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ROLE OF FINANCIAL INSTITUTIONS ON PERFOMANCE OF YOUTH OWNED MICRO AND SMALL ENTERPRISES IN KISII COUNTY, KENYA

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ABSTRACT

The purpose of the study was to establish the role of financial institutions on performance of youth owned micro and small enterprises in Kisii County, Kenya. The study sought to be guided by the following specific objectives; To find out how financing influence on performance of youth owned micro and small enterprises in Kisii County, Kenya and To examine how training influence performance of youth owned micro and small enterprises in Kisii County, Kenya. The study was limited to the 4700 registered MSEs which gave insights on the various performance related problems faced by the enterprises in the county. Sample size of 100 micro and small enterprises were chosen and data was collected and analyzed. The design of this research was a descriptive survey research. The study used a structured self-administered questionnaire to collect data from the managers. Secondary data was obtained from published documents. The collected data was analyzed using both quantitative and qualitative data analysis methods. Data from questionnaire was coded and logged in the computer using Statistical Package for Social Science (SPSS). It was notable that there existed a strong positive relationship between the indepedent variables and depedent variable. This implied that these variables were very significant and they therefore need to be considered in any effort to enhance perfomance of youth owned MSEs in the study area. From the study findings, the study concluded that performance of youth owned MSEs in Kenya was affected by financing and training. The current study should therefore be expanded in future in order to determine the other factors hindering performance of youth owned MSEs in Kenya. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other countries in order to establish whether the explored factors can be generalized to performance of youth owned MSEs in Kenya.

Key Words: *Financing, Training, Performance of Youth Owned Micro Enterprises*

INTRODUCTION

Micro and Small Scale Enterprises drive national macroeconomic objective in terms of employment creation and enhancement of apprenticeship training. They are generally thought to play a crucial role in driving economic growth in both developing and developed countries (Ahmad, 2009). There is a high correlation between the degree of poverty, hunger, unemployment, economic wellbeing/standard of living of the citizens of countries and the degree of vibrancy of the respective country's MSEs. Micro and Small Enterprises have been defined differently by various authors. Munoz (2010) defines a micro-enterprise as a type of small business, often registered, having ten or fewer employees and requiring seed capital of not more than $35,000.

Despite the growing number of newly established youth owned MSEs, their performance is constrained, especially in rural areas, because of their limited resource base and lack of institutional capacity to provide a wide range of financial services (GoK, 2004,.). Financial institutions support outreach to the MSEs is predominantly through group -based programmes, which have limited absorptive capacity for financial resources. Although commercial banks have a stronger resource base and wider outreach, they lack expertise lending to the MSE sector. The focus of most FI lending is informal economy MSEs ("Jua Kali'), often women who are conducting trade in small goods or providing services (GOK, 2014). Youth MSE performance as regard vertical growth studies indicate that many MSE do not generally perform as would be expected. They tend to remain within their original size categories (Kibas, 1995 and King, 1996).

The MSE sector in Kenya has faced several constrains to growth and development; one being financial dues to limited access to credit facilities. A number of FI come to the rescue of youth MSE in access to credit (GoK, 2015). It was estimated that this MSE sector constitute 98% of all business in the country absorbing over 50% of all new non-farm employment seekers, contributing up to 30% of total employment and 3% of GDP (KIPPRA, 2012). The growth of Kenya Micro and small enterprises (MSEs) into Small business enterprises (SMEs) into big companies, with a turnover of one billion, is as low –if not a disheartening statistics. Looking at KPMG annual SMEs survey (top 100SMEs) carried in 2016,only four companies "graduated" from SMEs class in 2015 survey by reaching one billion mark; this represent four percent. Yet, the youth MSEs (Jua kali) are biggest employer in the country, accounting for 10 million and 8.3 million of this number are in the informal sector –Jua Kali .It also continues to employ more each year–at an average rate of about two percent .However Kenya government is slow to recognize this . However, the policy that would be seen as incentive to help grow youth MSEs (informal) to SMEs (formal) and then big companies is slowing coming (ICPAK, 2016).

FI outreach is predominantly through group-based programmes, which have limited absorptive capacity for financial resources. The focus of most MF lending is informal economy MSEs ("Jua Kali'), often women who are conducting trade in small goods or providing services (GOK, 2014). Despite the significant role played by the MSE, it has contributed to experience many binding constraints that have inhibited it full potential these include poor access to market, financial services and unfavorable policy (Jagongo, 2009).The MSE face biggest constraints in accessing market, energy, transport, security, legal services and not least to investment finance. The biggest headache of all is still the lack or limited access of much needed credit to start or grow their businesses despite having created funds worth billion provided by Kenyan Government through Youth and women funds. The small business community feels that the bank and microfinance institutions that are meant to disburse Government funds are charging high interest rates between 15 to20 percent. Other have gone even further and asked for collateral in order to qualify for bank loan. Nevertheless, not working with these financial institutions will mean a high default rate, which rocked youth enterprise fund. As of last 12 month of 2009 the portfolio of nonperforming loans according director youth Enterprise Funds, stands 40 percent and is about eight percent of 738bilions of the commercial loans defaulters (ICPAK, 2015).

Specific cases studies have showed that 50% and 60% modern MSE in Asia and Latin America grew from low entrepreneur (Kibas, 1995). Gudda, 2003 cited that few enterprises grew naturally from micro to small and medium in Nigeria only 43.7% and medium grew out of MSE. The situation was found to be worst in Rwanda 10.75%, Botswana 20.7%. However, empirical studies in East Africa are scanty, low rate of growth MSE as result of micro finance services, in additional similarly several studies in Kenya has indicated same (Mwaniki, 2006). In India, the Micro and Small Enterprises (MSEs) sector played a pivotal role in the overall industrial economy of the country. It was estimated that in terms of value, the sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country (Graham, 2000).

Micro and small enterprises (MSE) known as *Jua Kali* are the biggest employer in Kenya and accounts for 10 million and 8.3 million of this number are in the informal sector. It also continues to employ more each year–at an average rate of about two percent (ICPAK, 2010).This research report present specific insights on the contribution of microfinance service to the growth of MSEs in developing countries. MSEs represent over 90% of private business and contribute to more than 50% of employment and of GDP in most African countries (UNIDO, 2010).MSEs in Ghana have been noted to provide about 85% of manufacturing employment of Ghana. They are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana. In the Republic of South Africa, it is estimated that 91% of the formal business entities are MSEs. They also contribute between 52 to 57% to GDP and provide about 61% to employment. Notwithstanding the recognition of the important roles MSEs play in these countries, their development is largely constrained by a number of factors, such as lack of access to appropriate technology; limited access to international markets, the existence of laws, regulations and rules that impede the development of the sector; weak institutional capacity, lack of management skills and training, and most importantly finance (Abor & Quartey, 2010).

Financial institutions offer financial intermediation services (savings, credit, funds transfer, insurance, pension remittances amount others) to the youth MSEs (Rosengard, 2010). The financial institutions have played major role in the development of MSEs as an industry was 'discovered' as a development instrument in the late eighties because some NGOs development workers had found that something essential was missing in the services the government. From numerous impact evaluations made as well as direct observations of practitioners, and it is clear that access to financial services is necessary, but not sufficient conditions for growth of MSEs (Hospe *et. al*, 2012). The Government of Kenya (GoK) has indirectly provided a boost to the finance sector. Various institution provide variety of service to support MSE sector these include finance (credit), handicraft, training and technology expert support institutional support and advisory support (GoK, 2015). According to session paper NO.1 2015, the government had recognized that access to credit and finance service is key to growth and development in any enterprise and more so to MSE. In this regard government plan to promote development of financial services by providing incentive to attract saving and investment and development of venture capital (Jagongo,2009). There are a variety of financial services provided to the MSE these include loans, savings cash transfers, insurance. The key principle for financial service delivery by FI to MSE are: customers who can save, are able and willing to pay price for goods and services and who honor obligation and repay loans(Cull, Davis & Rosenthal, 2014).

The impact of MSEs has been significant especially in job creation. An economic survey carried out in 2016 showed that the MSEs were responsible for 89.9% of new jobs created which are approximately 426.9 out of 474.5 jobs (Republic of Kenya, 2016). In 2016 the MSEs accounted for Ksh. 806, 170 million of the country's GDP which is approximately 59% of the total GDP. The rate of employment and job creation in this sector rose by 5.1% in the year 2011 owing to the increase in the number of registered SMEs from 437,300 to 445, 900. A further analysis showed that Kisii County achieved a 5.4% increase in the number of MSEs (Republic of Kenya, 2016). Kisii County is made up of nine sub-counties. These include South Mugirango, Bonchari, Nyaribari Chache, Kitutu Chache North, Nyaribari Masaba, Bomachoge Chache, Bobasi, Kitutu Chache South and Bomachoge Borabu Sub-Counties are the decentralized units through which Kisii county and national governments of Kenya provides functions and services. They are the former districts existing as of 2013 and they are headed by a Deputy Commissioner. According to Kenya Economic Report, Kisii County has over 470 registered MSEs (Kisii County Government, 2016) which will be used for this study.

Statement of the Problem

In Kenya today, businesses employing between 1 to 99 people account for about 48 percent of all businesses; with a majority of these being managed or owned by the young people (25-34 years) (GoK, 2014) Three out of five of these youth businesses fail within the first three years of operation and those that continue 80 percent fail before the fifth year (Karime, 2013). This failure of youth enterprises performance is marked by poor return and bankruptcy proceedings (Kingori, 2012), having noted how important the contribution of MSEs sector is in Kenya; despite their poor performance. Leadership must be increased to effectively respond to the challenges of creating productive and sustainable employment opportunities in the country amongst the youths (GoK, 2016). Although generally in Kenya there has been an increase in the promotion of youths owned enterprises, not much has been achieved. These promotions have been through the affirmative action like establishment of Youth Enterprise Development Fund (YEDF) in 2013. The budget of 2015/2016 set an ambitious youth and women empowerment programme (Uwezo Fund) by allocating 6 billion as revolving fund to be loaned to the youths, the presidential directive of thirty (30) percent access to government procurement opportunities to youth, women (GoK, 2016).

Despite these initiatives, it is revealed that the established enterprises have a very low survival rate, with serious challenges leading to 60 percent failures in performance within the first three years of operation (Rogito, 2016). This poor performance has hampered their ability to contribute to the growth of Kenya's GDP as required. It also makes them unable to compete with other larger businesses including multinational corporations, or take full advantage of the economy and access the global markets for profitability and sustainability (Odhiambo, 2016). While YEDF shows high small youth business birth-rates, the youth business failure or stagnation is equally high (GoK, 2014). Despite many studies having been done in the past on youth unemployment(Odhiambo, 2013), the obstacles to youth owned Small and Medium Enterprises development in Kisii County as a major strategy to reduce youth unemployment have also not been adequately identified and, hence the research gap this study aims to address. This presents a gap for research to establish the role of financial institutions can play to eliminate behind such a lackluster performance of youth owned MSEs with specific reference to Kisii County.

Objectives of the Study

The purpose of this study is to establish the role of financial institutions on performance of youth owned micro and small enterprises in Kisii County, Kenya. The specific objectives were:

- To find out how financing services influence on performance of youth owned micro and small enterprises in Kisii County, Kenya
- To examine how training services influence performance of youth owned micro and small enterprises in Kisii County, Kenya

LITERATURE REVIEW

Theoretical Review

Financial Literacy Theory

Financial literacy theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of two thinking styles according to dual-process theories: intuition and cognition. Dual-process theories embrace the idea that decisions can be driven by both intuitive and cognitive process. Dual process theories have been applied to several fields, including reasoning and social cognition (Evans 2008). Financial literacy covers the combination of investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (Atkinson &Messy, 2005).

Financial literacy empowers investors by educating them to acquire relevant knowledge and skills in financial management. Financial knowledge helps to overcome most difficulties in advanced credit markets. Financial literacy allows the investors to encounter difficult financial times, through strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance. More importantly, financial literacy enhances decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. Financial literacy leads to more effective use of financial products and services, greater control of one's financial future and reduced vulnerability to overzealous retailers (Atieno, 2009).

Financially literate investors are able to create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively. Investors are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, so as to make optimal decisions (Miller *et al* 2009). Greenspan (2012) argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility.

Cognitive Theory

The cognitive theory is based on the fact that learning is built on existing knowledge. This type of learning leads to understanding of a subject matter and goes beyond simple cramming of the word (Cole, 2011). It helps the learner to internalize the knowledge and apply in the real life. The learning is said to occur when the trainees construct their meanings and apply the knowledge and that is when training actually occurs (CIPD, 2006). According to Armstrong (2012), training is defined as the planning and systematic modification of behavior which enables an individual gain skills, knowledge and attitudes which add value to the organization.

According to Illeris (2008), learning is a complicated process which leads to permanent change in living organisms and must be discussed, analyzed, programmed while considering external and internal conditions for it to be reliable as well as adequate. The cognitive theory focuses on mental a process which covers perceiving, remembering, reasoning and at every stage of development new perspectives are gained on such areas such as morality and languages (Singer & Revenson, 1997).

This theory will help the current research study to understand how training needs in the MSEs are assessed. The study also helped the current study to find out how skill and knowledge learned during trainings are retained to build over the knowledge, skills and attitude gained over previous trainings.

Conceptual Framework

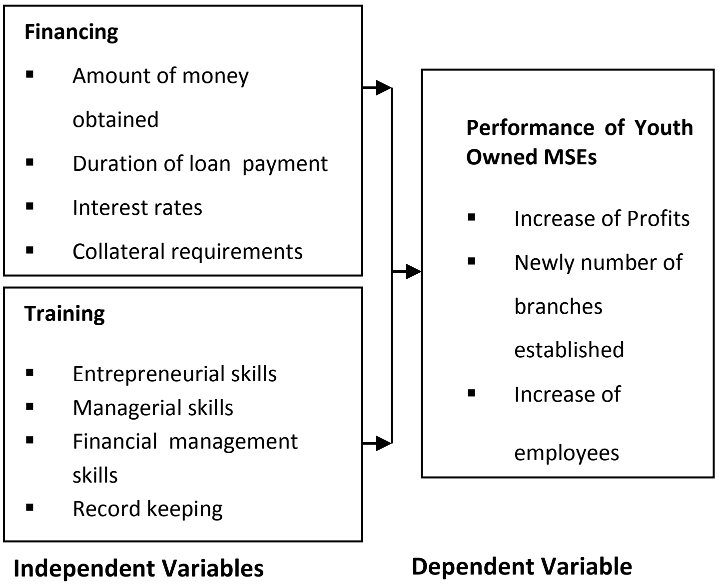

Figure 1: Conceptual Framework

Financing Services

Most MSEs are likely to have less access to financial capital from inheritances or more typically from capital accumulated in house ownership or from personal savings. Due to their limited savings, entrepreneurs face notably greater challenges to obtain credit resulting in them missing business opportunities. It is important therefore that MSEs need to be aware of the full range of finance options available in Kenya and how to access them; and identify suppliers of finance to meet the identified needs (Chelule & Ngugi, 2015).

Youth entrepreneurs face a lot of challenges in accessing finances to inject in their business both as startup, seed capital and finance expansion of the businesses. This is because of many factors which make their businesses less attractive in terms of lending. Due to the lack of self-sustaining resources, the absence of a substantive credit history, sufficient collateral or guarantees to secure loans or lines of credit, young people are often seen as particularly risky investments and therefore face difficulties in accessing finance (Rogito, 2012).

Young entrepreneurs often have difficulties in meeting strict credit scoring criteria as banks often deal arbitrarily with terms and conditions. There is a lack of binding rules and clear general terms ensuring the transparency of rating procedures and credit scoring systems for young entrepreneurs (Kingori, 2012). They are easily put off by the documentation procedures and information required by many commercial lenders of credit. Particularly funds requiring less or no collaterals but that charge very high interest rates and fees often have more complex documentation procedures. Entrepreneurs are often not aware of all available types of finance, funding forms and special support programmes. They often do not understand the concept, the benefits, the possibilities and the drawbacks of the numerous forms of debt and equity financing (Karime, 2013).

Training Services

Many MSEs owners or managers lack managerial training and experience. The typical owner or managers of small businesses develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill, 2014). Although this attitude is the key strength at the start-up stage of the enterprise because it provides the creativity needed, it may present problems when complex decisions have to be made. A consequence of poor managerial ability is that MSEs owners are ill prepared to face changes in the business environment and to plan appropriate changes in technology.

Cant and Lightelm (2003) in a survey of small business failure maintain that entrepreneurs often have good ideas and are competent but they do not have a clue on how to run a business and have no underlying appreciation of business fundamentals. Professional experience has been cited as an important factor affecting many aspects of entrepreneurial firms. Experience takes many guises and breadth of experience is shown to be an important factor driving the performance of firms, with the number of previous jobs positively related to new firm performance (Lumpkin & Marvel 2007). Thapa (2007) found a positive association between education and small business success. The likelihood of failure was also found to be associated with the owner/manager's work experience prior to business launch and education. Human capital is the most critical agent of SME performance. The recruitment of academically qualified employees is a necessary start for sustainable human capital development in all organizations. Human capacity has become a critical index of competition in the world of business to the extent that the development of such capacities through training has become top priority in designing the strategic plan of business organizations (Tim & Brinkerhoff, 2008).

Education and skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. Studies suggest that those with more education and training are more likely to be successful in the SME sector (King & McGrath, 2002). As such, for small businesses to do well in Kenya, people need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained college level education (Wanjohi & Mugure, 2008).

Performance of MSEs

Financial institutions offer both financial and to enhance performance of MSEs in Kenya(Muiruri, 2014).Non-financial services includes all the of additional capacity building services to MSEs, social and economic services, management and vocational skills training, consultancy and advisory services, marketing assistance, information, technological development and transfer and business linkage promotion (ILO, 2004). They also include other non-business services such as literacy training and in innumeracy training, nutrition and self esteem classes, public health, civic education and support for people with HIV/AIDS.

All enterprise regardless of their size operate in a large economic system where liberalization is expected to open up market, increase business opportunities and increase competition between firms and alternative supply networks (Cook & Nixson, 2005). Non financial services can be provided by commercial, profit agencies, or by institutions that are not-for-private-profit organizations. Those services provide on a commercial basic include the services made available by private consultants and consulting firms, as well as those provided under contract in the context of commercial transactions with suppliers, contract or firms offering specialized services. The fees applied in these cases cover the full cost of the services. Making profits is the main motivation of these services providers these services are demand-driven and client satisfaction plays an important role in the growth of these services providers (UNDP, 2009).

Empirical Review

Financing Services

Muiruri (2014) sought to investigate the role of microfinance institutions on growth of micro and small enterprise (MSE) in Thika Municipality, Kenya. In order to achieve the study objective, a cross-sectional survey was carried that analyzed both secondary and primary data. Through random sampling technique, two hundred and eighty five MSEs and sixteen MFIs were selected. This included MSEs Owners and MFI managers, it represents 25.8 percent of the total MSE Owners as of 2009 Thika Municipal record was considered representative and reliable for generalization. Data collection was done using questionnaires and interview schedules to the different respondents. The findings were presented using both tabular and graphical presentation. Statistics in the study demonstrate that MFIs offer services to customers (MSEs) had contributed growth which has been rapid over the years. It was established that 76.9 percent business was initiated with capital less than ten thousand Kenyan shillings. This low seed capital explains why MSEs have stagnant growth. Finally the businesses that received MFI services reported growth in sale, revenue and number of employees employed. The study recommended that government should set policy regarded essential in improving loan repayment period and loan amount.

Training Services

Kamunge, Njru & Tirimba (2014) sought to establish the factors affecting the performance of small and micro enterprises (SMEs) traders at Limuru town market in Kiambu County, Kenya. The study employed a descriptive research design to achieve the objectives. The target population under study was the 965 licensed SMEs by Limuru sub-county operating in Limuru Market in 2014. The study used a questionnaire to collect the required data from a sample of 274 SMEs. The study concluded that lack of training which enhances availability of management experience are the key socio-economic factors affecting the performance of businesses in Limuru Town Market.. The study recommended that the government should start offering basic business and financial management skills as this will enable entrepreneurs to make informed investment decisions as well as enhance their entrepreneurial skills that enable them to recognize and exploit the available business opportunities.

RESEARCH METHODOLOGY

The study adopted a descriptive survey design. In this study the population was 4700 MSEs in Kisii County that were registered and licensed by Kisii County Government (2017). The study used a questionnaire and an interview schedule to collect primary data. The study gathered both quantitative and qualitative data which was coded and analysed using Statistical Package for Social Sciences (SPSS) computer software. SPSS software was used because of its ability to appropriately create graphical presentations of questions, data for reporting, presentation and publishing.

RESEARCH FINDINGS AND DISCUSSION

The target sample was 100 owner/ senior managers out of which 71 responses were received accounting for 71% response rate. The gender of the respondents was sought. The study found that majority (60%) of the respondents was male while the rest (40%) were female. The length of continuous service in the business was sought to ensure collection of credible data. Majority (50.00%) of the respondents from the business had worked with the business for 2 to 4 years. 8.00% of the respondents had worked for less than 2 years while 30.00% had worked for 5 to 7 years. There was 12.00% of the respondents who had worked for up to over 7 years. The study also sought to find the level of education of the respondents from the organizations. Majority (80.00%) of the respondents from the firms had at least obtained a secondary certificate, 1.00% were postgraduate holders and 19.00% of the business had diploma holders responding to the questionnaires. This was highly expected considering that the respondents selected to respond were at senior management level where skills, knowledge and competencies is supposed be high.

Financing Services

This section presented findings to survey questions asked with a view to establish the influence of financing on performance of youth owned MSEs in Kenya. Responses were given on a five-point likert scale (where 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1= Strongly Disagree). The scores of 'strongly disagree' and 'disagree' have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' has been taken to represent a statement agreed upon moderately, equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' have been taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. Table 1 presents the findings.

As indicated by high levels of agreement in Table 1, a majority of respondents were neutral that affirm that the business met all the collateral requirement to access the finances from the commercial banks for the establishment of new branches (3.333); the interest rates from the commercial banks had affected opening of the business new branches (3.111); the loan repayment period from the commercial banks affects the annual increase of the profits in the business (3.209); the access to loan as startup capital is a barrier to the establishment of the new branches of the business (3.287); lack of information about alternative sources of finance and inability of the business to evaluate financing from the commercial banks option affects establishment of new branches (3.865); The collateral requirements from the commercial banks limit the business to obtain credit results in missing business opportunities to increase annual profits (3.763).

The study findings corroborated with literature review which states that young entrepreneurs often have difficulties in meeting strict credit scoring criteria as banks often deal arbitrarily with terms and conditions. There is a lack of binding rules and clear general terms ensuring the transparency of rating procedures and credit scoring systems for young entrepreneurs (Kingori, 2012). They are easily put off by the documentation procedures and information required by many commercial lenders of credit. Particularly funds requiring less or no collaterals but that charge very high interest rates and fees often have more complex documentation procedures. Entrepreneurs are often not aware of all available types of finance, funding forms and special support programmes. They often do not understand the concept, the benefits, the possibilities and the drawbacks of the numerous forms of debt and equity financing (Karime, 2013).

Table 1: Influence of Financing on Performance of Youth Owned MSEs

Statement	Mean	Std
The business meets all the collateral requirement to access the finances from the commercial banks for the establishment of new branches	3.333	.980
The interest rates from the commercial banks has affected opening of the business new branches	3.111	.321
The loan repayment period from the commercial banks affects the annual increase of the profits in the business	3.209	.567

The access to loan as start up capital is a barrier to the establishment of the new branches of the business	3.287	.903
Lack of information about alternative sources of finance and inability of the business to evaluate financing from the commercial banks option affects establishment of new branches	3.865	.219
The collateral requirements from the commercial banks limit the business to obtain credit results in missing business opportunities to increase annual profits	3.763	.093

Training Services

This section presented findings to survey questions asked with a view to establish the influence of training on performance of youth owned MSEs in Kenya. Responses were given on a five-point likert scale (where 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1= Strongly Disagree). The scores of 'strongly disagree' and 'disagree' have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' has been taken to represent a statement agreed upon moderately, equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' have been taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. Table 2 presents the findings.

As indicated by high levels of agreement in Table 2, a majority of respondents were neutral that the banks help to develop a business plan since they operate on a trial and error basis to expansion, increase of profits, establishment on new branches and addition of new employees (2.876); The banks help business make adequate decision making and have risk taking and motivation skills to expansion, increase of profits, establishment on new branches and addition of new employees (3654); The micro finance institutions help ther staff to have adequate financial management skills to expansion, increase of profits, establishment on new branches and addition of new employees (2.432); The banks help business to keep records which help in decision making on expansion, increase of profits, establishment on new branches and addition of new employees (2.456); The organization get adequate leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches (2.225); The organization get adequate leadership skills in planning, organizing, leading and controlling enterprise resources to increase annual profits (2.267). The business employees get adequate communication skills to gain the competitive advantage based on clear understanding of our customer needs to increase annual profits (2.654).The study findings are in line with the findings by Thapa (2007) found a positive association between education and small business success. The likelihood of failure was also found to be associated with the owner/manager's work experience prior to business launch and education. Human capital is the most critical agent of SME performance. The recruitment of academically qualified employees is a necessary start for sustainable human capital development in all organizations. Human capacity has become a critical index of competition in the world of business to the extent that the development of such capacities through training has become top priority in designing the strategic plan of business organizations (Tim & Brinkerhoff, 2008). Education and skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. Studies suggest that those with more education and training are more likely to be successful in the SME sector (King & McGrath, 2002). As such, for small businesses to do well in Kenya, people need to be well informed in terms of skills and management.

Table 2: Influence of Training on Performance of Youth Owned MSEs

Statement	Mean	Std
The banks help to develop a business plan since we operate on a trial and error basis to expansion, increase of profits, establishment on new branches and addition of new employees	2.876	.008
The banks help business make adequate decision making and have risk taking and motivation skills to expansion, increase of profits, establishment on new branches and addition of new employees	2.654	.219
The micro finance institutions help our staff to have adequate financial management skills to expansion, increase of profits, establishment on new branches and addition of new employees	2.432	.346
The banks help business to keep records which help in decision making on expansion, increase of profits, establishment on new branches and addition of new employees	2.456	.761
The organization get adequate leadership skills to enhance achieving enterprise objectives through the banks and resources to establish new branches	2.225	.442
The organization get adequate leadership skills in planning, organizing, leading and controlling enterprise resources to increase annual profits	2.267	.690
The business employees get adequate communication skills to gain the competitive advantage based on clear understanding of our customer needs to increase annual profits	2.654	.203
The organization staff get trained on how to meet customer needs as the main objective to enable establishment of new branches	2.332	.903

Performance of Youth Owned MSEs

The respondents were kindly requested to indicate the number of newly established branches of the organizations in the last years and as illustrated in Figure 3, the study established that majority of the respondents (90%) indicated no new branch was opened, 4% of the respondents posited between 2 to 5 new branches of the enterprises were established, 3% posited 6 to 10 new branches and 2% of the respondents stated 11 to 15 new branches established and 1% stated that over 15 new branches have been established in the last one year. This can implied that majority of the youth owned MSEs could not open even a single branch thus they were performing poorly in the last one year.

The research sought from the respondents to indicate the profitability of their enterprises in the last one year. From the study findings, 85% of the respondents stated 0.1 to 0.5M 5% of the respondents indicated 0.6M to 1.0M and 10% of the respondents stated above 1.0M. This infers that there was decrease on the amount of profits in many of the business in the study area. This implied that majority of the enterprises were not likely to be sustainable in future since they were not rising in terms profit making.

The respondents were kindly requested to indicate the number of new employees added in their enterprises in the last one year, the study established that majority of the respondents (60%) indicated one employee, 30% stated between 2 to 5 new employees were added in the enterprises, 4% of the respondents posited between 6 to 10 new employees, 4% posited 11 to 15 new employees and 2% of the respondents stated over 10 new employees have been recruited in the established enterprises in the last one year. This can implied that majority of the youth owned MSEs could not hire more employees since they were not performing well.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

From the results, majority of the respondents were neutral that the business meets the entire collateral requirement to access the finances from the commercial banks for the establishment of new branches. The interest rates from the commercial banks has affected opening of the business new branches. The loan repayment period from the commercial banks affects the annual increase of the profits in the business. The access to loan as startup capital is a barrier to the establishment of the new branches of the business. Lack of information about alternative sources of finance and inability of the business to evaluate financing from the commercial banks option affects establishment of new branches. The collateral requirements from the commercial banks limit the business to obtain credit results in missing business opportunities to increase annual profits.

From the results, majority of the respondents were neutral that that the banks help to develop a business plan since they operate on a trial and error basis to expansion, increase of profits, establishment on new branches and addition of new employees. The banks help business make adequate decision making and have risk taking and motivation skills to expansion, increase of profits, establishment on new branches and addition of new employees. The micro finance institutions help their staff to have adequate financial management skills to expansion, increase of profits, establishment on new branches and addition of new employees. The banks help business to keep records which help in decision making on expansion, increase of profits, establishment on new branches and addition of new employees. The organization gets adequate leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches. The organization gets adequate leadership skills in planning, organizing, leading and controlling enterprise resources to increase annual profits. The business employees get adequate communication skills to gain the competitive advantage based on clear understanding of our customer needs to increase annual profits. The organization staff gets trained on how to meet customer needs as the main objective to enable establishment of new branches.

The study sought to find out the performance of youth owned MSEs in Kenya, attributed to the influence of financing and training services. The increase of new established branches, increase of annual profits, diversification of markets and number of new employees added recorded low achievements in the in the study area. From inferential statistics, a positive correlation is seen between each determinant variables and performance of youth owned MSEs. All the independent variables were found to have a statistically significant association with the dependent variable at ninety-five level of confidence.

Conclusions of the Study

From the study findings, the study concluded that performance of youth owned MSEs in Kenya was affected by financing and training services as the major factors that mostly affect performance of youth owned MSEs in Kenya. The study concluded that financing was the first most important factor that affected performance of youth owned MSEs in Kenya. The regression coefficients of the study showed that financing had a significant influence on performance of youth owned MSEs in Kenya. This shows that financing has a positive influence on performance of youth owned MSEs in Kenya.

The study concluded that training was the second most important factor that affected performance of youth owned MSEs in Kenya. The regression coefficients of the study showed that training had a significant influence on performance of youth owned MSEs in Kenya. This shows that training has a positive influence on performance of youth owned MSEs in Kenya.

Recommendations of the Study

The study recommended for the MSEs interest rates from the commercial banks should be friendly and loan repayment period be well adjusted for their survival. The access to loan as startup capital and information about alternative sources of finance should be explored to boost the performance of the youth owned MSEs in the study area credit results in missing business opportunities to increase annual profits.

The study also recommended for the commercial banks to help the MSES to develop a business plan since they operate on a trial and error basis. The micro finance institutions can help their staff to have adequate financial management skills to train the business owners on keep records which help in decision making.The businesses should get adequate leadership skills to enhance achieving enterprise objectives through people and resources especially in planning, organizing, leading and controlling enterprise resources and how to meet customer needs as the main objective of the enterprises.

Areas for Further Research

The study contributed the body of knowledge by examining the role of financial institutions on performance of youth owned MSEs in Kenya. The performance of youth owned MSEs is greatly affected by financing and training. The study contributed to the existing literature in the field of entrepreneurship by elaborating exiting theories, models and empirical studies on performance of youth owned MSEs in Kenya. The current study should therefore be expanded in future in order to determine the other factors hindering performance of youth owned MSEs in Kenya. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other countries in order to establish whether the explored factors can be generalized to performance of youth owned MSEs in Kenya.

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