross-cutting nature, youth entrepreneurship policies require collaboration between different ministries, such as education, labour, industry, youth and finance, and the development of a collaborative multi-stakeholder approach. According to the World Bank (2005) administrative and regulatory burdens on youth entrepreneurship especially on access to micro financing are among key barriers for start-ups of young people in high-income and developing countries. To access financing from reputable micro financial organizations, bureaucratic demands like business registration processes for instance are still cumbersome in most developing countries.

World Bank (2005) observed that business registration procedures and costs can be a major obstacle for young people lengthening the process of acquisition of financial services and products. De Sa, (2005) revealed that in developing and transition countries particularly, these procedures are often associated with bureaucracy, corruption and lack of transparency or accountability. In this context, young people get easily tied up in red tape and lose their entrepreneurial enthusiasm. The Africa Youth Report (2011) revealed that several African countries have adopted youth entrepreneurship policies to encourage youth delineation from the economic mainstream.

However, according to the CDE (2007) small business development in countries such as South Africa remains weak despite the government's insistence that encouraging emerging entrepreneurs are central to transforming the business sector and tackling poverty. Nasser (2003) revealed that South Africa's micro financial institutional and regulatory frameworks prevent entrepreneurial creativity among young people. A World Bank (2007) report has revealed that there

are continuing problems with most government support for youth programmes in this area. Ugwu (2006) argued that most entrepreneurship related policies and programs in Nigeria fall short of appropriate development frameworks. Mostly, financiers require collateral from the youthful entrepreneurs as a prerequisite to funding. The risk of losing one's property right is one of the second most important financial risks for young people when starting a business though loans from financial organizations. Lacks of collateral and high interest rates are an impediment to access to loans from Micro finance institutions (MFIs) by the youths (Mushimiyimana, 2008).

### **c) Accessibility of microfinance services amongst the youth**

The Government of Kenya recognizes that greater accessibility to and sustainable flow of MFI services, particularly credit to the youth as critical to poverty alleviation. Therefore, appropriate policy, legal and regulatory framework to promote a viable and sustainable system of microfinance in the country was developed under the microfinance Act of 2006 and microfinance regulation issued there under setting out legal, regulatory and supervisory framework for the industry in Kenya. Across the world there are over 10,000 microfinance institutions serving in excess of 150 million customers, and over 100 million being the poorest. Global demand stands at 500million families meaning that there is still a long way to go (World Bank, 2005).

The major players in the microfinance sector in Kenya include, Microfinance Banks i.e. Equity bank and K-Rep bank. Micro finance institutions registered by Central Bank of Kenya with permission to take deposit i.e. Faulu Kenya, Kenya Women Finance Trust, , Small and Medium Enterprise programme Rafiki DTM. Others includes Kenya Small Traders and Entrepreneur

Society, Ecumenical Loans Fund, Jitegemee Trust, Kenya post and savings bank, Pride limited, Jamiibora, Makaomashinani, Platinum Credit, Yike, Yehu,Realpeople among others (CBK, 2013).

Micro finance products refer mainly to small loans; savings mobilization and training in micro enterprise investment services extended to poor people to enable them undertake self-employment projects that generate income. Micro finance came into being from the appreciation that micro entrepreneurs and some poorer clients can be 'bankable', that is, they can repay both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs (Von, 1991). Micro products include savings, credit, payment facilities, remittances and insurance. The non-financial services mainly entail training in micro enterprise investment and business skills. There is also a belief that microfinance encompasses micro credit, micro savings and micro insurance (Roth, 2002).

### **Empirical studies**

Past studies have focused on entrepreneur characteristic including entrepreneur's age, gender; previous work experience and education level as key factors influencing accessibility to micro finance services leading to the growth of micro and small enterprises. These factors are chosen because various researchers had found a significant relationship between the factors and the growth of SMEs (Storey, Wiklund & Shepherd 2003). Education qualification is an asset to a person in every field. It not only gives confidence but also help in solving various problems. According to Hirsch, Krueger (1993), a higher education level helps the entrepreneur to have better knowledge and skills on financial issues which contribute to the success of their venture. In addition, Lussiers & Pferfer (2001) empirically



found that entrepreneurs with higher levels of education and competencies were more successful accessing financial services and growing their businesses as compared to entrepreneurs with little or no education.

Similarly, a study conducted by Kim (1996), involving entrepreneurs in Singapore, demonstrates that, after entering the entrepreneurial world, those with higher levels of education were more successful in acquisition of micro financial services and products because university education provided them with knowledgeable and modern managerial skills, making them more conscious of the business world and thus in a position to use their learning capabilities to negotiate for favourable products and services from financiers.

Working experience in accessing finances is generally considered to be an important asset as it provides an individual with useful knowledge and skills. According to Reynolds (2002) experience is the best predictor of business success especially when the new business is related with vast experiences. Entrepreneurs with more experiences in financial and managing business are more capable of finding ways to acquire financial aid to start new business compared to employees with different pathways. Correspondingly, a study in Kenya found that Kenyans with at least seven years of work experience expanded their firms through seeking micro financial products more rapidly than those without such experience (Mead & Loedholm, 1998). Work experience contributes to SME growth by expanding the capabilities of SME owners and employees through the acquisitions of skills and knowledge and by expanding entrepreneur's social network with financiers (Nichter, 2005).

### **Critique of existing literature**

Microfinance has become an important tool for poverty reduction in many parts of the world. Microfinance institutions target the poor especially the youth who form the largest global population of the unemployed through innovative approaches which include group lending, progressive lending, regular repayment schedules, and collateral substitutes. The literature above has considered the key parameters like the microfinance services, entrepreneurial characteristics of the youth, entrepreneurship education and training as well as the government policies and the relationship to accessibility of a micro finance services to the youth. The provision of entrepreneurship education at primary and high school level is also inadequate and needs to be addressed and linked to the knowledge to access financial assistance as offered by micro financial institutions. The government policies on youth entrepreneurship according to reviewed literature are key barriers for the success of enterprises owned by young people in developing countries Kenya and needs to be reformed.

Reviewed literature revealed that there has been little effort to look at the determinants of accessibility to microfinance services amongst the youth from a youth perspective. Unavailability and inaccessibility of micro financial services among the youth has also been a major problem for those intending to engage in entrepreneurship as an alternative source of self-employment. The youth entrepreneur characteristics like age inhibit the youth from accessing the micro finance assistance and support thus limiting youth participation in entrepreneurship.

### **Research gaps**

In Kenya various researchers have addressed different aspects of accessibility microfinance

services to the youth. Mugori (2012) assessed the effects of access to microfinance on the financial performance of SMEs owned by youths in Nairobi. The variables studied were financial services, entrepreneurial skills and government policies. James (2007) studied the role microfinance in economic empowerment of the youth in Mombasa County. The variables studied were economic empowerment of the youth, loan repayment and inadequate training of borrowers. Muricho (2013) studied the factors influencing the accessibility to micro-finance services by persons with disability in Kimilili sub-county. The variables studied were the social and health issues of persons with disability, access to information and financial and management skills. This study will fill this gap by looking at dependent variable being accessibility to microfinance services and its effect on the independent variables, availability of microfinance services and products, entrepreneur characteristics, entrepreneurship education and training together with the government policies.

## RESEARCH METHODOLOGY

### Research Design

The research design adopted was survey research design. Survey research design describes the phenomena or characteristics associated with a subject population; to estimate proportions of a population that have these characteristics and to discover association among different variables (Cooper & Schinder, 2011). The descriptive design enabled collection of data without manipulation of the research variables. The descriptive survey design optimizes on the strengths of both qualitative data and quantitative research methodology. The design allowed collection of data from a large sample population like the youth groups in Nakuru County and generated

findings that were a representative of the whole population at a lower cost, (Saunders, et al 2007).

### Population

The study population was the youth entrepreneurs in Nakuru County. A list of youth groups in Nakuru County formed the sampling frame for this study. **The target population was the 154 registered youth groups that were active in the Nakuru County and which formed the main respondents.**

### Sampling procedure and sample size

Purposive sampling was used to identify the 154 registered youth small businesses which were operating at the time of the study. The study was narrowed down to the 15 registered youth groups in Nakuru County. The youth groups were then clustered into 5 strata representing the 5 sub-counties in Nakuru County. Stratified random sampling was done with 3 youth enterprises in each sub-county. Finally, simple random sampling was applied to select 5 respondents from each of the 15 youth enterprises giving a total of 75 respondents. The sample size for this study was the 75 registered youth groups who were selected by simple random method from the sampling frame. According to Bartlett, (2004) the sample size of a statistical sample is the number of observations that constitute it.

**Table 1 Sample size of the study**

Stratum	No. of youth group	Stratified sample	Sample size
Nakuru	3	3×5	15
Naivasha	3	3×5	15
Molo	3	3×5	15
Subukia	3	3×5	15
Njoro	3	3×5	15
Total	15		75

### **Data collection instruments**

The questionnaire was used as a tool if the data correction. The instruments incorporated Likert scales to measure perception and attitude. The questionnaires largely consisted of open and closed-ended questions for ease of analysis.

### **Data Collection procedures**

Primary data was collected through a self-administered questionnaire. The researcher sought for a research permit from Jomo Kenyatta University of Agriculture and Technology. Introductory letters were attached to the questionnaires and appointments sought with respondents for the purpose of creating rapport, confidence and removing any suspicions by assurances of confidentiality on the data that the study generated. Each member selected was briefed on how to fill in the questionnaire. The respondents were given a time frame within which they were expected to respond to the questionnaires after which the questionnaires were collected by the researcher on the same day. This was to ensure that respondents did not discuss and modify their responses. The researcher obtained informed consent from any subjects used in the study and ensured that all subjects participated voluntarily.

### **Data analysis and presentation**

The data collected was edited, coded and analysed using descriptive statistics with the aid of SPSS program. Data analysis was done by use of tabulations, scoring by hand, manual tallying, totalling and grouping as appropriate. The researcher computed the relevant frequencies and presented percentages in rates as appropriate. The data was presented using tables and narrative form in order to bring out the information in line with the research objectives. The data collected from open ended questions was analysed qualitatively to meaningfully

describe the distribution of measurements under study.

## **FINDING AND DISCUSSION**

### **Response rate**

The sample size was 75. The researcher distributed 75 questionnaires to the respondents. Response rate was 56 questionnaires returned and were found to be useful for data analysis. The questionnaires return rate was 80%. According to Nachmias and Nachmias (2000), 70% return rate is adequate.

### **Reliability test**

Cronbach's coefficient alpha which is one of the most common methods in gauging reliability (Bryman, 2011) for each variable was done.

#### **a) Entrepreneurship education and training**

A summary of the reliability test of entrepreneurship education and training is analyzed. Cronbach's alpha of 0.881 was achieved. Bryman (2011) has indicated 0.7 to be an acceptable reliability coefficient. Thus entrepreneurship education and training had a good internal consistency.

#### **b) Government policy**

A summary of the reliability test of government policy is analyzed. The findings indicated a summary of reliability test of metacognitive awareness. Cronbach's alpha of 0.703 was recorded. Bryman (2011) has indicated 0.7 to be an acceptable reliability coefficient. Thus government policy reported a good internal consistency.

#### **c) Accessibility to microfinance services**

A summary of the reliability test of accessibility to microfinance services is analyzed. The findings

indicated a summary of reliability test of entrepreneurial mindset. Cronbach's alpha of 0.880 was achieved. Bryman (2011) has indicated 0.7 to be an acceptable reliability coefficient. Thus entrepreneurial mindset reported a good internal consistency.

**Validity test**

Validity test was computed by the use of convergent validity. The convergent validity test is explained in table 4.6 as indicated.

**Table 2 summary of convergent validity**

Variables	Convergent validity	Average explained	variance
Entrepreneurship training & education	0.803	0.526	
Government policy	0.791	0.601	
Accessibility to MFI services	0.799	0.515	

Validity test was computed by the use of convergent validity. Average Variance Extracted (AVE) is commonly used to assess convergent validity. The AVE was found to be more than 0.7, and the established criterion is fulfilled in all cases and, therefore, it may be said that convergent validity of those constructs was adequate.

**Demographic information of respondents**

**Gender of respondents**

The study asked the respondent to indicate their gender. The study findings revealed that majority of the respondents (58%) were males, with the other 42% being females. This implied that youth entrepreneurship in Nakuru County involved all genders.

**Age of respondents**

The study for the purpose of making sure that the respondents were youths as defined by the Kenya's new constitution, sought to establish the

ages of the respondents. The findings indicated that all the respondents were in the age bracket of youths of 18-34. Majority of the respondents were in the age group 22-30 years.

**Higher level of education**

The study sought to ascertain the highest level of education for the respondents. According to the findings most of the respondents 54% had secondary school education with 39.08% stating that the highest level of their education was Secondary school level and 12% had primary school education. Those that had college level education and above represented 31%. Only 4% of the respondents had primary school education.

**Running any other business of your own prior to founding the present business**

The study sought the respondents to indicate whether they had been operating any other business before the current one. The findings indicated that majority of the respondents (59%) had operated another business with 41% stating that they had not. The findings implied that the youth entrepreneurs in Nakuru County consisted of a mixture of experienced and non-experienced ones in entrepreneurship.

**Duration of operating current business**

The study sought the respondents to indicate the duration they had operated the current business. The findings indicated that majority of the respondents (66%) had operated their current business for between 1-3 years. This implied that they have had experience on the entrepreneurial skills necessary to run their business for the duration. Another 22% had operated the businesses for less than one year with 14% operating the business for above 4 years.

**Motivation for starting own business**

The respondents were required to indicate the source of motivation for starting own business.

According to the findings, majority of the respondents (68%) indicated that their motivation to engage in entrepreneurship was driven by financial motives with 13% stating that desire for independence drove them to entrepreneurship. Another 11% were driven by the desire for self-fulfilment. This implied that the youth entrepreneurs usually have explicit motivation to entrepreneurship.

**Prior experience of business management task through earlier employment**

The respondents were requested to indicate whether they had prior experience of business management task through earlier employment. According to the findings, most of the respondents (54%) indicated that they had prior experience of business management task through earlier employment with 46% negating the statement.

**Correlation of study variables**

This section outlines the correlation of the independent and dependent variables.

**Table 3 correlation matrix of variables**

		AC	EET	GP
AC	Pearson Correlation	1	.620	.078
	Sig. (2-tailed)		.746	.023
	N	56	56	56
EET	Pearson Correlation	-.220	1	.161
	Sig. (2-tailed)	.746		.289
	N	56	56	56
GP	Pearson Correlation	-.678**	.161	1
	Sig. (2-tailed)	.023	.289	
	N	56	56	56

AC- Accessibility to MFI services by youth

EET- Entrepreneurship education & training

GP- Government policies

The raw inter-correlation among the variables is presented in table 4.10. Correlations among variables is used to explore the relationship among group of variables (Pallant, 2010), in turn helping in testing multicollinearity. Based on the table, it was found that all the variables namely; entrepreneurship education and training and government policy were positively significant correlated to accessibility to microfinance services. Entrepreneurship education and training had the leading correlation of 0.746 which is a strong positive correlation. This implies that the youth entrepreneurs sought education entrepreneurship and education to acquire entrepreneurship skills to grow their business. Government policy was the second with a weak positive correlation (r=0.023) to accessibility to microfinance services. This implied that the current entrepreneurship policies in place in Nakuru County do not have deterrence to youth entrepreneurship.

**Descriptive and qualitative analysis of the study variables**

The descriptive study was anchored on crossed and open-ended questions as discussed in the following statements.

**a) Entrepreneurship training and education**

This section made a presentation, discussion, analysis and implications of aspects of entrepreneurship training and education.

**Provision of entrepreneurship training and education prior to starting business**

The respondents were requested to state when they had received entrepreneurship training and education prior to starting business. The findings showed that most of the respondents strongly

agreed (54%) stated that they had received entrepreneurship training and education prior to starting business with 46% negating. The findings supports Vanguard (2004) who stated that while entrepreneurship education has continued to thrive in many instances, it has been neglected. The findings implied that entrepreneurship education and training is vital for business survival.

### Entrepreneurship education and training

The respondents were requested to indicate their agreement on aspects of entrepreneurship education and training. The findings are shown in table 3.

**Table 3 agreements with aspects of entrepreneurship training**

Entrepreneurship education and training	SD	D	N	A	SA
The role of entrepreneurship education is to build an entrepreneurial culture among young people.	0(0%)	2(4%)	3(6%)	27(51%)	21(40%)
Entrepreneurship education should focus on starting and sustaining a business.	1(2%)	1(2%)	4(7%)	30(55%)	19(35%)
Entrepreneurship is only suited to those with the necessary skills and acumen.	14(25%)	14(25%)	5(9%)	24(40%)	0(0%)
Entrepreneurship education is crucial in assisting young people to develop entrepreneurial attributes, behaviours and develop enterprise awareness.	0(0%)	2(4%)	5(9%)	25(45%)	24(43%)
Entrepreneurship education is not yet sufficiently integrated into the curriculum of education institutions in Kenya.	4(8%)	3(6%)	7(13%)	24(45%)	15(28%)
Entrepreneurship can unleash the economic potential of young people.	1(2%)	4(8%)	3(6%)	25(47%)	20(38%)
Entrepreneurship education seeks to equip young people with entrepreneurial attitude and skills.	0(0%)	1(2%)	6(11%)	26(48%)	21(39%)

Table 3 indicated the agreement or disagreement of the respondents with aspects of entrepreneurship education and training. 51% agreed that the role of entrepreneurship education is to build an entrepreneurial culture among young people. 55% agreed that entrepreneurship education should focus on starting and sustaining a business. 40% agreed that entrepreneurship is only suited to those with the necessary skills and acumen. 45% agreed that entrepreneurship education is not yet sufficiently integrated into the curriculum of education institutions in Kenya. 47% agreed that entrepreneurship can unleash the economic potential of young people. 48% agreed that entrepreneurship education seeks to equip young people with entrepreneurial attitude and skills.

#### **Entrepreneurship skills acquired through training**

The respondents were probed on the entrepreneurship skills they had acquired through training. The findings indicated that the respondents responses on entrepreneurship skills they had acquired through training. 37% stated they acquired entrepreneurship skills, 33% had business plan writing, 19% characteristics of entrepreneurs while 11% had acquired entrepreneurship interpersonal skills.

#### **Business development services before starting business**

The respondents were requested to state whether they had received any business development services before starting their business. Majority of the respondent (70%) agreed with the other 30% disagreeing.

#### **Business development services after starting business**

The respondents were requested to state whether they had received any business development services after starting their business. The findings indicated that most of the respondent (55%) agreed with the other 45% disagreeing.

#### **Organizations providing business development services**

The respondents were asked to indicate the organizations providing them with business development services. The findings are as shown in table 4.

**Table 4 organizations providing business development services**

	Frequency	Valid Percent
Government	11	25
NGO	10	23
Business club	6	14
MFIs	7	16
Sacco	7	16
Chamber of commerce	1	2
Bank	2	5
Total	44	100

Table 4 shows that 25% stated the government provided them with business development services, 23% NGOs and 16% MFIs and Saccos.

#### **Areas trained or mentored**

The respondents were requested to state the areas they were trained on during business development services. The findings are as shown in table 5.

**Table 5 areas of training**

	Frequency	Valid Percent
Management	15	36
Marketing accountancy	19	45
Financial management	6	14
Product promotion	2	5
Total	42	100

Table 5 shows that the respondents were trained/mentored in the following areas, 45% (marketing accountancy), 36% (management) and 14% (financial management).

#### **Importance of business development services during the start-up phase**

The respondents were requested to indicate the importance of business development services during the start-up phase. The findings indicated that majority of the respondents 79% stated that business development services during the start-up phase while 17% stating it helped in survival in business industry.

#### **Importance of business development services to you during the growth phase**

The respondents were further requested to indicate the importance of business development services during the growth phase. The findings indicated that majority (63%) of the respondents stated that business development services during the growth phase assisted in improving business networks with 22% stating that they enabled formal empowerment.

### **b) Government policy**

#### **Presence of government regulations difficult to cope with at start-up phase**

The respondents were asked to comment on whether there were government regulations which difficult to cope with when starting own business. The findings indicated that majority of the respondents (88%) agreed that there were government regulations which were difficult to cope with when starting own business while a few 12% were in disagreement.

#### **Regulatory challenges faced as young entrepreneur**

The respondents were asked to comment on regulatory challenges they faced as young entrepreneurs. The findings showed that 50% and 46% of the respondents stated that licensing and taxation laws were very serious challenges. Another 46% stated that competition laws and subsidy policy were serious challenges.

#### **Changes proposed for government policies to look friendly to youth entrepreneurs**

The respondents were asked to make proposals of changes needed in government policies and regulations to be friendly to youth entrepreneurs. The findings indicated that 65% proposed on favorable tax systems with 29% proposing reduction in cumbersome procedures.

### **c) Accessibility of microfinance services**

#### **Benefits of accessibility of MFI services among the youth**

The study sought to establish the benefits of accessibility of MFI services among the youth. The findings are presented in the table 6.



**Table 6 benefits of accessibility to MFIs services**

Benefits	SA	A	N	D	SD
It enhances credit access to the youth which is critical to poverty alleviation	20(38%)	28(54%)	2(4%)	1(2%)	1(2%)
It increases sales volumes in youth business	6(12%)	28(54%)	10(19%)	7(13%)	1(2%)
Leads to growth of youth enterprises	13(25%)	34(67%)	2(4%)	1(2%)	1(2%)
Enhances the profitability of youth enterprises	8(16%)	27(55%)	9(18%)	4(8%)	1(2%)
Empowers the financial freedom among the youth	16(32%)	24(48%)	5(10%)	4(8%)	1(2%)
Provision of credit is an important tool for raising the incomes of youths	16(31%)	25(49%)	6(12%)	2(4%)	2(4%)
Access to credit and leads to generation of self-employment among the youth	20(38%)	27(51%)	4(8%)	1(2%)	1(2%)
It enhances the economic value of the youth population in the society	15(29%)	28(54%)	5(10%)	2(4%)	2(4%)
It leads to financial creativity among the youth	11(22%)	32(63%)	5(10%)	2(4%)	1(2%)

On being requested to state the benefits of accessibility of MFI services among the youth, the respondents agreed on the following. 54% stated that it enhances credit access to the youth which is critical to poverty alleviation, 67% stated that it led to growth of youth enterprises, 55% said it enhances the profitability of youth enterprises 51% stated it enabled access to credit and led to generation of self-employment among the youth. Similarly, 54% stated it enhances the economic value of the youth population in the society with

63% stating it led to financial creativity among the youth.

**Rating performance of business after accessing MFI services**

The respondent’s views were sought on the performance in terms of sales volume after accessing MFI services. The findings indicated that the 48% of the respondents stated that business performance after accessing MFI services, 21% stated it was moderately satisfactory and 19% agreed that it was very satisfactory.

**Have you ever sourced for funding since you started your business**

The respondents were asked to comment on sourcing for funding since they started their business. The indicated that the majority (85%) respondents stated that they had sourced for funding since they started their business with 15% negating it.

**Institutions that facilitated the funding**

The respondents who had sourced for funding were asked to comment on institutions they got funding from. The findings are as presented in table 7.

**Table 7 institutions facilitating funding**

	Frequency	Valid Percent
MFI	11	24
Sacco	12	26
Commercial banks	11	24
Friends	8	17
Merry-go-round	4	9
Total	46	100

Table 7 indicates the respondent’s comments on institutions that facilitated funding. 26% pointed

at Saccos, 24% at MFIs with another 24% accessing funding through commercial banks.

**Accessibility of MFI services factors inhibiting the growth of your enterprises**

The respondents were asked to state the factors related to accessibility of MFI services inhibiting the growth of youth enterprises. The findings indicated that 36.4% pointed at lack of collateral, 32.7% on lack of business plan with 15% stating that lack of knowledge about lending sources as an inhibitor.

**Solution to overcoming the inhibitors**

The respondents were asked to state the solutions to inhibiting factors related to accessibility of MFI services that affect growth of youth enterprises. The findings indicated that majority of the respondents (64%) stated that special programs to promote access of credit as a solution. A few (26%) stated that reduction of access barriers as a solution. The findings showed that the youth entrepreneurs should have the ability to access and afford financing and support from these institutions.

**Testing Regression Model Assumption**

Before regression analysis was done, the assumptions of multivariate analysis were tested to ensure that there was no violation of multivariate analysis assumptions. The data was checked for normality, outliers and multicollinearity.

**Regression analysis**

The regression analysis of the study variables was, presented, outlined and discussed in this section.

**Table 8 summary of overall model**

Model	R	R <sup>2</sup>	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.753 <sup>a</sup>	.567	.535	.18293	2.020

a. Predictors: (Constant), government policy, entrepreneurship education and training

b. Dependent variable: accessibility to microfinance services

The model analysis describes the effect of the three explanatory variables acting jointly on the SME accessibility to microfinance services. The R<sup>2</sup> value is the coefficient of determinant (expressed as a percentage) shows the variability of the dependent variable explained by the variability in independent variable(s). The R<sup>2</sup> value of 0.567 implies that 56.7% of the variations in the dependent variable (accessibility to microfinance) are explained by the variations in independent variables (government policy, entrepreneurship education and training and availability of microfinance services). The adjusted R<sup>2</sup> is an indicator of generalizability as it is used to estimate the expected shrinkage in R<sup>2</sup> that would not generalize to the population because of the solution being over-fitted to the data set by including too many independent variables. In this case, R<sup>2</sup> = 0.567 and Adjusted R<sup>2</sup> = 0.535. These values are very close, anticipating minimal shrinkage based on this indicator.

**Analysis of Variance (ANOVA)**

**Table 9 analysis of variance (ANOVA)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	103.002	2	31.274	66.285	.000 <sup>b</sup>
Residual	62.340	167	.581		
Total	155.219	189			

Dependent variable= accessibility to microfinance services

b. independent variable=(constant), government policy and entrepreneurship education and training

With a sig= .000 as indicated in table (table no) above, the sig. provides a significance level of over 99%. The model significance implies that the model is acceptable. The total deviation in the dependent variable in the model is 135.219. The model was able to explain 165.219 of the total sum of squares while 47.121 of the total sum of squares were not explained. The F ratio (in the Analysis of Variance table) is 66.285 and significant at sig= .000. This provides evidence of existence of a linear relationship between the response (accessibility to microfinance services) and the three explanatory variables (government policy, entrepreneurship education and training and availability of microfinance services).

### Coefficients<sup>a</sup>

The coefficient of this study is discussed and summarized in this section.

**Table 4. 1 Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta		
(Constant)	.293	.344		6.965	.000
1 EET	.434	.083	.006	5.052	.959
GP	.101	.045	.812	4.001	.000

a. Predictors: (Constant), government policy and entrepreneurship education and training

b. Dependent variable: accessibility to microfinance services

Based on the table 4.33, the regression equation for accessibility of microfinance services was:

$$Acc = 0.293 + 0.434x_1 + 0.101x_2$$

The equation indicated that, government policy, entrepreneurship education and training and availability of microfinance services are positively correlated with accessibility to microfinance services. Results from our empirical study have confirmed that government policy, entrepreneurship education and training and provision of microfinance services as the main factors explaining accessibility to microfinance services (Cherotich, 2013; Mugori, 2012).

The findings in this study state that entrepreneurship education and training was the predictor variable that contributes the highest to accessibility to microfinance services. Thus, every unit increase by entrepreneurship education and training will increase a total of 0.434 of accessibility to microfinance services provided other variables remain constant followed by government policy ( $\beta$ , 0.101). This implied that

very one unit increase in government policy will decrease accessibility to microfinance services by 0.101 holding other variables constant.

### **THE SUMMARY OF THE FINDINGS**

The study was set out to assess the factors affecting accessibility of microfinance services among the youth in Nakuru County. The study employed a survey research design. The sample was picked from 75 registered youth group in Nakuru County. Purposive, stratified and simple random sampling were used to arrive at a sample of 75 registered youth groups. Questionnaire was used as the principle tool for collecting primary data whereas data was analyzed using descriptive statistics and multiple regression approach. From the analysis, the study revealed the following findings.

A response rate of 80% was obtained from the study participants. The study findings revealed that majority of the respondents (58%) were males, with the other 42% being females. Majority of the respondents were in the age group 22-30 years with 54% having a secondary school education. Majority of the respondents (59%) also had operated another business with 66% having operated their current business for between 1-3 years. Majority of the respondents (68%) indicated that their motivation to engage in entrepreneurship was driven by financial motives with 13% with another 11% being driven by the desire for self-fulfilment. Most of the respondents (54%) indicated that they had prior experience of business management task through earlier employment.

Reliability test was conducted and all factors had cronbach alphas of 0.7 and therefore measures were internally consistent. The study found that overall cronbach's alpha for availability of microfinance services was 0.709, entrepreneurship education and training (0.881),

government policy (0.703), and accessibility to microfinance services was 0.870. The questionnaire was validated using convergent validity test. Average Variance Extracted (AVE) which is commonly used to assess convergent validity was found to be more than 0.7, implying that convergent validity of those constructs was adequate. To ensure that there was no violation of the data before analysis test for outliers, normality, multicollinearity were performed.

The first objective of this study was to outline the effect of entrepreneurship education and training on accessibility of microfinance services amongst the youth in Nakuru County. Entrepreneurship education and training had the best correlation, a strong positive correlation of  $r=0.746$ . Factor loadings on all the items under this factor was 0.881, therefore, the measures used were internally consistent and reliable. Majority of the respondents agreed with questionnaire items. Entrepreneurship education and training had a strong positive correlation with accessibility to microfinance services. This implied that the youth entrepreneurs sought education entrepreneurship and education to acquire entrepreneurship skills to grow their business

The second objective sought to find out the effect of government policies on accessibility of microfinance services amongst the youth in Nakuru County. Government policy was the third with a weak positive correlation ( $r=0.023$ ) to accessibility to microfinance services. Factor loadings on all items under this factor was 0.703, therefore, the measures used were internally consistent and reliable. Majority of the respondents agreed with questionnaire items. This implied that the current entrepreneurship policies in place in Nakuru County do not have deterrence to youth entrepreneurship.

## Conclusions

This study investigated the factors affecting accessibility of microfinance services among the youth in Nakuru County. Two predictor variables namely; entrepreneurship education and training, government policies and their effect on accessibility to microfinance services were studied. The study concluded that, entrepreneurship education and training had the best correlation, a strong positive correlation of  $r=0.746$ . Factor loadings on all the items under this factor was 0.881, therefore, the measures used were internally consistent and reliable. This implied that the youth entrepreneurs sought education entrepreneurship and education to acquire entrepreneurship skills to grow their business. The conclusion is that the potential of entrepreneurship education and training to the overall sharpening of entrepreneurial instincts of youth entrepreneurs cannot be understated. Entrepreneurship education and training can drastically convert a novice youth entrepreneurs into a budding one with the knowledge to adapt, conquer and cope with the challenges in the world of business. It is therefore of paramount importance to equip and inculcate entrepreneurship skills and training to the youth in Kenya.

Government policy was the third with a weak positive correlation ( $r=0.023$ ) to accessibility to microfinance services. Factor loadings on all items under this factor were 0.703. The findings implied that the current entrepreneurship policies in place in Nakuru County do not have deterrence to youth entrepreneurship. Government policies on youth entrepreneurship should aim at reducing the bureaucracy in the participation of youth entrepreneurs in business. The current regime of regulatory framework requires an adaptation and inclusiveness to ensure that the youth

entrepreneurs are incorporated and accommodated to engage in entrepreneurship. If this is done conclusively, the youth entrepreneurs will engage and compete favorably in business engagements.

Therefore, it can be concluded that for success to be achieved among the youth in business ventures, entrepreneurship training and education should be inculcated to unleash their potential, microfinance services should be readily available and affordable and there should exist friendly and accommodative government regulations and policies. If this is conclusively undertaken, the potential of youth entrepreneurship in Nakuru County and Kenya in general will be realized, unleashed and utilized.

## Recommendations

The study recommends that In order to enhance the full participation of youths in entrepreneurship and improve the wellbeing of their survival, the youths should be facilitated to access affordable microfinance credits. Also the government in collaboration with development partners should build capacity for youths to use credit efficiently and enforce laws for defaulters.

## Area for further studies

Since the four variables under this study namely; government policy, entrepreneurship education and training and microfinance services, contributed 56.7% of the variations in the dependent variable (accessibility to microfinance), a study on the other variables that contributes 43.3% should be undertaken.

The study on the determinants of entrepreneurial characteristics affecting accessibility of microfinance services among the youth in Nakuru County should be undertaken in other counties in Kenya.

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