YOUTH ENTERPRISE FINANCING THROUGH PUBLIC PROCUREMENT IN NANDI COUNTY GOVERNMENT

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DECLARATION

This research project is my original work and has not been submitted for another degree qualification of this or any other university.

Signed……………… Date…15/11/2023…………………….

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T51/6745/2017

This research project has been submitted for examination with my approval as the supervisor.

Signed: Date: 16.11.2023

Dr. Samuel Ngigi

DEDICATION

In memory of my grandfather, Stephen Kipyego Mutai 'Line', and my grandmother Josephine Mutai on whose foundations we thrive and to the Kenyan Youth for their resilience amidst the many challenges they face.

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LIST OF ABBREVIATIONS

AGPO	Access to Government Procurement Opportunities
GOK	Government of Kenya
ICT	Information Communication and Technology
ILO	International Labour Organization
KKV	Kazi Kwa Vijana
KII	Key Informant Interview
KNBS	Kenya National Bureau of Statistics
NYC	National Youth Council
KYEP	Kenya Youth Empowerment Project
LPO	Local Purchase Order
LSO	Local Supplies Order
MPSYA	Ministry of Public Service and Youth Affairs
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organizations ‘
NYS	National Youth Service
OECD	Organization for Economic Cooperation and Development
PPRA	Public Procurement Regulatory Authority
SACCO	Savings and Credit Co-operative Societies
SDG	Sustainable Development Goals
SPSS	Statistical Package for Social sciences
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations International Children ‘s Emergency Fund
USAID	United States Agency for International Development
WEF	Women Enterprise Fund
YAGPO	Youth Access to Government Procurement Opportunities
YEDF	Youth Enterprise Development Fund

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ABSTRACT

Youth enterprise financing faces many challenges in Kenya and around the globe. The current study seeks to analyze youth owned enterprises' access to procurement finance and the influence on their delivery on government procurement opportunities. The specific objectives included to; examine characteristics of youth owned enterprises in Nandi County, analyze the nature of contracts run by youth owned enterprises in Nandi County, examine the financing of youth owned enterprises in Nandi County under the AGPO Policy and assess the influence of financing on effectiveness of delivery on contracts by youth owned enterprises the AGPO policy. The theories that underpinned the current study include the theory of financial capability and the resource-based theory. The study employed a descriptive survey design. Target population was 680 respondents drawn from 85 youth enterprises (with AGPO certificates) prequalified by the Nandi County Government between 2017 and 2021. Sample size was 560 respondents. The study adopted both stratified and simple random sampling techniques. The study used both primary data and secondary data. Pre-testing was done in Chesumei Sub-County. The study adopted content validity. Cronbach's alpha co-efficient was used to test whether the research instruments are reliable. Data collected was analyzed using descriptive statistics and presented using charts and tables. Findings revealed that most of the companies were registered by The Treasury for AGPO, had existed for a period of 3 to 5 years. Majority of the company's annual turnover was between 500,000 to 1,000,000. On nature of contracts, majority of the respondents had dealt in general supplies. On financing of youth owned enterprises in Nandi County under the AGPO Policy, the study had sought to examine how the respondents financed the contract (s), findings revealed that majority of the respondents financed the contracts through self/family as well as bank loans. Most of the respondents had no access to any form of procurement financing, that is, LSO/LPO financing or invoice discounting neither did they have access to the YEDF. Majority of the respondents did not deliver the goods or services on time and were not paid on time either.. The study concluded that whereas the AGPO policy was good for youth enterprises, access to finance is limited and the performance of the enterprises is stifled by untimely payments. Sensitization programmes and creation of more government procurement packages for the youth would help to improve youth access to government procurement opportunities. The study recommended that the youth owned companies in Nandi be sensitized on the various sources of finance available, that the youth should diversify to more sectors other than general supplies and that the county governments should prioritize payment to the youth enterprises as per the PPAD act (2015).

CHAPTER ONE: INTRODUCTION

Background of the study

Youth unemployment is a challenge that most governments all over the world grapple with. Developing countries find themselves in even more complex issues of unemployment and under-employment owing to the myriads of other challenges that they face. The complexity of the systemic issues leads to low levels of per capita income, high poverty levels and significantly low levels of human development, and intersectional inequality that cannot easily be resolved. This calls for a multiplicity of interventions aimed at addressing different challenges with a goal improving the overall status of development in these countries. According to The Global Employment Trends for Youth (ILO, 2017). The global youth unemployment rate was 13.1 with about 70.9 million young people unemployed. The report notes that youth are three times as likely as adults to be unemployed.

As an emerging global practice, many countries have implemented policies targeting youth entrepreneurs to create jobs and bridge the gap in unemployment. These policies are integrated among other initiatives that seek to spur economic growth, channel resources towards the most vulnerable and to improve livelihoods (Anyidoho et al., 2012). The UNDP (2013) in a study on unemployment among Kenyan youth found that unemployment rates among the youth in Kenya, then at 12.7 %, had led the government to initiate policy interventions to address the problem and foster creation of decent jobs. According to Howard Stevenson, entrepreneurship is the pursuit of opportunity beyond resources controlled. (Rwigema & Venter, 2004) defines entrepreneurship as the process of conceptualizing, organizing, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and unstable environment.

This broad definition encompasses different types of entrepreneurial activities young people are attracted to. Besides economic entrepreneurship, young people are also increasingly engaging in other entrepreneurial approaches like social entrepreneurship, intrapreneurship, cooperatives and even public entrepreneurship (Shapero & Sokol, 1982). The nexus of youth and entrepreneurship is the view that entrepreneurship is a panacea for youth unemployment. Policy makers and development practitioners have made interventions in this regard with the intention of increasing the number of youths in business and therefore, self-employment. The outcomes of such interventions are mixed. Studies have shown that there may be different reasons as to whether entrepreneurs succeed or fail depending on the context. The contexts could either be cultural, political, and economic or market related.

Entrepreneurship is recommended as an alternative to employment for graduates transitioning from school to mainstream work life (Matlay & Westhead, 2005). Within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as an important means and a useful alternative for income generation in young people. Supporting this shift in policy is the fact that in the last decade, most new formal employment has been created in small enterprises or as self-employment. Available evidence shows that in developing countries, the rate of self-employment among youth, while low compared to adults, is significantly higher than among young people in developed countries. Elder (2015) observes that the tendency towards self-employment among youth is much greater in Sub-Saharan Africa than in other parts of the world. Most of these young people, especially younger youth, tend to concentrate on marginal trading and service activities.

Awogbenle and Iwuamadi (2010), summarize the rationale for promoting youth enterprise as a means of creating employment, fostering inclusion of alienated and marginalized youths back into the economic mainstream, reducing delinquency and deviance, enabling youths to acquire skills and capacity towards lifelong agency. They also highlight the need to revitalize local communities through production of goods and services and to capitalize on the responsiveness of young people to new economic opportunities and trends. The Kenyan government has made various interventions towards increasing the number of youths engaging in business. Initially the government encouraged the formation of youth groups to enable the youth to pool together resources and build enterprises within their locality. The formation of youth groups was also seen as a social collateral that can be used to access finance from various microfinance (GoK, 2008; Muiya, 2014).

The Kenya Youth Development Policy (GoK, Kenya Youth Development Policy: Empowering the Youth to Productively Contribute to Sustainable Development , 2018) outlines the various initiatives that focus on increasing employment, access to finances and developing skills and work experience for the youths. Some of the initiatives aimed at increased access to finance include Uwezo Fund and Youth Enterprise Development Fund (YEDF). The two funds aim to provide youths with unsecured funding. The government further amended the PPOA act of 2015 to allow 30% of contracts to be awarded to the youth, women and persons with disability without competition from established firms following a directive from the president. The law provides for exemption of the youth enterprises from providing bid bonds among other requirements that the mainstream businesses must fulfill.

This policy was intended to spur growth in youth owned enterprises in the country and facilitate transfer of capital to the youth enterprise through public procurement financing popularly known as LPO financing. This would hopefully lead to more income for the youth, increased investment activities and capital accumulation. The ultimate objective being reduced unemployment and better living standards for the youth. Lundstrom and Stevenson (2005) defines youth entrepreneurship policy as policy measures taken to foster entrepreneurial activity of young individuals; aimed at the pre-start-up (including entrepreneurship education), start-up and post-start-up phases of the entrepreneurial process; designed and delivered to address the areas of motivation, opportunity and skills; With the main objective of encouraging more young people to start an entrepreneurial undertaking or venture and at the same time to improve young people’s general employability.

Hivos (2018) notes that there has been a 71 per cent increase in the annual revenue of youth owned enterprises, a 70 per cent increase in job creation and 82 per cent increase in the number of youths owned enterprises as a result of the Access to Government Procurement Opportunity (AGPO) initiative. This is albeit the challenges that the youth enterprises have to surmount. This is a pointer to the opportunities that the youth and the country stands to gain from the opportunity. The success of Youth Access to Government Procurement Opportunity is dependent on the ability of youths to successfully bid (in terms of process facilitation), to raise funds, to manage and implement projects awarded, to make profits and to sustain the enterprises.

This study attempts to provide a clearer and more comprehensive picture of youth entrepreneurship in general and of the concrete barriers and incentives to youth enterprises that are doing business with government under the Access to Government Procurement Opportunities. In this context we examine the key constraints that impede young people in Nandi County from successfully doing business with the government and at the same time, we identify incentives, initiatives and measures that could improve this situation.

Statement of the Problem

The Kenyan government through the Public Procurement and Asset Disposal Act (2015), sought to ensure that at least 30% of all government procurement goes to disadvantaged groups.

According to the act, enterprises which most shareholders (70%) are youth, women or persons with disabilities are classified under 'disadvantaged' group and are eligible to get an AGPO Certificate. It specifies that once certified, such entities are exempt from providing tender securities such as bid bonds and performance security. The act also provides for preferential consideration for LPO/LSO financing and invoice discounting by financial institutions and Government rotating funds such as Youth Fund, Women Fund and NCPWD funds to the companies. Importantly it proposes prioritised payment (within 30 days) for the AGPO companies.

Recent evaluations of this indicate that all government entities still struggle to fulfill the requirement owing to different reasons. The youth access to government procurement opportunities policy is a welcome and timely intervention to address the challenges of youth unemployment. There is, however, a need to evaluate the challenges that youth owned enterprises face while doing business with the government. Given the need to consolidate efforts towards growing the economy and distributing resources, it is important that there is enough research and studies to fill in the knowledge gap and address challenges that stand in the way of youth entrepreneurs.

According to a study by Hivos East Africa commissioned to analyze the impact of the Access to Government Procurement Opportunity policy, only 7.7 per cent of contracts over 5 million shillings are being awarded to AGPO registered firms. The research also presented findings on the challenges inhibiting the realization of the AGPO goals. They include lack of understanding of the bidding process, lack of invoice funding to fund tenders, LPO financing and late payments after delivery. They further noted that most of the tenders over 5 million are for construction-related businesses, while most AGPO firms are registered in the services sector, specifically trade. Conflicts of interest between public officials and AGPO firm owners were established with exploitation of youth and persons with disabilities to win tenders (Hivos, 2018).

There is established a need to point out the difference between youth and general (or adult) entrepreneurship. Given the nature of resources available to the youth, their age and work experience, the youth must surmount unique constraints and face greater challenges than their older counterparts. Youth enterprises just like SMEs often grapple with the problems associated with asymmetric information, such as adverse selection and moral hazard owing to their nascence. While a number of studies have concentrated on the entrepreneurial attitudes of the youth (Jassor, 2016; Atiti, 2016; King'ori 2012) some have focused on the financial capabilities. Numerous studies have identified access to finance as a major impediment to the success of youth owned enterprises (Karani & Moronge, 2017). Access to finance, where it has been studied has often been attributed to the supply side considerations of the financial system, with a focus on banks and youth enterprise development fund, Uwezo Fund among others (King'ori, 2012). There is a need to understand the relationship between the sources of finance and funds accessible to youth enterprises.

Of material significance to youth owned enterprises engaged in public procurement is the need to understand the specific characteristics that influence their choice of sources of finance and the implications that such sources have on their ability to deliver on contracts. For these reasons, there is need to re-evaluate this most frequently cited challenge of youth enterprises, access to finance with a lens from the theories of finance. This study seeks to investigate the characteristics of youth owned enterprises, the sources of finance available to them and how this affects their ability to carry out business with government under AGPO.

Objective of the study

The Overall Objective

The overall objective of the study is to analyze youth owned enterprises access to procurement finance and the influence on their delivery on government procurement opportunities.

Specific Objectives

The study is guided further by the following specific research objectives:

1. To examine characteristics of youth owned enterprises in Nandi County.
2. To analyze the nature of contracts run by youth owned enterprises in Nandi County.
3. To examine the financing of youth owned enterprises in Nandi County under the AGPO Policy.
4. To assess the influence of financing on effectiveness of delivery on contracts by youth owned enterprises the AGPO policy.

Research Questions

1. What are the characteristics of youth owned enterprises in Nandi County?
2. What kind of contracts are undertaken by youth owned enterprises under the AGPO Policy in Nandi County?
3. What sources of finance are available to youth owned enterprises in Nandi County?

4. How does access to procurement finance from the different sources affect the effective delivery of contracts that youth owned enterprises undertake?

Justification for the Study

The study would benefit the youths, the government agencies implementing youth funding and other stakeholders who also provide funds to the youth. The study would be particularly useful to the youth in understanding the dynamics of financing and how to maneuver the various obstacles identified in the study as well as learn from successful enterprises. Policy makers and development practitioners may be able to innovate and incorporate the best intervention strategies for youth empowerment. Stakeholders, such as the micro finance firms, Youth Fund and other financial institutions interested in youth enterprises can be able to improve on their strategies towards financing youth owned enterprises. The findings of this study should be able to stimulate debate on the efficiency and sustainability of the access to government procurement policy in meeting the goals and objectives of the policy, how to foster youth entrepreneurship and the policy measures that can support it. Therefore, the study hopes to provide insights towards a greater evaluation of the multiplicity of interventions so far undertaken to promote youth enterprise and reduce unemployment.

Limitations of the study

Some of the anticipated challenges in this study include the likelihood of getting truthful and accurate information on matters of finance from the owners of youth enterprises. This can be addressed by using averages and brackets of figures rather than asking for exact figures. There will also be a need to manage expectations and not promise solutions as part of the study. There shall also be a need to emphasize the confidentiality of the information given and be able to steer away from political issues.

Scope of the Study

The study targeted Nandi County because it represents the average county, not being too urbanized and not being one of the formerly marginalized areas where there are peculiar issues. The county has had challenges meeting the 30% fractions of contracts awarded to youth owned enterprises. KNBS (2013) statistical analysis found that Nandi, Bomet, West Pokot and Nairobi were the most equal counties based on the Gini coefficient. While the study notes that there are enterprises owned by youth that may not be registered under AGPO and may not be geared towards engaging in government procurement, it has limited itself in scope to those that pursue government procurement as it also seeks to assess the utility of the policy in financing youth enterprises.

CHAPTER TWO: LITERATURE REVIEW

Introduction

This chapter draws on the views of other researchers globally and locally on matters of financing enterprises and the prevailing debates about youth entrepreneurship as a solution to unemployment. The study hopes to draw valuable lessons on the definition of concepts and the operationalization of variables as well as the most suitable approaches/methodologies for undertaking the study. The outcome of the review would be to identify the research knowledge gap and identify an approach that will be fit for purpose.

Theoretical Literature

Eurobarometer Survey (2004) notes that there seems to be a consensus among youth on the perception that the lack of available financial support is an obstacle to setting up a business. The survey also noted that lack of finance was deemed to be a greater obstacle than issues of processes and macro-economic variables. According to the KNBS survey basic report on Medium, Small and Micro Enterprises (MSME) of 2016, funding is one of the major constraints of the medium, small and micro enterprises. The enterprises cite lack of collateral for credit, high taxes and high license fees, very expensive loans as some of the challenges.

Schoof (2006), highlights issues like lack of personal savings and resources, securities, business experience and skills as some of the constraints to access to finance. Strict credit-scoring methodologies and regulations, complex documentation procedures, long waiting periods, lack of knowledge and understanding of financing possibilities as well as unfavorable firm characteristics and legal status/form of enterprise also had implications on the youth enterprise's ability to access funding. Another major factor noted was the lack of (successful) micro lending/-finance and seed funding.

Osano and Languitone (2016) argues that considering the numerous difficulties that youth owned enterprises face when it comes to obtaining finance, many are compelled to use alternative financing. Various ways (legal and illegal) are used by youth to finance their businesses. This includes loans provided by family members, loans provided by friends, additional employment, financial partner/investor, use of credit cards, personal loans, establishing accounts with suppliers, grants and prizes Anecdotal evidence suggests that the largest sources of funding for young entrepreneurs are personal savings/assets, foregoing salaries and money from friends and family (either loans or donations).

Serrasqueiro and Caetano (2012) poses that the question of access to finance is considerably relevant in youth owned enterprises because of asymmetric information problems. Therefore, understanding of the determinants of choice of sources of finance available to these enterprises is important to allow the application of correct measures to encourage the availability of capital to youth owned enterprises, consequently stimulating the growth and development of these firms. Babu (2017) note that young enterprises find it hard to access finance due to information assymetry.

Talal (2014) in a study on the systematic constraints to market access interrogated the obstcles facing the youth in accessing the public procurement process. The study established that access to funding, and lack of collateral were the major obstacles that the youth and other special interest groups faced while trying to access government procurement opportunities. The choice of a source of finance is a managerial decision limited by the firm's ability to access the funds based on external requirements. This includes the turnover of the firm, profitability, ownership of assets that can be used as collateral.

According to a study done by Kung'u (2011), on factors affecting access to SMEs study found that start up SMEs faces challenges accessing credit due to lack of collateral and information. Karanja, Mwangi, and Nyakarimi (2014), on factors that influenced access to creditamong women entrepreneur in Isiolo town findings revealed that there was a positive relationship between collateral requirement and access to credit services. It was also revealed that out of 3 firms studied, 80% asked for motor vehicles to secure borrower's credit. Gangata and Matavire (2013) in their study on challenges facing MSEs in accessing finance from financial institutions, found out that very few MSEs succeed in accessing funding from financial institutions, this is because of lack of collateral security.

Di Patti, Moscatelli and Pietrosanti (2020), states that high interest rates discourage SMEs form borrowing. This is because the interest payment come out of profit and can be reduced by the borrowing business if profit and trading conditions are unfavorable. Tadesse (2014) argues many micro and small enterprise are unable to access finance because they do not have assets that can be held as collateral. Banks and other financial institutions on the other hand do not compromise on the risks of lending to micro and small enterprises. Osano and Languitone (2016), on factors influencing access to finance by SMEs in Mozambique found that interest rate influence access to finance by SMEs. In addition a lot of SMEs are denied and discriminated by lenders when accessing finance. This is because most SMEs do not have tangible assets to serve as collateral.

Theoretical Framework

In this section of this study, we analyze the two theories that closely relate to the subject. To assess the relationship between procurement finance and the performance of youth owned enterprises, we identify and analyze the relevance of the financial capability approach and Resource Based Theory in explaining the relationships between sources of procurement finance available to youth owned enterprises and how they influence their ability to deliver on their contracts in Nandi County.

Theory of Financial Capability

Taylor (2011) asserts that "financial capability reflects people's knowledge of financial matters, their ability to manage their money and to take control of their finances. Shusman and Narain (2007) argue that small firms and low-income individuals often lack credit histories or information on their financial operations. Kimando and Sagwa (2012) reported that smaller enterprises face higher costs of transaction as compared to larger enterprises in attaining credit. Asymmetries of information and the risk of moral hazard and adverse selection arising from it, reduces incentive to lend to such clients.

To secure 'risky' loans, lenders often demand collateral such as land or property that many borrowers lack. For this reason, youth enterprises have had an uphill duty for groups of women and youth to play in the big-ticket public procurement leagues as they might not have the financial means (Owino, 2013). The problem with supplying the government is that, since the needed quantities are frequently extremely large, the requirement of capital may be high. One of the advantages of getting a contract from the government is that an individual will be paid. However, the disadvantage is that it might take a while (Polo, 2008).

According to Hisrich et al. (2005) financing SMEs needs creativity. Namusonge (2006) stated that the role of capital has been seen as an important element for small and medium-sized enterprises' development. With microenterprises accounting for over 20 percent of employment, there is need to finance and foster the growth of these entities (Kimando & Sagwa, 2012). Ngugi et al. (2016) found that access to credit among young entrepreneurs predicated an increase in employment opportunities for other youth. However, Hisrich et al. (2005) noted that such opportunities may not be as consistent.

Oduol et al. (2013) and Kilonzo (2012) noted that inclusive access to sustainable capital is a key to promoting entrepreneurship and improving firm performance. This will be apparent in the firm's ability not just to generate income but also to employ. Youth entrepreneurs are constrained in accessing capital. Lack of sufficient savings, assets, credibility (in skills and experience) coupled with stern credit-scoring regulations, complex documentation procedures, knowledge deficit and insufficient understanding of financing options for budding enterprises impede youth access to finance (Chigunta, 2012). The adverse characteristics of their enterprises further compound this challenge. With low incomes, most youth are unable to save, and often rely on informal sources for capital especially family, friends, digital loans and informal money lenders (Mollo, 2017)

Resource Based Theory

Penrose (1959) accredited for developing the resource-based theory notes that it provides explanations to the causal relationships among "resources, capabilities and competitive advantage". Penrose noted that firms can create economic value not just because of the resources available to them but also due to creative and efficient utilization of these resources. It takes into account the role of human resources, machinery, raw materials and funds at a firm's disposal and their contribution to the firm's output. Nobanee and Abraham (2015) adds further to the discourse noting that sufficient finances, gives a business an advantage over others as it can invest in new business ventures, expand and enjoy economies of scale in the industry.

The significance of the theory is that it acknowledges that performance is achievable given sufficient resources and so is growth (Silva, 2017). Stephen and Lucy (2013) argued that resources determine whether a firm can source what it needs to succeed in a business. RBT has been used in other studies on microenterprises performance before (Sabana, 2014). Mira and Kennedy (2013) studied the challenges of access to credit among women owned enterprises in Nairobi using RBT. Masakure et al. (1994) for instance, deployed RBT to analyze how a firm's own resources influences their performance. He established that firm-specific resources indeed impact enterprise performance. Okeyo (2018) examined the role of entrepreneurial orientation, their environment, business development in the performance of manufacturing SMEs in Kenya with the help of RBT.

Empirical Literature

Ndege (2018) and Orodho (2013) contend that the GoK has often grappled with ways to enable not just women, but also youth groups to access public procurement mainly due to challenges of financial capacity. Orodho notes that some financial instruments like LPO financing and Invoice Discounting are available to successful bidders along with YEDF and Uwezo Funds. Ganbold (2008) holds the view that enterprises require finance foremost in order to acquire new technologies or to invest in new ideas.

Characteristics of Enterprises

On firm characteristics it is noted that businesses youth enterprises are often sole proprietorships, placing them specifically the ‘micro’ category (Okello, 2010). Around 75 per cent of these businesses are in the service industry, a competitive area with limited growth (Schoof, 2006). With little in form of assets and poor profit margins such firms struggle to access capital (Hivos, 2018).

Fatoki and Asah (2011) found that there was a positive relationship between firm size and financing. Schiffer and Weder (2001) corroborate this findings with the view that large firms pose less risk to lenders while the small ones pose a greater risk. Schiffer and Weder (2001) adds that smaller SMEs like the youth owned enterprises may not be creditworthy because of inadequate credit history lack of collateral and high transaction costs. Kira and He (2012), in a study on firm characteristics and access to finance in Tanzania found that access to finance is positively influenced by size of the business. Mohieldin and Wright (2000); Burkart and Ellingsen (2011); Honhyan (2009) concur that access to finance is a function of size of the firm and that there is a positive relationship between the two.

Oliveira and Fortunato (2006) cites economies of scale as the reason why larger firms are able to access credit compared to smaller firms. He argues that small firms are dependent on the investment from their owners.World Bank (2010) in a report found that small enterprises often have limited access to finance compared to larger once and they often receive less finance compared to the large ones. Klapper (2010), argues that enterprise that are less than 5 years old in operation hardly benefit from external finance. Deakins (2010); Ajagbe (2012) also agree that access to and demand for credit by young small scale entrepreneurs is positively related to the age of the firm. Mulandi (2013) in a study on access to credit for Biogas in Kenya found that age tends to determine access to finance.

Nature of the Business

According to a study done by Sakara (2014), on access to credit found that the nature of busines was a major factor to access to credit among SMEs. The study revealed that sector of business and value of fixed assets ranked highly in consideration by lenders. Kumar (2011), argued that firms in the service industry faired favorurably in access to finance compared to the firms in agriculture and manufacturing. He further asserts that this was due to the perceived low risk and the likely revenues from the businesses.

Kenya has various models of financing MSMEs, specifically the Youth Enterprise Development Fund (YEDF) is a govt funding channels for youth enterprises with the key objective of fostering entrepreneurship and employment within this population segment. The Women Enterprise Development Fund (WEF) for women and UWEZO Fund for all - youth, women and persons with disability (Munyu, 2016).

The youth do not yet have complete access to the YEDF and the UWEZO Fund (GoK, 2015) The report cites drawn out application processes, a stringent criterion, and the centralized, unilateral nature of allocation of the Funds. The Funds remain inflexible and lack the internal capacity to evaluate and tailor their processes and packages to fit the peculiar needs of youth enterprises. Financing youth entrepreneurship ought to be followed with well-coordinated and facilitated training (Munyu, 2016).

Financing Through Public Procurement

Fostering growth of SMEs run by special groups is a sound government policy, and public procurement is one significant pathway to realizing this (Orwa, 2015). However, implementation at the grass root is key to obtaining this developmental objective (Gichure, 2007). Ndege notes that supplying government is a risky undertaking since large quantities are involved large, and therefore the capital required is also high while payments can take months (Ndege, 2018). “The best thing about getting a government contract is that you will get paid. The downside is it could take a while” (Polo, 2008). However, there is an impetus for governments to share procurement opportunities equitably with its citizens (Benton et al., 2005).

Public procurement involves government entities making a formal requisition for goods, works or service and suppliers offering to provide the same through a legally defined (Eyaa, & Oluka, 2011). The process ends at disposal of the said goods after its use (Fisher & Lovell, 2009). Providing information to domestic suppliers is a hallmark of the procurement process (Griffith

& Myers, 2005). A study by Owino (2013) posits that there are stringent conditions impeding access to funds for youth access to public procurement. Special groups competing for these contracts with established players can benefit from some exemptions and preferential treatment as well as access to information.

Nelson et al. (2007), notes that poorly informed suppliers cannot efficiently deliver to government. However, procuring entities often post notices only once in spaces with limited publicity citing financial constraints (Ogada et al., 2008).

Performance of Youth Enterprises and Development

The performance of youth enterprises can significantly improve with access to credit. Chege (2014) study on access to credit and the growth top 100 SMEs in Kenya. found SMEs access to credit facilities, enhanced implementation of their business endeavors. On poverty reduction, Yasa, Sukaatmadja, Rahyuda and Giantari (2015) established that SME performance significantly influence reduction of poverty. Because of this (Mawziri & Chivandi, 2010) concludes that the success of entrepreneurial ventures depends on the entrepreneur's access to capital.

Matchaba-Hove et al. (2015) acknowledges that small enterprises are influential in strengthening development and reducing unemployment. Sokoto and Abdullahi (2013) maintain that competition among enterprises increases profitability. We have noted before that Micro, small and medium enterprise, create more employment opportunities than large firms. However, policy implementation challenges and financial constraints hinder their growth. The development of youth enterprises through public procurement and subsequent financing supports the creation of employment opportunities to the populations that need it most. As such, any endeavor to grow such enterprises plays a significant role alleviating poverty in developing countries (Sokoto & Abdullahi, 2013).

Summary of the Literature

This chapter has analyzed literature on youth owned enterprises access to procurement finance and performance of Youth Enterprises and Development. Literature reviewed has shown that there is a concurrence that financing is a significant challenge to growth of youth owned enterprises. The study then adopted both the theory of financial capability and resource-based theory. The empirical literature review has presented the empirical findings of various scholars who have researched on the study variables. Table 2.1 provides a brief on the research findings elucidated above.

Table 2.1: Summary of the Literature

Variables	Findings	Methodology	Authors
Collateral	Calleteral influences access to credit among women entrepreneur in Isiolo town.	Quantitative	(Karanja, Mwangi, & Nyakarimi, 2014)
Information & access to finance	Young enterprises find it hard to access finance due to information assymetry.	Quantitative	(Babu, 2017).
Access to finance	Considering the numerous difficulties that youth owned enterprises face when it comes to obtaining finance, many are compelled to use alternative financing.	Quantitative	(Osano & Languitone, 2016)
Cost of Credit (Interest Rate)	Interest rate influence access to finance by SMEs.	Quantitative	(Osano & Languitone, 2016)
Characteristics of Enterprises	There is a positive relationship between firm size and access to finance.	Quantitative	(Fatoki & Asah, 2011)
Nature of the Business	The nature of business is a major factor to access to credit among SMEs	Quantitative	(Sakara, 2014)
Financing through Public Procurement	Conditions are too stringent to access funds to support youth to access government procurement opportunities	Quantitative & Qualitative	(Owino, 2013)
Performance	Access to credit facilities has a significant impact on the development of these enterprises.	Quantitative	(Chege, 2014)

Conceptual Framework

The conceptual framework below attempts to show the possible relationship between the independent variables-LPO Financing, access to bank loan, access to government funds supporting the youth owned enterprises and other trade financing options and the dependent variable the value of contracts undertaken, and the growth of the youth owned enterprise measured by its turnover and number of employees. The enterprises' characteristics, government policy and lending requirements as moderating variables as shown in figure 1.

Independent Variables **Dependent Variables**

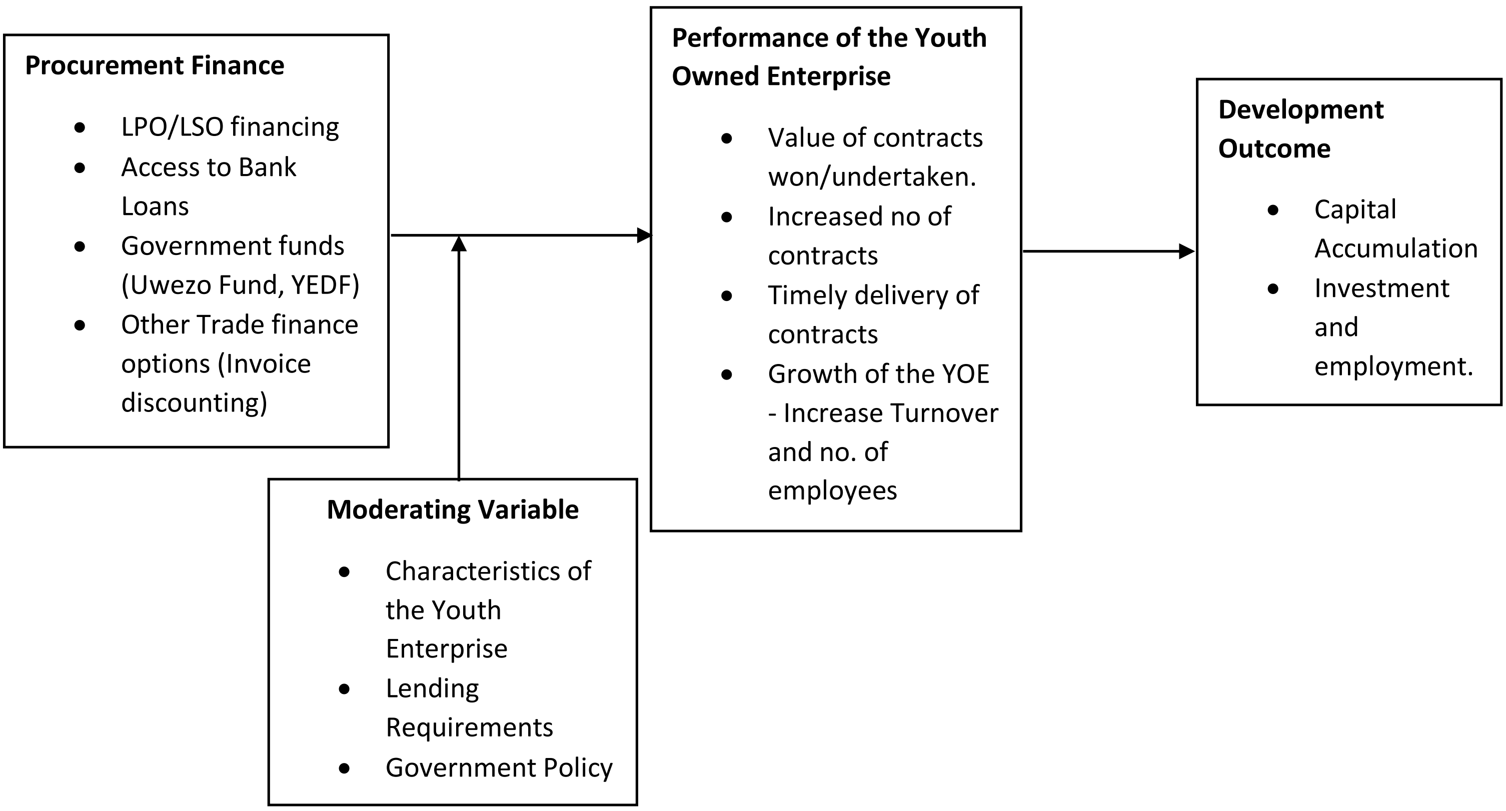

Figure 2.1: Conceptual Framework

Source: Author (2022)

CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

This chapter outlines the methods that were employed in the study regarding the research design, target population, sampling design and data collection and analysis techniques. It also raised the ethical consideration taken to ensure the study operates within the acceptable limits.

Research Design

A research design is the blueprint for the collection, measurement and analysis of data. This ought to consider the relevance to the research purpose with economy in and detailed documentation of a phenomenon of interest (Bhattacherjee, 2012). Descriptive survey a suitable method for purposes of analyzing original data for for a population too large to be observed directly. The study employed a descriptive survey design defined by Kothari (2004) that study which describes the characteristics of an individual or a group. Descriptive research design is directed at making careful observations. The design was deemed to be ideal in identifying the characteristics of youth owned enterprises and factors that influence their choice of funding. It also takes advantage of quantitative and qualitative data to answer research questions.

Target Population

The study population comprised of 140 youth enterprises listed (with AGPO certificates) prequalified as suppliers by the Nandi County Government between 2020 and 2021. The study targeted a further 2 respondents per youth enterprise who included 1 management staff and 1 non-managements staffs. This made the target population to be 290 respondents who comprised 140 youth enterprise management staff and 140 non-management staff as shown in Table 3.1.

Table 3.1: Target Population

Target Respondents	Target Population
Management staffs	140
Non-management staffs	140
Total	290

Sample Size and Sampling Procedures

Sample Size

Sample size refers to the number of possible respondents for the study (Mugenda & Mugenda, 2003). A formula that factors in the margin of error of 5% was applied to arrive at a good sample.

Formula:

$$n = \frac{N}{1 + N(e^2)}$$

Where, n = number of samples, N = total population and e = margin of error. Substitution in the formula gives us a sample size of 70 youth enterprises (with AGPO certificates) prequalified by the Nandi County Government between 2015 and 2018. Out of the 70 youth enterprises the study selected 2 respondents per youth enterprise. Of the 2, 1 was management staff and 1 non-managements staffs. This made the sample size to be 280 respondents comprised of 140 management staff and 140 non-management staff.

Table 3: Sampling Frame

Target Respondents	Target Population	Sample size
Management staffs	140	104
Non-management staffs	140	104
Total	280	208

Sampling Technique

This study employed stratified random sampling design to obtain a viable sample from the target population. This accorded each element of the population an equal chance of being included in the final sample. This enhanced objectivity in sample selection. Stratification was done based on position held by respondents i.e., management staffs and non-management staffs. Simple random sampling techniques were then used to select the respondents from each enterprise.

Research Instruments

To aide in collecting the required information/data from the youth owned enterprises open-ended questionnaires shall be used mainly to collect the primary data. The open-ended questionnaire was ideal for this study considering that matters of finance are often sensitive and that a closed ended questionnaire does not give room for the respondent to express themselves freely on issues that possible responses are provided. However, the questionnaire was designed to be concise and lead only to answering the desired question.

Secondary data needed for the study was obtained from the Kenya National Bureau of Statistics and the procurement departments at the County Government of Nandi. The necessary permits were obtained prior to data collection. Some of the sources of information from the county shall include the Annual Development Plan, the county integrated development plan, the financial statements of the county government as submitted to the Auditor General and the list of companies prequalified to supply to the county government. The youth owned enterprise was requested to provide information where possible.

Validity and Reliability of Research Instruments

Pre- test of the study

A pilot study was carried out to test and improve the validity of the research and ensure accuracy of the measurements. This was done by administering questionnaires to a sub sample of the study sample (10% of the sample population). Pilot testing was done in Turbo Sub-County.

Validity of Research Instruments

To ensure/verify the validity of the research instruments, necessary variations were done on the research instruments after conducting the pre-test of the study. There was also a need to sample and verify the responses and where possible seek clarification from the respondents before subjecting the data to analysis. Where such information can also be verified from the existing data there was a need to cross-check with the relevant institutions. The study adopted content validity which was triangulated using experts' opinions who included supervisors and finance experts.

Reliability of Research Instruments

The study deliberately utilized language that can easily be understood by the respondents and avoided jargon and technical terminologies in the questionnaire. The researcher was available to provide clarifications. Any ambiguity, misunderstanding or inadequate information was resolved through follow up. Where necessary, a retest can be done to guarantee that the information provided was verifiable. Cronbach's alpha co-efficient was used to measure reliability and a cronbachs' co-efficient of greater than or equal to 0.7 was deemed fit for the study.

Data Analysis Techniques

The data collected was analyzed using descriptive statistics computed with the help of the Statistical Package for Social Sciences (SPSS) and presented through graphs and tables.

Ethical Considerations

The study ensured compliance with the laws relating to research and the necessary permits were obtained prior to data collection and the consent was sought from the respondents before any interviews were conducted.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION OF RESULTS & DISCUSSION

Introduction

The findings of the study are presented, interpreted and discussions provided. The study analyzed youth owned enterprises' access to procurement finance and the influence on their delivery on government procurement opportunities. The study sought to address this research objectives:

1. What are the characteristics of youth owned enterprises in Nandi County?
2. What kind of contracts are undertaken by youth owned enterprises under the AGPO Policy in Nandi County?
3. What sources of finance are available to youth owned enterprises in Nandi County?
4. How does access to procurement finance from the different sources affect the effective delivery of contracts that youth owned enterprises undertake?

Findings were presented in Tables and pie charts.

Response rate

Response rate connotes the total number of people who participated in the research study divided by the sample size (Pandey, & Pandey, 2021). In this study, a total of 208 questionnaires were issued, out of which 189 questionnaires were returned respresenting a 90.9% response rate as shown in Table 4.1.

Table 4.1: Response rate

Questionnaires issued	Questionnaires returned	Response rate
208	189	90.9

According to Gupta, and Gupta (2022), the acceptable response rate is 50% in social research surveys. In this study, the response rate was considered excellent and therefore further analysis could be done.

Background information of the Respondents

The respondent's biodata sought included sex, age bracket and highest academic level.

Gender of the Respondents

The study had operationalized gender using male and female. Findings of the study revealed that 162 respondents were male while 27 females. This represented 85.7% and 14.3% respectively. This implies that there was a gender mix which improved the quality of the responses provided in the study. Findings were presented in Table 4.2.

Table 4.2: Gender of the Respondents

Category	Frequency	Percent
Male	162	85.7
Female	27	14.3
Total	189	100.0

Distribution of Respondents by Age bracket

The study set to establish the distribution of the respondents by age bracket. In this study, age brackets had been operationalized as follows; 18 to 25 years, 25-30 years and 30-35 years. Findings were presented in Table 4.3.

Table 4.3: Distribution of Respondents by Age bracket

Indicators	Frequency	Percent
18-25 years	14	7.4
25-30 years	89	47.1
30-35 years	86	45.5
Total	**189**	**100.0**

Out of the total respondents, 14 were aged between 18 to 25 years, 89 between 25-30 years and 86 respondents between 30 and 35 years. This was represented by 7.4%, 47.1% and 45.5% respectively. The respondents were of different age brackets and therefore this improved the quality of the responses provided.

Distribution of Respondents by Highest Academic Level

The study set to find out the distribution of respondents by highest academic level. Findings were presented in Table 4.4.

Table 4.4: Distribution of Respondents by Highest Academic Level

Indicators	Frequency	Percent
High school and below	73	38.6
Diploma	75	39.7
Bachelors' degree	20	10.6
Masters' degree	11	5.8
Others	10	5.3
Total	**189**	**100.0**

Out of the total respondents, 73 (38.6%) had a high school and below qualification, 75(39.7%) diploma, 20(10.6%) bachelors' degree, 11(5.8%) masters' degree while 10(5.3%) had other qualifications. This implies that they comprehended the prompts on the questionnaire.

Characteristics of Youth owned Enterprises.

The study sought to examine characteristics of youth owned enterprises in Nandi County. The characteristics considered in this study were whether the company is registered for AGPO at the Treasury, how long the company has been in operation, the company's annual turnover and how many people the company employs. Findings are presented below. The study assessed whether the company (s) were registered for AGPO at the Treasury. Findings were presented in Figure 4.1.

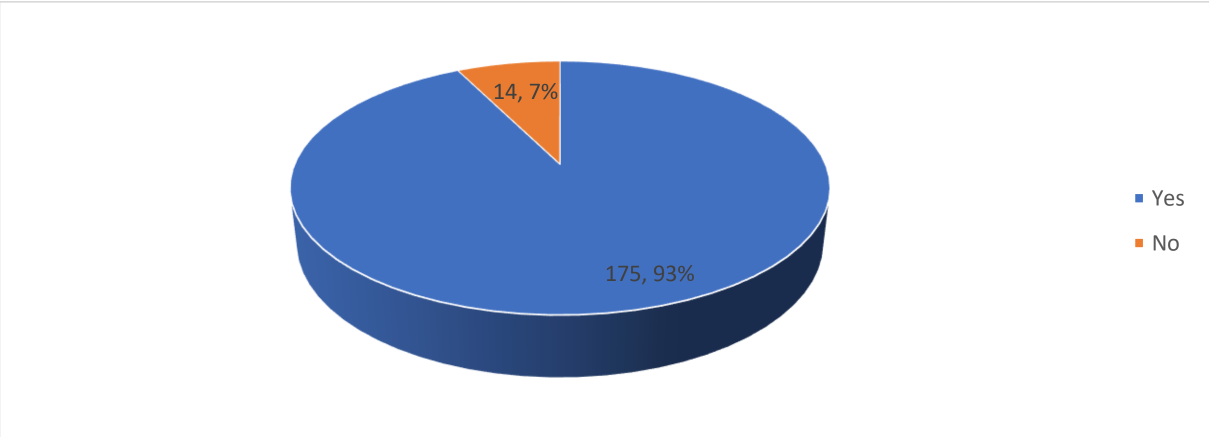

Figure 4.1: Companies registered by National Treasury for the AGPO programme.

A total of 175 respondents revealed that the company (s) were registered for the AGPO programme while 14 indicated that the company (s) were not registered for AGPO at the Treasury. This was represented by 93% and 7% respectively. This implies that most of the companies had been registered for AGPO at the Treasury. Another characteristic was the duration the companies had been in operation. Findings were presented in Table 4.5.

Table 4.5: Duration the companies has been in operation.

Indicators	Frequency	Percent
3 years and below	27	14.3
3 to 5 years	141	74.6
5 years and above	21	11.1
Total	**189**	**100.0**

The study revealed that 27(14.3%) of the companies had been in operation for 3 years and below, 141(74.6%) between 3 to 5 years while 21(11.1%) 5 years and above. This implies that the majority of the companies were in existence for a period of 3 to 5 years. Findings resemble that of Hivos (2018) that most of the companies registered under AGPO programme have existed for a period of more than 3 years. Findings on the annual turnover were presented in Table 4.6.

Table 4.6: Companies annual turnover

Indicators	Frequency	Percent
Below Ksh. 100,000	26	13.8
100,000-500,000	47	24.9
500,000-1,000,000	82	43.4
1,000,000-5,000,000	14	7.4
Above 5,000,000	20	10.6
Total	**189**	**100.0**

Out of the total respondents' companies' annual turnover, 26(13.8%) had an annual turnover of below Ksh. 100,000, 47(24.9%) between 100,000 to 500,000, 82(43.3%) 500,000 to 1,000,000, 14(7.4%) 1,000,000 to 5,000,000 and 20(10.6%) above 5,000,000 annual turnovers. This implies the majority of the company's annual turnover is between 500,000 to 1,000,000. Findings resemble that of Fatoki and Asah (2011) that the annual turnover of the company's owned by youth that seeks government procurement or financing has a turnover of above 500,000. In regard to the number of people the company employs, the findings were presented in Table 4.7.

Table 4.7: Number of Employees

Indicators	Frequency	Percent
5 employees and below	77	40.7
More than 5 employees	112	59.3
Total	**189**	**100.0**

Out of the total respondents, 77(40.7%) revealed that the companies had 5 employees and below while 112(59.3%) revealed that the companies had more than 5 employees. This implies that majority of the companies had employed 5 employees and above. Schiffer and Weder (2001) posit that majority of the companies owned by the youth that seek government procurement or financing employ more than 5 employees.

Nature of contracts run by Youth owned Enterprises.

The study sought to analyze the nature of contracts run by youth owned enterprises in Nandi County. Findings were as elucidated below. At first The study established whether the respondents had successfully bided for any contracts with the county government of Nandi in the last 3 financial years, 111 respondents revealed yes while 78 No. This was represented by 58.7% and 41.3% respectively as shown in Figure 4.2.

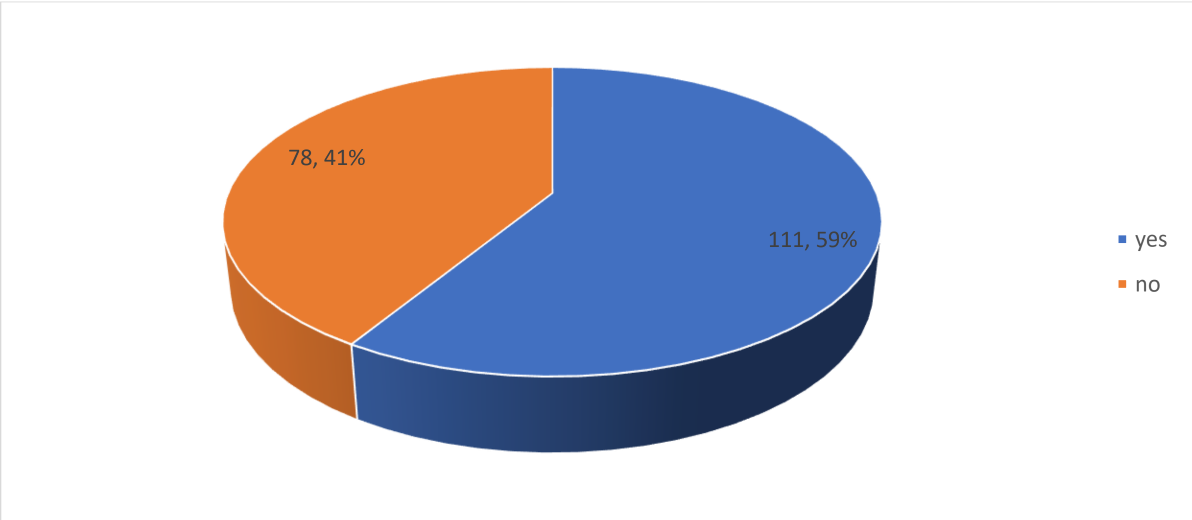

Figure 4.2: Successful biding for any contracts with the county government

According to NYES (2015), youth enterprises successfully bid for contracts with the county government of Nandi. A follow up question was whether the category of goods the respondents supplied if they successfully bid for any contracts with the county government.

Table 4.8: Category of goods

Indicator	Frequency	Percent
General supplies	61	32.1
ICT services	27	14.3
Professional services & consultancy	38	20.1
Small works & engineering	46	24.3
Fresh produce and agriculture produce	17	9.0
Total	**189**	**100.0**

The study established that 61(32.1%) of the respondents supplied general supplies, 27(14.3%) ICT services, 38(20.1%) professional services & consultancy, 46(24.3%) small works & engineering and 17(9.0%) fresh produce and agriculture produce. This implies that the respondents had supplied different categories of goods while the majority of the respondents had supplied general supplies. The study by Mulandi (2013) also established that Youth enterprises that seek government procurement supply different categories of goods/services. On the value of contracts, the findings were presented in Table 4.9.

Table 4.9: Total value of contracts

Indicator	Frequency	Percent
Below 100,000	49	25.9
100000-500000	51	27.0
500,000-1,000,000	35	18.5
1,000,000-5,000,000	28	14.8
Above 5,000,000	26	13.8
Total	**189**	**100.0**

On the total value of contracts, it established that 49(25.9%) stated below 100,000, 51(27.0%) between 100,000 to 500,000, 35(18.5%) 500,000 to 1,000,000, 28(14.8%) 1,000,000 to 5,000,000 and 26(13.8%) above 5,000,000. This implies that the majority of the contract's youth participated in were between 100,000 and 500,000. Findings resemble that of Kumar (2011) that total value of contracts awarded to Youth enterprises varies and therefore it not the same amount for all Youth enterprises which successfully bids for contracts. The study was interested in determining the duration taken to service contracts. Findings were presented in Table 4.10.

Table 4.10: Duration taken to service contracts.

Indicators	Frequency	Percent
Below 1 year	57	30.2
Above 1 year	132	69.8
Total	**189**	**100.0**

The results revealed that 57 respondents serviced the contracts for a period below 1 year while 132 respondents serviced the contracts for a period above 1 year. This was represented by 30.2% and 69.8% respectively. One of the respondents interviewed revealed that:

> "*The department had procured services from a company or companies registered under the AGPO programme. The category of goods involved were general supplies, ICT services, professional services & consultancy, small works and engineering and fresh produce and agricultural produce. The duration I had a contract/contract with the above company/companies varies from a period less than a year and a period more than 5 years. The total value of contract (s) varies, that is, those below 100,000 and those above 100,000.*"

Financing of Youth owned Enterprises.

The study sought to examine the financing of youth owned enterprises in Nandi County under the AGPO Policy. Descriptive statistical findings are presented below. The respondents were asked how they were able to finance the contract (s). Findings of the constructs were presented in Table 4.11.

Table 4.11: How the contract (s) were financed

Indicator	Frequency	Percent
Self/Family	73	38.6
Bank loans	73	38.6
Government Financing (Uwezo, WEDF, YEDF)	43	22.8
Total	**189**	**100.0**

The study asked how the respondents financed the contract (s). The study established that 73(38.6%) of the respondents financed the contracts using self/family, 73(38.6%) bank loans and 43(22.8%) government financing (Uwezo, WEDF, YEDF). This implies that majority of the respondents financed the contracts through self/family as well as bank loans. The study by Gichure (2007) found similar results that youth enterprise finance contracts awarded using different sourced of finance. The respondents were asked whether they were able to access any form of procurement financing (e.g., LPO financing or invoice discounting). Findings were presented in Figure 4.3.

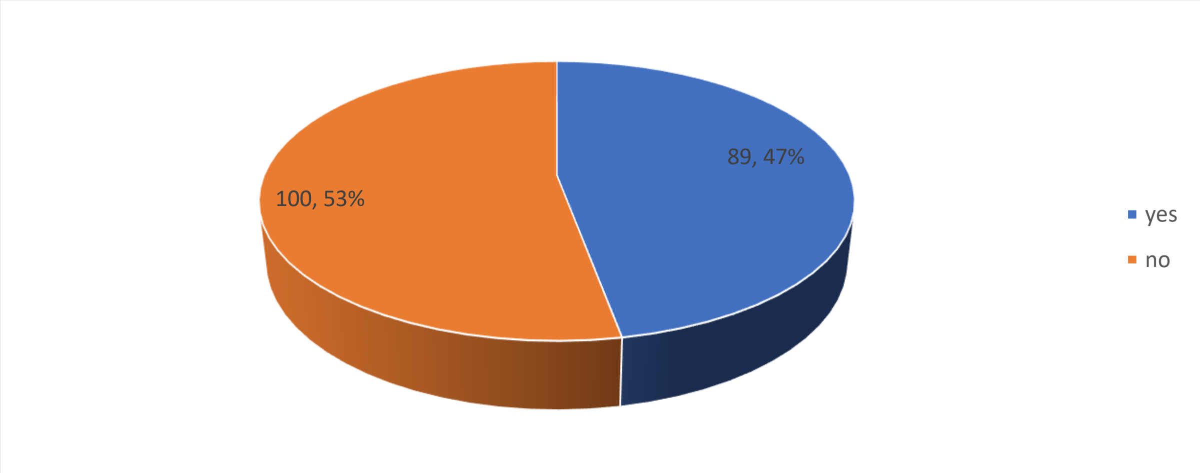

Figure 4.3: Form of procurement financing

The study asked whether the respondents had access to any form of procurement financing (e.g., LPO financing or invoice discounting). A total of 100 respondents had no access to any form of procurement financing that is, be it LPO financing or invoice discounting while 89 had access to it. This was represented by 53% and 47% respectively. The study agrees with Owino (2013) who established that Youth Enterprises access LPO financing or invoice discounting among others as forms of procurement financing. On the percentage of procurement finance the respondents got to the contract value, the results revealed that 72 respondents got less than 10% while 117 respondents got more than 10%. This was represented by 38.1% and 61.9% respectively as presented in Table 4.12. The study agrees with that of Polo (2008) who established that the percentage of procurement finance that Youth Enterprises get after being awarded a contract exceeds 10% of the total contract value.

Table 4.12: Percentage of Procurement Finance respondents got to the contract value.

Indicators	Frequency	Percent
Less than 10%	72	38.1
More than 10%	117	61.9
Total	**189**	**100.0**

The respondents were asked how long it took for the contracts to be paid for after delivery. Findings were presented in Table 4.13. The findings revealed that 55 respondents were paid 3 months after delivery and 69 respondents 6 months after delivery. This was represented by 29.1% and 36.5% respectively. Out of the total respondents, 31 were paid 1 year after delivery while 34 respondents more than 1 year, that is, 1 year and 6 months and others two years down the line. This was represented by 16.4% and 18.0% respectively. Findings resemble that of Eyaa, and Oluka (2011) that the period it takes for the contracts to be paid for after delivery varies from one contract to the other and the period is not the same.

Table 4.13: Duration taken for the contracts to be paid for after delivery.

Indicators	Frequency	Percent
3 Months	55	29.1
6 Months	69	36.5
1 year	31	16.4
More than 1 year (specify)	34	18.0
Total	**189**	**100.0**

The respondents were asked to state whether the length it takes to receive payment for contracts has affected their ability to meet their financial obligations. Findings were presented in Figure 4.4.

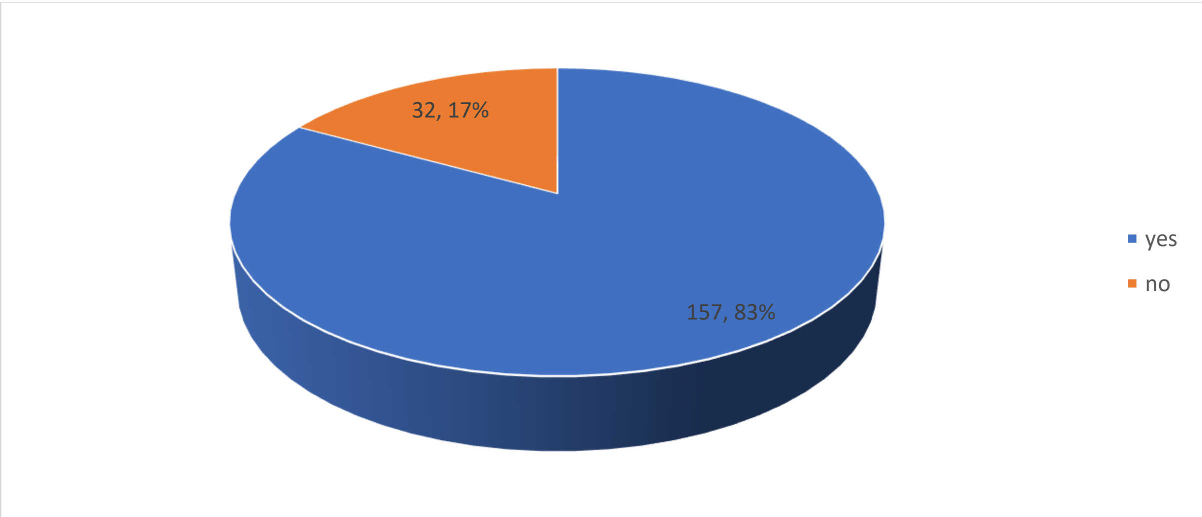

Figure 4.4: Length it takes to receive payment for contracts.

Findings of the study revealed that 157 respondents stated that the length it takes to receive payment for contracts affected their ability to meet their financial obligations while 32 respondents were of the contrary opinion. This was represented by 83% and 17% respectively. This implies that the length it takes to receive payment for contracts affects the ability to meet financial obligations. The study by Nelson et al. (2007) also revealed that the length it takes to receive payment for contracts affects the ability to meet financial obligations. A respondent interviewed revealed that.

"Most of the companies get different forms of procurement financing, among them LPO financing or invoice discounting. The source of finance that could easily be accessed by the enterprise was self/family."

Financing on effectiveness of delivery on contracts

The study aimed at establishing how financing influences delivery on contracts by youth owned enterprises under the AGPO policy. Findings were presented in Figure 4.5.

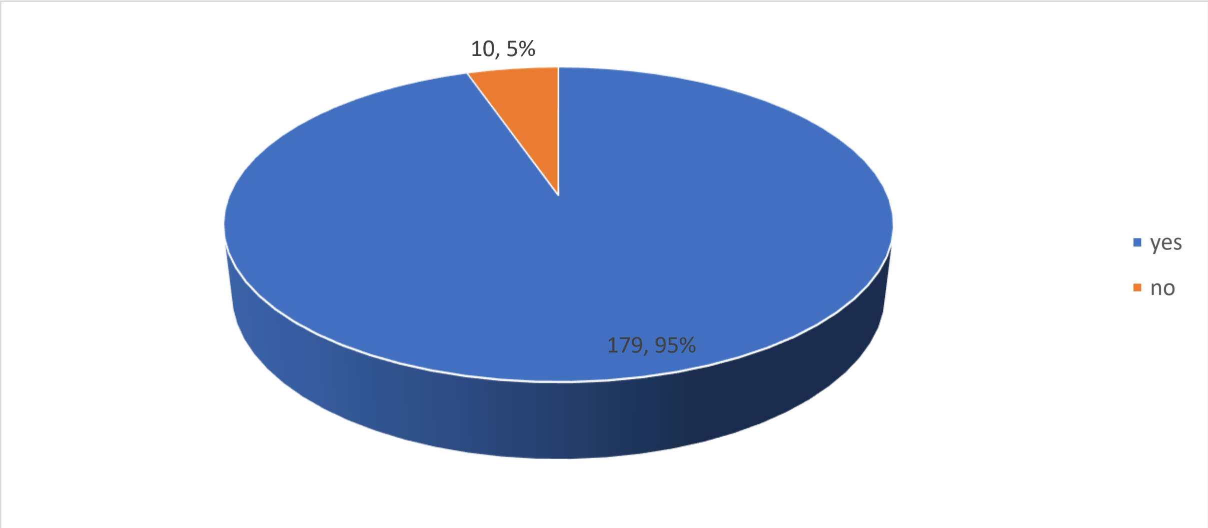

Figure 4.5: Delivery of goods/service on time

Out of the total respondents, 179 stated that they were able to deliver the goods/service on time while 10 did not. This was represented by 94.7% and 5.3% respectively. This implies that the majority of the respondents delivered the goods or services on time. The study by Chege's (2014) also revealed that most of the goods/service are delivered on time. Findings were presented in Figure 4.6.

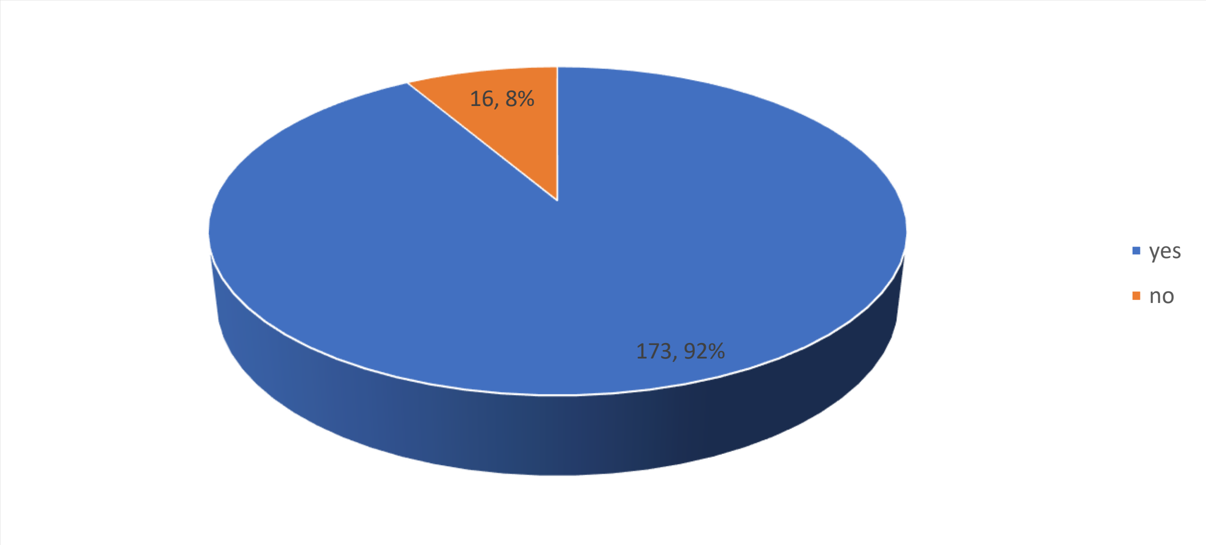

Figure 4.6: Access to government procurement

The respondents were asked whether access to government procurement and financing had improved the company's turnover. Findings revealed that, out of the total respondents, 173 respondents revealed that access to government procurement and financing had improved the company's turnover while 16 respondents did not. This was represented by 92% and 8% respectively. Findings resemble that of Yasa et al. (2015) that access to government procurement and financing had improved company's turnover. The study attempted to establish the increase in the company's turnover as a result of access to government procurement and financing. Findings were presented in Table 4.14.

Table 4.14: Increase in company's turnover.

Indicators	Frequency	Percent
50,000-100,000	56	29.6
100,000-500,000	42	22.2
500,000-1,000,000	33	17.5
Above 1,000,000	58	30.7
Total	**189**	**100.0**

The study results revealed that, 56 respondents stated that the company's turnover increased by between 50,000 to 100,000, 42 respondents revealed that the company's turnover increased by between 100,000 to 500,000, 33 respondents stated between 500,000 to 1,000,000 and 58 respondents above 1,000,000. This was represented by 29.6%, 22.2%, 17.5% and 30.7% respectively. Findings are in-tandem with that of Matchaba-Hove et al. (2015) that company's turnover increased varies from one company to the other. The study aimed to find out whether access to government procurement and financing led to an increase in the number of employees in the company. Findings were presented in Figure 4.7.

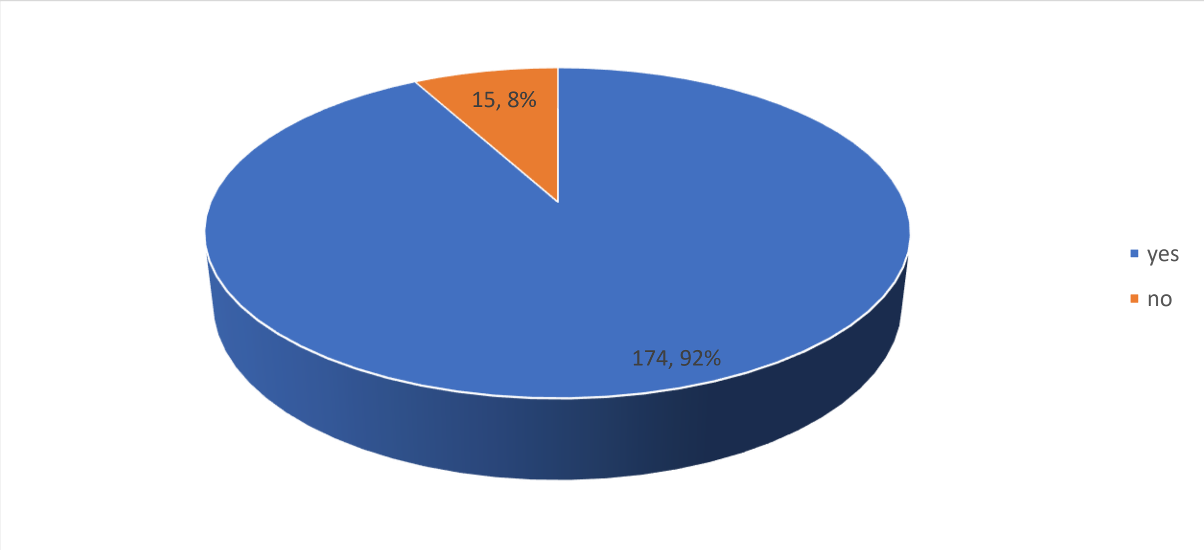

Figure 4.7: Increase in number of employees in the company.

The study asked whether there was an increase in the number of employees in the company after access to government procurement and financing. A total of 174 respondents said yes while 15 no. This was represented by 92.1% and 7.9% respectively. The study by Sokoto and Abdullahi (2013) also established that the number of employees in the company for organizations increase after access to government procurement and financing. The study sought the opinion of the respondents in terms of the number of employees which increased because of the company's access to government procurement and financing. Findings were presented in Table 4.15.

Table 4.15: Number of employees increased.

Indicators	Frequency	Percent
1 employee	25	13.2
Above 1 employee	164	86.8
Total	**189**	**100.0**

The results revealed that 25 respondents stated that the number of employees who increased as a result of the company's access to government procurement and financing was 1 employee while 164 respondents were more than 1 employee. This was represented by 25% and 86.8%

respectively. Findings are with that of Green, et al. (2006) that the number of employees that increase after youth enterprises access to government procurement or financing exceeds one employee. The respondents were asked for recommendations to improve youth participation in AGPO. Findings were presented in Table 4.16.

Table 4.16: Recommendations to improve Youth participation in AGPO.

Indicators	Frequency	Percent
Sensitization programmes	148	78.3
Creation of more government procurement packages just for the youth	41	21.7

The study established that 148 respondents stated that sensitization programmes will help to improve youth participation in AGPO while 41 stated that creation of more government procurement packages for the youth will help to improve youth participation in AGPO. This was represented by 78.3% and 21.7% respectively. The study agrees with that of Matchaba-Hove et al. (2015) that sensitization programs and creation of more government procurement packages for the youth helps to improve Youth Enterprises access to government procurement or financing. In order to determine the influence of financing on effectiveness of delivery on contracts by youth owned enterprises under the AGPO policy regression analysis was adopted. Findings of the model summary were presented in Table 4.17.

Table 4.17: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.56[a]	.41	.35	1.76767

a. Predictors: (Constant), financing

The adjusted R-square value is 0.35 which implies that the model explains 35.0% of effectiveness of delivery on contracts by youth owned enterprises under the AGPO policy from the predictor variable (i.e., financing). Analysis of variance (ANOVA) was adopted to assess the goodness of fit test of the regression model. The results are shown in Table 4.18.

Table 4.18: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	.019	1	.019	.006	.000[b]
1	Residual	584.309	187	3.125		

	Total	584.328	188

a. Dependent Variable: Delivery of contracts

b. Predictors: (Constant), financing

The F-ratio was .006 at 1 degree of freedom which is the variable factor. This represented the effect size of the regression model, and the model was significant at 95% confidence level (p=0.000) which indicates that effectiveness of delivery on contracts by youth owned enterprises under the AGPO policy can be predicted from financing. Regression coefficient analysis was done to assess the beta value that shows the extent to which financing affects delivery on contracts by youth owned enterprises. Findings were presented in Table 4.19.

Table 4.19: Regression co-efficient

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
1	(Constant)	9.716	.712	13.652	.000
	Financing	.047	.083	.043	.002

a. Dependent variable: Delivery of contracts

As per table 4.19, financing has a significantly positive effect on effectiveness of delivery of contracts of (β= .047, $p < 0.05$). This further meant that an increase in financing by one unit delivery on contracts improves by .047 units. The study by Sokoto and Abdullahi (2013) also established that financing enhances effectiveness of delivery of contracts. A respondent interviewed revealed that;

> *"There are instances where an enterprise delays or fails to deliver on their contractual obligations due to lack of finance on time. The period it takes for the contractors to get paid after delivery varies between 3 months or less and a period more than 1 year. The ability of the county government to pay on time affects the AGPO contractors' ability to access procurement finance. Sensitization programmes will help to improve the youth access government procurement opportunities."*

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter covers summary of findings, conclusions and recommendations.

Summary of Findings

With a response of rate of 90%, the demographic characteristics of the respondent revealed that more young men 85%, are involved in Youth AGPO than women. Notably, only 7.5% of the youth are under the age of 25 and the majority have a high school certificate and above.

On characteristics of Youth owned Enterprises, findings revealed that 93% of the companies were registered by The Treasury for AGPOme. Most of the companies(74.6%) had existed for a period of 3 to 5 years. The least number of companies were those which had existed for a period of 5 years and above.

The study had sought to determine the companies annual turnover. The study established that majority (43%) of the company's annual turnover is between 500,000 to 1,000,000. The company's annual turnover for the least number of companies was between 1,000,000and 5,000,000. Majority of the companies (59%) had more than 5 employees and the rest of the companies had 5 employees and below.

On nature of contracts, The respondents were asked whether the respondents had successfully bided for any contracts with the county government of Nandi in the last 3 financial years. Findings revealed that majority of the respondents had successfully bided for any contract with the county government of Nandi in the last 3 financial years.

The study also inquired the category of goods the respondents supplied if they successfully bid for any contracts with the county government. It established that the respondents had supplied different categories of goods and services, but the majority of the respondents had dealt in general supplies. The study also inquired on the total value of contracts. Findings revealed that the majority of the contract's youth participated in were between 100,000 and 500,000. On the duration taken to service contracts. The findings revealed that the majority of the respondents (69.8%) had serviced the contracts for a period of more than 1 year.

On financing of youth owned enterprises in Nandi County under the AGPO Policy, the study had sought to examine how the respondents financed the contract (s). Findings revealed that the majority of the respondents financed the contracts through self/family as well as bank loans. The study inquired whether the respondents had access to any form of procurement financing (e.g., LPO financing or invoice discounting). The study established that the majority of the respondents had no access to any form procurement financing that is, be it LPO financing or invoice discounting. The majority of the respondents revealed that they received more than 10% of the procurement finance from the value of the contract. The majority of the respondents revealed that the contracts were paid for 6 months after delivery. The length it takes to receive payment for contracts affects the ability to meet financial obligations. The study established that most of the companies get different forms of procurement financing, among them LPO financing or invoice discounting and the source of finance that could easily be accessed by the enterprise was self/family.

On the influence of financing on effectiveness of delivery on contracts, the study established that.

The majority of the respondents delivered the goods or services on time. Findings also revealed that access to government procurement and financing had improved the company's turnover. The majority of the respondents revealed that the company's turnover increased by above 1,000,000. Findings revealed that there was an increase in number of employees in the company after access to government procurement and financing. The number of employees who increased as a result of the company's access to government procurement and financing was 1 employee. The study established that sensitization programmes and creation of more government procurement packages for the youth will help to improve access to procurement and financing. Findings revealed that financing had a positive and significant effect on effectiveness of delivery of contracts. The study also established that there are instances where an enterprise delays or fails to deliver on their contractual obligations due to lack of finance on time. The period it takes for the contractors to get paid after delivery varies between 3 months or less and a period more than 1 year. The ability of the county government to pay on time affects the AGPO contractors' ability to access procurement finance. Sensitization programmes will help to improve the youth access government procurement opportunities.

Conclusions

The study had sought to determine the characteristics of youth owned enterprises in Nandi County. Schoof (2006) points out that unfavorable firm characteristics and legal status have a bearing on the performance of small and medium enterprises. On this objective the study concluded that majority of the companies were registered by The Treasury for AGPOme and were in existence for a period of 3 to 5 years. Companies that are registered with the The Treasury for AGPO are able to access procurement opportunities in any part of the country finance.

The second objective was to assess the kind of contracts undertaken by youth owned enterprises under the AGPO Policy in Nandi County. Based on the findings on this objective, the study concluded that majority of companies registered by The Treasury for AGPO successfully bid for contracts with the county government of Nandi in the last 3 financial years. Respondents supply different categories of goods and general supplies are the most supplied. The contract's that majority of the youth participate in are between 100,000 and 500,000 while most of the respondents service the contracts for a period more than 1 year. It is notable that the period that the majority of the companies take to service the contracts exceeds the financial reporting period of one year. This is in tandem with the assertion by Polo (2008) that while government contracts do pay well, they may take too long.

The third objective had was on the sources of finance available to youth owned enterprises in Nandi County. The study concluded that the respondents financed the contracts through self/family as well as bank loans. Most of the respondents had no access to any form procurement financing that is, be it LPO financing or invoice discounting. Most of the respondents receive more than 10% of the procurement finance from the value of the contract. Most the contracts are paid for 6 months after delivery. The period taken before receipt of payment for contracts affects the ability to meet financial obligations as noted in the literature by Oliveira and Fortunato (2006) larger firms are able to access credit compared to smaller firms because of economies of scale.This also follows the World Bank (2010) report that found that small enterprises often have limited access to finance compared to larger once and they often receive less finance compared to the large ones.

The fourth objective sought to determine how access to procurement finance from the different sources affects the effective delivery of contracts that youth owned enterprises undertake. The study came up with the following conclusion that access to government procurement and financing improves company's turnover. The study also concluded that sensitization programmes and creation of more government procurement packages for the youth helps to improve access to procurement and financing. This study thus concurs with Chege (2014) that youth access to finance would significantly improve their enterprise and lack thereof, impedes their growth.

And whereas financing enhances the effectiveness of delivery of contracts, we find that youth enterprises in Nandi had limited access to finance which reflects in their slow growth in turnover. From Sukaatmadja, Rahyuda and Giantari (2015) and Matchaba-Hove et al. (2015) we can conclude that youth owned enterprises have the potential to ameliorate unemployment, increase incomes and alleviate poverty. However, there are gaps in knowledge and policy and financial constraints that hinder the realization of this potential.

Recommendations

The study recommended that more companies owned by youth in Nandi County should be registered by The Treasury for AGPO and recommends that more youth enterprises consider the various categories of contracts that may be available in the county other than General Supplies.

Sokoto & Abdullahi, (2013) held that 'development of youth enterprises through public procurement and subsequent financing supports the creation of employment opportunities to the populations that needs it most.'

To improve their financial capabilities the youth owners of the companies should maintain good records of their business undertakings to bridge the gap in information. With increased record keep and financial literacy, more youth would be able to bid successfully for contracts and consider a variety of financing opportunities. Taylor(2011) notes that making financial literacy a public cause can save a society a great deal of anguish and improves individual psychological well-being.

On nature of contracts, the study recommended that more companies registered by The Treasury for AGPO should bid for any contract with the county government of Nandi. The Government should improve the value, quantity and nature of the contracts reserved for the youth. Companies should continue to supply different categories of goods and services. Such Variety will improve the skill set, financial outlook and competitiveness of the firms. This doubles up on the need for improved communication between the government and the enterprises as emphasized by (Ogada,2008)

Youth owned firms should also gear towards high value contracts to essentially increase their turnover, it is highly likely that financial institutions would fund valuable contracts as there are economies of scale with respect to transaction costs.

On financing of youth owned enterprises in Nandi County under the AGPO Policy, the study recommended that the companies should be able to look for other sources to finance the contracts besides self/family and bank loans. The report concurs with Oduol (2013) that companies should be able to access various forms of procurement financing such as LPO financing or invoice discounting. The percentage of procurement finance companies get from the contract value should be more than 50%.

A key recommendation for policy makers is that youth owned enterprises and other entities under AGPO should be prioritized during payment considering the nascent nature of the enterprise and the policy objective it intends to meet. The young owners of these companies can neither afford to have their capital tied nor be able to service debts by other means. Companies should be paid within 6 months after delivery.

On influence of financing on effectiveness of delivery on contracts, the study recommended that policy makers put in place measure to bridge the gap in financing for the youth enterprises by providing guarantees to the youth owned enterprises through the Uwezo Fund and Youth Enterprise Development Fund as they have a shared objective. The management of the companies should continue to pursue government procurement and financing because it improves the company's turnover and creates jobs. Sensitization programmes as well as creation of more government procurement packages for the youth should be adopted to enhance youth access to procurement and financing. As Chege (2014) noted, entrepreneurial performance is predicated on access to credit facilities.

Suggestions for Further studies

The study had been done on Youth Enterprise Financing through public procurement in Nandi County government. The study recommends a similar study to be conducted in the remaining 46 counties in Kenya. This will facilitate comparative studies to be done on the subject matter across the country and therefore enhance the existing body of knowledge on Youth Enterprise Financing through public procurement.

Another, largely qualitative study on Youth Enterprise Financing through public procurement but should focus on the political economy relations involved in youth access to government procurement as well as financing and its implications on the developmental objectives of public procurement. Other studies should establish the challenges facing Women and People with disability access to government procurement and financing. Studies on the wider scope of how information asymmetry affects formative industries in the developing world may exist but focus on key populations is necessary in order to unlock their development potential. Other studies should be done on performance of Youth Owned Enterprise in Nandi County and other counties in Kenya to establish the extent to which the industry employs the youth compared to other sectors of the economy. The indicators of performance of Youth Owned Enterprise adopted should be other indicators besides value of contracts won/undertaken, increased no of contracts, timely delivery of contracts and growth of the YOE - Increase Turnover and no. of employees.

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Table 2: Data Needs

Research Questions	Data Needed	Source	Type of Data	Instrument/Tool
What are the characteristics of youth owned enterprises prequalified under AGPO in Nandi County	Age of the Enterprise	Youth Owned Enterprise	Nominal	Questionaire/Certificate of incorporation
	Type of enterprise (service, construction, supplies)	Youth Owned Enterprise	Nominal	Questionaire
	Annual Turnover of the enterprise	Youth Owned Enterprise	Ratio	Questionaire
	Assets owned by the enterprise (Value)	Youth Owned Enterprise	Ratio	Questionaire
	Structure of ownership	Youth Owned Enterprise	Ordinal	Questionaire/CR 12
What sources of finance are available to youth owned enterprises in Nandi County	Source of finance	Youth Owned Enterprise	Nominal	Questionaire
What kind of contracts are won by youth owned enterprises in Nandi County under the AGPO Policy	Value of Contracts won undertaken annually	Youth Owned Enterprise	Ratio	Questionaire
	Type of contract (Construction	Youth Owned Enterprise	Nominal	Questionaire

	, Services, Supplies etc.)			

APPENDICES

APPENDIX I: LETTER OF TRANSMITTAL

Jonesmus Kipkirui Sanga

P O Box 2491-30100

Eldoret

Dear Respondent,

RE: ACADEMIC RESEARCH

I am a student at the University of Nairobi pursuing a Masters Development Studies. I am conducting academic research on Financing Youth Enterprise Through Public Procurement Opportunities in Nandi County.

The objectives of the study are to analyze the influence of access to finance on the performance youth owned enterprises and make recommendations.

Attached herewith is a questionnaire seeking to gather information for the research from you. The information you provide will be treated with utmost confidentiality and will be used for academic purposes only.

Thanks in advance for your cooperation.

Yours faithfully,

Jonesmus Sanga

APPENDIX II: QUESTIONNAIRE FOR YOUTH ENTERPRENEURS

Instructions

Kindly answer the following questions in the spaces provided or by ticking the appropriate option in the boxes.

Do not indicate your name.

SECTION A: Entrepreneur's Demographic Information

1. Indicate your Sex.

   Male ☐ Female ☐

2. Indicate your Age bracket.
   a) 18-25 ☐
   b) 25-30 ☐
   c) 30-35 ☐
3. What is your highest academic level?
   a) High School and below ☐
   b) Diploma ☐
   c) Bachelor's degree ☐
   d) Master's degree ☐
   e) Others (specify) ………………………………………………………………………

SECTION B: Enterprise's Information

4. Is your company registered for AGPO at the Treasury?

   Yes ☐ No ☐

5. How long has your company been in operation? …………………………………..

6. What is your company's annual turnover (Tick the box)

   a) Below Ksh 100,000 ☐
   b) Ksh 100,0000 – Ksh 500,000 ☐
   c) Ksh. 500,000-Ksh. 1,000,000 ☐
   d) Ksh. 1,000,000 – Ksh.5,000,000 ☐
   e) Above Ksh. 5,000,000 ☐

7. How many people does your company employ? ________

SECTION C: Type of Contracts

8. As a youth owned enterprise, have you successfully bid on any contracts with the county government of Nandi in the last 3 financial years?

Yes ☐ No ☐

9. If yes, for what category of goods? (Tick as appropriate)

a) General supplies ☐
b) ICT services ☐
c) Professional services & consultancy ☐
d) Small works and engineering ☐
e) Fresh Produce and Agricultural Produce ☐

10. What was the total value of the contracts?

a) Below Ksh 100,000 ☐
b) Ksh 100,0000 – Ksh 500,000 ☐
c) Ksh. 500,000 - Ksh. 1,000,000 ☐
d) Ksh. 1,000,000 – Ksh. 5,000,000 ☐
e) Above Ksh. 5,000,000 ☐

11. For how long did you service the above contracts? (Indicate cumulative period) ……………

………………………………………………….

SECTION D: Sources of Funding

12. How were you able to finance the contract/contracts? (Tick as appropriate)

a) Self/Family ☐
b) Bank Loans ☐
c) Government Financing (Uwezo, WEDF, YEDF etc.) ☐

13. Were you able to access any form of procurement financing (e.g., LPO financing or invoice discounting)?

Yes ☐ No ☐

14. If yes, what was the percentage of procurement finance did you get to the contract value?

……………………………………………………………..

15. How long did it take for the contracts to be paid for after delivery? (Indicate period within which payment was made)

a) 3 months ☐
b) 6 months ☐
c) 1 year ☐
d) More than one year (specify) ☐

16. Would you say that the length it takes to receive payment for contracts has affects your ability to meet your financial obligations? …………………………………………………

SECTION E: Delivery of Contracts and Performance of the Youth Owned Enterprise

17. Were you able to deliver the goods/service on time?

Yes ☐ No ☐

18. Has access to government procurement and financing improved your company's turnover?

Yes ☐ No ☐

19. If yes, what was the increase?

a) Ksh. 50,000- Ksh. 100,000 ☐
b) Ksh. 100,000- Ksh. 500,000 ☐
c) Ksh. 500,000- Ksh. 1,000,000 ☐
d) Above Ksh. 1,000,000 ☐

20. Has access to government procurement and financing led to an increase in the number of employees in your company?

Yes ☐ No ☐

If yes, by how many? ________

21. In your view, how can the county government improve your participation in AGPO?____

____

The end

Thank you very much.

APPENDIX III: INTERVIEW GUIDE FOR THE KEY INFORMANTS (COUNTY GOVERNMENT OFFICERS)

Instructions

Kindly answer the following questions in the spaces provided or by ticking the appropriate option in the boxes.

Do not indicate your name.

SECTION A: Background Information

1. Department of the Officer ______________________________

2. Office Held (Designation) ______________________________

3. How long have you worked for the county government?

SECTION B: Type of Contracts

4. Has your office/department procured services from a company/companies registered under the AGPO programme?

Yes ☐ No ☐

5. How many contracts have you been able to deliver under AGPO? ……………………………

5. If yes, for what category of goods? Indicate the number in the box.
   f) General supplies ☐
   a) ICT services ☐
   b) Professional services & consultancy ☐
   c) Small works and engineering ☐
   d) Fresh Produce and Agricultural Produce ☐
6. For how long have you had a contract/contract with the above company/companies? (Indicate number of companies in the box)
   a) 1 year and below ☐

☐

b) 2 years
c) 3 years
d) 4 years
e) 5 years and above

8. For each contractor/contractors listed above, what was the total value of the contract awarded?

a) Below Ksh 100,000
b) Ksh 100,0000 – Ksh 500,000
c) Ksh. 500,000-Ksh. 1,000,000
d) Ksh. 1,000,000 – Ksh.5,000,000
e) Above Ksh. 5,000,000

SECTION C: Access to Finance

9. Do these companies get any form of procurement financing (e.g., LPO financing or invoice discounting)?

Yes No

10. In your view, what sources of funds does this enterprise have easier access to?

a) Self/Family
b) Bank Loans
c) Government Financing

SECTION D: Access to Finance and Performance of the Youth Owned Enterprises

11. Are there instances where an enterprise delays or fails to deliver on their contractual obligations due to lack of finance on time?

Yes No

12. On average, how long does it take for the contractors to get paid after delivery?

a) 3 months
b) 6 months
c) 1 year
d) More than 1 year (specify how long)

13. In your view does the ability of the county government to pay on time affect the AGPO contractors' ability to access procurement finance?

Yes ☐ No ☐

14. In your view, how can the county government improve youth participation in AGPO?____

____

The end

Thank you very much.