

Effect of the Structure & Implementation Framework of Youth Enterprise Development Fund on it's Uptake among the Youth in Bungoma County

Mr. Edwin Masika Nalulasi, Dr. Jane Luseneka & Dr. Calvince Barack
Omondi

Maseno University, Strategic Development studies, Kenya

DOI: <https://dx.doi.org/10.47772/IJRISS.2023.7921>

Received: 11 August 2023; Accepted: 26 August 2023; Published: 22 September 2023

ABSTRACT

Youth unemployment remains a pressing global issue, with young people finding it difficult to access formal labor markets. ILO reports indicate that an estimated 75 million youths aged 15 to 24 actively seek work but cannot find it. This study aimed to examine the determinants of the uptake of the Youth Enterprise Development Fund among youth groups in Bungoma County. The explanatory and explorative research design was employed with a target of 133,000 youths in Bungoma County. The research employed a targeted sampling method, and 290 respondents were selected to participate. Data collection was through questionnaires and focus group discussions, while secondary data was obtained from officers at the YEDF and books. Both qualitative and quantitative data were collected and subjected to descriptive and inferential statistical analysis. Data was presented and interpreted using tables and charts according to the set research objectives. Despite the fund being poised as a great policy initiative to address perennial youth unemployment, lack of clear eligibility criteria, long waiting time and application process, lack of stakeholder support, low levels of organizational development, corruption, lack of awareness, and insufficient training have caused low uptake of Youth Enterprise Development Fund.

Keywords: Structure, Implementation framework, Youth Enterprise Development fund, Bungoma County

INTRODUCTION

The problem of youth unemployment is global and different stakeholders are grappling with it and how best it can be addressed. Statistics by the International Labor Organization (ILO) indicate that young people form the majority of the unemployed people, with 75 million youths aged 15 and 24 actively searching for jobs. However, they are outside the recognized formal labor market (ILO, 2023). Further research indicates that more than 75 percent of youths of ages 15 and 30 participate in informal work as their primary economic activity and source of income. According to the latest ILO report, the youth unemployment rate globally stands at 14% as of 2022, with young people being three times more likely to be unemployed than adults (ILO, 2022). The percentage translates to approximately 69 million youths actively looking for work, yet they cannot find it. Whereas a higher youth population indicates an opportunity for an active and energetic labor force, it also presents a political, social, and economic challenge, especially in developing countries.

Due to less growth and development opportunities for youths in the formal sector, entrepreneurship initiatives and government-sponsored programs have become the main focus for most developing countries in addressing youth unemployment (Shkabatur et al. 2022).

In the backdrop of this, the Kenyan government and its development partners decided to come up with programs such as the Youth Development Fund to support entrepreneurship and start-ups by young people. The fund is aimed at developing small and medium enterprises owned by youths as a means of inclusion

in nation-building through the creation of economic opportunities.

The concept under Youth Enterprise Development Fund (YEDF) is that by supporting MSMEs, the job creation capacity of Kenya can be significantly increased (Kurgat, 2021). Through different products offered under the fund, it was poised to generate numerous opportunities for the unemployed youths. However, the impact of the fund on youth employment has not been optimally achieved due to a range of factors. This study is aimed at establishing how the Structure and implementation of Youth Enterprise Development Fund affects its uptake among the youth in Bungoma County.

Statement of the Problem

Globally, youths form a large percentage of the population that is unemployed and lives below the poverty line. Due to their lack of stable sources of income and assets at their disposal, young people are the most affected whenever there is a financial crisis or economic shock. Unemployment among the youth is the greatest in developing countries (Horne, 2023). The Kenyan government, under Vision 2030, which is the country's medium Term Plan, has decided to encourage entrepreneurship through funding of start-ups and mentoring them to grow through YEDF. Despite the establishment of such a noble fund, most youths still have a challenge of accessibility and most of the start-ups experience a high rate of failure. The fund's objectives of on-lending and supporting youth businesses have not been satisfactorily met in most counties. Data from the Ministry of Trade, particularly in Bungoma County, indicates that there is little access to funds. It is on the basis of this information that this research study seeks to explore how the structure and implementation of the Youth Enterprise Development Fund affects its uptake in Bungoma County.

Objectives of the study

General Objective

- To examine how the structure and implementation framework of Youth Enterprise Development Fund affects its uptake among youth in Bungoma County

Specific Objectives

- To determine how the level of awareness influences the Uptake of the Youth Enterprise Development Fund among youth Groups in Bungoma County
- To assess how organizational development influences the uptake of the Youth Enterprise Development Fund among selected youth groups in Bungoma County
- To examine how stakeholders' support influences the uptake of the Youth Enterprise Development Fund among selected youth groups in Bungoma County.
- To examine how the effectiveness of the eligibility criteria affects uptake of Youth Enterprise Development Fund among youth in Bungoma County
- To determine how the loan application process and repayment influences uptake of Youth Enterprise Development Fund among youth in Bungoma County

LITERATURE REVIEW

Economic Development and youth

Different people define youths differently based on established factors. Whereas the United Nations consider people aged 16 to 24 to be youths, the Kenyan constitution considers people aged 18-35 to be youths. The definitions notwithstanding, having a common criterion for categorization is what matters in addressing youth challenges. Economic development among youths can be achieved through various strategies, including but not limited to providing quality education and training; providing good healthcare;

mentorship. Egorov et al. (2019) opine that developing youth entrepreneurship is key to general economic growth. Economic development among youths can only be achieved with a multi-dimensional approach.

The Youth Enterprise Development Fund (YEDF)

Due to the ever-increasing challenges of youth unemployment and lack of access to credit by young people who do not have collateral, the Kenyan government formulated the youth policy framework under which the fund was created in 2006. This program aims to support start-ups and SMEs by providing funding via loans so youths can embrace the spirit of entrepreneurship. The fund seeks to provide funds to financial partners to channel them toward youth enterprises and develop commercial infrastructure that can create an enabling business environment. Furthermore, through the initiative, youths goods and services are marketed to international markets to boost their market reach.

A performance report on the fund indicates that rural constituents have low accessibility and uptake of the loans compared to their urban counterpart. Majorly, the mode of disbursement of such monies creates the disparity in that money received in groups has less impact (Mabururu & Wekesa, 2020). For instance, a loan of kshs. 42,000 given to a group of 12 people means that each person gets Ksh. 3,500 to boost their business. Such limited funds can barely boost the business to a higher level where the owner can comfortably service the loan and create meaningful employment.

Similarly, Ahmed (2022) states that corruption and mismanagement are some of the main issues that have negatively affected the uptake and impact of the enterprise fund. Senior government officers have been embroiled in major corruption scandals involving the fund meant for young people. For instance, in some cases, well-connected individuals have collaborated with fund officers to register companies they use to tender and loot money from the YEDF.

Agency theory

According to Naz et al. (2022), the theory explores how principals are related to agents, with the former exercising power on behalf of organizations. The theory postulates that in running an organization, there will always be conflicts of interest that arise from the interaction of the principals and agents. From the theory, the principal usually hires the agent to act on their behalf and make decisions whose consequences or risks are borne by the principal. Conflicts of interest, disagreements, and disputes are bound to happen due to this kind of relationship. As Payne & Petrenko (2019) state, the principal-agent problem normally arises whenever the two parties' aspirations are not aligned. The theory is based on the assumption that agents generally can access more information which gives them a competitive advantage in the decision-making process, and also, individuals are usually egoistic, acting based on their self-interests. To solve such conflicts, it is required that the agent acts in the best interests of the principal and be compensated adequately to their satisfaction.

In the establishment of the YDEF, there is the principal agency scenario where the department in the national government is the principal, and YEDF management is the agent. Whenever there is a conflict of interests based on the assumption that humans are egoistic, the relationship between the two parties might deteriorate. The information asymmetry can compel the agent to act in contempt of the principal's interests. This might lead to the fund not working for the intended people.

METHODOLOGY

The research study was done in Bungoma County in the Western region. Being a vibrant agricultural County, the County has a population of 1,670,570, according to the 2019 census. The County receives enough rain and has several freshwater rivers where people practice agriculture yearly. The area mainly

creating an enabling business environment; offering them democratic space, and giving them necessary grows cereals such as maize and finger millet and other cash crops such as sugarcane, coffee, and cotton.

Research Design

The research was explanatory and descriptive, organized into a literature survey, an experience survey, and questionnaires.

Target population and sampling

The research targeted youth aged 18 and 35 who own enterprises and or are in development Common Interest Groups in Bungoma County. The youth groups had either been registered in consideration for the development fund or had already received the fund and engaged in business. Using the above criteria, 290 youths were targeted in four sub-counties within Bungoma County. The research applied the purposeful sampling technique to develop a sample to participate in the study. The youths in registered groups and those seeking funding had either received them or were unsuccessful.

Table 1.0 Sampling Design

Sub-County	Target population (x)	Sample Size
Bungoma Central	40,000	120
Bungoma West	36,000	104
Bumula	35,000	60
Bungoma South	22,000	6
Total	133,000	290

Source; Census Report (2019)

The study employed a questionnaire as a primary data collection tool. In contrast, secondary data was obtained from books and the intermediaries of the Youth Enterprise Development Fund, particularly on the applicants and those who successfully got the funding.

Data Collection Techniques

This study used questionnaires for primary data collection. Tools for data collection among the youths were designed (questionnaire), and focus group discussions aimed at numerous categories of youth groups were also employed for further data collection.

The questionnaire was designed to address all four sections, including the Level of awareness among youths, the influence of organizational development, and the level of stakeholder support.

DATA ANALYSIS, FINDINGS AND DISCUSSION

Data Analysis and Discussion

Response Rate

From the 290 questionnaires distributed, 225 were dully filled and returned to the researcher, after which the results were subjected to a statistical analysis using computer software, and this represented a 77.59% response rate. This is a good response rate because research by Mugenda & Mugenda (2009) states that a response rate of 50% and above is adequate in research. The majority of the respondents were from Bungoma Central 44%, Bungoma West 31.6%, Bumula 13.3%, and Bungoma South had the least response

at 11.1%. Similarly, in terms of gender, more females responded at a rate of 56%, while males had a 44% response rate. Gender participation is a reflection of how young women have embraced economic empowerment programs initiated by the government, and there is massive gender inclusion. It also shows that most women form a majority of organized Common Interest groups which is one of the requirements for accessing the funds compared to most males that do not belong to any organized groups.

In terms of age, people aged 30 to 35 recorded the highest percentage of 36.1%, 25 to 30 had 26.5%, 36 to 41 had 12.1%, and 18 to 24 had 20%, while those above the age of 42 had the least response rate of 5.3%. From the study findings, it is clear that the age of an entrepreneur is a major determinant of how an enterprise performs and whether it can access credit. This indicates that most of the respondents in this study were people that had stayed in Bungoma for a longer time.

Effect of Youth Development Fund on the Performance of Youth Enterprise

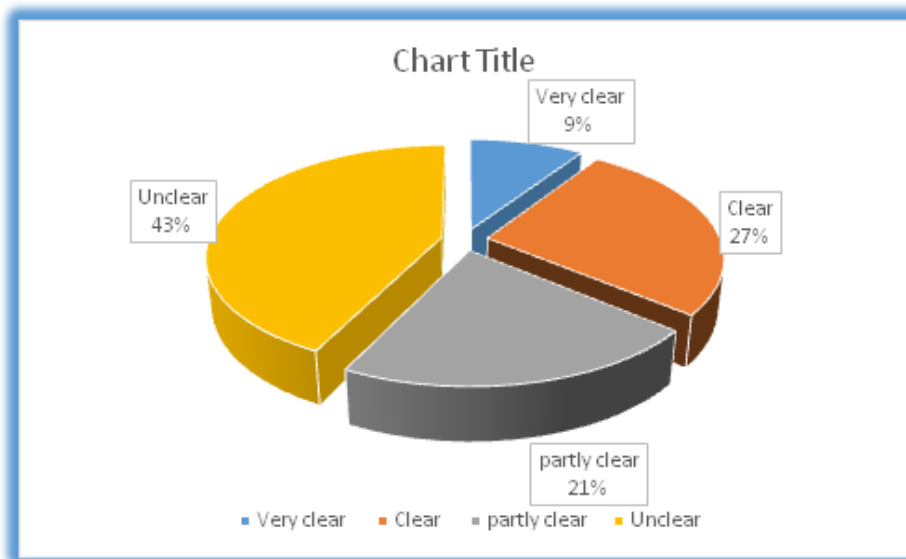
Table 2: Impact of youth fund

		Youth Fund				Total
		Good	Average	Worst	Nothing	
Sub-County	Bumula	4	8	7	11	30
	Bungoma West	5	35	27	4	71
	Bungoma Central	13	37	40	9	99
	Bungoma South	5	15	4	1	25
Total		27	95	78	25	225

Table 1 indicates that most respondents across the sampled sub-counties rate the performance of the youth fund as average at 95 of 225, 78 of 225 rated the performance as worst in Bungoma, the good and nothing indicated least responses on the ratings. The above ratings show that the Youth Enterprise Development Fund has had an average impact on youth empowerment and the general performance of youth enterprises in Bungoma County.

Eligibility criteria

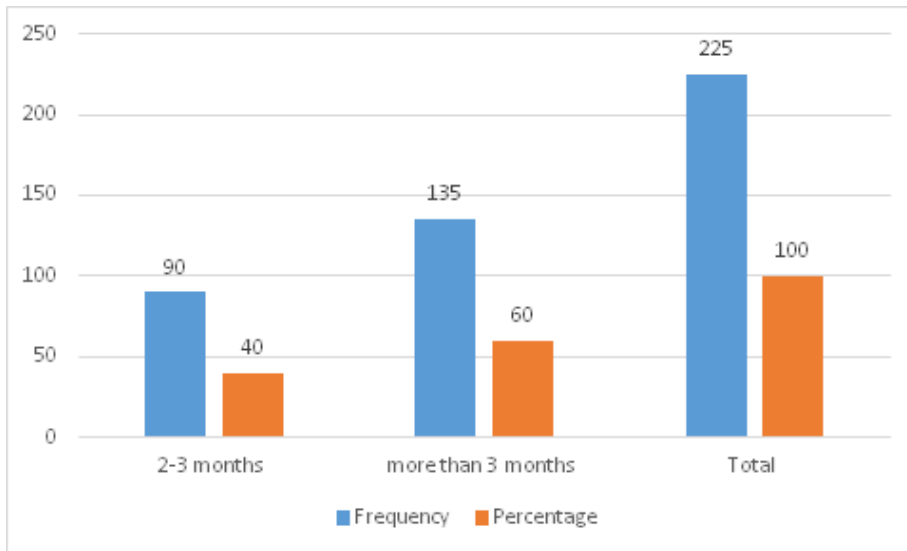
Figure 1: Eligibility criteria



From figure 1 above, majority of the respondents at 43% believe that the eligibility criteria for YEDF is not clear, 27% reckon that the criteria is clear, 21% partly unclear and only 9% of the respondents stated that the criteria is very clear.

Loan application process

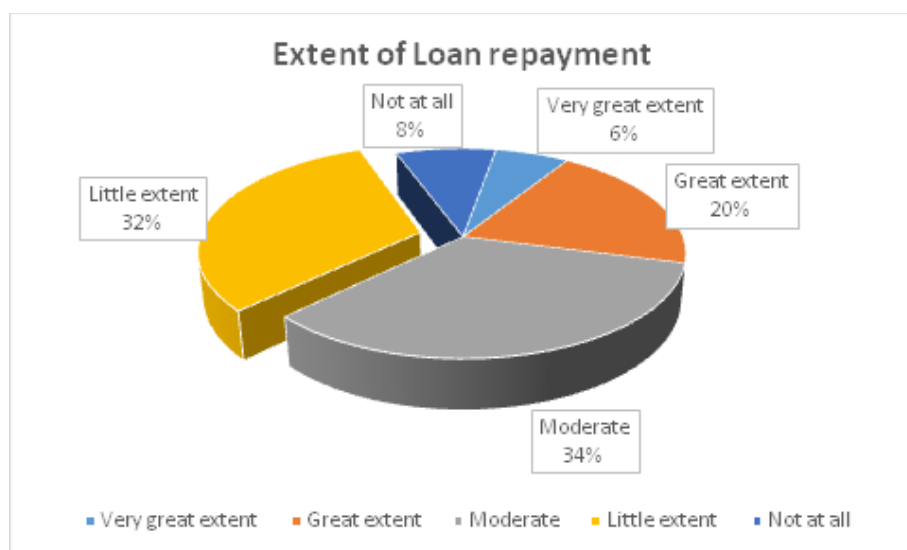
Figure 2: Time taken between loan application and disbursement of funds



In terms of time taken between the application of the loan and disbursement is shown in the figure 2 above indicating that 60% of the loans take more than three months to process before disbursement whereas 40% of the loans take 2-3 months. From the data gathered during the study, no responded indicated that their loans took less than 2 months. Which is an indicator of high levels of bureaucracy.

Rating on loan repayment

Figure 3: Loan repayment rating



In terms of loan repayment, the findings in the figure show that 34% of the respondents pay their loans moderately, 31% pay to a little extent, 20% to a great extent, 8% not at all and lastly 6% pay their loans to a very great extent.

Level of awareness

Figure 4: Level of awareness

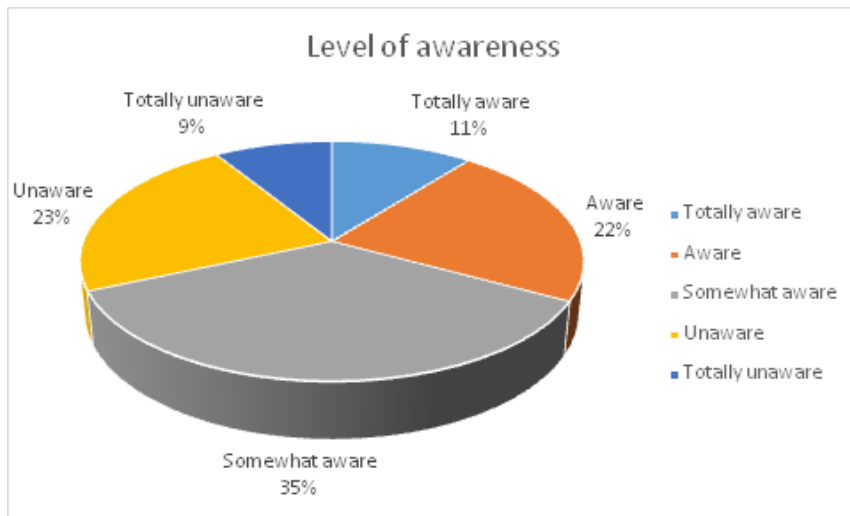


Figure 1 above indicates that the majority of the respondents are somewhat aware of the existing youth fund 35%, followed by those who are unaware at 23%, 22% are aware, 11% totally aware, and 9% are totally unaware of such a fund and the conditions for qualification to be a beneficiary. From the statistics, it is evident that the majority of the youths need to gain more knowledge of youth funds and the criteria for qualifying to benefit from them. Even though some have little awareness that this fund exists, they do not have all the details.

Level of organizational development

Figure 5: Organizational development



From figure 5, most of the respondents at 34.60% believe that organizations are underdeveloped, 24.4% perceive them to be partly developed, and 17.7% of the respondents indicated that organizations are developed, whereas 16.4% and 6% believe that organizations are underdeveloped and highly developed respectively.

This implies that organizational development is lower in most parts of Bungoma County, which makes it a challenge for most youths.

Stakeholder support

Figure 6: Influence of stakeholder support

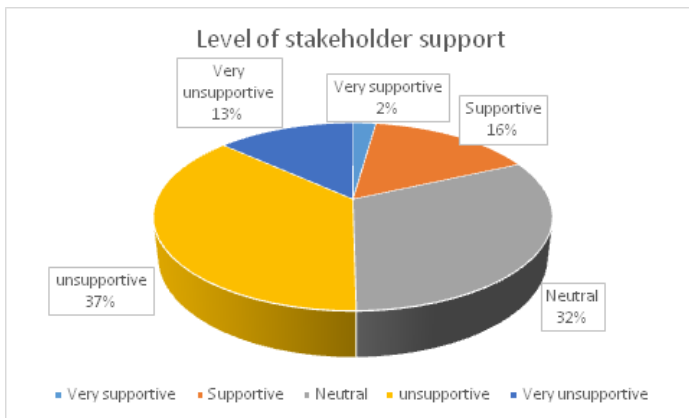


Figure 6 indicates that most respondents believe stakeholders are unresponsive 37%; 32% of the respondents were neutral; 16% believe the stakeholders are supportive, 13% of the youths perceive stakeholders to be very unresponsive, and the least number of respondents believe stakeholders are very supportive at 2%. This indicates that stakeholder support is inadequate for most youths venturing into entrepreneurship.

Table 2: Shortcomings of the fund

		Frequency	Percentage
Valid	Inadequate training	59	26.2
	Corruption and nepotism	128	56.8
	Lack of follow-up plan	20	9%
	Lack of cooperation among youth groups	18	8%
Total		225	100%

Table 3 shows that 56.8% of the youths believe corruption and nepotism as a major weakness in the implementation structure of the youth fund, 26.2% cited inadequate training to be an obstacle, 9% of them stated lack of a follow-up plan as the main weakness while 8% cited lack of co-operation among youth group members. From the statistics, it is clear that among the problems that affect access and use of the YEDF, corruption and poor management are at the top, followed by inadequate training.

FINDINGS

The rating of the performance of the Youth Enterprise Development Fund is average, as indicated in Table 2, which shows that the impact has been minimal since it was launched. This concurs with the findings of Shibairo et al. (2023), who noted in their research that despite the availability of devolved funds aimed at helping youths and vulnerable communities in rural Kenya, the extent of their impact in alleviating the welfare and entrepreneurship is uncertain. This implies that the fund has a low impact in terms of improving the welfare of the youths. Furthermore, the amount of money disbursed under the enterprise development fund is insignificant to create any major impact on youths. This is consistent with Zhang et al. (2022), who stated that smaller size enterprises have a higher risk of default because of the small sizes of loans that they have at their disposal, which creates cash flow problems for them.

In terms of eligibility, the structure and implementation is not very clear as indicated in figure 1 where a majority of the youths indicated that the eligibility is unclear on who qualifies for the loan. The intermediary financial institutions tasked with disbursement and management of the youth fund have created products

that are not youth-friendly. Most of them demand for recommendation letters and collateral in order for young people to be eligible for loans (Mohamud & Ndede, 2019). Similarly, the application process is tedious with most intermediary financial institutions having strict pre-requisites for loan application including references and deposit fees. The many pre-requisites make the funds less accessible to youths especially in rural parts of the County.

Additionally, failure to meet the criteria for application and access to loans by rural youths is due to their lack of information and adequate knowledge regarding the fund as compared to youth groups in urban areas that are relatively informed is another obstacle. When the process of loan application is made tedious, so many youths are locked out of the opportunity to boost their enterprises due to limited access to credit. Moreover, the loan repayment period is less as many youths are not able to service their loans within the short period of time. A start-up business will struggle to repay the loan because of the limited cash flow challenges (Eze & Ibekwe, 2007). The smaller amounts of loan issued by YEDF to youth are not sufficient to create enough cash flow for loan repayment. Thus, the implementation framework should change so that significant loans are issued to youth enterprises and a longer grace period to allow for good business cash flow.

The study established that most youths perceive stakeholders to be unsupportive in the access and utilization of the youth fund. Entrepreneurship is a challenging journey that not every individual can undertake, especially without guidance. Most young people venture into it due to a lack of formal employment which implies that, in most cases the majority of them do not have entrepreneurial skills and attitudes. As established in the research, different stakeholders have roles to play in making sure that young people in the quest for the enterprise fund are adequately prepared. There is a need for more stakeholder support in training young people on how to navigate the Kenyan business environment, which products they should offer, and business proposal development, among other supportive programs. Similarly, the level of organizational development is low compared to the business and entrepreneurship needs of youths. Few programs have been put in place to train and empower young people so that they are ready to embark on the entrepreneurship journey (Sikenyi, 2017). Lack of awareness among youths has also adversely affected the uptake of YEDF because most young people do not understand the specific details of what is required and the eligibility criteria. For this reason, most of them shy away from this government-sponsored economic empowerment initiative.

Moreover, corruption is a big impediment to the youth enterprise fund uptake, where the application process is tedious, and eligibility criteria lock out many youths. Findings from the study show that program officers and partner institutions extort funds from youth with the promise of helping them to access the funds. There is a need for more streamlining of the program so that corrupt people do not sabotage the process aimed at benefiting the young population.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Youth Enterprise Development Fund was created by the Kenyan government with the sole aim of alleviating the problem of youth unemployment through the provision of access to credit. Although the fund indicates government commitment to help youths grow entrepreneurship and a promising shift in policy where the government is an enabler, its implementation lacks adequate structures. Furthermore, a critical analysis of challenges facing YEDF shows a narrow framework of implementation, lack of awareness, low organizational development, lack of stakeholders' support, lack of clear eligibility, corruption and mismanagement of funds, the longer application process and lack of training, among others.

Due to these underlying challenges, youths have gained little from the fund that was poised to have a massive impact.

Recommendations

The following recommendations are made by the researcher. First, establish good systems and follow-up plans on enterprises being run by youths so as to increase the success rate of most start-ups in Kenya. This one will also eliminate corruption and mismanagement by officers of the program.

Secondly, the YEDF board, management and relevant ministries should continually engage youths who are key stakeholders in the implementation of the fund. That is attention must be paid to the unique challenges and pluralities that different youth categories face so that national programmes such as YEDF address the youth population needs instead of them being homogenous.

Thirdly, the study recommends that the government and its implementing partners should adopt a more coordinated and comprehensive implementation structure and framework to succeed in addressing youth unemployment. This approach should incorporate education, training, business mentorship and industrial partnerships to counter the limitations of the fund.

Lastly, the study recommends Ministry of Youth and Gender, in collaboration with County and national governments to establish business incubation, innovation, and support centers across the country to mentor start-ups and small businesses. These centers will provide technical support, ensure a viable implementation framework and ensure that funds issued expand youth enterprises thus providing more employment opportunities.

REFERENCES

1. Ahmed, A. Y. (2022). *Working capital management and financial performance of small and medium enterprises in Garissa County, Kenya*(Doctoral dissertation, KENYATTA UNIVERSITY).
2. Egorov, E. E., Lebedeva, T. E., Prokhorova, M. P., Shobonova, L. Y., & Bulganina, S. V. (2019, June). Youth entrepreneurship: motivational aspects and economic effects. In *IOP Conference Series: Earth and Environmental Science*(Vol. 272, No. 3, p. 032129). IOP Publishing.
3. Eze, C.C. & Ibekwe, U.C. (2007). Determinants of loan repayment under the indigenous financial system in Nigeria. *The Social Sciences*, 2(2), 116-120
4. Horne, R. (2023). 2 Employment and social trends by region. *World Employment and Social Outlook, 2023*(1), 57-85.
5. ILO, (2023). *World employment and social outlook; Trends 2023*
6. Kurgat, B. C. (2021). *An Appraisal of Youth Enterprise Development Fund: Challenges and policy options*(Doctoral dissertation, Strathmore University).
7. Mabururu, K. N., & Wekesa, S. (2020). Factors influencing the effectiveness of youth enterprise development fund in Kapseret Constituency, Uasin Gishu County, Kenya. *International Academic Journal of Information Sciences and Project Management*, 3(6), 222-244.
8. Mohamud, H. A., & Ndede, F. (2019). Youth Enterprise Development Funds Services and Youth Empowerment in Wajir County, Kenya. *International Journal of Current Aspects*, 3, 280-292.
9. Mugenda, O. M., & Mugenda, A. G. (2009). *Research methods: Quantitative & qualitative approaches*(Vol. 2, No. 2). Nairobi: Acts press.
10. Naz, M. A., Ali, R., Rehman, R. U., & Ntim, C. G. (2022). Corporate governance, working capital management, and firm performance: Some new insights from agency theory. *Managerial and Decision Economics*, 43(5), 1448-1461.
11. Payne, G. T., & Petrenko, O. V. (2019). Agency theory in business and management research. In *Oxford Research Encyclopedia of Business and Management*.
12. Shibairo, P., Ngaruko, D., & Wawire, N. (2023). Influence of Devolved Enterprise Funds on Household Welfare in Kenya. *International Journal of Economics*, 8(1), 85-99.
13. Shkabatur, J., Bar-El, R., & Schwartz, D. (2022). Innovation and entrepreneurship for sustainable development: Lessons from Ethiopia. *Progress in Planning*, 160, 100599.

14. Sikenyi, M. (2017). Does Kenya's youth enterprise development fund serve young people?.
15. Zhang, W., Yan, S., Li, J., Tian, X., & Yoshida, T. (2022). Credit risk prediction of SMEs in supply chain finance by fusing demographic and behavioral data. *Transportation Research Part E: Logistics and Transportation Review*, 158, 102611.