DETERMINANTS OF EFFECTIVE UTILIZATION OF YOUTH ENTERPRISE DEVELOPMENT FUND: A CASE OF KISAUNI CONSTITUENCY, MOMBASA COUNTY IN KENYA

Rhoda Ngina Kisunza
Jomo Kenyatta University of Agriculture and Technology, Kenya

Dr. Fridah Theuri
Jomo Kenyatta University of Agriculture and Technology, Kenya


ABSTRACT

The Youth Enterprise Development Fund is one of the Government initiative established in the year 2006 with a mission to increase economic opportunities and participation by Kenyan youth through enterprise development and strategic partnerships. The objective of the study was to find out the factors that affect effective utilization of Youth Enterprise Development Fund in Kisauni constituency in Mombasa County. These factors included youth literacy levels, entrepreneurial experience, funding requirements and capacity building. The study adopted a cross-sectional research design and employed both stratified random sampling and simple random sampling to select the sample from which data was collected out of the 96 active youth groups funded through Youth Enterprise Development Fund in Kisauni constituency. The data collected using questionnaires was edited, coded and analyzed using descriptive statistics facilitated by use of Statistical Package for Social Sciences (SPSS). The cross-sectional design was adopted due to the nature of the study population which integrates a composite of socio-economic variables ranging from gender through to age, education and socio-cultural variables. They are done within a single time frame (Olsen and George, 2004). Additionally, high reliability is easy to obtain by presenting all subjects with a standardized stimulus which ensures that observer subjectivity is greatly eliminated (Mugenda and Mugenda, 2008). A worded questionnaire was used as the instrument of data collection due to the fact that respondents were able to complete them without help, anonymously, and it was cheaper and quicker than other methods while reaching out to larger sample (Bryman, 2008; Cohen et al., 2007). The questionnaire had both open and closed ended items for collection of primary data. The target population was 960 members of youth groups and a sample size of 96 which was 10% of the target population was utilized in this study, hypothesized by Bryman, (2008). The findings were presented using tables, charts and graphs.

**Key Words:** youth literacy levels, entrepreneurial experience, funding requirements and capacity building
Introduction

Unemployment is one of the most daunting economic challenges facing Kenya. The government has consequently placed job creation at the top of its policy agenda. The youth account for 61% of the unemployed. (KNBS Report 2009). Many of the unemployed youth have no job training other than formal schooling. Hence, unemployment is not just a lack of jobs, but also a lack of job skills due to inadequacy of the training infrastructure as well as the means to acquire skills, due to poverty.

In 2007, the government officially launched the National Youth Development Fund, which was established to decrease the high rate of youth unemployment. Its objectives include the provision of loans to youth-oriented MFIs; support for youth oriented enterprises; investment in economic opportunities beneficial to youth; and stronger marketing of products and services of youth enterprises. Although access to financial services in Kenya has been improving both in rural and urban areas, youth still face the highest financial exclusion rate in the country (Rainier, 2009:6).

The youth in Kenya make up about 36 percent of the population and 60 percent of the total labor force (national youth situation analysis report 2009). Youth are a key part of the population of Kenya for they are the largest and most active group in the country hence the nation’s political and economic development depends on them. The national youth policy endeavors’ to address this issues by providing broad-based strategies that can be used to give the youth meaningful opportunities to reach their maximum potential. It provides a broad framework within all stakeholders, including the private, public sector and civil society (National Youth Policy, 2006).

Initiatives to assist youth to contribute to economic and social development are available, but bottlenecks occur in accessing market information, finance and business support. Many Kenyan youth lack the skills and experience to successfully compete in the job market or start their own businesses. A vibrant youth population is a valuable asset to national development, if only its potential can be fully exploited (Kenya National Human Development Report, 2009).

Literature Review

Youth Literacy Level

Dev and Mahajan (2003) state that literacy is just but one indicator of a person’s level of education and define literacy as the ability to write one’s name. This definition implies that many people can be classified as literate although they may not understand simple written instructions. Literacy may also be defined as the ability to read and write (New Oxford American Dictionary, 2005; 2009). However, these definitions portray a narrow context within the micro-enterprise sector. In addition to being able to read and write, an entrepreneur needs to have the requisite financial literacy. Financial literacy may be defined as the ability to
understand finance sufficiently to make appropriate decisions regarding one’s personal finances (Making Cents International, 2011).

Various studies on the success of micro-credit programmes highlight financial literacy as one of the reasons that impedes beneficiaries from being able to successfully access credit or effectively utilize acquired credit. In a study by Guttenbeil-Likiliki (2009) on youth enterprise development in Tonga it is revealed that majority of youth lack basic financial literacy which contributes to their unwillingness to initiate business ventures due to a lack of knowledge on how to manage the businesses. Boateng’s (2012) report on field experiences in rural enterprise growth and development in sub-Saharan Africa shows that financially literate clients make better financial decisions and maintain a better overall financial well-being. While it is evident that young people require financial literacy, the Making Cents International (2011) guide for programming, policy making and partnership building, asserts that there is no evidence to prove that financial capability actually helps young people to develop financial stability and well-being.

A good general education system and a supportive overall training infrastructure within the economy will strengthen the entrepreneurial environment (Ernst and Young, 2011). Education provides a person with the ability to recognize commercial opportunities, have the knowledge, self-esteem and skills to act on them. It also gives young entrepreneurs the ability to access sources of financing. Access to funding facilitates the creation, survival and growth of Small and Medium Enterprises (SMEs). In a study to establish the relationship between credit schemes and financial accessibility in Nyakagyeme Sub County- Rukungiri District, Peace (2011) establishes a clear relationship between basic literacy and financial literacy. The study reveals that people who cannot read and write are also slow to understand during seminars where members are trained on skills like book keeping, numerical skills, project identification skills and communication skills.

Njoku and Odii (1991) on the other hand reveal a negative correlation between the level of education and growth in entrepreneurship. In their analysis on loan repayment performance of small holders under the Special Emergency Loan (SEALS) in Nigeria they reveal that education has a negative influence on loan repayment. Similarly, in a study to establish factors inhibiting the growth of youth enterprises, Omondi (2013) concludes that more years of formal education is seemingly a factor limiting the development of youth entrepreneurs due to higher expectation or optimism that comes with higher levels of education. The study reveals that lack of vocational training is likely to improve the desirability for self-employment.

From the literature reviewed therefore, it is evident that there are conflicting perspectives regarding the effect of literacy levels on effective utilization of credit. Emphasis seems to be directed towards basic and financial literacy as factors which positively influence business performance among entrepreneurs. This seems to be the trail of thought adopted by the YEDF as aside from providing loans to youth enterprises, they also undertake entrepreneurship training.
maybe in an attempt to enhance financial literacy among the youth. In addition, the fund has embarked on a project to assist youth to form SACCOs.

**Entrepreneurial Experience**

Within the micro-enterprise sector, financial institutions prefer financing business expansion as compared to start-ups. This may be occasioned by the fact that business expansion implies that the entrepreneur has acquired a certain amount of experience in the business and thus has better chance of business success compared to start-ups. These, coupled with other factors like negative stereotyping, discrimination and lack of marketable skills prevent many young people from gaining access to economic opportunities (Making Cents International, 2009). In a study on the current practices and opportunities for microfinance with youth in conflict-affected areas, James-Wilson and Hall (2006) find that business start-ups whether by adults or youth are usually only financed if the applicant has prior experience in the type of business, since persons with no real experience in the business are viewed as having no chance of success.

A similar challenge was raised by more than 200 young entrepreneurs who gathered in Toronto in June 2010 for the G20 Young Entrepreneur Summit who noted that they had had great difficulty accessing finance because they tended to have little experience and few assets (Ernst and Young, 2011). In another study to evaluate the challenges associated with providing micro-credit to the poor in Jamaica, French (n.d) reveals that in an attempt to deal with a myriad of problems, the Micro Investment Development Agency (MIDA) had to adopt more stringent screening processes. The Community Development Funds (CDFs) managers interviewed during the study admitted that they had had to cater more to persons with business experience and a track record of success in small business in order to maintain repayment levels. The aforementioned studies therefore clearly indicate that entrepreneurial experience plays a crucial role in contributing to an entrepreneur’s ability to access credit.

The positive impact that work experience has on the success of entrepreneurs is also highlighted many more studies. Sagwe, Gicharu and Mahea (2011) highlight work experience as one of the factors that positively contributes to business readiness among the youth and women entrepreneurs in Kenya. Work experience is also linked to business success in a survey by Ernst and Young (2011) in which 685 entrepreneurs and winners of Entrepreneur of the Year Award were interviewed many of whom cited experience in the corporate environment as an employee as having had the greatest impact in contributing to the success of their ventures. The International Labour Organization’s Integrated Framework Assessment Guide (2007) on the growth of women enterprises concludes that women bring low levels of management experience to their business since they resort to self-employment only after they have failed to access employment experience at the management level.
Experience in business has also been shown to have a marked influence in the level of loan repayment within financial schemes. In their analysis to determine loan default of smallholders under SEALS in Nigeria, Njoku and Odii (1991) discovered that repayment was higher among beneficiaries with greater farming experience compared to those with limited farming experience and concluded that there is a positive relationship between farming as a major occupation, years of farming experience and loan repayment. Similarly, Makombe, Temba and Kihombo (1999) in their study to assess the extent of empowerment of low income women at household levels find that women micro-entrepreneurs with previous experiences had been able to honour their loan commitments and had attained great strides in the process of poverty alleviation.

The YEDF has attempted to address the youth experience problem through introducing various loan schemes, each targeted to specific entrepreneurial characteristics in a bid to increase its credit advancement to the youth population in Kenya. There is the Constituency Youth Enterprise Scheme (C-YES) which is aimed for youth groups at the lowest levels who have no experience in business and in dealing with financial institutions (Mugira, 2012). Through this scheme, it is hoped that youth will be able to acquire experience and skills from running group enterprises and therefore be able to develop self-owned enterprises (Makanda, n.d). Youth who are able to successfully repay the C-YES loan can then graduate to the Easy Youth Enterprise Scheme (E-YES) which is targeted to individual enterprises belonging to a group and who want to start and/or expand their own business.

**Funding Requirements**

The success of any youth enterprise development program is often dependent on young people’s access to financial services. The need for a youth focus in disbursement of loans to enhance youth employment and enterprise creation is important especially where a country’s population is majorly youth. This is because any country’s economic growth is largely dependent on the growth of new enterprises which can only be facilitated through new investments. Youth’s inability to access credit funding for investment implies that they are left with the option of formal employment and whatever opportunities that may arise. However, institutions offering youth friendly loans are faced with the challenge of being able to provide financial services to the youth in a sustainable manner (Making Cents International, 2009).

In Kenya, the YEDF has designed different products and services for the youth in order to enhance uptake of loans by the youth. There is the C-YES, E-YES, Agri-Vijana, Direct Lending and through Financial Intermediaries. Each of these loans has got different access procedures and is aimed at specific target groups. In a study to determine the effect of the YEDF on youth enterprises in Siaya County in Kenya, Odera, et al. (2013) reveal that disbursement procedures for the YEDF are stringent and some needy and illiterate youth are not able to fulfill some of the requirements. Mugira’s (2012) study on the factors affecting repayment of the YEDF in Kasarani Constituency reveals that 78% of the youth who received loans indicated that their
loans took a long duration between applications and receiving of funds and that they were awarded small amounts of loans with high interest rates. This factor is however not restricted to the YEDF alone as revealed by other studies done on micro-lending schemes.

Among the concerns mentioned by participants of the Farm Loans Programs (Farm Bill Forum Report, 2013) regarding the loaning process included the fact that the loan application process was complicated and lengthy and that loan limits had not kept pace with inflationary changes. Similarly, in their analysis on factors which determine loan default under the SEALS in Nigeria, Njoku and Odii (1991) reveal that stringent funding requirements such as lengthy and time-consuming loan application procedures which influenced loan approvals contributed to poor loan repayment performance. In another study by French (n.d) on challenges associated with providing micro-credit to the poor in Jamaica, it is stated that in an attempt to reduce the moral hazards facing the system of loan distribution and maintain fiscal viability, MIDA had to come up with more stringent loan requirements which helped to reduce the chance of personal bias entering the system of loan disbursal.

It therefore seems that in an attempt to attain sustainability, micro-lending institutions are forced to adopt stringent measures in order to deal with such uncertainties like loan repayment, fraud, delinquencies among others. For example, in a study to examine the determinants of loan default among agri-based SMEs in Kenya, Wambugu and Ngugi (2013) cite that the high default rate associated with agri-based SME lending necessitated a reduction in credit extension to agri-based SMEs and adoption of more stringent measures to control the situation. Czura, Karlan and Mullainathan (2011) also establish a negative relationship between flexibility and loan repayment in their analysis on the extent of structured flexible repayment schedules on borrowers’ investment level in Rural India. The study revealed that higher flexibility resulted in worse loan repayment performance and that the probability of default increased from 54% to 87% as a result of increased flexibility.

Laureti (n.d) states that flexibility aggravates the payment incentive problem since clients are tempted to cheat in incomplete information settings. Other studies however indicate that adoption of stringent measures may act as a deterrent for the micro-lending institution in achieving its goals. In a study to assess the effectiveness of credit management systems on loan performance of microfinance institutions, Moti, Masinde, Mugenda and Sindani (2012) find that interest rates have a negative effect on loan performance in that the higher the interest rates the lower the loan performance. Similarly, in a study to assess the effect of micro credit on development of poultry farming in Mukono district, Samalie (2007) finds that unfavourable lending terms (high interest rates, short loan periods, small loan sizes, lack of grace period before repayment and training that is not tailored to borrowers needs) negatively impacted on sustainable development of poultry farming in Mukono.
In some cases however micro-lending institutions can adopt flexible measures with positive results. For example, in a study by Peace (2011) to establish the relationship between credit schemes and financial accessibility in Nyakagyeme Sub County – Rukingiri District, it is revealed that the success of Mitaani SACCO in impacting and facilitating credit accessibility in Nyakagyeme was occasioned by charging affordable interest rates, making loan processing easy, giving favorable credit periods to its members, mobilizing people for credit facilities and having approachable loans’ officers and accessible offices. Similarly, in a field experiment to examine the effect of group liability on repayment rates in the Philippines, Giné and Karlan (2008) find that the removal of group liability, which is purported to improve repayment rates through providing incentives to peers to screen, monitor and enforce each other’s loans and which in most cases creates excessive pressure and discourages good clients from borrowing, led to no change in repayment but instead led to larger lending groups, hence further outreach and use of credit.

It is therefore unclear as to whether having stringent funding requirements and/or procedures benefits the lending institution at the expense of enhancing the youth capability to engage in enterprise creation or vice versa as is evident from the aforementioned studies. This observation is echoed in the Global Youth Enterprise Conference report (2009) which states that the impact of modifying loan terms and conditions for youth has not been studied rigorously and institutions are currently working on a trial and error basis. It further indicates that although youth loans should be flexible, they should be implemented within a structured environment that follows microfinance best practices as this will enhance sustainability within financial institutions. It is therefore important to look at the effect of the current funding requirements in the YEDF on loan performance.

**Capacity Building**

Capacity building may be defined as the process of creating/strengthening the development of an enabling environment and/or the institutional or human resources of managerial systems (Making Cents International, 2011). It may also be viewed as a way of enhancing knowledge and skills among entrepreneurs. Knowledge and skills involves an entrepreneur’s breadth of experience, business experience, and business planning expertise, work experience, business area expertise and level of responsibility (Sagwe, Gicharu, & Mahea, 2011). Capacity building may also entail enhancing the ability of young entrepreneurs to gain marketability in the industry/sector.

Potential young entrepreneurs and existing Youth Run Enterprises (YREs) need more than just access to credit. They need to know how to develop a business plan, how to manage their business and finances, time management, stress management, improving sales, debt recovery techniques, stock control techniques, marketing and recruitment (Chigunta, 2002). Similar views are stated in the report by the European Microfinance Network (2012) which states that
microcredit programmes for young entrepreneurs need more than just financing. The report states that client selection, training, and on-the-job technical assistance are essential components of a successful youth programs.

Many micro-lending institutions have therefore incorporated the element of capacity building as part of their mandate in order to enhance the growth of micro enterprises. For instance, in Botswana, the Local Enterprise Authority (LEA) is mandated to provide technical skills training, on-the-job training, book-keeping, managerial and marketing services to women and youth (Okurut and Ama, 2013). Similarly some of the best practices highlighted on youth microfinance networks in the European Microfinance Network report (2012) include an element of capacity building. For example, the Youth Business International (YBI) members assists young entrepreneurs with a combination of training, access to capital, mentoring and other business development services while the Umsobomvu Youth Fund (UYF) responds to the youth unemployment crisis in South Africa through a framework that comprises the component of motivation and entrepreneurship skills, business skills and support and an environment component that facilitates entry, survival and growth of the enterprise.

The aim of capacity building among many micro-lending institutions is however to equip youth with the necessary skills to manage their business effectively and be able to repay their loans. As Samalie (2007) notes, 95% of the training given by most microfinance institutions is on how to repay back the loan and interest. Inadequate training for both Ministry employees and youth groups is quoted by Mugira (2012) as one of the challenges facing the YEDF in its attempt to empower the youth to ensure sustainable loan repayment levels. This training which is aimed at improving the lending methodology is inadequate and not tailored to the needs of the clients.

To enhance their capacity to achieve their mandate, micro-lending institutions need to tailor entrepreneurship training programmes to the needs of the clients. Capacity building is essential for entrepreneurial development. It enables entrepreneurs to realize business success through promoting innovation in products and delivery mechanisms. As Mullei (1999) states, past research results have consistently found SME training to result in better company performance. Omondi (2013) also concurs that providing entrepreneurs with skills gives them the ability to comply with the demands and expectation of the formal sector. Similarly, Kanyari and Namusonge (2013) indicate that provision of entrepreneurship training to sensitize and inculcate entrepreneurial culture among the youth is crucial to identifying emerging business talents. It is evident therefore that the provision of continuous and relevant business development services to young entrepreneurs has a positive impact on the success of enterprise development initiatives.

The effect of capacity building on the success of micro-lending institutions is however yet to be established. Most studies consider the effect of capacity building on SMEs instead. The European Microfinance Network report (2012) for example highlights the effect of facilitating SMEs to deal with external constraints through various best practices. Some of the best practices
highlighted include the YBI which in 2010 helped 6,346 youth to start their own business out of which 70% were still trading after three years; the Prince’s Scottish Youth Business Trust (PSYBT) which had helped over 12,000 individuals start businesses out of which 64% were still trading after three years; and the Adie – CréaJeunes –France which trained 2,130 youth out of which one third had started their own activity in the ten months following the programme.

There is however a trickle effect to micro-lending institutions since studies reveal that ensuring success of SMEs through capacity building is seen to have a positive impact on micro-lending institutions. For instance, by investing in capacity building for their teachers, trainers and programming staff, organizations within the Youth Enterprise, Employment and Livelihoods Development (YEELD) are more effective in achieving their goals and are also able to meet the needs and interest of young people(Making Cents International, 2010). Similarly, the Partner Microcredit Foundation which has its programmes in Bosnia and Herzegovina showed that training not only benefited business through increased profits, investments, innovation and access to credit, but it also lowered default rates(European Microfinance Network, 2012).

However, in as much as the training focus of many micro-lending institutions is enhancing entrepreneurs business skills and knowledge as is evident from existing literature, the importance of enhancing access to markets through infrastructure development should not be underscored. Requirements imposed on SMEs such as having a registered business, a trading license as a precondition for applying for institutional finance is also a challenge facing youth in initiating businesses due to the prohibitive financial costs involved, long processes and long queues at the registry (Okurut and Ama, 2013). In addition, Chigunta (2002) cites some of the problems facing YREs as limited prospects for value addition, and lack of access to information on product and input markets. It is therefore clear that these issues have to be addressed to increase the impact of capacity building among young entrepreneurs.

In realization of the importance of capacity building towards the success of youth entrepreneurs, the YEDF has initiated a number of capacity building programmes as a way of supporting the youth towards sustainability of initiated enterprises. These programmes include training youth on entrepreneurship, organizing national trade fairs for the youth, supporting youth to attend international trade fairs and lobbying for youth to be given leeway in the awarding of tenders (Patrick and Ngoze, 2012). The YEDF therefore not only works towards increasing youth skills and knowledge in entrepreneurship but also focuses on improving the infrastructure to enable business incubation amongst youth. According to Mugenda and Mugenda (2008), conceptual framework is the conceptualization of the relation between variables in the study and show the relationship graphically or diagrammatically. According to the framework above, the independent variables for the study are Entrepreneurial Training, Level of education of youth, Entrepreneurial Experience and Funding requirements while the dependent variable is Effective utilization of enterprise development fund.
Research Methodology

Research Design

The study adopted a cross-sectional design to determine the nature of the present prevailing conditions, practices and attitudes on the administration/application of the youth enterprise fund. The cross-sectional design was adopted due to the nature of the study population which integrates a composite of socio-economic variables ranging from gender through to age, education and socio-cultural variables. Besides and for academic purposes, cross-sectional designs are suitable because they are done within a single time frame (Olsen and George, 2004).

Data was collected using a simple worded questionnaire from a representative sample. This design was preferred because they are very cost effective as they are completed in a short period. They commonly use surveys to collect data and they do not require participants to be assigned to groups. You can also look at a number of variables in the one study. When these studies are based on a sample of the entire population, they enable results to be generalized to the whole group (Care Research, 2012). Additionally, high reliability is easy to obtain by presenting all subjects with a standardized stimulus which ensures that observer subjectivity is greatly eliminated (Mugenda and Mugenda, 2008)

Target Population

Population is the aggregate of all that conforms to a given specification (Mugenda & Mugenda 2008). The definition assumes that the population is not homogeneous. Kisauni constituency had 96 registered youth groups with an average of 10 members. The target population of this study was 960 members of youth development funded projects that were spread out in various locations in Kisauni constituency.

Sample size and sampling procedure

The researcher used two sampling techniques namely; stratified sampling technique and simple random sampling. Stratified technique involves dividing the population into significant strata based on the number of groups located in the two divisions of the constituency. Stratified random sampling technique is chosen for its advantages of focusing on important sub-populations and allows use of different sampling techniques for different sub-populations thereby improving the accuracy of estimation. Within each stratum simple random sampling technique was used in order to allocate the objects an equal opportunity of being sampled. Bryman, (2008) hypothesized that at least 10% of the population is appropriate to be used as a sample of the study. Therefore a sample size of 96 which is 10% of the target population was utilized in this study.
Data collection methods

The research instruments (questionnaires) were structured and self-administered to the respondents. The researcher arranged sessions with all the youth involved in the research and had them fill the questionnaires. The questionnaire had both open and closed ended items for collection of primary data. The preference for a questionnaire for use was based on the fact that respondents were able to complete them without help, anonymously, and it was cheaper and quicker than other methods while reaching out to larger sample (Bryman, 2008; Cohen et al., 2007). A request to answer all questions was made then completed questionnaires were collected immediately.

Data Collection procedure

The researcher personally visited the respondents and explained the purpose of the questionnaire. This was meant to assure the respondents of the confidentiality of their responses. With the help of a trained research assistant, the researcher and the assistant distributed the questionnaires to the respondents. This was done with the help of youth group officials. The respondents were required to respond to them for a period not exceeding one hour. The researcher obtained approval from University department.

Data Presentation and Analysis Techniques

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The researcher used bar charts, percentages and relationships in the presentation of data. The data generated from structured and semi structured questionnaires was recorded, coded, numbered and classified under different variables for easy identification and then summarized in answer summary sheet. Data collected was both quantitative and qualitative. Quantitative data was analyzed by descriptive analysis, while qualitative data was analyzed through content analysis (It is used when one has sets of existing written or visual documentation which require analysis (Carol, G 2007). The descriptive statistical tool SPSS was used. The findings were presented using tables, charts, graphs.

Research Results

Level of Education

Level of education is seen to influence effective utilization of youth enterprise development funds (Ernst and Young, 2011). Boateng’s (2012) report that the higher the level of education, the more the youths are able to manage their businesses hence the more the YEDF is being effectively utilized. The review of various international models of youth enterprise promotion
program has found that the promotion of youth enterprise should involve two basic education related steps. First, it should create awareness and understanding of what enterprise is and what it takes to own and manage a business so that young men and women can consider self-employment realistically as a career option. Then, should a young person decide to explore further, or to start their own business, the second step – the provision of practical support services (e.g. training, advice, access to finance) – can be provided. (Kanyari and Namusonge 2013)

**Entrepreneurial Experience**

Entrepreneurial experience is seen to influence effective utilization of youth enterprise development funds. 70% of people examined responded with a strong agreement that entrepreneurial experience influences effective utilization of YEDF. (Sagwe, Gicharu and Mahea (2011). This implies that the more time the youths are engaged in business, the better their skills hence the more effectively they will utilize the YEDF. Entrepreneurial experience influences the personality of an individual to some extent and previous successful entrepreneurial experiences may, in addition to the obvious positive influences, also have a negative influence on a new firm (Making Cents International, 2009). Previous success may create a success syndrome and lead for example to underestimation of the competition due to excessive self-confidence).

**Funding Requirements**

Funding requirement is seen to influence the effective utilization of youth enterprise development funds. The youths agreed that funding requirements of YEDF by relevant authorities influence the effective utilization of the fund (Kanyari and Namusonge (2013). The respondents indicated that the more the requirements the more the fund is underutilized. Financing is an important input in every business. It allows the smooth running of day-to-day operations, asset acquisitions, expert recruitment, and the development of marketing and distribution channels. This is especially the case for high-tech start-ups that must undergo four development stages to turn ideas into commercial products and become full-blown enterprises: concept formation, amasseding of resources, product development, and business development (Making Cents International, 2009).

The YEDF is a major source of this funding in Kisauni Constituency, Mombasa County. The more complicated the process of acquiring the funds is, the less the youths get motivated to acquire the fund, hence the less effective the development fund becomes. Mugira’s (2012). From the data collected, many youths stated that the process of acquiring the funds is an extremely complex one. From this we can also deduce that since few youths and youth groups are able to meet the requirements hence there is an imbalance in allocation of the funds, leading to ineffective utilization of YEDF in Kisauni Constituency, Mombasa County. Farm Bill Forum Report, (2013)
Capacity Building

Entrepreneurial training is seen to influence effective utilization of youth enterprise development fund. Based on the responses of the respondents, duration of entrepreneurial training has a strong positive relationship with effective utilization of youth enterprise development fund (Sagwe, Gicharu, & Mahea, 2011). This indicates that the quality of entrepreneurial training is highly significant in business initialization and management, which therefore reflects the way YEDF, is being utilized in Kisauni Constituency in Mombasa County, Kenya. Effective youth enterprise program require adequate funding, well-trained and properly supported staff; they must develop a style of operation that is flexible and adaptable, whilst being responsive to the needs of young men and women (European Microfinance Network, 2012). Finally, youth enterprise program should highlight the success of young women and men in business, so that self-employment is seen as a viable career alternative. When delivering their program, the target group should be well defined, and services should respond to the needs, capacities and opportunities facing young men and women (Kanyari and Namusonge, 2013).

Conclusions

In conclusion, the study found out that despite the fact that YEDF could be a preferred source of funding among the youths, accessing it remained a great challenge. Most youth have not been properly informed on how this fund can be accessed. Projects funded by the funds have not been properly managed and hence low repayment rates. The fund has staffing problem and hence lacks proper monitoring and capacity building. The fund has not been able to address gender imbalances and has not made significant impact in society. This study focused on challenges facing Youth Enterprise Development Fund in Kisauni constituency. The study recommends for studies in sister Women Enterprise Development Fund.

The two funds seek to solve capitalization problems of the disadvantaged in society. Poor working young people are creative, persistent and resourceful and they have learned to think like adults on how to sell, ration, budget and manage risk either completely on their own or with families and/or community networks. Despite the fact that these younger entrepreneurs are self-learned, they are sales savvy, quick with complex transactions and hardworking, they cannot access financial services. It should be said that not all children and youth will be entrepreneurial nor may microfinance be appropriate for their needs. (CGAP, Focus notes). However, there are competent and viable young entrepreneurs and businesses that employ young people who are in need of credit to run their enterprises more efficiently – and safely – and are viewed as too risky and unbankable.

In the absence of access to formal sources of credit, the poor of the rural areas continue to be subjected to exploitative terms such as high interest hence feeding the perpetual cycle of indebtedness and poverty. YEDF is coined as the financial service rendered to the deprived
group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income generating activities. The small size of the loan, regular savings, small-scale entrepreneurs, diversified utilization and simple and flexible terms and conditions are the determining characteristics of its definition. With the benefits that have come with the fund among them increased youth employment, the fund still experiences challenges. This study sought to establish the challenges facing YEDF as it thrives to achieve its objectives of financing youth activities in Kenya.

**Recommendations**

Youth employment interventions should increasingly target the enhancement and promotion of the youth entrepreneurial potential. This can be achieved within the framework of the Youth fund (YEDF) and integrated with schemes to promote linkages between youth enterprises with medium and large firms, mentoring programmes, entrepreneurial exchange initiatives, and exhibitions to promote markets and market information.

Equally important is the need to change the attitude and perception of the society and the youth about the informal/jua Kali. The negative attitude and perception about the sector discourages many youth from venturing into it, as they do not want to be viewed as failures in life.

Formulating and reviewing of the education and training policy as well as creating linkages between training institutions and the private sector through research, internship opportunities and finance and encouraging the private sector to get involved in technical education and training. Care should be targeted not to make internship and industrial attachments as avenues of cheap labor. To address the problem of skills mismatch with the labor market, the business community needs to be closely engaged with educational and training institutions. Some aspects of the relationship can include:

- Industrialists sitting in as members of the boards of educational and training institutions so as to provide input into the curricular for students to learn skills needed by the industries;
- School-Industry Link programs that aid students in appreciating the relevance of learned theories.

In the world of work; Teacher placements in businesses/industries during school holiday to facilitate sensitization of teachers on the skills their students need to acquire;

Setting up career advisory services and making this accessible to all job seekers looking for information and guidance. This should be both online and phone in. Courses offered by educational and training institutions in the country and what jobs they can lead to should also be availed.

Through this research conducted on the determinants of effective utilization of youth enterprise development fund, a case study of Kisauni Constituency Mombasa county Kenya. Other researchers should study on how to improve on the effectiveness of the funds.
References


Chigunta, F. (2002). *Youth Entrepreneurship: Meeting the Key Policy Challenges.*


