

**DETERMINANTS OF SURVIVAL OF YOUTH OWNED MICRO AND SMALL  
ENTERPRISES IN NYERI SOUTH SUB COUNTY, KENYA**

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**A Thesis Submitted to the School of Business Management and Economics in  
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Administration of Dedan Kimathi University of Technology**

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## DECLARATION

I declare that this is my original work and to my knowledge the same has not been submitted for another degree or qualification in any institution of learning.

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## **ACRONYMS**

<b>GEM:</b>	Global Entrepreneurship Monitor
<b>MoYA:</b>	Ministry of Youth Affairs (MoYA)
<b>MSE:</b>	Micro and Small Enterprise
<b>NGOs:</b>	Non-Governmental Organization
<b>YEDF:</b>	Youth Enterprise Development Fund

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## ABSTRACT

Despite all the investments made by various players, youth owned MSEs have not succeeded in getting off the ground and a high failure rate among them has been documented. As a concern to this high failure rate among the youth owned MSEs, the study sought to establish the determinants of survival of youth owned MSEs in Nyeri South Sub County, Nyeri County. The study sought to evaluate the micro level determinants, meso level determinants and macro level determinants of survival and success of youth owned MSEs. The study adopted descriptive research. The population of the study constituted the entire 98 youth owned MSEs in Nyeri South Sub County, Kenya as at 31<sup>st</sup> July 2016. Proportionate sampling was applied to select the MSEs to be included in the sample. Out of the 79 questionnaires that were distributed, 55 of them were completed and returned accounting for 69.62% response rate. Questionnaires were used to collect primary data and were administered to the proprietors of the youth owned MSEs. In the current study, the researcher carried out a pilot study in order to enhance the validity and reliability of the research instruments. The results from the pilot study were analyzed carefully for clarity, correctness and also ensure that the items in the questionnaire were comprehensive as far as the coverage of objectives was concerned. Cronbach's Alpha Coefficient ( $\alpha$ ) was applied to determine reliability of the questionnaires. The data was analyzed using descriptive statistics such as mean and standard deviation and inferential statistics such as regression analysis with aid of SPSS v.23.0. The study established that micro level determinants affect the survival of youth owned MSEs to a moderate extent. The study established that desire for independence in the entrepreneur affects the survival of his/ her enterprise to a great extent. Risk taking propensity of the entrepreneur, entrepreneur's ability to recognize a business opportunity, demographic characteristics of the entrepreneur and need for achievement in the entrepreneur affects the survival of his/ her enterprise to a moderate extent. Meso level determinants affect survival of youth owned MSEs to a moderate extent. The study established that marketing skills possessed and exercised by the enterprise, managerial capacity in the enterprise and prudence of pricing and planning strategies affects the survival of the business enterprise to a moderate extent. Factors in the macro environment were found to have a minimal effect on the survival of the MSE. The study established that the nature of competition experienced by the enterprise, the nature of government control such as taxation regime and legal and regulatory frameworks that the enterprise must comply with such as registration requirements affect the survival of the enterprise to a moderate extent. The level of inherent inflation and the nature of transport, communication and technological infrastructure accessible to the firm influence its survival. Overall, the micro level determinants affect survival of youth owned MSEs to a moderate extent.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the study

Wanjohi (2010) observed that youth aged 15-24 years account for 1.2 billion people of today's world population. The highest proportion of this population, about 87%, lives in the developing countries such as Kenya. He further noted that in Africa, 200 million people are in this age bracket, comprising more than 20% of the region's population.

In Kenya about 48% of population represents the youth population which is from ages 15-35 years of age. Increasingly, entrepreneurship resulting in creation of Micro and Small Enterprises is being identified as one of the strategies of curbing youth unemployment. Micro and Small Enterprises are widely recognized as major sources of employment and income in developing countries. If they grow in size, they would contribute to economic growth and poverty reduction among the youth (Wawire and Nafuko,2010).

Like the rest of the world, the Kenya government has now embraced entrepreneurship development through formulation of policies favorable to development of small enterprises particularly in the recent years. Such policy initiatives include Sessional Paper number 2 of 2005 on development of Micro and Small Enterprises for Wealth and Employment Creation; Sessional Paper Number 2 of 1992 for small enterprise and *jua kali* development in Kenya; Sector Plan for Labour, Youth and Human Resource development 2008-2012; Poverty Reduction Strategy Paper 1999-2015 and Micro and

Small Enterprises Bill 2006 which led to the establishment of a council to facilitate the development of MSEs and creation of Micro and Small Enterprises development fund. In addition, the Ministry of Youth Affairs (MoYA) established Youth Enterprise Development Fund (YEDF) in the year 2007 as a source of capital for registered youth groups in Kenya to start and/or boost their Micro and Small Enterprises. Most commercial banks and financial institutions have also developed Micro and Small Enterprises tailored strategies to give loans to young entrepreneurs in groups or as individuals.

Despite these efforts, problems still face potential young entrepreneurs with recent statistics showing that three out of five Micro and Small Enterprises in Kenya fail within the first few months of operation. Such challenges include identification of business opportunities and negative view of Micro and Small Enterprises, poor management and financial problems. The major challenge the youth owned MSEs face is how to overcome the determinants hindering growth. In addition, youth owned Micro and Small Enterprises productivity remains low and their sizes remain small. While their low performances may be attributed to the unfavorable circumstances surrounding them recent empirical studies have identified problems within firms.

Heavy investment strategies have been made by donor agencies, Non-Governmental Organizations and the Kenyan Government to aid income generation among the youths through development of youth owned Micro and Small Enterprises. These strategies include budgetary allocations, affirmative action in favour of youth owned Micro and

Small Enterprises, fiscal incentives and grants all geared towards making the Micro and Small Enterprises sub-sector vibrant.

### **1.2 Statement of the Problem**

Although determinants that influence Micro and Small Enterprises have called the attention of some researchers from various countries all over the world, little is still known about the determinants influencing performance of small Kenyan enterprises especially those run by the youths. In as much as recent efforts have been made to better understand this subject in an African context, such as researches by Global Entrepreneurship Monitor, these studies only focused on Micro and Small Enterprises in general, not specifically youth owned MSEs especially in Nyeri. Thus, there is little apparent evidence on determinants influencing performance of these enterprises owned by youths in Nyeri South Sub County. Consequently, the purpose of this study was to examine the determinants of survival of the enterprises owned by youths in Nyeri South Sub County, Nyeri County, Kenya. Further, the study sought to establish the determinants of survival of youth owned Micro and Small Enterprises in Nyeri South Sub County, Nyeri County, Kenya.

### **1.3 Purpose of the Study**

The purpose of the study was to analyze the determinants of survival of MSEs owned by youth in Nyeri South Sub County, Nyeri County.

## **1.4 Objectives of the Study**

### **1.4.1 General Objective of the Study**

The general objective of the study was to analyze the determinants influencing survival of MSEs owned by youth in Nyeri South Sub County, Nyeri County.

### **1.4.2 Specific Objectives**

- i. To evaluate the influence micro level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya.
- ii. To analyse the effect of meso level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya.
- iii. To assess the influence of macro level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya.

## **1.5 Research Questions**

The study was guided by the following research questions:

- i. How do micro level determinants influence the survival of youth owned MSEs in Nyeri South Sub County, Kenya?
- ii. What is the effect of meso level determinants on the survival and performance of youth owned MSEs in Nyeri South Sub County, Kenya?
- iii. What is the influence of macro level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya?

## **1.6 Significance of the Study**

The findings of the study will help in creating understanding on the determinants affecting the survival of youth owned MSEs. In so doing the policy makers will be

empowered to develop policies that will spur growth of youth entrepreneurship in Kenya. This will be achieved through addressing the determinants that favour the growth of youth entrepreneurship emanating from individual capacities as well as the economic, regulatory and legislative environments influencing the growth of entrepreneurship. In addition, the findings of the study will help the youth understand the determinants that influence the survival of entrepreneurial ventures. This will help them seek ways of developing the capacities that are vital for the survival of the youth run MSEs.

The findings of the study will also inform the curriculum developers charged with coming up with the curricula for the youth in schools and colleges. They will identify the potentials and capacities that need to be developed among the youth for them to develop entrepreneurial culture and aptitude.

### **1.7 Limitations and Delimitations of the Study**

In the course of carrying out the study, the researcher encountered a number of limitations. First, some of the respondents were not fully willing to provide information considered sensitive which was relevant for the study as they feared divulging business secrets. Secondly, not all respondents were cooperative in relaying the required information. This was addressed by assuring them that the information would be used for the research purpose only. The researcher also adopted a friendly approach to respondents in order to encourage them to respond. Finally, some of the information

required for the study was lacking or not accessible to the researcher due to lack of proper records. The available information was complimented with published reports.

### **1.8 Definition of Terms**

**Determinants:** Factors that have a potential on influencing the survival of an MSE.

These determinants may be due to the micro level determinants, in the MSE's internal or external environment. In the present study, the determinants will be categorized under micro level determinants, meso level determinants and macro level determinants.

**Macro level determinants:** Refers to the factors in the MSE's external environment that may affect its survival.

**Meso level determinants:** Refers to the factors within the internal environment of an MSE that may influence its survival.

**Micro and Small Enterprise (MSE):** - A business, whose total cost is not more than Kshs. 100, 000.

**Micro level determinants:** Refers to the attributes of the MSE proprietor that may affect the survival of an MSE.

**Survival:** The ability of a youth owned MSE to continue carrying out its operations beyond the first year of existence.

**Youth owned:** An MSE whose proprietor is an individual aged between 15-35 years.

**Youth:** An individual aged between 15-35 years.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter gives the background information to aid the researcher to have a wide understanding of the research area. It narrates research work carried and gives a critical review of the existing literatures. It also has summary and gaps to be filled by the study as well as the theoretical and conceptual frameworks for the study. Citation from various authors has extensively been involved to ensure a clear path to answering the research questions is established.

#### **2.2 Theories**

The study is founded on a network of theories discussed as follows:

##### **2.2.1 Human Capital Theory**

Human Capital Theory pioneered by Schultz (1980), underscored the fact that people are not capital goods or commodities. He criticized, and attempted to broaden, the concept of entrepreneurship, by suggesting that, in a dynamic economy, entrepreneurial behaviour may be manifested by people other than those in business. Such behaviour is a function of the demand, supply and value of their services. Hence entrepreneurial behaviour may be considered to be another form of capital. At any point in a person's life cycle he or she may, due to changes in economic circumstances, become entrepreneurial. According to Schultz (1980), entrepreneurial ability is the ability to reallocate their services in response to changes in the value of the work they do. In this sense some educational activities can be considered to be entrepreneurial. It is the supply of entrepreneurial ability that is of

economic value but has received scant consideration in the economic literature. Given that what they do has economic value, this value accrues to them as rent. Further, Schultz argues strongly that risk-bearing is not a unique attribute of the entrepreneur. Even in a static economy there is risk, but there are no entrepreneurs. He concludes that the bearing of risk does not distinguish between people who are entrepreneurs and those who are not. In essence, the entrepreneurial reward is solely for their ability and not as a consequence of their taking risks.

Schultz further argued that people (not simply businessmen) from all walks of life may face disequilibria and as such the essence of entrepreneurship is having the ability to deal with such conditions. He provided evidence to support his view that education developed an individual's ability to perceive and react to disequilibria. However, Schultz also believed that entrepreneurial ability is a scarce resource and that the market for it adheres to normal supply and demand functions. Thus, where there is a particular demand, entrepreneurs will reallocate their resources and thereby bring that aspect of the economy back to equilibrium. Doing so involves risk and has value, for which the rent accrued forms the reward. For Schultz, human capital was principally in the form of education and experience.

Human capital issues continue to be researched, as exemplified in the various annual Global Enterprise Monitors (GEM reports). This type of research is useful for identifying trends of large cohorts, but it can be indiscriminating, for example focusing on the self-employed (Burke et al.,2000).Davidsson and Honig (2003) were able to show that both

human and social capital factors differentiated between a cohort of nascent entrepreneurs and a control group. This reinforces Schultz's view that the quality of human capital in respect of education and experience is an important factor in business venturing.

### **2.2.2 Nieman and Nieuwenhuizen's Theory of Growth of a Firm**

Nieman and Nieuwenhuizen 2009's model guides the present study. This model comprise of 4 critical stages of the supporting models and these are, survival or abort, growth or decline, maturity or rejuvenation and decline.

#### **Stage 1: Survival or Abort Stage**

This stage has duration of 0-3years as in the Churchill and Lewis growth model's start up stage. According to the Greiner's model (1972) this stage is referred to as the development/abort stage. It describes this stage as a stage in which agribusiness SMEs begin operation and are developed to viability or are aborted at an early stage. According to Shafeek (2009) the thrust in this stage is to get enough customers so as to make the business economically viable and this requires the owner or manager to have good marketing skills.

In addition, Burns and Dewhurst (1996) state that MSE owner or managers need to focus on solvency with the task of monitoring cash flow and meeting break-even as being of prime importance (sound financial management skills). This view is also supported by Churchill and Lewis (1983) who suggest as a primary strategy that the owner or manager attempts to keep the business solvent long enough for the customer base to be expanded.

Important to note in this stage and according to Churchill and Lewis (1983) is that the owner or manager still does everything in addition to direct supervision of staff. As the name of the stage suggests (survival), the primary strategy is simply to stay alive. Shafeek (2009) also suggest that the margins that were initially projected are indeed achieved and that the owner or manager must focus on developing the products unique selling proposition based on the initial reaction from the customers (a combination of sound operations and marketing skills). Therefore, the internal factors those are consistent with the MSE survival at this stage are: the personal characteristics of the MSE owner or manager (gender, educational qualifications and previous experience), access to finance, access to technology, availability of a sound business plan to give direction to the MSE owner or manager and help access funds, good marketing, human resources management and operations management skills.

### **Stage 2: Growth or Decline**

This stage has duration of 4-6 years as in the Churchill and Lewis growth model's growth stage. According to Shafeek this stage is referred to as the high growth stage, rapid growth stage or take-off stage of the meso level determinants life cycle. In this stage, the rate of growth accelerates and resources are under major pressure. Growth is quite often so fast that the owner or manager cannot keep up with it and at the same time competition may become stronger (Nieman and Nieuwenhuizen 2009). Shafeek in support, state that during this stage, if managed properly by the MSE owner or manager, the firm will face a period of rapid growth in sales as the product is accepted and adopted by a growing number of consumers. He further stresses that the SME owner or manager must not only

manage the increase in sales but also the resultant problems of an increasingly complex meso level determinants structure.

The growth stage is believed by most researchers to be the most dangerous stage in the life cycle of the new SMEs regardless of the sector of operation. This is so because it is when most business failures occur, mostly due to the pressure on resources, hence it is referred to as “Growth or Decline stage” (Nieman and Nieuwenhuizen, 2009). Therefore, it is during this stage that the MSE owner or manager must take heed by keeping a close eye on new entries into the market to avoid pre-mature decline. More important to note is the need for the MSE owner or manager to adopt more control systems along with the recruitment of more skilled staff in preparation for this increase in growth in this stage (Shafeek 2009).

More so, it is during the growth stage that the feeling of losing control emerges in the MSE owner or manager as a result of the delegation of authority from the survival stage. With the firm growing as well as the introduction of control systems, there is a need to coordinate the systems more effectively which ought to result in the efficient allocation of the firm’s limited resources (Shafeek, 2009). Burns and Dewhurst (1996) and Churchill and Lewis (1983) suggest that the owner or manager must now manage the allocation of the limited resources as well as engage in strategic planning to cope with the expansion and the resultant drain on the MSE cash flow.

Thus, if the owner or manager only concentrates on the increase in sales while failing to manage the resultant constraints or problems (overtrading), this will lead to pre-mature decline (firm failure). The internal constraints or factors that are consistent with the growth or failure of the MSE at this stage are: the finance management skills, human resources management skills, marketing skills, operations management skills, use of technology and an updated business plan that serves as an internal benchmark for the organization's performance.

### **Stage 3: Maturity and Rejuvenation**

This stage has a period of 6-9 years. The maturity stage is a stage characterized by stability which comes after the rapid growth and expansion of the business in the previous stage together with the increase in competition (Churchill and Lewis 1983). The role of the owner or manager changes during this stage and must be re-directed from one that focuses on growth to ensuring that the company consolidates its position in the market place and looks strategically to the future rather than complacently reaping the fruits derived from past successes. More so, this stage is the one that will either drive the firm onward to a higher level of profitability or censure it to decline and failure.

This responsibility is highly dependent on the actions of the owner or manager (Shafeek 2009). The high growth experienced by the business will eventually begin to slow down due largely to the increase in the number of competitors attracted to the market. Nieman and Nieuwenhuizen (2009) identified market saturation as the major cause for the slowing down the growth which requires the firm to pursue other product positions in

order to sustain the growth or rejuvenate growth. It is believed that innovation is critical at this stage to reduce the impact of failure and enhance re-growth (rejuvenation), capitalizing on the abundant resources especially financial resources (Kuratko and Hodgetts 1995). One of the potential pitfalls identified by Greiner (1972) is an increase in ‘red tape’ due to abundance of control and coordinating systems implemented during the earlier stages. Greiner believes that their proliferation exceeds their utility in that procedures may take precedence over problem solving and innovative behaviour if allowed.

A solution to this problem is to narrow the gap through collaboration between the owner or manager and lower levels of management which may have been caused by the proliferation of red tape. Dodge and Robbins (1992) see the need for innovative behaviour to be exhibited by the owner or manager as a basis on which to build the future viability of the business. While the life cycle concept provides valuable information on how a firm develops and evolves through the various stages of development, it is necessary to be aware of some of the limitations imposed upon it.

#### **Stage 4: Decline**

Models such as the Scott and Bruce model in (Shafeek 2009); indicate that firm failure may occur a number of times during the stages. Decline may occur during the growth stage or after the maturity stage, when the owner manager fails to adopt strategies that favour re-growth in the maturity stage. Shafeek cited four limitations of venture life cycle models. Firstly, while implied by the models, not all firms move sequentially through all

stages due to business failure. It is accepted that not all firms progress sequentially through all stages but not all models expect it to, either implicitly or otherwise. Models such as the Scott and Bruce model indicate that firm failure may occur a number of times during the stages (Shafeek 2009). Also, the Eggers and Leahy (1995) model depicts the firm moving forward and regressing, omitting some stages entirely.

Secondly, the firm's management style maybe more advanced than the firm's meso level determinants structure, which means they are not moving in parallel as suggested by the models. Greiner (1972) admits that this could potentially be a problem if the owner or manager attempted to institute an inappropriate meso level determinants structure, for example, an over-use of controls when the emphasis ought to be on creativity. This problem is with the owner or manager more than with the models themselves. The owner or manager might not even realize the stage the firm is going through or even consciously think what they ought to be doing. By using the meso level determinants life cycle models as a guide, the appropriate managerial style might emerge as a solution to the problem.

### **2.2.3 Porters Five Forces Model**

Porter's five forces analysis is a framework that attempts to analyze the level of competition within an industry and business strategy development. It draws upon industrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of an Industry. Attractiveness in this context refers to the overall industry profitability. An "unattractive" industry is one in



which the combination of these five forces acts to drive down overall profitability. A very unattractive industry would be one approaching "pure competition", in which available profits for all firms are driven to normal profit. This analysis is associated with its principal innovator Michael E. Porter of Harvard University who referred to these forces as the micro environment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a business unit to re-assess the marketplace given the overall change in industry information.

The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competencies, business model or network to achieve a profit above the industry average. Porter's five forces include: three forces from 'horizontal' competition: the threat of substitute products or services, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers. The present study held that the ability of the enterprise to manage both internal and external environments effectively determines the ability of the enterprise to survive.

#### **2.2.4 Theory of a Firm**

Traditionally, the theory of the firm has sought to respond to questions on why firms exist and what factors determine their boundaries relative to markets. This study is interested in the emergence, development and also the exit of the firm from the market. In order to

conceptualize the firm, a multidisciplinary perspective offers rich insights: next to economics, business administration, entrepreneurship theory, international business literature, law, sociology, psychology, and cognitive science can make valuable contributions here offering a complementary or enhancing lens.

In this vein, the study is particularly interested in researching the interface between theory of the firm and entrepreneurship. Although, these two fields that have been largely developed in isolation they are now beginning to be brought together and each one has much to learn from the other (Casson , 2005; Foss and Klein, 2012, Carlsson et al, 2013 ). The firm exists because of entrepreneurship (Langlois, 2005) and entrepreneurs are inextricably connected to the firm organization (Witt, 1998a). For example, in order to provide a comprehensive answer to the abovementioned question on “how a firm organization is created”, special attention should be drawn to the fact that entrepreneurial input is an important prerequisite to firm creation (Witt, 2005) . one should take into consideration that without entrepreneurial visions, conceptions and actions it is highly unlikely to establish and run a firm organization.

### **2.3 Survival of an MSE**

Business survival is the ability of a firm to continuously be in operation despite various challenges, that is, the managerial process of directing the affairs of a firm regularly on a going concern basis and meets the needs of all stakeholders (Akindele et al., 2012). Dun and Bradstreet (1979) viewed business failures as a situation where a business go into bankruptcy or cease operations which results in losses and failure to meet its various

financial commitment to creditors. In order to survive, firms always keep a close tab on the various activities that determine their continuity. Adeoye (2012) submitted that the present form of complexities facing firms include leadership styles, changes, uncertainty, conflict, culture, technology, structure, competitive market, profitability and workplace motivation. Hence, firms must develop a strategical plan and tactical procedure that is appropriate and adaptive to the present business environment that will aid its optimum resources utilization and attainment of set goals.

Burns (2001) observed that small scale business cannot be characterized as only scaled down versions of large firms since they show a number of fundamental differences which can be explained through absence of economies of scale and scope which amongst others. Thus, Ciano (2011) notes that there are four determining factors in any transformation initiative for any business entity: duration of time between reviews of milestones; the project team's performance integrity which is the ability to complete the initiative on time that depends on members' skills and traits relative to the project's requirements; the commitment to change of the top management and employees affected by the change display and the effort over and above the usual work that the change initiative demands of employees.

Alexander (2000) observed that the dynamic and rapidly changing business environment in which most businesses operate has made it to have significant impact on meso level determinants survival and performance. This implies that the external environment is complex and constantly changing bringing about stiff competition among the enterprises.

The recognition of the presence of an intense competition often compels the need to seek more information about customers for the purpose of evaluation and to use such information to their advantage thus enabling competition to drive business organizations to look for their customers in order to understand better ways to meet their needs, wants, and thereby enhances meso level determinants performance (Azhar, 2008).

Porter (2004) developed the five forces of competitive position analysis as a simple framework for assessing and evaluating the competitive strength and position of a business organization. The five forces are supplier power, buyer power, threat of substitution, threat of new entry and competitive rivalry. His theory is based on the concept that these forces determine the competitive intensity and attractiveness of a market and helps to identify where power lies in a business situation. This is useful both in understanding the strength of an organization's current competitive position, and the strength of a position that an organization may look to move into.

Ogundele and Opeifa (2004) submit that external business environment and their factors help visualize the analysis of business survival and growth. This helps in enhancing the understanding of how environmental factors work together with the variables of business survival and growth to determine the future of business organization. Ghazali et al. (2010) showed that the internal source of firm's strengths is related to their financial resources while the weaknesses are related to the firms' management. On the other hand, the external source of opportunities to the firms are support and encouragement from the government while threats come from the various bureaucratic procedures that firms have

to face in order to get plan approval and certificate of fitness. Similarly, Norzalita and Norjaya (2010) investigated the influence of the external environment in the market orientation performance linkage among SMEs in the agro food sector in Malaysia and reported that market-technology turbulence and competitive intensity did not moderate the relationship between market orientation and business performance.

Adeoye (2012) reported that environmental changes are continuously exerting new pressures on company performance and in order to adapt with these changes, companies often formulate and implement strategies to reorganize and reform the way products are manufactured and distributed to final consumers. Thus, the impact of environmental factors on business performance towards profit objective is found to have increasingly stronger interrelationships which require more sophisticated business strategies.

#### **2.4 Micro Level Determinants and Survival of Youth Owned MSE**

According to studies in different countries, it has found that there are determining the links between demographic and entrepreneurship. Previous researchers have found the gender differences are not significant with business start-ups (Williams, 2004).

According to Bergmann and Sternberg (2007), some specific age can be representative of person maturity in making decision to become an entrepreneur. To be specific of the particular age, Ritsilä (2002) stated that the age of 26 to 40 can be considered a period of readiness the choice of occupation. He feels that people at these ages are possibilities to

come success. However, as Parker (2004) stated age can positive correlation if its connected with the professional experience, self-reliance, availability of capital increase. Researchers such as Aldrich and Martinez (2001) have found that knowledge and information are basic elements for initial self-confidence of individuals in an entrepreneur venture. With sufficient knowledge, transferring idea into an organization can make entrepreneur obtain resources for initiating an enterprise. Attitudes are usually formed by previous experience, it was logical that entrepreneurs who are experienced with entrepreneurial activities in the past would have stronger entrepreneurial attitudes (Harris and Gibson, 2008). Moreover, Harris and Gibson found students who have experience with family business were possible to be an entrepreneur. Students whose family owned a business had a greater sense of achievement, innovation, and personal control as a result of interacting and working within the business.

According to the Trait theory, individuals always have the personality traits to determine which action should be taking. Under the content of entrepreneurship, personal characteristics or traits became focused of many researchers that make distinguish entrepreneurs from the general population (Low & MacMillan, 1988).

Some researchers such as Lee (1997) found person decides to become an entrepreneur are because they want to be independence and not to work for other (Lee, 1997). These studies showed the basic difference between the role of a person become entrepreneur and a person working for others.

McClelland (1967) pointed out that achievement motivation is an important factor provide some light to the entrepreneurship mindset and challenges, especially for the motivational disposition of the entrepreneurs. A person has characteristics of high need for achievement that appreciates and willing to take responsibility, prefers solving problem without any assistance, taking risk, and respects all outcomes of their own decision (Sesen, 2013). Under the personal characteristic theory, locus of control has been one of the focus studies. Locus of control is a complex individual phenomenon which has concerned with determining the effects of the perception of an individual to control all events that implies to their lives.

Risk-taking propensity is another psychological characteristic often related to entrepreneur intention of starting a new business venture. Ability for risk-taking also a significant dimension under the content of entrepreneurship. In responding to the risks, entrepreneurs always learn how to handle it from their previous mistake attitude, environment, and from other experience (Harrison and Leitch, 2005).

Shane and Venkataraman (2000) in their study suggest two factors implies a person to recognize particular opportunities: a) congruent information from previous and current can affect a person on recognizing a business opportunity, b) the cognitive characteristics are needed to evaluate these opportunities and later make a decision to exploit them. Every person has different abilities to recognize specific opportunities; it does depend on availability of information. Availability of information defines mental structure, which provides process of recognizing new information. To recognize an opportunity, every

entrepreneur should congruent with previous information and new information. Under cognitive science, Researchers pointed people always combine existing concept and information into new ideas based on their ability.

## **2.5 Meso level Determinants and Survival of Youth Owned MSEs**

When a business is initiated, it has equal chances of succeeding or failing and hence its survival is not assured. According to Bowen *et al.*, (2009) starting and operating a small business include a possibility of success as well as failure. Although MSEs in developing countries and countries with economies in transition are regarded as the engine of economic growth, they face enormous challenges in attracting investors and accessing modern technology (Abor & Quartey, 2010). Some of these determinants of the survival of a business include adequacy of finance and inadequate managerial skills (Abor & Biekpe, 2006), equipment and technology, regulatory issues, and access to international markets. This implies that there are factors within the firm itself that affect its survival.

### **2.5.1 Access to Financing**

The literature review revealed that one of the most significant problems faced by youth group MSEs is obtaining the necessary financial resources to initiate and sustain it. Such constraints have been identified by Naidu & Chand (2012) to include inability to obtain external and internal financing, insufficient working capital, high start-up costs, high interest rates on loans and inability to meet financial obligation. According to Naidu & Chand, (2012) and Wanjohi (2010), there is limited access to



financial resources available to smaller enterprises compared to larger organizations and the consequences for their growth and development. Another crucial financial problem faced by MSEs as noted by Ejembi & Ogiji (2007) is being able to effectively manage sales and debtors which adversely affect the flow of cash within the firm. Mbonyane & Ladzani, (2011) confirmed that MSEs struggled to obtain loans from financial institutions which previous finding established that are playing insignificant role in funding group MSEs. The ability of the firm to secure adequate financing is thus a critical determinant of its survival and profitability.

### **2.5.2 Management Capacities**

Entrepreneurs put their faith in common sense, overestimate their managerial skills, or believe that hard work alone can ensure success. If a small business manager does not know how to make decisions and does not understand the basic management principals, there, he is likely to face managerial challenges in the long run if not failure to progress with business activities (Griffin & Ebert, 2006). Small businesses managers need to have experience in the field they want to enter. The experience will provide practical understanding as well as knowledge about the nature of the business, which will spell out the difference between failure and success (Scarborough & Zimmerer, 2008)

### **2.5.3 Planning and Pricing Strategies**

Many small businesses do not realize the importance of planning to their firms' success. Often managers of small businesses neglect the process of planning because they think that it is something that benefits only large companies. Failure to plan a firm's future will

have a devastating effect on the firm existence. This often manifests itself in two ways; Lack of strategic plans (Strategic plan plots the overall direction of the business and identifies the ways of maximizing its strengths and overcoming its weaknesses) and unplanned expansion (Growth is natural, healthy and desirable part of any business. But, it must be planned carefully. Expansion should be financed by the retained earnings or capital contributions from owners, but most small businesses wind up borrowing at least a portion of their capital investment). As the business increases in size and complexity, problems tend to increase in proportion and the managers must learn how to deal with it.

For many small businesses choosing the location is partly a science. Too often business locations are chosen without proper study and planning. Location is much too critical to be left to chance. Some beginning owners choose a particular location just because they have seen a vacant place or building (Scarborough & Zimmerer, 2008; Lambing & Kuhl, 2007). Entrepreneurs need to establish prices that will earn necessary profits by first understanding what it costs them to make, market, and deliver their products and services. Small businesses owners often underprice their goods and services resulting to losses that ultimately cause their failure (Tootelin & Gaedeke, 2002). Thus, planning and pricing strategies affect the survival of a firm to a large extent.

## **2.6 Macro level determinants and Survival of Youth Owned MSE**

Factors within the firm's external environment may influence its survival and growth.

Most of these factors are beyond the control of the business and the proprietor and have to do with the prevailing regulatory and economic environment.

### **2.6.1 Infrastructure**

Ejembi and Ogiji (2007) have found that poor infrastructure (location) hampers small business growth. Poor infrastructure includes bad roads, inadequate water supplies and erratic electricity supply. Chong (2008) explain that a lack of information and communication technology can lower customer satisfaction and seriously limit growth in small businesses. Bowen *et al* (2009) agree that infrastructure, as it relates to the provision of access roads, adequate power, water, sewerage and telecommunication services, poses a serious challenge to small businesses. Mbonnyane and Ladzani, (2011) found out that MSEs had to contend with potholes, dust and sewerage close to their businesses or on their business premises and that the MSE operators were never informed about disruptions in electricity or water supply that would jeopardize their businesses. In terms of technology, MSEs often have difficulties in gaining access to appropriate technologies and information on available techniques (Naidu and Chand, 2012).

### **2.6.2 Competition**

According to the finding by Fumo & Jabbuor (2011), competition is ranked highest by the youth entrepreneurs. This finding further identifies three forms of competition as: the

informal, competition from other enterprises in the same line and competition from foreign enterprises. This is further complemented by findings by Owino (2008) and Karanja (2008) that competition is a major problem encountered by MSE operators. In another study of “issues on MSE development in Ghana and South Africa”, Abor & Quartey, (2010) also established that MSEs face greater external competition. The MSEs therefore need to expand market share to avoid overreliance on local markets (Onugu, 2005). However, the MSE’s limited international marketing experience, poor quality control and product standardization, and little access to international partners, continue to impede MSEs’ expansion into international markets (Wanjohi, 2010).

### **2.6.3 Government Control**

Government regulations like taxation are regularly well intended and they have a wide range of benefits. However their costs to small businesses are relatively higher as a result small businesses normally do shift the burden of those costs to customers. Government regulations have been accused of distorting free markets by impeding competition (Susman, 2007). Tanzania Government Sector Study of the Effective Tax Burden (2006) suggests that tax and incentive policies are key parameters in defining a business climate. Taxes are essential for the financing of government activities such as social and economic development programs in the country, but at the same time, they should be set and administered to be as growth enabling as possible. In Kenya, the revenue raising authorities are the Ministry of finance that set tax policies and Kenya Revenue Authority (KRA) that administers tax collection practice. Various laws and legislations have been enacted to guide the administration and collection of different taxes within the country.

#### **2.6.4 Inflation**

Small businesses are strongly affected by these economics ups and downs. Rescissions and business low downs always cause quantum leap in the rate of small business failure.

When recessions occur during a particular time, many businesses are being affected and this could end up making some to be closed since they could not cope-up with the situation. Because small businesses are more susceptible to swings in the economy, they are more likely to fail during rescissions (Susman, 2007). Tushabomwe (2006) ascertains that lack of capital was an impediment in the early stages of small businesses. Small businesses failed because they were started with limited amounts of capital. Also micro businesses lacked collaterals that could be deposited to get loans provided by microfinance institutions.

#### **2.7 Empirical Review**

A number of related studies have previously examined key independent variables found to affect youth involvement in MSEs, including demographic, motivations, obstacles and efficacy (Sherrod *et al.*, 2002). Lack of transportation (Scales & Leffert, 1999), lack of time and not being sure of the benefits of their contributions (Schulz *et al.*, 1995) can also limit the active involvement of youth. Scales & Leffert (1999) also identified four key barriers that keep youth from participating in MSE activities. These include lack of interesting programs, transportation problems, lack of knowledge about programs, and cost. Similarly, community organizations may be uncertain of the role or impact that youth may have in their efforts (Schulz *et al.*, 1995).

Barriers to participation prevent young people from engaging in meaningful learning opportunities to their fullest potential (Eames-Sheavly *et al.*, 2007). Existing norms, policies, and practices have resulted in limited roles for young people in community life and negative attitudes toward youth. In this view, youth are seen as immature and incapable while adults are seen as experts. Youth lack knowledge, experience, and capacity to develop worthwhile ideas, to address critical community issues, or to handle major decision-making responsibility (Lekies, 2008). As a result, their involvement in meaningful forms of participation in community life is restricted, and expectations of what they can contribute are low (Messias *et al.*, 2008). Camino (2000) described partnerships between youth and adults as 'breaking new ground' and 'new territory'. Adults and youth are accustomed to established, less participatory ways of working. Adjusting to new roles and responsibilities can also be challenging, particularly if youth have not been given these opportunities before (Eames-Sheavly *et al.*, 2007). Adults may have limited knowledge and experience working directly with young people, as well as different perspectives and work styles, resulting in uncertainty how to work together (Frank, 2006). They may question the appropriateness of youth involvement for certain tasks and assume they have little interest in community development activities (Zeldin, 2004).

In addition, youth may be reluctant to embrace new roles since they have been conditioned to see themselves as a group that does not participate in community activities, does not have influence, and cannot create change. They are uncertain of how to proceed and often are in need of learning new skills and support to carry out new

and unfamiliar tasks (Evans, 2007). The extent of participation can also vary depending on the composition of the youth participants and characteristics of the project. Greater levels of participation have been noted among projects with older adolescents, as well as for those projects that were established, rather than at the beginning stages (Lekies *et al.*, 2008).

The small business sector is growing at a very impressive rate, with small businesses making up more than 50% of the sales and products in the private sector (U.S. SBA, 1994). The importance of small businesses to the economy is quite evident. Why are some firms successful while other firms appearing to follow the same paths are not successful? It has been said that specific success strategies used in one business may not work for another; as all businesses, like people, are different (Hand, Sineath, & Howle, 1987). There are so many variables to sift through. It would appear that the majority of studies in this area have found that most businesses that demonstrated success were found to have characteristics or to use tools in three separate areas. These are characteristics of the owners/entrepreneurs, demographic characteristics of the business, or strategic tools used by the business.

A study by Beckman and Marks (1996) found that business experience was a factor in the success of small firms. Another study by Costa, 1994, indicated that strategic planning contributes to long-running success for businesses. Other factors for success include quality, customer focus, innovative marketing practices, flexibility and employee empowerment (Zetlin, 1994). Filley and Pricer (1991) defined several tools for small

business success. These included good management techniques, such as appropriate operating strategies, leadership and time management. Other tools were good financial management and pricing strategies, motivational strategies for employees, and ensuring only those employees with ability are hired.

Studies that have looked at appropriate management and financial planning and skill development of managers were conducted by Montagno, Kuratko, and Scarcella (1986). These studies also looked at environmental factors and entrepreneurial characteristics as factors in business success. Ibrahim and Goodwin (1986) stated that "Success in business is defined in terms of rate of return on sales, and age or longevity of the firm" (p. 42). Khan and Rocha (1982) also found that sales, profit, and longevity were important to success. Hofer and Sandberg (1987) noted that high quality services or production was the key to success for firms and was directly related to effective management and planning, which relied upon effective management decisions.

Steiner and Solem (1988) reported key success factors in small manufacturing businesses would include an owner or manager with experience in the business or prior experience; adequate financial resources; a competitive advantage based upon customer and product specialization; and strategic planning. Dyke, Fischer, and Reuben (1992) found that management experience may be a significant factor in achieving success or successful performance in the small business environment. It stated that "would-be business owners should be concerned to gain related industry, management, and start-up experience regardless of the type of industry in which they plan to operate" (p.86). It was also noted,



however, that while experience was a significant factor, it could vary by industry in importance. This would support Cochran (1981), who suggested that research for specific industries in specific regions might prove more useful than national studies. This study was referring to research regarding failures of small businesses; however, this may apply to successes also.

Hand, Sineath, and Howle (1987) discussed variables thought to be related to business performance, such as characteristics of the entrepreneur (age, education, experience, willingness to work, and ability to deal with customers and employees). Also discussed were the planning abilities of the entrepreneur. Chaganti and Chaganti (1983) indicated that key success factors were innovation, creativity, and managerial competence, which are characteristics found in owners/entrepreneurs. Keats and Bracker (1988) found that success factors are a part of an organization's general environment, task environment, or characteristics of the business owner.

Chawla, Pullig, and Alexander (1997) found that "owner experience and industry trend are not critical to the success of a manufacturing/construction firm in the early stages of the life cycle. Comparing retail firms to manufacturing/construction firms in the same stage of the life cycle, differences were found in the importance of the owner's experience, market knowledge, industry trend, location issues, and purchasing/inventory control" (p.47). Location issues were more critical to success for retail firms both during early and late stages of the life cycle. Purchasing/inventory control also was critical for retail firms in both the early and later stages.

According to Zetlin (1994), small business owners feel that having a good product is most important, however, other means of achieving success include a commitment to quality and to the customer, innovation in marketing, being flexible when change is needed, maintaining good supplier/customer relationships, and hiring good people that can be empowered. Bird (1989) stated that firms where owners showed innovation, risk-taking, and had previous training were most successful. Another study dealing with characteristics of the owner was by Duchesneau and Gartner (1990). They found that the characteristics of the owner or manager, the strategy of the firm, and the way the business approached start-up were most important to success. Prior experience, long working hours, good communication skills, customer service, planning, flexible management, and risk reduction were other factors cited. Hills and Narayana (1990) also found a myriad of factors that were possible contributors to success. These included customer treatment, good products, management practices, good treatment of employees, and a good reputation for the company. O'Neill and Duker (1986) indicated that small businesses that were successful had higher quality products, lower levels of debt, and lower capital intensity, as well as, relied on the good advice of their accountants.

Cooper, Dunkleberg, and Woo (1989) looked at demographic factors, such as age, gender, and race, and found that older, nonminority; male entrepreneurs with four or more years of college were usually associated with successful firms. A study by Bates and Nucci (1989) confirmed that the age and size of the firm had an impact upon survival. The older the firm, the more likely it was to remain in business, and the larger the firm, the more likely it was to be successful. Boyle and Desai (1991) also pointed out

that statistics have shown that the longer a small business has been in operation, the better the chance that it will stay in business. Success breeds success.

Mintzberg (1994) stated that small business owners must be able to define the required strategies to find success as they continue to change within their organizations. Castrogiovanni (1996) explored the impact that planning has on the survival or success of firms. Pre-planning was specifically investigated using three environmental conditions, which were uncertainty, munificence, and industry maturity. He also investigated two founding conditions, knowledge and capital. Findings included a negative relationship between uncertainty and the survival of new businesses. Munificence (abundance of demand) was positively related to survival, while industry maturity had mixed effects on the degree of planning and survival. Pre-existing founder knowledge was found to be positively related to survival, while capital reduced incentives to plan and, thus, was likely to negatively impact planning.

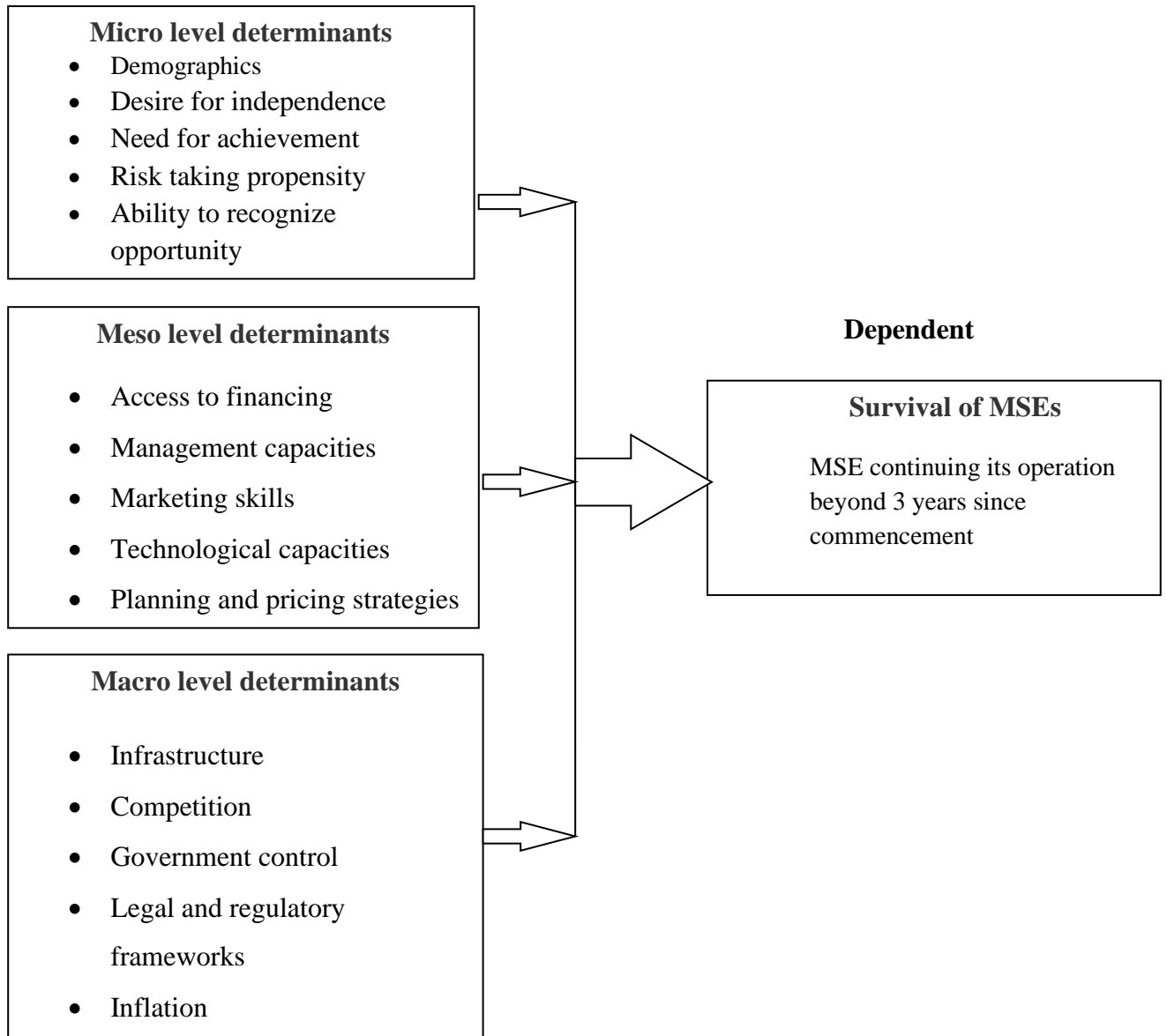
Bates (1995) conducted a study of survival rates among franchise and independent small firms, and found that for the period 1984- 1987, the survival rate was much higher for independent firms, as opposed to franchise businesses. The study also stated that while existing studies identifying traits leading to long-term success of small businesses are not incorrect, small firms should not enter markets that are saturated; which would lead to the assumption that knowledge of the market is most important. In 1990, Bates indicated that a firm's likelihood for success was increased if owners were educated, and if an adequate resource investment was made at start-up.

In a study by Lussier and Corman (1995), it was noted that successful firms used better professional advisors than did no successful ones, and it made a significant difference if their parents owned a business. However, the authors were unable to find a reliable set of variables to firmly distinguish success from failure. Variables used in the study included capital, recordkeeping and financial control, industry experience, planning, professional advisors, education, staffing, product/service timing, economic timing, age, partners, parents, minority owners, and marketing. Various other studies have used one or several of these to identify critical success factors.

## **2.8 Conceptual Framework**

As summarized in the study of related literature, it is evident that there are some determinants that may ensure survival of youth owned MSEs. The literature has further highlighted the capacities that need to be developed in the youth in order to prepare them adequately to put in place measures that ensure survival of their enterprises. Thus, there are three independent variables considered in the study namely; personal determinants, micro economic determinants and macro-economic determinants. The relationship between the independent and dependent variables can be conceptualized as shown in Figure 2.1.

## Independent variables



**Figure 2.1: Conceptual Framework**

The dependent variable to be measured is survival and success of youth enterprises while the independent variables are micro level determinants, meso level determinants and macro level determinants affecting the survival of youth owned MSEs. The variables will be measured using the parameters indicated.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the researcher's scope of methodological procedures to be employed in the study. These include research design, target population, data collection instruments, and data analysis techniques.

#### **3.2 Research Design**

According to Kothari (2004) research design refers to the way the study is designed, that is, the method used to carry out a research. Hence, the study adopted descriptive research which refers to the investigation in which data is collected and analyzed in order to describe the specific phenomena in its current trends, current events and linkages between different determinants at the current time.

Descriptive research design was chosen because it enables the researcher to generalize the findings to a larger population. This study therefore is able to generalize the findings to all the counties in Kenya. This method was deemed appropriate because it describes the relationships between variables in their natural setting without manipulating them. Surveys aims at obtaining information that can be analyzed, patterns extracted and comparison made for the purpose of classification and provision of basis for making decisions.

### 3.3 Target Population

Population can be defined as a complete set of individuals, cases, objects with some common observable characteristics of a particular nature distinct from other population. Target population is defined as the population to which a researcher generalizes the result of a study. The population of interest in this research consisted of 98 youth owned MSEs from Nyeri South which is one of the six sub counties in Nyeri County. The study focused on micro and small enterprises owned and operated by youth entrepreneurs involved in eighteen different types of businesses (Table 3.1).

**Table 3.1: Target Population**

<b>Strata</b>	<b>Population</b>
Barber Shops (Kinyozi) & Hair Salon	9
Hotel And Restaurants	4
Retail Shops	7
Cy Café	4
M-Pesa Shops	7
Furniture Workshops	5
Butcheries	9
Electronics And Mobile Phone Accessories	6
Hardware Shops	8
Wholesale	1
Matatu Transport	6
Tailoring Shop	4
Cloth Boutiques	6
Bars	3
Cosmetics	2
Motor/Motor Bike Spares	5
Boda boda (motor bikes) transport	12
<b>Total</b>	<b>98</b>

### **3.4 Sampling Procedure**

According to Kathuri & Pals (1993), sampling involves selecting a number of individual or objects from population such that the selected group contains element representative of the characteristics found in entire group was used to get a sample from the profanity. In probability sampling, each member of the population has an equal and known probability of being selected. In this study, the sample size for MSEs was calculated based on Yamane's formula (Yamane, 1967).

$$n = \frac{N}{1 + Ne^2}$$

Where,

n= the sample size

N = the size of population

e= the error of 10 percentage points.

By using Yamane's formula of sample size with an error 5% and with a confidence coefficient of 95% (Yamane, 1967), the calculation from a population of 98 youth owned MSEs in the Sub-County came up with 79 MSEs.

### **3.5 Measurement of Variables**

This section integrates the objectives and data requirements, methods of gathering the data and data analysis techniques to be used. This is represented in the Table 3.2.



**Table 3.2: Variable Scaling and Analysis**

<b>Observation</b>	<b>Data Required</b>	<b>Data collection tools</b>	<b>Data analysis tools</b>
a) To evaluate the influence of micro level determinants on the survival of youth owned MSEs.	Micro level determinants of survival of MSEs	Questionnaire	Descriptive analytical tools: Percentages, frequency tables, Charts and graphs, Regression analysis
b) To analyze the influence of meso level determinants on the survival of youth owned MSEs.	Meso level determinants of MSEs	Questionnaire	Descriptive analytical tools: Percentages, frequency tables, charts and graphs, Regression analysis
c) To evaluate the effect of macro level determinants on the survival of youth owned MSEs.	Macro level determinants of survival of MSEs	Questionnaire	Descriptive analytical tools: Percentages, frequency tables, charts and graphs, Regression analysis

### **3.6 Data Collection Instruments and Procedures**

This section details the type of data collection instrument used by the study and elaborates the data collection procedures employed by the study.

#### **3.6.1 Data Collection Instruments**

The study used a questionnaire to collect primary data. The questionnaire contained both open and closed ended questions. Close-ended questions were accompanied by a list of possible alternatives from which respondents were required to select the answer that best described their situations. The main advantage of closed ended questions is that they are

easier to analyze since they are in an immediate usable form. They are also easy to administer because each item is followed by an alternative answer and is also economical to use in terms of time saving while open-ended questions facilitated in-depth response and opinions. The questionnaire was designed to gather information on all the three variables of the study.

### **3.6.2 Data collection Procedures**

Both primary and secondary data was used in this study. According to Kothari (2004) primary data is the one collected directly by the researcher for the purpose of his research. Questionnaires were used to collect primary data and was distributed by self-administered method. This method was suitable as it avoids subjectivity due to absence of interviewer's influence. Respondents were given sufficient time on items that required consultation before responding (Kothari, 2004). Secondary data collected involved the number and the nature of the youth owned enterprises in the location of study. This data was collected through perusal of documents availed from the Ministry of Youth Affairs and Sports as well as from the Local Authorities.

### **3.7 Validity and Reliability of the Instruments**

Validity and reliability of the instruments refers to the determination of the ability of the research instruments to gather data that could fulfill the research objectives. The validity and reliability of the instruments was ascertained before actual collection of the data in order to fine tune them. This was done through a pretest which was conducted in the neighbouring Tetu Sub County using an identical sample.

### **3.7.1 Validity of the Instruments**

According to Mugenda and Mugenda (2003), validity determines whether the research truly measures that which it was intended to or how truthful the research results are. In the current study, the researcher carried out a pilot study, carefully analyzed the results for clarity, correctness and also ensured that the items were comprehensive as far as the coverage of objectives was concerned. Validity was ascertained in two stages. First, the questionnaire was handed over to the supervisors for appraisal. They were then be revised accordingly, based on the supervisors' recommendations. Finally, pre-testing the instruments in the field was done as recommended by Kathuri and Pals (1993) who note that many times a field test can also be conducted with a section of the population to help with content validity. This revealed the items that were irrelevant, inconsistent or ambiguous. The instrument was then revised accordingly.

### **3.7.2 Reliability of the Instruments**

Instrument reliability is a measure of the degree to which an instrument yields consistent results or data after repeated trials (Kothari, 2004). Cronbach's Alpha Coefficient ( $\alpha$ ) was applied to determine reliability in which case the instrument was administered twice within duration of two weeks. Kothari declares that an alpha ( $\alpha$ ) of 0.7 is normally deemed to be satisfactory.

To test the reliability of the Likert scale used in this study, reliability analysis was done using Cronbach's Alpha as the measure. In this case, the average reliability co-efficients obtained for the items in each objective were as shown in Table 3.3.

**Table 1.3: Reliability Statistics**

<b>Reliability Statistics</b>			
<b>Objective</b>	<b>Average Cronbach's Alpha</b>	<b>Average Cronbach's Alpha Based on Standardized Items</b>	<b>N of Items</b>
a) To evaluate the influence micro level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya.	0.762	0.767	5
b) To analyse the effect of meso level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya.	0.805	0.824	5
c) To assess the influence of macro level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya	0.715	0.727	5
<b>Average</b>	0.761	0.773	5

The results tabulated in Table 3.3 indicate that the likert scale items for the first objective produced a Cronbach alpha of 0.762, those used for the second objective produced 0.805 and those used for the third objective produced 0.715. The overall Cronbach's Alpha for the study was found to be 0.761. The findings indicate that the instrument was

sufficiently reliable since for each of the variables, the threshold for a reliable research instrument was exceeded (Kothari, 2004).

### **3.8 Ethical Considerations**

In the process of carrying out the research, honesty was observed in reporting the findings whereby no manipulations or undue assumptions were made. The responses gathered were treated with utmost confidence to protect the subject's privacy. The subjects were also assured that the results obtained would be used for research purposes only. Further, informed consent was sought in dealing with the subjects.

### **3.9 Data analysis**

To analyze is to search and identify meaningful patterns in data (Orodho, 2009) points out that analysis means, categorizing, ordering, manipulating and summarizing of data to obtain answers to research questions. The data collected was edited, coded, classified on the basis of similarity and then tabulated. Descriptive statistics such as means and standard deviation were used. After the working out the descriptive statistics, multiple linear regression model was used to derive the relationship between the independent variables (Proprietor demographic characteristics, meso level determinants and macro level determinants) and the dependent variables (Survival of youth owned MSEs) in the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y =Survival of MSE

X<sub>1</sub>=Micro level characteristics

X<sub>2</sub>=Meso level determinants

X<sub>3</sub>= Macro level determinants

$\beta_0$  = Quantity of Y that is explained by variables not tested in  
the present study

$\beta_1, \beta_2$  &  $\beta_3$  = coefficients denoting relative contribution of  
each independent variable to the dependent variable respectively.

$\varepsilon$ = term denoting error

In order to generate the required statistics, Statistical Packages for Social Sciences (SPSS v.23) was used.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSIONS**

#### **4.1 Introduction**

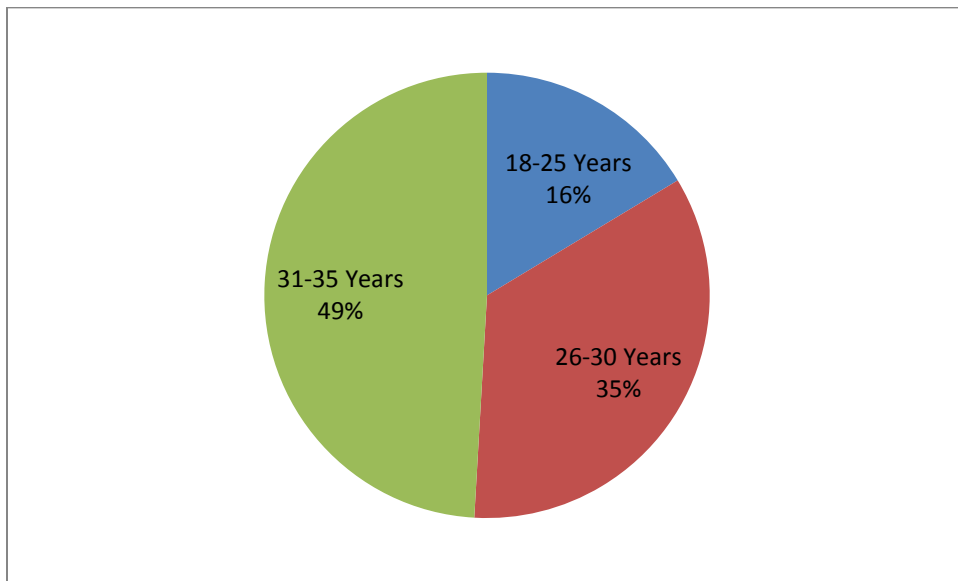
This chapter presents the analysis, presentation, discussion and interpretation of the data collected from the administered questionnaires. The data collected was edited and cleaned for completeness in preparation for coding. Descriptive statistics such as mean and standard deviation were used to analyze the data. Regression analysis was used to test the relationship between the variables under study in relation to the objectives of the study. The findings are presented objective wise. The objectives of the study were to evaluate the influence of micro level determinants on the survival of youth owned MSEs; to analyze the effect of meso level determinants on the survival of youth owned MSEs and to evaluate the influence of macro level determinants on the survival of youth owned MSEs in Nyeri South Sub County, Kenya.

#### **4.2 Response Rate**

Out of the 79 questionnaires that were distributed, 55 completed questionnaires were completed and collected by the researcher representing a response rate of 69.62%. The response rate obtained was considered adequate to give credible findings according to Edward, J and Sommer, H. (2000) a response rate of 80% and above is absolutely satisfactory while 60-80% is quite satisfactory. A rate below 60% is barely acceptable since it is not representative enough of the population.

### 4.3 Sample Characteristics

An assessment was done on the respondents according to age, length of business experience, and the length of the time the business has been in operation. Figure 4.1 shows the distribution of the respondents by age.



**Figure 4.1: Distribution of the Sample by Age**

Majority of the respondents (49%) were aged between 31 and 35 years, 35% were aged 26-30 years and 16% were aged between 18-25 years. The findings indicate that all the respondents were youths. Similarly, the assessment of the MSEs by the number of years of experience was done. The results as presented in Table 4.1 shows that majority of the MSE 21(38%) represented had been in existence for a period of less than 1 year, 19(35%) had been in existence for 1-3 years, 11(20%) had been in existence for 3-7 years, 3(5%) for 7-10 years and only 1(2%) had been in existence for more than 10years. Figure 4.3 displays the findings.



**Table 4.1: Distribution of MSEs by Years of Existence**

<b>Duration</b>	<b>Number of MSEs</b>	<b>Percentage</b>
Less than 1 year	21	38
1-3 years	19	35
3-7 years	11	20
7-10 Years	3	5
More than 10 years	1	2
<b>Total</b>	<b>55</b>	<b>100</b>

The findings indicated that the fewer MSEs continue existing beyond 3 years. This implies that the survival of the MSEs is low.

The study further sought to know the size of the youth owned businesses in Nyeri South Sub County by virtue of the number of employees each had. The study established that majority of the businesses 19(35%) had only one employee, 17(31%) 2-3 employees, 9(16%) have 4-6 employees, 7(13%) have 7-10 employees and only 3(5%). Table 4.4 summarizes the findings obtained.

**Table 4.2: Number of Employees in the MSE**

<b>Number of employees</b>	<b>n</b>	<b>%</b>
One	19	35
2-3	17	31
4-6	9	16
7-10	7	13
More than 10	3	5
<b>Total</b>	<b>55</b>	<b>100</b>

The findings imply that all the businesses sampled fall under the MSE category.

#### **4.5 Micro level Determinants and MSE survival**

In this section, the researcher sought to find out the extent to which micro level determinants influence the survival of youth owned MSEs. The extent was measured on a Likert Scale of 1-5 with the following equivalences: 1- No extent, 2- Small Extent, 3- To a Moderate Extent, 4- To a Great Extent and 5- To a very great extent. Mean interpretation was done as follows: 1-1.5: No extent; 1.6-2.5: Small Extent; 2.6-3.5: Moderate Extent; 3.6-4.5: Great Extent and 4.6 - 5.0: Very Great Extent. The results of the study are as shown in Table 4.3

**Table 4.3: Micro Level Determinants and MSE's Survival**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
My demographic characteristics of the entrepreneur such as age, gender, education level affect the survival of a my enterprise	3.760	1.276
My desire for financial independence has enhanced the survival of my enterprise	4.050	1.239
My need for achievement to see the success of this enterprise has enhanced the survival of this enterprise	3.560	1.259
Being risk averse has ensured the survival of survival of this business enterprise	3.800	0.890
My ability to recognize and take advantage of business opportunities has enhanced the survival of this business enterprise.	3.750	1.236
<b>Overall Mean</b>	<b>3.784</b>	<b>1.18</b>

The study established that desire for independence in the entrepreneur affects the survival of his/ her enterprise to a great extent ( $M= 4.05$ ,  $SD= 1.239$ ). Risk taking propensity of the entrepreneur, entrepreneur's ability to recognize a business opportunity, demographic characteristics of the entrepreneur and need for achievement in the entrepreneur affects the survival of his or her enterprise to a moderate extent. The means ranged between 3.80- 3.560. The standard deviations recorded indicate the extent to which the respondents' opinions about the statements on effect of micro level determinants on MSE

survival differ. The respondents' differed more on the statement in regard to the effect of micro level determinants on MSE survival ( $SD= 1.276$ ) while they differed less on the effect of risk taking propensity and survival of youth owned MSE ( $SD= 0.890$ ). Overall, the micro level determinants affect survival of youth owned MSEs to a moderate extent ( $M= 3.784$ ,  $SD= 1.18$ ). Regression analysis was conducted using Statistical Package for Social Sciences (SPSS) for micro level determinants and MSE survival. Table 4.4 presents the results obtained.

**Table 4.4: Model Summary for Micro Level Determinants**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.473 <sup>a</sup>	.224	.218	.60707

a. Predictors: (Constant), Micro Level Determinants

The information presented in Table 4.4 indicates that independently, micro level determinants predict 22.4% of the variability in the survival of an MSE.

**Table 4.5: ANOVA for Micro Level Determinants**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.708	1	2.708	5.868	.000 <sup>a</sup>
	Residual	39.223	54	.461		
	Total	41.931	55			

a. Predictors: (Constant), Micro Level determinants

b. Dependent Variable: Survival of MSE

**Table 4.6: Regression Coefficients for Micro Level Determinants**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.275	.213		5.992	.000
	Micro Level Determinants	.219	.091	.254	2.422	.028

a. Dependent Variable: Survival of an MSE

The output on Table 4.6 indicates that the  $p$ -value is small ( $p=0.000$ ) implying that the relationship between the predictor variable and the dependent variables is statistically significant and the model can be used to predict the dependent variable.

The beta value of 0.219 indicated that the macro level determinants are a predictor of the survival of an MSE. The significant values ( $p=0.028$ ) under sig. column indicated that the influence of micro level determinants on survival of an MSE was statistical significant.

The findings of the study concur with those of other researchers who found a link between the proprietor's characteristics and survival and growth of Micro and Small enterprises. Norzalita and Norjaya (2010) noted that the entrepreneurs' stable and inherent characters influence how they manage their businesses and how successful the businesses become. In addition, they will tend to conduct their business based on the strengths of their specific characteristics. Many aspects have been examined regarding

the characteristics of entrepreneurs, such age, motivation, experience, educational background, risk-taking propensity, and preference for innovation.

#### **4.6 Meso Level Determinants and MSE Survival**

In this section, the researcher sought to find out the extent to which selected meso level determinants influence the survival of youth owned MSEs. The extent was measured on a Likert Scale of 1-5 with the following equivalences: 1- No extent, 2- Small Extent, 3- To a Moderate Extent, 4- To a Great Extent and 5- To a very great extent. Mean interpretation was done as follows: 1-1.5: No extent; 1.6-2.5: Small Extent; 2.6-3.5: Moderate Extent; 3.6-4.5: Great Extent and 4.6 - 5.0: Very Great Extent. The results of the study are as shown in Table 4.7.

**Table 4.7: Meso Level Determinants and MSE Survival**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
Ease access to financing has ensured the survival of my business enterprise	2.47	1.187
My capacity to exercise prudent managerial role in the enterprise has enhanced the survival of the business enterprise	3.65	1.265
My good marketing skills has ensured the survival of my business	3.71	0.896
Being technological savvy has ensured survival of my enterprise	2.43	1.238

The prudence of pricing and planning strategies that we have put in place has ensured the survival of this business enterprise	3.25	1.25
<b>Overall Mean</b>	<b>3.182</b>	<b>1.1672</b>

The study established that marketing skills possessed and exercised by the enterprise ,managerial capacity in the enterprise and prudence of pricing and planning strategies affects the survival of the business enterprise to a moderate extent ( $M= 3.71, 3.65, 3.25$ ;  $SD= 0.896, 1.265, 1.25$ ). The proprietor’s access to financing influences the survival of his/ her business enterprise and technological capacities of the enterprise influences its survival to a small extent ( $M=2.47, 2.43$ ;  $SD=1.187, 1.238$ ). The standard deviations recorded indicate the extent to which the respondents’ opinions about the statements on effect of meso level determinants on MSE survival differ. The respondents’ differed more on the statement in regard to the effect of managerial capabilities on MSE survival ( $SD= 1.265$ ) while they differed less on the effect of marketing skills and survival of youth owned MSE ( $SD= 0.896$ ). Overall, the meso level determinants affect survival of youth owned MSEs to a moderate extent ( $M= 3.182, SD= 1.1672$ ). Results of regression analysis of meso level determinants and survival of MSE are as presented in Table 4.8.

**Table 4.8: Model Summary for Meso Level Determinants of MSE Survival**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.453 <sup>a</sup>	.205	.219	.76977

a. Predictors: (Constant), Meso Level Determinants

The information presented in Table 4.8 indicates that independently, meso level determinants predict 20.5% of the variability in the survival of an MSE.

**Table 4.9: ANOVA**

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	3.119	1	3.536	6.326	.000 <sup>a</sup>
	Residual	37.163	54	.527		
	Total	39.254	55			

a. Predictors: (Constant), Meso Level determinants

b. Dependent Variable: Survival of MSE

The output on Table 4.9 indicates that the  $p$ -value is small ( $p=0.000$ ) implying that the relationship between the predictor variable and the dependent variables is statistically significant and the model can be used to predict the dependent variable.



**Table 4.6: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.376	.335		6.857	.000
	Meso Level Determinants	.424	.102	.263	3.237	.004

a. Dependent Variable: Survival of an MSE

The beta value of 0.424 indicated that the macro level determinants are a predictor of the survival of an MSE. The significant values ( $p=0.004$ ) under sig. column indicated that the influence of meso level determinants on survival of an MSE was statistical significant.

The findings of the study are supported by similar findings from other studies. Onugu, (2005) in his study found out that MSEs they face enormous challenges in remaining afloat and accessing modern technology (Abor & Quartey, 2010). Some of these factors include finance and lack of managerial skills, equipment and technology, regulatory issues, and access to international markets (Onugu, 2005).

#### **4.7 Macro Level Determinants and MSE Survival**

In this section, the researcher sought to find out the extent to which macro level determinants influence the survival of youth owned MSEs. The extent was measured on a Likert Scale of 1-5 with the following equivalences: 1- No extent, 2- Small Extent, 3- To a Moderate Extent, 4- To a Great Extent and 5- To a very great extent. Mean

interpretation was done as follows: 1-1.5: No extent; 1.6-2.5: Small Extent; 2.6-3.5: Moderate Extent; 3.6-4.5: Great Extent and 4.6 - 5.0: Very Great Extent. The results of the study are as shown in Table 4.10

**Table 4.10: Macro Level Determinants and MSE Survival**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev</b>
Poor infrastructure accessible to this firm threatens the survival of this business enterprise	2.35	0.734
Competition from other businesses experienced by the enterprise threatens its survival	3.58	1.301
Unfavorable government control environment such as taxation regime has had a negative impact on the survival of this enterprise	3.35	1.28
The need for this business to comply with so many rigorous legal and regulatory frameworks has had a negative impact on the survival of this enterprise	3.11	1.048
Inherent inflation has impacted negatively on the purchasing power of my customers and has therefore negatively affected the survival of this enterprise	2.48	1.282
<b>Overall Mean</b>	<b>2.974</b>	<b>1.129</b>

The study established that the nature of competition experienced by the enterprise , the nature of government control such as taxation regime and legal and regulatory

frameworks that the enterprise must comply with such as registration requirements affect the survival of the enterprise to a moderate extent ( $M= 3.71-3.11$ ). The level of inherent inflation and the nature of transport, communication and technological infrastructure accessible to the firm influences its survival ( $M=2.48, 2.35$ ;  $SD=1.282, 0.734$ ). The standard deviations recorded indicate the extent to which the respondents' opinions about the statements on effect of macro level determinants on MSE survival differ. The respondents' differed more on the statement in regard to the nature of competition experienced by the enterprise influences its survival ( $SD= 1.301$ ) while they differed less on the influence of nature of transport, communication and technological infrastructure accessible to the on the survival of youth owned MSE ( $SD= 0.734$ ). Overall, the micro level determinants affect survival of youth owned MSEs to a moderate extent ( $M= 2.974, SD= 1.129$ ). Results of regression analysis of macro level determinants and the survival of MSE were as presented in Table 4.11.

**Table 4.11: Model Summary for Macro Level Determinants of MSE Survival**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.491 <sup>a</sup>	.241	.235	.77733

a. Predictors: (Constant), Macro Level Determinants

The information presented in Table 4.11 indicates that independently, macro level determinants predict 24.1% of the variability in the survival of an MSE.

**Table 4.12: Anova for Macro Level Determinants**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.734	1	2.446	5.238	.000 <sup>a</sup>
	Residual	38.223	54	.442		
	Total	41.416	55			

a. Predictors: (Constant), Macro Level determinants

b. Dependent Variable: Survival of MSE

The output on Table 4.12 indicates that  $p < 0.000$ . This indicates that the relationship between the independent variables and the dependent variable is statistically significant and that the model can be used to predict the effect of the predictor variables on the dependent variable.

**Table 4.13: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.435	.252		5.324	.000
	Macro Level Determinants	.335	.184	.278	2.334	.018

a. Dependent Variable: Survival of an MSE

The output on Table 4.13 indicates that the  $p$ -value is small ( $p = 0.000$ ) implying that the relationship between the predictor variable and the dependent variables is statistically significant and the model can be used to predict the dependent variable.

The beta value of 0.335 indicated that the macro level determinants are a predictor of the survival of an MSE. The significant values ( $p = 0.018$ ) under sig. column indicated the

that the influence of macro level determinants on survival of an MSE was statistical significant.

Similar findings were found by Kazooba (2006) who reported that factors beyond the firm affect the survival of a business. These factors include government policies, legal and regulatory frameworks, prevailing economic environment among others. Ntakobajira (2013) exploring performance of SMEs concludes that access to business information services affected the performance of business to a great extent and that access to finance affected performance of SMEs because it limited the entrepreneurs' ability to take advantage of opportunity as and when they arose. A number of other related studies have previously found certain factors affecting the survival of youth owned MSEs including demographic, motivations, obstacles and efficacy (Sherrod *et al.*, 2002). Lack of transportation (Scales & Leffert, 1999), lack of time and not being sure of the benefits of their contributions (Schulz *et al.*, 1995) can also limit the active involvement of youth.

#### **4.8 Determinants of MSE's Survival**

The researcher conducted a linear regression analysis to explain the effect of micro level determinants, meso level determinants and macro level determinants on the survival of youth owned MSEs. The scores to be regressed were computed through factor analysis (data reduction) and then saved as variables. Table 4.14 presents the results of the regression analysis carried out.

**Table 4.14: Model Summary for Combined Determinants of MSE Survival**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.559 <sup>a</sup>	.313	.272	.60132

a. Predictors: (Constant), Macro level determinants, Meso level determinants, Micro level determinants,

b. Dependent Variable: Survival of Youth Owned MSE

In a model summary, the “R” value is used to indicate the strength and direction of the relationship between the variables. The closer the value gets to 1, the stronger the relationship. In this case the results indicate that  $R^2=0.559$  which means there was an overall strong and positive relationship between the variables implying that micro level determinants, meso level determinants and macro level determinants predict a significant amount of the variation in the survival of youth owned MSEs. This indicates that the independent variables tested predict 55.9% of the dependent variable.

**Table 4.15: ANOVA for Combined Determinants of Survival of MSE Survival**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1 Regression	8.395	3	2.798	7.739	.000 <sup>a</sup>
Residual	18.441	51	.362		
Total	26.836	54			

a. Predictors: (Constant), Macro level determinants, Meso level determinants, Micro level determinants

b. Dependent Variable: Survival of Youth Owned MSE

The output on Table 4.15 indicates that the  $p$ -value is small ( $p=0.000$ ) implying that the relationship between the predictor variables and the dependent variables is statistically significant and the model can be used to predict the dependent variable. However, it is worth noting that the contribution of macro level determinants to the dependent variable was not significant ( $p=.328$ ).

**Table 4.16: Regression Coefficients for Combined Determinants of MSE Survival**

	Model	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.285	.286		4.493	.000
	Micro level determinants	.398	.097	.518	4.121	.000
	Meso level determinants	.297	.142	.169	3.386	.002
	Macro level determinants	.140	.142	.126	.987	.328

a. Dependent Variable: Survival of Youth Owned MSE

The Unstandardized Coefficients of determination under the B column in Table 4.16 were used to substitute the unknown beta values of the regression model. The beta values indicated the direction of the relationship. A positive or negative sign indicates the nature of the relationship. The significant values (p-value) under sig. column indicate the statistical significance of the relationship or the probability of the model giving a wrong prediction. A  $p$ -value of less than 0.05 is recommended as it signifies a high degree of confidence.

The results of the regression equation show that if all the predictor variables were rated zero, survival of youth owned MSEs would be 1.285. However, all the predictors had a positive relationship with the dependent variable. A unit increase in micro level determinants would lead to increased survival of youth owned MSE by 0.398 while a unit increase in meso level determinants would enhance survival of youth owned MSE by 0.297. A unit increase in the macro level determinants would improve business performance by 0.140. The stochastic error term was assumed to be zero. In view of the results in Table 4.9, the model for predicting survival of youth owned MSEs is represented as follows;

$$Y = 1.285 + 0.398X_1 + 0.297X_2 + 0.140X_3 + \varepsilon$$

where; Y= Survival of Youth owned MSEs

X<sub>1</sub>=Micro level determinants

X<sub>2</sub>=Meso level determinants

X<sub>3</sub>=Macro level determinants

ε= Stochastic error term

The constant could be explained by other variables like interest rates, purchasing power, economic factors, business location and environmental factors such as weather.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides a summary of the study, discussions and conclusions drawn thereof. The researchers then present the major limitations of the study and the recommendations for both the research and for the policy change and practice.

#### **5.2 Summary of Major Findings**

The study sought to establish the determinants of the survival of youth owned MSEs. A total of 79 questionnaires were administered and the study managed to obtain 55 completed questionnaires representing 69.62% response rate. The questionnaires contained questions that addressed the objectives of the study.

##### **5.2.1 Micro Level Determinants and Survival of MSEs**

The study established that micro level determinants affect the survival of youth owned MSEs to a moderate extent. The study established that desire for independence in the entrepreneur affects the survival of his/ her enterprise to a great extent. Risk taking propensity of the entrepreneur, entrepreneur's ability to recognize a business opportunity, demographic characteristics of the entrepreneur and need for achievement in the entrepreneur affects the survival of his/ her enterprise to a moderate extent. The standard

deviations recorded indicate the extent to which the respondents' opinions about the statements on effect of micro level determinants on MSE survival differ.

### **5.2.2 Meso Level Determinants and Survival of MSEs**

The study found that environment within the MSE affects its survival. Meso level determinants affect survival of youth owned MSEs to a moderate extent. The study established that marketing skills possessed and exercised by the enterprise, managerial capacity in the enterprise and prudence of pricing and planning strategies affects the survival of the business enterprise to a moderate extent. The proprietor's access to financing influences the survival of his/ her business enterprise and technological capacities of the enterprise influence its survival to a small extent. The standard deviations recorded indicate the extent to which the respondents' opinions about the statements on effect of meso level determinants on MSE survival differ.

### **5.2.3 Macro Level Determinants and Survival of MSEs**

Factors in the business environment outside the MSE were found to have a minimal effect on the survival of the MSE. The study established that the nature of competition experienced by the enterprise, the nature of government control such as taxation regime and legal and regulatory frameworks that the enterprise must comply with such as registration requirements affect the survival of the enterprise to a moderate extent. The level of inherent inflation and the nature of transport, communication and technological infrastructure accessible to the firm influence its survival. The standard deviations recorded indicate the extent to which the respondents' opinions about the statements on

effect of macro level determinants on MSE survival differ. Overall, the macro level determinants affect survival of youth owned MSEs to a moderate extent.

### **5.3 Conclusion**

The purpose of the study is to analyze the determinants of survival of MSEs owned by youth in Nyeri South Sub County, Nyeri County. Regression analysis demonstrated that independently, micro level determinants predict 22.4% of the variability in the survival of an MSE. Secondly, meso level determinants predict 20.5% of the variability in the survival of an MSE and macro level determinants predict 24.1% of the variability in the survival of an MSE. The findings therefore indicate that all the three variables tested influences the survival of youth owned MSEs.

In order to model the influence of the determinants tested, multiple linear regression was carried out on the combination of all the three independent variables. The results indicated that  $R^2=0.559$  which meant there was an overall strong and positive relationship between the variables implying that micro level determinants, meso level determinants and macro level determinants predict a significant amount of the variation in the survival of youth owned MSEs. The small values of the  $p$ -value ( $p=0.000$ ) implied that the relationship between the predictor variables and the dependent variables is statistically significant and the model can be used to predict the dependent variable. However, it is worth noting that the contribution of macro level determinants to the dependent variable was not significant. The study found that a unit increase in micro level determinants would lead to increased survival of youth owned MSE by 0.398 while a unit increase in

meso level determinants would enhance survival of youth owned MSE by 0.297. A unit increase in the macro level determinants would improve business performance by 0.140.

## **5.4 Recommendations**

### **5.4.1 Micro Level Determinants**

In order for youth owned MSEs in Kenya to survive, grow and become sustainable, concerted effort should be made by MSE owners in building social networks that guarantee success. Networking brings in new clients, and creates loyalty for existing clients hence the ability of MSE's to grow. MSE owners should equally invest in their own business education, the education of their employees and family members regarding business operations. Awareness about taxation, investments, and business markets among others would enhance MSE growth. Some of these areas include enhancing interpersonal and intrapersonal skills by MSE business owners. Secondly, MSE business owners should enhance their business education so as to understand the intricate operations of business and gain business management skills.

### **5.4.2 Meso Level Determinants**

Based on the findings of the study, respondents for this study who were MSE owners indicated that access to credit; high taxes, inflation, and lack of collateral for financing were the major impediment in their business growth. MSE owners should lobby the government through county legislation to have business incentives in terms of tax breaks to a certain level of profitability. They should equally lobby for minimal licensing such that operations of MSE business should require only one license at minimal cost. Lastly

MSE owners should form an association to form stronger saving structures that will be used as basis of collateral by members who need to access credit and financing facilities.

#### **5.4.3 Macro Level Determinants**

Based on the findings of the study, MSE business owners had indicated that infrastructure, better markets, better business working environment, and business training all enhances and influences MSE survival in Kenya. MSE owners should therefore lobby the county government, the ward councils, and representatives to have integrated county budgets to allocate resources that would improve road systems, market centers, and extension and support services in terms of business training from the county governments. This would ensure that factors that enhance business growth are sustainable and contributing positively to their MSE's.

#### **5.5 Areas for Further Research**

Arising from this study, the following directions for future research should be carried out. This research only covered micro and small enterprises in Nyeri South Sub County. However, there are other enterprises that are medium and large firms in the same town. Researchers are encouraged to research on them. In future, other MSEs in other towns should be involved to enable the researcher to make adequate conclusions.

This research didn't concern itself with the challenges and possible solutions hindering SMEs from accessing financing by credit giving institutions. In future, a research should be instituted to establish the challenges and the possible solutions.

In future, a comparison should be done between the financial performance of MSEs that have received microcredit and the ones that have not received the financing. This will help in shedding light on whether accessing microcredit helps the SMEs to perform better than other businesses.

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**APPENDIX I**  
**QUESTIONNAIRE**

This questionnaire is aimed at collecting data on the determinants stimulating youth entrepreneurship. It's hoped that the findings of this study will be found useful by a wide cross section of users and will be instrumental in enhancing youth entrepreneurship in Kenya as a strategy of curbing unemployment.

Kindly respond to the questions as accurately, completely and as honestly as possible by placing a tick (✓) against one choice as appropriate or filling the space provided.

**SECTION A: MICRO LEVEL DETERMINANTS**

7. To what extent do you agree or disagree with the following statements about the influence of personal characteristics on business survival? Use the scale: SA=Very Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD Strongly Disagree.

STATEMENT	SA	A	N	D	SD
	5	4	3	2	1
My demographic characteristics of the entrepreneur such as age, gender, education level affect the survival of a my enterprise					
My desire for financial independence has enhanced the survival of my enterprise					
My need for achievement to see the success of this enterprise has enhanced the survival of this enterprise					
Being risk averse has ensured the survival of survival of this					

business enterprise					
My ability to recognize and take advantage of business opportunities has enhanced the survival of this business enterprise.					

**SECTION B: MESO LEVEL DETERMINANTS**

8. To what extent do you agree or disagree with the following statements about the influence of meso level determinants on business survival? Use the scale: SA=Very Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD Strongly Disagree.

STATEMENT	SA	A	N	D	SD
	5	4	3	2	1
Ease access to financing has ensured the survival of my business enterprise					
My capacity to exercise prudent managerial role in the enterprise has enhanced the survival of the business enterprise					
My good marketing skills has ensured the survival of my business					
Being technological savvy has ensured survival of my enterprise					
The prudence of pricing and planning strategies that we have put in place has ensured the survival of this business enterprise					

**SECTION C: MACRO LEVEL DETERMINANTS**

9. To what extent do you agree or disagree with the following statements about the influence of macro level determinants on business survival? Use the scale: SA=Very Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD Strongly Disagree.

STATEMENT	SA	A	N	D	SD
	5	4	3	2	1
Poor transport, communication and technological infrastructure accessible to this firm threatens the survival of this business enterprise					
The unfair competition from other businesses experienced by the enterprise threatens its survival					
Excessive unfavorable government control environment such as taxation regime has had a negative impact on the survival of this enterprise					
The need for this business to comply with so many rigorous legal and regulatory frameworks has had a negative impact on the survival of this enterprise					
The high level of inherent inflation has impacted negatively on the purchasing power of my customers and has therefore negatively affected the survival of this enterprise					

**SECTION D: GENERAL DEMOGRAPHIC INFORMATION**

1. Which of the following best describes your age?
- a) 18-25 ( )
  - b) 26-30 ( )
  - c) 31-40 ( )
  - d) Over 41 ( )
3. How long have you been self-employed?
- a) Less than 5 years ( )
  - b) 5 – 10 years ( )
  - c) 16 – 20 years ( )
  - d) Above 20 years ( )
4. For how long has this business been in operation?
- a) Less than 5 years ( )
  - b) 5 – 10 years ( )
  - c) More than 10 years ( )
5. Indicate the period of time you have been in the current business.
- a) Less than 1 year ( )
  - b) 1 – 3 years ( )
  - c) 3 – 7 years ( )
  - d) 7 – 10 years ( )
  - e) Above 20 years ( )
6. What is the number of employees in your enterprise?
- a) One ( )



b) 2-3 ( )

c) 4-6 ( )

d) 7-10 ( )

e) More than 10 ( )

Others Specify) \_\_\_\_\_

**Thank you for your cooperation in completing this questionnaire**