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EFFECT OF ACCESS TO CAPITAL ON THE GROWTH OF YOUTH OWNED MICRO AND SMALL ENTERPRISES IN KENYA

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Abstract: *The study sought to investigate the effect of access to capital on the growth of youth owned Micro and Small Enterprises in Kenya (MSEs). Youth-owned enterprises were selected from Nairobi County. A sample size of one hundred and twenty-seven (127) MSEs was selected. Both primary and secondary data was used in this study. The primary data was collected through a questionnaire as the main data collection instrument in the study. The study established that a majority of youth owned MSEs faced challenges in accessing capital due to the high cost of finance, high rates of interest, the high cost of accessing credit and collateral challenges. The study recommends the government to come up with appropriate policies that are effective in monitoring the implementation of interest rates as suggested by the Central Bank of Kenya. These will ensure that commercial banks and microfinance institutions adopt the effected interest rates changes, and hence encourage youth owned MSEs to access affordable micro-credit facilities. The study also recommends the need to having clear loaning policies to avoid misunderstanding on expectations regarding repayment period while addressing the interest rate on the borrowed loan and how the rates should be subsidized by the lending institutions. Finally, the study recommends MSEs training to address issues of bookkeeping procedures, inventory system, and business plan.*

Key Words: *Access to Capital, Appraisal, Access to Credit, Collateral, Growth*

1.0 BACKGROUND INFORMATION

Youth-owned micro and small enterprises (MSEs) have increasingly been seen as playing an important role in the economies of many countries. Many, governments throughout the world have focused on the development of MSE sector in order to promote economic growth (Olawe & Garwe, 2010). Youth-owned MSEs evolve in difficult business environments that are characterized by globalization, the internationalization of markets and there is a need to enhance greater efficiency, effectiveness, and competitiveness that are based on innovation and knowledge (Mateev & Anastasov, 2010). Youth-owned MSEs have faced many barriers that have prevented their start-up or growth and hinder their potential.

In his studies, Njuguna (2015), noted that MSEs represent about 78 percent of all the firms operating globally (USAID, 2010). Non-farm micro and small enterprises account for over 35 percent of total employment and 20 percent of the gross domestic product (GDP) in many developed and emerging economies (IFC, 2013). In countries like Indonesia, Singapore, Thailand and India, MSEs contribute over 40 percent of the GDP (Fink, 2012). In 2012, the contribution of MSEs in the industrial sector to the national GDP was estimated at 40%, 52%, 55% and 47.5% for India, Japan, Sri Lanka, and Thailand respectively. Similarly, micro and small-sized enterprises (MSEs) are the backbones of Singapore's economy, contributing about 47% of the country's GDP and generating 62% of available jobs (UNCTAD, 2013). In the European Union countries, some 21 million MSEs provide around 59 million jobs and represent 73 percent of all enterprises. For instance in Britain, SMEs are the backbone of the British economy (Rowe, 2010).

Njuguna et al, (2015) further explain that the UK economy is 48% MSEs, and the sector is said to be employing 14.47 million people, out of a working population of approximately 30 million. In regards to the UK turnover and GDP, MSEs accounted for 1.48 trillion British Pounds in 2011. In the UK MSEs with employing at least 1 employee perform better than the large UK corporations in terms of better productivity despite having minimal resources, less support and being largely ignored. Bigger UK Corporations are said to have 250 employees and over account for 52% of employment in the country but less than 50.8% of the UK turnover. The UK economy, just like many world economies, is supported by MSE performance (The UK, 2012).

Regionally, the support of youth owned MSEs in the informal and formal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa (Njuguna et al, 2015). MSEs are the main source of employment in developing countries and comprise of over 70% of African business operations. They contribute to over 50% of African employment and GDP. In Nigeria, MSEs contributed an estimated 37 percent of the GDP (SMEDAN, 2011).

In Kenya, the MSE sector has both the potential and the historic task of bringing millions of people from the survival list level including the informal economy to the mainstream economy (Njuguna et al, 2015). MSEs are largely found in the informal sector, mostly employing 1-2 people, although, there are many others that operate in the formal sector. Most of the local investment businesses in Kenya fall under the MSE business sector (ACEPD, 2011). Job opportunities within the MSEs sector increased from 4.2 million persons in the year 2000 to slightly over 7 million persons in 2014. This accounts for 74.2% of the total persons engaged in employment. The sector contributes up to 18.4% of the country's GDP and is not only a provider of goods and services but also a driver in promoting competition and innovation (RoK, 2014).

Njuguna et al, (2015) acknowledges that recognizing the important role small businesses play in the Kenya economy, the Government through Kenya Vision 2030 envisages the strengthening of MSEs to become the key industries of tomorrow by improving their productivity and innovation (Ministry of Planning, National Development & Vision 2030 (MPNDV2030, 2007). If Kenyans goal towards industrialization by the year of 2030 is to be realized, then the government has to support and encourage youth owned MSEs to play a greater role towards providing additional jobs in the country. The Kenyan government has made some steps towards developing a legal and regulatory framework that is aimed at guiding and accelerating youth owned MSEs growth. The developed MSEs policy framework of MSEs in Kenya is contained in the Sessional paper No. 2 of 2005 (ROK, 2010). This policy paper forms the background for enacting the MSE act to operationalize MSE policy in Kenya. The act is supposed to give direction on issues relating to the legal and regulatory environment, markets and marketing, business linkages, the tax regime, skills and technology, and financial services (Syekei & Opijah, 2012).

The government has further set up funds that actualizes policies and support the sector. These funds include Women Enterprise Fund (WEF) and the youth enterprise development funds (YEDF). These support programs are meant to provide guidance, promotion, production efficiency, research and development activities, and product development. The net effect should be an increase in job opportunities among the young people, an expanded market for MSEs' products, increased capacity to service the market, and improved returns for MSEs (Vinod, 2011). Being an important pillar towards the realization of Kenya vision

2030 and the leading job provider in Kenya and Nairobi, Youth owned MSEs should play a role in the growth and development of the sector in the country and is the subject of the present study.

1.1 Statement of the Problem

The Kenyan government, in line with the Medium Term Plan (MTP) of Vision 2030, chose to support start-up and growth of youth enterprises. The government's policy towards youth owned MSEs is an important factor taken into consideration when looking at the available opportunities that MSEs have for enhancing their business growth (Gatt, 2012). The central role of MSEs focuses on employment, industrial transformation, and poverty reduction. Competitiveness and growth prospects of MSEs are noted to have fallen below the levels that are required to meet the challenges of an increasing changing MSEs business environment as a result of competition (Moyi & Njiraini, 2005). Youth-owned MSEs in Kenya have underperformed, and therefore, they have failed to play the expected vital and vibrant role in the economic growth and development of Kenya.

The Kenyan government through its budget allocations has demonstrated its interest and acknowledgement of the crucial role of the youth owned MSEs, and hence, it came up with policies for energizing and supporting youth owned MSEs i.e. via the Youth Enterprise Development Funds (YEDF). The government availed funds to support youth-owned business ventures. Since its inception, the funds have advanced loans worth KSH 9,306,385,515 billion to 260,553 youth enterprises in Kenya (ROK, 2013). However, the funds have not made a significant impact on the growth of youth owned MSEs in relation to increases in sales turnover, profitability, expansion of MSEs and creating employment opportunities and income for the poor (Gudda & Ngoze, 2009).

The intention of the research was to establish the extent to which youth owned MSEs have been availed capital by lending institutions as a way of making a significant impact on the growth of their businesses. The study intended to establish the difficulties faced by youth owned MSEs in accessing capital. The study further sorts to assess whether financial institutions had created MSEs credit challenges mainly through their lending policies. According to Hubbard (1995), accesses to capital challenges facing MSEs have been created by lending institutions through their policies. Considering the significance of youth owned

MSEs in Kenya, it is important to understand the effect of access to capital on the growth of youth owned micro and small enterprises in Kenya. Thus, this study seeks to fill in this gap.

1.2 Objectives of the Study

1. The general objective of the study was to examine the effect of access to capital on the growth of youth owned micro and small enterprises in Kenya.

1.3 Hypothesis

1. H_0**:** Access to capital does not significantly influence the growth of youth owned micro and small enterprises.

1.4 Theoretical Framework

Resource Based- Theory

The resource-based theory of entrepreneurship explains that access to resources by MSEs is an important indicator of opportunity-based entrepreneurship and new MSEs growth (Alvarez & Busenitz, 2001).This theory emphasizes the importance of financial, social and human resources in support of youth owned MSEs (Aldrich, 1999). Hence, access to resources enables the MSEs ability to detect and act upon different opportunities that may arise (Davidson & Honing, 2003). It is also of importance to note that financial, social and human capital are representatives of three classes of theories under the resource-based entrepreneurship theories that are very important in the determination of growth of MSEs.

Nkansah, (2011) argues that this theory explains how entrepreneurs build their businesses from the available resources they possess or can be able to acquire in order to gain a sustainable business competitive advantage and growth prospects. The resource-based theory also notes that the choice of which industry to venture and what business to undertake is not enough to ensure successful business growth. The theory says that nature and the quality of the resources that entrepreneurs possess and can acquire can lead to long-run success. The resource-based theory recognizes six types of resources: financial, physical, human, technology, reputational and organizational. These six types of resources are broadly drawn and they include all assets, capabilities, organizational processes, firms' attributes, information and knowledge (Nkansah el. al, 2011).

The theory further explains that tangible assets are physical resources which can be seen and evaluated (Wilk and Fensterseifer, 2003). They include plant, equipment, land, stocks, financial (debtors, creditors, cash in hand and at bank). Intangible assets on the other hand are those that cannot be seen and quantified (Wilk and Fensterseifer, 2003). For example, reputational resources like trademarks, patents, brand and goodwill as well as networks, individual and group skills, interactions and the organizational routines and processes used to organize and co-ordinate these resources. External resources also include relationships with and knowledge acquired through suppliers and customers, competitors and institutions like universities.

2.0 LITERATURE REVIEW

Access to Capital

Access to capital means the supply of credit finance to MSEs when demanded. Improving capital access means improving the extent to which financial services are available to MSEs at a fair price (CGAP, 2009. Financial Access 2009) Capital structure has proved to be a perennial puzzle in finance (Aleke 1991) The original Modigliani and Miller, 1958 and 1963 propositions highlighted the important issue involved in financial structure decisions namely: the cheaper cost of debt compared to equity, the increase in risk in the cost of equity as the debt increase and the benefit of tax deductibility of debt. The conclusion was that with taxes and deductibility of interest charges, firms should use as much debt as possible. According to Jalilian and Kirkpatrick (2001) and Honohan (2004), there is substantial theoretical literature on financial sector depth which use measures of financial depth collected from financial institutions themselves, such as the total value of bank deposits, or private credit, which do not capture the distribution of these bank deposits or credit across the population. In many countries, household survey evidence shows that most bank deposits and loans are held by only a small proportion of the population with relatively high incomes, and that relatively few people have access to any kind of formal financial services. Many people rely instead on informal or semi-formal providers such as microfinance institutions or cooperatives etc. for which data is not usually available.

Provision of loans to very small businesses and it is an increasingly becoming a common weapon in the fight to reduce poverty and promote economic growth. Businesses often use these lines of credit to expand, explore new areas of their industry, acquire another company, or pay employees. These are essential to the overall success of a business. Lack of access to credit is indicated as a key problem for SMEs worldwide. In some cases, even where credit is available, the entrepreneur may have difficulties because the lending conditions may require collateral for the loan. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self financing or borrowing from friends or relatives. Lack of access to long term credit for small enterprises forces them to rely on high cost short term finance. For Kenyan SMEs the formal banking system is too expensive and inconvenient (Mokua, 2013). Lending to small businesses can be seen to be time consuming and costly for banks and other financial intermediaries. Such small firms lack proper accounting procedures and owners easily mix their business and personal finances, making their financial statements often unreliable. Banks consider MSEs with no transaction history as too risky because their ability to repay loans is not yet known. These Unbanked MSEs may also not have collateral to access formal credit. Another issue is that these unbanked MSEs might not have the skills to run the business professionally. They may not have proper bookkeeping procedures, inventory systems, business plans or income statements making it hard for a bank to evaluate them (Frempong, 2007).This hinders growth and expansion of MSEs.

Youth owned MSEs collateral requirement have been noted as an obstacle to youth-owned MSEs growth. Scholars have noted that of lack of collateral could be ranked as obstacle number two from lack of finance. The lack of collateral is the most widely cited challenge encountered by MSEs accessing finance. Many MSEs for example may be unable to provide sufficient collateral because it is too new or is not firmly enough established (Olawale & Garwe, 2010). Lending to MSEs has been seen as a high-risk business since most of these enterprises lack collateral. The challenge does not appear to be the lack of funds but it's on how to make the funds accessible to MSEs, (Kihimbo, 2012). There are a number of lending institutions such as banks and nonbank financial institutions that are willing to provide credit to MSEs although the businesses are not able to meet the requirements from these financial institutions. Among these requirements is the issue of collateral, which most MSEs cannot provide (Ackah & Vulvor, 2011).The demand for collateral by banks and other financial institutions affects the growth of MSEs, (Kunateh, 2009). Finally lending to MSEs has been based on collateral than it is the case for loans borrowed by bigger firms. This had lead to the situation in which lending is no longer based on expected return but rather upon access to collateral requirements. Many MSEs lacking access to 'good collateral' end up suffering from credit rationing (Ndumana, 2013).

Growth

In his studies Mao (2009) explained that growth is used to describe a development process of enterprise from small to big and from weak to strong. The meanings of development exceeds the meanings of growth, and it includes not only the growth process of things, but the generation stage growing out of noting before growth and the periodic process of the stage, i.e. the cycle process going round and round (Mao, 2009). However, it is noted that the enterprise growth is a complex adjustment process which is different to the simple scale extension. It takes the balance adjustments of various relations in the interior and the exterior of the enterprise as the essential character, and it is the process of balanced development from unbalance to balance, and from lower balance to higher balance. Therefore, the meanings of enterprise growth is the development process that enterprise keeps the tendencies of balanced and stable growth of total performance level (including output, sales volume, profit and asset gross) or keeps realizing the large enhancement of total performance and the stage spanning of development quality and level (Sun, 2004).

In understanding enterprise growth the time property of enterprise growth the premise to analyze the growth of enterprise is long period in which the long-term development tendency and process of enterprise are observed, and it is not the status of enterprise in certain time point (Mao, 2009). Sun, (2004) explains that the growth of enterprise is not a stable process without troubles. In the growth process, MSEs always transits from balance to unbalance, and the result is to transit from unbalance to balance and from lower balance to higher balance through unbalance. MSEs growth is the unification of quantity and quality. The increase of quantity is embodied in the extension of MSEs scale such as the increases in sales volume, market share, production value, profit and employee. The growth of quality is embodied in the enhancement of MSEs quality, which includes the technological innovation ability from immature to mature production technology, the optimal efficiency of investment and output, the organizational innovation and reform (Sun, 2004).

2.1 Conceptual Frame Work

The researchers explored the relationship between independent variable and the dependent variable. Figure 2.1 represents the study conceptual framework derived from the theoretical review above.

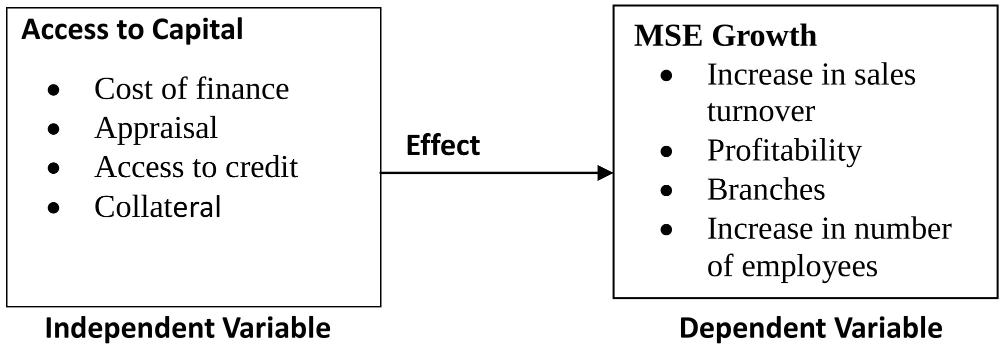

Figure 2.1: Conceptual Frame Work

3.0 DESIGN AND METHODOLOGY

This study adopted descriptive survey research design. According to Saunders, Lewis and Thornhill (2003) survey strategy is a deductive approach popular in business research. Aggarwal (2008) notes that descriptive research is devoted to the gathering of information about prevailing conditions or situations for the purpose of description and interpretation. This type of research method is not simply amassing and tabulating facts but includes proper analyses, interpretation, comparisons, identification of trends and relationships. The main advantage of this research design is the ability to employs applications of scientific method by critically analyzing and examining the source materials, by analyzing and interpreting data, and by arriving at generalization and prediction.

Stratified random sampling technique was used to draw the sample. This method helped in improving the representation of each stratum (groups) within the population, as well as ensuring that the strata were not over-represented. In a stratified random sampling approach, the population was divided into two or more relevant and significant strata based on one or a number of attributes, for example, the population of N units is first divided into disjoint groups of NI,N2, N3 units, respectively. These subgroups, called strata, together comprise the whole population, so N1+N2+N3=N. From each stratum, a sample of pre-specified size was drawn independently using simple random sampling table in different strata. Then the collection of these samples constituted a stratified sample for the study (Saunders 2003).

The population frame was the 1,262 youth owned MSEs previously funded and registered by the youth enterprise development fund (YEDF) as at 2013. A sample size of one hundred and twenty seven (127) MSEs was used. Both primary and secondary data was used in this study.

The primary data was collected through a questionnaire as the main data collection instrument in the study. The instrument was pretested for potential problems with the design and layout of the survey, to increase reliability, decrease measurement errors, and improve the validity of each construct measurements before the final test was launched. The study used quantitative and qualitative statistical measures to describe the relationships between the study variable. Descriptive statistics such as means, standard deviation and mode was used to describe the basic features of the data, provide simple summaries about the sample measures. Multiple regression was applied to examine the intensity of the variable links.

4.0 RESULTS FINDINGS AND RECOMMENDATIONS

Access to Capital

The majority of the respondents 44% indicated that the cost of accessing credit was very high. The respondents cited the amount of interest rate paid on loan as being very high and thus making the cost of finance unaffordable. The majority of the respondents 41% reported that the amount of interest rates paid on loans were very high and 36% cited fluctuations in interest rates as another reason that led to difficulties they faced in trying to access capital. The majority of the respondents 35% reported that credit processing fee was very high. The findings concur with Bouazza, Ardjouman & Abada (2015) studies investigating the factors affecting the growth of MSEs in Algeria. The cost of accessing credit and amount of loan repayment interest rates were cited as the major factors affecting the growth of MSEs in Algeria. The findings are also similar to a study carried out by Mwangi and Bwisa, (2013) on challenges facing entrepreneurs in accessing credit: a case of youth entrepreneurs in Makuyu, Kenya. Their findings indicated that most of the youth entrepreneurs faced challenges in accessing credit due high cost of credit evidenced in, high rate of interest, high rate of credit processing fees and high cost of credit insurance. Table 1 presents the findings.

Table 1 Access to Capital

Statement	Very low (%)	Low (%)	Moderate (%)	High (%)	Very high (%)	mean	SD
Cost of accessing credit	6	6	19	25	44	3.94	1.205
Amount of interest rate paid on loan	5	4	18	33	41	4.01	1.097
Fluctuating interest rates	14	9	20	21	36	3.58	1.412
Amount of credit processing fee	4	4	31	26	35	3.85	1.069

Appraisal

From the analysis majority of the respondent, 57% indicated that they were contented with the lent credit. However, 43% of the respondents reported that the credit lent out was less of their initial borrowed amount. The findings can draw a conclusion from a study conducted by Matavire (2013), on challenges facing SMEs in accessing requested finance from financial institutions: The case of Belaway, Zimbabwe found out that SMEs fail to secure requested loans because of restrictive requirements from the financial institutions. 65% of the respondents reported that the procedure factor in accessing capital was bureaucratic and difficult. The findings can draw a conclusion that many youth owned MSEs have not been able to access financial support due to the bureaucratic and difficult procedure they undergo before accessing credit from lending institutions. Table 2 presents the findings.

Table: 2 Appraisal

Credit	Statements	Frequency	Response rate %
Contented with the lent amount	The amount was sufficient	38	57
	The amount was less of what was borrowed	29	43
Procedural factors in accessing capital	Clear and simple procedure	26	35
	Bureaucratic and difficult procedure	49	65

Access to Credit

From the analysis, only 34% of the respondents tried to obtain credit to a moderate extent. The findings concur with the study of Ntakobajira, (2013), on factors affecting the performance of MSEs traders at City Park hawkers market in Nairobi County, Kenya. The study concluded that inefficient access to credit affected the performance of MSEs to a great extent because it limited the entrepreneurs' ability to take advantage of the opportunity as and when they arose. The findings conclude that access to credit is a determinant of MSEs growth in relation to increase in sales turnover, profitability, business expansion and increase in employment opportunities. Figure 1 presents the findings.

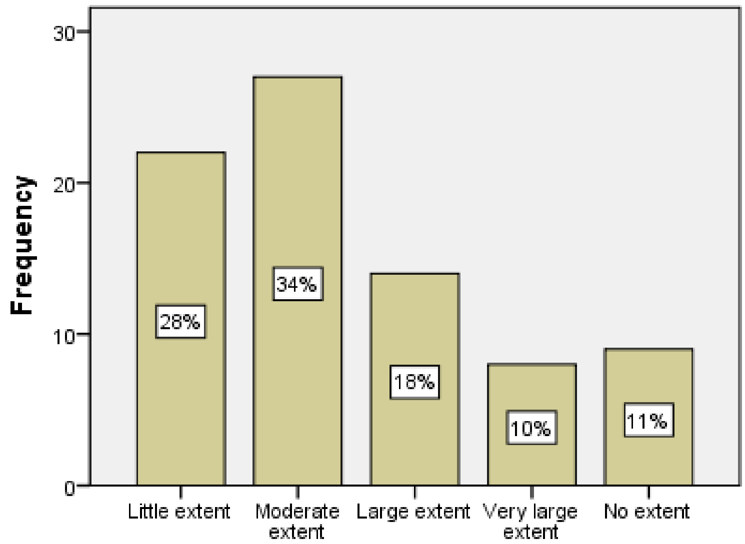

Figure 1: Access to Credit

Collateral

From the analysis majority of the respondents reported that their business assets could secure capital and that their cash flow is sufficient to repay the loan. In their studies Gichiki &Njeru & Tirimba (2014) agreed to studies conducted by Gangata &Matavire, (2013) on challenges facing MSEs in accessing finance from financial institutions. The findings indicated that very few MSEs succeed in accessing funding from financial institutions, the main reason being a failure to meet lending requirements, chief among them being the provision of collateral security. Although many youth owned MSEs indicated that their business assets could secure capital many have not been able to access funding from lending institutions and the reasons can be supported by Vuvor &Ackah (2011) study which included the inability of SMEs to provide collateral and other information needed by banks such as audited financial statement coupled with the high cost of the loan in terms of high-interest rates make it extremely difficult to access credit. Another collateral challenge facing youth owned MSEs could be the lack of tangible assets like land, which are used as assets to secure credits according to a study by (Makena, 2014). Table 3 presents the findings.

Table 3: Collateral Factors

Statement	Frequency	Response rate %
Business assets can secure capital	58	73
Cash flow to repay the loan	55	69
Group guarantors are appropriate	18	23
Individual guarantors are appropriate	42	53

Micro and Small Enterprise Growth

Sales Turnover

The respondents were required to indicate their sales turnover between the years 2010 to 2014 the Minimum sales turnover was KSH 150,000 and the maximum sales turnover was KSH 1,300,000. The findings indicate slight changes in terms of the sales turnover performance. This is reflected by the fact that the figures kept changing from a decline to improvement over the years. This could be as a result to the frequent changes in the business environment that have consistently affected the MSEs operations in the country. Table 4 present the findings.

Table: 4 Sales Turnover

Sales turnover	N	Minimum	Maximum	Mean	Std. Deviation
2010	72	180000	13000000	2800278	3535367
2011	75	190000	12000000	3345653	3561673
2012	79	300000	12500000	3448990	3509508
2013	79	180000	13000000	4108228	3666497
2014	78	150000	13000000	3681795	3249114

Net Profit

The respondents were required to indicate by how much their net profit had contributed towards the growth their business. Between years 2010 to 2014, the minimum net profit was KSH 55,000 whereas the maximum net profit was KSH 7,000,000. The findings indicate very minimum changes with regard to the net profit, the net profit margin kept changing from an increase to a decrease over the period. Again this can indicate the slow growth rate experienced by the MSE sector in the country. Table 5 presents the findings

Table: 5 Net Profit

Net profit	N	Minimum	Maximum	Mean	Std. Deviation
2010	72	60000	5000000	1061778	1595617
2011	78	70000	6100000	1197244	1703254
2012	80	80000	6300000	1066038	1495633
2013	79	70000	7000000	1512468	1755923
2014	77	55000	7000000	1293299	1493402

Number of Branches

The respondents were requested to indicate the number of branches they have had during their business operation period. Between the years 2010 to 2014 the minimum number of branches was 1 and the maximum were 5 branches. The figures indicate minimum changes and reflect the slow pace in which MSEs undergo before expanding and opening up other similar business outlets. This could be as a result of challenges that emanate from lack of sufficient financial flow that is key MSEs expansion and growth. Sun, (2004) concurs with the findings by explaining that growth of enterprise is not a stable process without troubles. In the growth process, enterprise always transits from balance to unbalance, and the result is to transit from unbalance to balance and from lower balance to higher balancer through unbalance. Table 6 presents the findings.

Table: 6 Number of Branches

Number of business branches	N	Minimum	Maximum	Mean	Std. Deviation
2010	74	1	4	1	0.6
2011	78	1	4	1	0.7
2012	79	1	4	1	0.8
2013	79	1	5	2	0.9
2014	77	1	5	2	1.0

Number of Employees

The respondents were requested to indicate the number of employees they have had, the minimum was 1 and maximum was 25. The findings support the argument that MSEs are largely found in the informal sector, mostly employing 1-2 people, although, there are many others that operate in the formal sector. Most of the local investment businesses in Kenya fall under the MSE business sector (ACEPD, 2011). Table 7 presents the findings

Table 7: Number of Employees

Number of employees	N	Minimum	Maximum	Mean	Std. Deviation
2010	73	1	16	3	3.3
2011	77	1	20	4	4.4
2012	80	1	20	3	3.9
2013	79	1	25	4	4.1
2014	74	1	25	5	5.1

4.1 ANOVA Test

Influence of effect of access to capital on growth of youth owned micro and small enterprises in Kenya.

The general objective of this study was to examine the effect of access to capital on the growth of youth owned micro and small enterprises in Kenya. The hypothesis to test for this specific objective was: H_{02}: Access to capital does not significantly influence the growth of youth owned micro and small enterprises. The linear regression model shows R^2= 0.433 which means that 43.3 % change of growth of youth owned micro and small enterprises in Kenya can be explained by a unit change of access to capital. Table 8 explains the findings.

Table: 8 Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.658	.433	.423	.28624

a. Predictors: (Constant), Access to capital
b. Dependent Variable: growth

Further test on ANOVA above shows that the significance of the F-statistic (7.375) is less than 0.05 since p value, p=0.00. Table 9 explains the findings.

Table: 9 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.111	1	2.111	7.375	.008
	Residual	16.888	59	0.286		
	Total	18.999	60			

a. Dependent Variable: growth
b. Predictors: (Constant), Access to capital

Further test on the beta coefficients of the resulting model, as shown, the constant α= -0.361, if the effect of access to capital is held constant then there will be a negative growth of youth owned micro and small enterprises in Kenya by 0.361. The regression coefficient for access to capital was positive and significant (β = 0.174) with a t-value=2.851 (p-value<0.05) implying that for every 1 unit increase in access to capital, growth of youth owned micro and small enterprises in Kenya is predicted to increase by 0.174 units and therefore H_{01} is rejected . Table 10 presents the findings.

Table 10: Beta Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.361	.062		-5.787	.000
	Access to capital	.174	.061	.333	2.851	.006

a. Dependent Variable: growth

5.0 SUMMARY OF THE FINDINGS

The study found out that majority of the respondents reported that the cost of accessing credit was very high. The respondents also pointed out that interest rates paid on loans including interest rates fluctuations were very high making access to capital unaffordable. Many of MSEs that were able to meet the required standards by financial institutions and merited for financial support, they indicated that they were contented with the amount lent to them. The respondents also indicated that the credit processing fee was high but majority of the respondents had to some extent tried to obtain credit from the different lending institutions in the country although a small percentage made no extent in trying to access credit from lending institutions. Majority of the respondents reported that the procedure of accessing financial support was very bureaucratic and difficult. The findings also established that majority of MSEs business assets could secure capital according to the respondents feedback. They indicated they had enough cash flow to repay the loan. However, it was noted that different financial institutions had different measures of accessing business liabilities before availing credit.

5.1 Conclusion

The objective of this study was to explore the effect of access to capital in the growth of youth owned MSEs in Kenya. The study concluded that MSEs face challenges in trying to access credit due to the high cost of accessing capital and the high-interest rates. Fluctuating interest rates and credit processing fee are issues that MSEs reported during the study. This conclusion was arrived by observing that many youths owned MSEs have had a moderate extent in trying to access capital from lending institutions. Further the study concluded that the bureaucratic and difficult procedures encountered by MSEs in the process of trying to access capital had resulted in many of them not seeking for financial assistance from lending institutions to expand their businesses.

5.2 Recommendation

Arising from the study conclusion, research recommends as follows.

Access to Capital

1. Financial and other lending institutions need to take note of the expensive and difficult lending conditions facing youth owned MSEs in the country. Then they should address the critical issue of lending rates i.e. how to lower the cost of credit

through lowering the interest rates. Credit lending procedure should also be simple and clear. Once the issues raised are addressed MSEs will be able to access affordable credit.

2. There is a need to re-look at the available credit programmes for MSEs i.e. the YEDF and redesign them to address the high cost of capital availed to MSEs. That will make access to credit affordable to MSEs.
3. The government should formulate effective policies to ensure that the interest rates suggested by the Central Bank of Kenya are also adopted by both commercial banks and micro financial institutions so as to encourage MSEs owners to access micro-credit facilities.
4. There is a need to have clear loaning policies that support MSEs to avoid misunderstanding on expectations on repayment period and the interest rate on the borrowed loan.
5. Finally, it is important to conduct MSEs training to address issues of bookkeeping procedures, inventory system, and business plan. The proposed training areas are important since they are the parameters that lending institutions use to evaluate MSEs viability to access credit.

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