

Influence of Government Facilitation on Youth Entrepreneurial Activity in Cherangani Constituency, Trans Nzoia County-Kenya

Dr. Sangurah Ramari¹, Mukhebi Robbert²

¹Lecture Entrepreneurship Development and Policy, School of Business & Entrepreneurship

²Department of Management Science & Entrepreneurship, Bomet University College-Kenya

DOI: <https://dx.doi.org/10.47772/IJRISS.2023.701095>

Received: 23 September 2023; Revised: 03 October 2023; Accepted: 08 October 2023;

Published: 08 November 2023

ABSTRACT

There has been a lot of emphasis on public policy interest on youth entrepreneurship Kenya since early 2000 to date. The purpose has been to promote youths to job creators and inclusion to the main economic mainstream. This study analyzed the relationship between the youth-target policy's promotional efforts and MSE start-up rates. The study design was a Cross-sectional Survey, guided by Motivational Theory. Using multi-stage sampling, 175 youth entrepreneurs participated in the study. Data was analyzed through inferential methods of correlation coefficient and coefficient of determination. The results revealed there being direct and indirect relationships. For example, the coefficient for the first hypothesis (**H01**); $R^2 = .2374$, $p = .025$ meant that 24% change in the rate of new start-ups initiated was attributed to promotional efforts, and the coefficient of determination for the second hypothesis (**H02**); $k^2 = .0766$, 95% *BCa CI* (.0007, .0633) and $b = .001$, $z = .7134$, $p = .4756$; meant that 8% change in the rate of new start-ups initiated was due to the mediation of promotional efforts between the youths' motives and their rate of starting new MSEs.

Key Words: Venture start-ups, youth-target policy, promotional programs, cross-sectional survey

INTRODUCTION

The youth constitute a significant and important demography of the world population. In Africa, almost 60% of the population is under the age of 25. This demography born in the "knowledge society", that has brought about several tools and technologies can be strategically harnessed to provide alternative solutions to our developmental challenge (U N Department of Economic and Social Affairs, 2021). For innovation to thrive, it requires actors in the innovation ecosystem play their respective roles.

Wairumu & Kamau (2021; *Youth inclusion in socio-economic programs: Potential for fostering social cohesion and violence prevention in East and southern Africa*) note that Kenya faces a significant unemployment problem, with youth being hit hardest, and turning them into destructive, instead of positive change agents. Political violence by idle youths remains an issue of concern in Kenya. The worst outbreak of political violence was experienced in 2007/2008 following a disputed presidential election. It resulted in the death of more than 1,333 people, nearly 600,000 people displaced, and economic losses valued at more than KES 300 billion.

The high unemployment is related to the overall investment climate in the country and the economy's low capacity to create new jobs. The youth find it particularly difficult to enter the labor market due to deficits in education and skills, lack of work experience, difficulties to obtain information about career options and job chances, irrational recruitment practices by employers, and the lack of necessary assets and attitudes to become self-employed. This study sought to assess if government efforts have influenced youth entrepreneurial activity or not.

LITERATURE REVIEW

The young people are regarded as an abundant resource in Africa (Garcia & Fares, 2008 in Katrine 2010: 1). Sadly, statistics indicate that youths in Africa comprise as much as 40-65 % of the unemployed (Katrine 2010). At age fifteen in Kenya for example, practically no one works in a formal job, 15 percent work in informal/traditional activities, about 7 percent are unemployed (UNDP 2013: 17 & Sessional Paper on Youth Enterprise Development Board, 2010: 6), 10 percent are home-makers or are inactive, and the majority attend school on a full-time basis (70 percent) (UNDP 2013: 17). By age twenty, those in school drop to about 35 percent, and at 25 years to 7 percent. During the first five (5) years of working age, the majority of youth attend school, and the largest number of those who do not attend school either work in informal activities or searching for jobs (UNDP 2013: 17).

From a development perspective, entrepreneurship and the MSE sector are viewed as alternatives to formal employment. Governments the world over, promote the sector as the base for inclusive economic development for sustainability. In Kenya for instance, the Micro and Small Enterprise Authority (MSEA) is a state corporation established under the Micro and Small Enterprise Act No. 55 of 2012. The Act mandates the Authority to formulate and coordinate policies that facilitate the integration and harmonization of various public and private sector initiatives, for the promotion, development and regulation of the Micro and Small Enterprises to become key industries in future (Kiarie 2021).

The government of Kenya acknowledges that the MSME sector employed 15 million Kenyans and contributed 29 per cent of GDP in the 2017-2018 financial year (ROK 2022, FKE 2021). In its Vision 2030 Third Medium Term Plan of 2018-2022 therefore, the government planned measures to support this Sector by improving the enabling environment including implementation of the National Credit Guarantee Scheme to facilitate access to affordable credit. The MSMEs would also be supported through development of skills and explicit linkages to domestic and external opportunities.

Much development aid and government efforts have therefore been focused on unleashing youth and other vulnerable groups' potential through entrepreneurship. It is believed youth entrepreneurship will lead to private sector-led growth and improve the competitiveness of economies, especially in Africa (The African Commission, 2009 in Katrine 2010: 1).

The researcher in this study therefore examined youth entrepreneurs' profile- characteristics, motivations, attitudes and barriers to entrepreneurship, mainly focusing on personal characteristics that form the human capital. She sought to answer the research question "*which entrepreneur succeeds under which policy environment?*" The target policy was mediated between entrepreneur profile and entrepreneurial activity. More specifically, this research sought ; *To analyze the influence of promotional efforts on the rate of MSE start-up rates among youth entrepreneurs in Cherangani;* and *To evaluate mediation influence of promotional efforts between entrepreneur's profile and the MSE start-up rates.* The study therefore attempted to sensitize policy makers on the unique needs of youth entrepreneurs.

Entrepreneurial opportunities which drive growth are not created by external intervention, but arise from markets and entrepreneurial capabilities. We therefore need to facilitate vulnerable groups like youths to take advantage of these opportunities (UNIDO 2003: 12) to use private initiative to transform business concepts into new ventures or grow existing ones (Bwisa & Ongach 2013). The government should view youth entrepreneurship as the engine for faster economic growth.

For Kenya to achieve the Vision 2030 goal; "equity and poverty elimination", the weapon is to increase entrepreneurial opportunities all around the majority, most energetic, dynamic and yet vulnerable youths. We need increased participation in economic, social and political decision making processes by youths, as

well as their access to entrepreneurial opportunities, education, and justice (Bwisa & Ongach 2013).

Most youths however operate self-employment/ microenterprises that exhibit some common characteristics (UNDP 2013:25 citing Eversole 2004; Larson and Shaw 2001; Lee, 2008; and Tambunan 2010): Owner-managed, with family assistance; found in the informal sector, therefore no statistical record available; often constrained by capital shortages; lower market entry barriers; largely located in rural areas as agriculture-related businesses; high rates of start-ups and business termination; and operated under flexible arrangements and locations matching market trends and customer requirements.

Recognizing that youth entrepreneurship support initiatives have to be adapted to their specific needs, past researches have disaggregated youth entrepreneurs into three types on their motivation for entering into entrepreneurial activity. Necessity entrepreneurs have few or no other income generation or employment opportunities, and thus become entrepreneurs to sustain their livelihood by necessity rather than choice; Opportunity entrepreneurs pursue a perceived market opportunity and choose to start their own business, despite having the option of generating an income through employment elsewhere at the time of starting a business; and Growth oriented entrepreneurs have a relatively higher job creation potential, which is also an indication of greater international market reach and a higher degree of innovation in products and services they offer (Overseas Development Institute 2011: 6).

To empower youths for sustainable development therefore, governments need to develop an entrepreneurial culture to create opportunity entrepreneurs that are also growth oriented in society where all factors seem skewed against them. This study therefore hypothesizes that it is in this respect that the Kenya government came up with youth specific target programs. Numerous interventions have been put in place, emphasizing a culture and environment favorable to youth entrepreneurship. However, little positive impact of these interventions has been observed, hence the need for this study.

This work sought to investigate how much the government has influenced the above factors through target policy to facilitate a vulnerable group, the youth start enterprises. The simple reason is that youth's economic empowerment is a prerequisite for sustainable development and pro-poor growth. Achieving this economic empowerment for youth however, requires sound policies, a holistic approach and long-term commitments and youth-specific perspectives integrated at the design and programming stages (OECD 2012: 1 & ILO 2008: 6). Youths require policies, and programs tailored to their unique entrepreneurial needs, as demonstrated in the problem statement of this study below. This study therefore investigated if the youth entrepreneurship policy has helped to enhance their profiles as a mediating variable to improve their entrepreneurial activity as the outcome or not.

Using a Cross-sectional Survey design and guided by the Motivational Theory, it tested two null hypotheses: **H01**; *There is no significant relationship between promotional efforts and the MSE start-up rates among Western Kenya female entrepreneurs* and; **H02**; *There is no significant mediating influence of promotional efforts between Western Kenya female entrepreneurs' motives and their rates of initiating new start-ups*.

METHODS

This study adopted a Survey Design usually associated with the deductive approach because it is a fast and inexpensive way to collect a lot of information about a sample's attitudes, beliefs, and self-reported behaviors (Mark & Jinan, 2013: 286). It is a popular and common strategy in business research where it is used to answer who, what, where, how much and how many questions (Saunders *et. al.*, 2009: 144). It was Cross-sectional Survey as data was collected at a point in time, utilizing an ex-post facto strategy, relying on records of events that had already occurred (Mouton, 2005 55-56).

The population for this research were youth entrepreneurs who had accessed the government entrepreneurial

development assistance. The youth entrepreneurs’ population consisted of youth-owned MSMEs in that have been operating in the last four years. The study targeted MSEs run by youth entrepreneurs in three categories, namely micro, small and medium enterprises. Carr and Chen (2002:5 in Glenrose, 2012) observe that statistics on rural/ home-based workers are still weak, the view supported by Muller (2002:3). Muller (2002) also found that some respondents in the MSE sector did not view what they did as work and therefore needed not to register/ formalize their activities.

Because of lack of statistics on youth entrepreneur categories targeted, this study employed multistage sampling to provide more manageable and meaningful data. For purposes of generalization, it will be essential that the sampling method used and the sample sizes are appropriate, such that the results are representative, and that the statistics can discern associations or differences within the results of the study (Fox *et al.*, 2007: 4). Sampling lists were obtained from the WEF, YEF, Uwezo Fund, ministry of Trade Industrialization and Enterprise development and approved Financial Intermediaries (FIs) offices and MSME associations in the counties of study.

Every group randomly sampled produced four respondents; the chair person, who then identified at least one home-based firm, and one each from micro, small and medium enterprises. The number of respondents from various business strata was allocated with a big percentage of 40% being given to the micro enterprises since they were the majority, 30% to the small enterprises, and another 30% to the medium level businesses, although very few groups (less than 2%) had small and medium-sized enterprises. This made stratification impractical.

Two data collection methods were employed; content analysis for secondary data and survey for primary data. Survey was used in this study because it enabled the researcher administer questionnaires and responses were recorded (Neuman 2006). The data collected from the survey was analyzed through correlation/ inferential techniques to establish the joint variation of two or more variables for determining the amount of correlation between and/ or among variables. SPSS software was useful for analyzing large data (Dzis, 2008 39) in this study. It was used to reduce the data into manageable size through factor analysis to identify the structure underlying them.

RESULTS

Descriptive Statistics

The data was descriptively analysed to explore and present individual variables. It used a table to explore and understand data, thus guiding in the choice of further analysis techniques (Saunders *et. al.*, 2009 431). The approach also allowed room for flexibility to introduce previously unplanned analyses to respond to new findings. It therefore formalized the common practice of looking for other relationships in data, which the research might not have been initially designed to test (Saunders *et. al.*, 2009 431). Find more in the table 1.1 below.

		Statistic	Bootstrap ^a			
			Bias	Std. Error	BCa 95% Confidence Interval	
		Lower			Upper	
PROMO	Mean	.00	.00	.05	-.10	.11
	Std. Deviation	1.000	-.002	.037	.933	1.066
	N	375	0	0	.	.

STRTUP	Mean	.00	.00	.05	-.10	.10
	Std. Deviation	1.000	-.002	.028	.941	1.048
	N	375	0	0	.	.
a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples						

Hypotheses Testing Results

Hypothesis One (H0₁); *There is no significant relationship between promotional efforts and the MSE start-up rates among youths in Cherang’ani sub-county*

The regression results showed how much of the influence variance the independent variables (promotion) explained in the dependent variable (start-up rate). The $b = .102$, $t = 2.257$ and $p = .520$. The R-squared value ($R^2 = .2374$) meant that the regression model explains 24% of the relationship between the two variables.

Hypothesis Two (H0₂); *There is no significant mediating relationship of the government’s promotions between entrepreneur’s motives and their MSE star-up rates in Cherang’ani sub-county.*

The initial results showed an insignificant indirect relationship of entrepreneur’s motives on start-ups through promotion; $b = .001$, 95% *ansCI* (-.0009 – .0054). However, the Preacher and Kelley Kappa-squared, $k^2 = .0166$, 95% *BCa CI* (.0007, .0633) and the normal theory tests for indirect effect where $b = .0010$, $z = .7134$ and $p = .4756$, showed there being a significant indirect relationship between motives and start-ups through promotion. Table 1.2 below shows the details.

DISCUSSION AND CONCLUSION

This study achieved its objective, that government facilitation enhances entrepreneurial activity. The results confirmed the psychologists’ assertion that that different motivations drive people to create their own ventures (Bennet and Dann 2000, Fielden and Davidson 2005 and Lerner *et al.*, 1997 cited in Dzis, 2008 21), and those by Ramari (2018 1) that the pursuit of entrepreneurial opportunity depends on the willingness of people to enter self-employment. The GEM survey (cited in Ramari 2018) also confirm these results that promotion develops strong positive perceptions in the youths’ own abilities to successfully engage in entrepreneurship. In the second hypothesis, the results explained existence of mediation influence in the relationship between entrepreneur’s motives and new venture start-ups. The study therefore rejected the null hypotheses and concluded that government promotional programs for youths influence the entrepreneur’s traits and the number of new venture start-ups they create. However, the low level of mediation influence meant that there are other mediators which need to be investigated in further studies on other mediators, other than entrepreneurial motives.

REFERENCES

1. Acs, Z. Bosma, N. & Sternberg, R., (2011). The dynamics of entrepreneurship: Theory and evidence, chapter Entrepreneurship in World cities. OUP: Oxford.
2. Acs, Z. J., Audretsch D. B., Braunerjelm P. & Carlson, B., (2005). The knowledge Spillover Theory of Entrepreneurship. CEPR Discussion Papers 5326 Bwisa H. M. &
3. Bwisa H. M. & Ongachi R. N. (2013). Factors Influencing Growth of Women owned Micro and Small Enterprises; A Survey of Kitale Municipality.
4. International Journal of Academic Research in Business and Social Sciences October 2013, Vol. 3, No. 10 ISSN: 2222-6990
5. Cochran, W. G. (1963). Sampling Techniques, (2nd Ed). John Wiley and Sons, Inc.: New York.

6. FKE (2021). *The Informal Economy in Kenya*. Nairobi
7. Field A. (2013). *Discovering Statistics Using IBM SPSS Statistics*. Sage International Ltd.
8. Hair, J. F., Black, B., Babin, B., Anderson, R.E. & Tatham, R.L. (2006). *Multivariate Data Analysis* (6th edn). Pearson Education: Harlow.
9. Hirsch, D. R. Peters P. M. and Shepherd A. D. (2009). *Entrepreneurship*. (5th Ed) McCraw- Hill, New Delhi.
10. ICF/WB (nd). *Voices of Women Entrepreneurs in Kenya*. IFC Gender Entrepreneurship Markets & Foreign Investment Advisory Service: Pennsylvania Avenue, N.W. Washington D.C., U.S.A. (ifc.org)
11. Wairimu & Kamau (2021) IDRC Grant/ Subvention du CRDI: 109160-001-Youth inclusion in socio-economic programs: Potential for fostering social cohesion and violence prevention in East and southern Africa
12. Kiarie, C., Ndedda, C., (2021). *Impact of COVID-19 on Kenyan MSMEs; Strategies for Resilience and Recovery*. Nairobi Kenya. United Nations Development Programme. on Kenyan MSMEs; Strategies for Resilience and Recovery. Nairobi, Kenya. United Nations Development Programme.
13. Kothari, C.R. (2004). *Research Methodology; Methods and Techniques*. (2nd Ed.) New Age International (P) Ltd, New Delhi.
14. OECD (2004). *Effective Policies for Small Business, A Guide for the Policy Review Process and Strategic Plans for Micro, Small and Medium Enterprise Development*. Center for Private Sector Development, Istanbul
15. ROK (2022): *Annual Performance Report for the MMSEs Credit Guarantee Scheme*. Nairobi: The Government Printer.
16. ROK (2015): *Economic Survey 2015*. Nairobi: The Government Printer.
17. ROK (2013): *Second medium term plan, 2013 – 2017; transforming Kenya: pathway to devolution, socio-economic development, equity and national unity*. Nairobi: The Government Printer.
18. Saunders, M. Lewis P. and Thornhill, A. (2009). *Research Methods for Business Students*. 3rd England: Prentice Hall.
19. UNDP (2013). *Kenya's Youth Employment Challenge*. Discussion Paper, January 2013