RESEARCH ARTICLE OPEN ACCESS

Influencing of Leadership on Financial Sustainability of Youth Group Projects Funded by Youth Enterprise Development Fund in Meru North Sub County, Meru County, Kenya

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Abstract

UNICEF (2009) notes that the global economic crisis has produced a large cohort of unemployed youth, who in 2009, stood at around 181 million worldwide. Kenyan ministry of youth affairs was created in December 2005 with a mandate to fully develop the potential of the youth as well as prepare and engage them in the socio- economic development of Kenya and be self-employed. To ensure the youth get access to cheap loans, the youth enterprise development fund was created in December 2006 through a legal notice. Most of the youth projects funded by YEDF have low survival rates and in most cases the youths are unable to repay the loans. Consequently, the youth continue languishing in poverty The objective of the study was to establish the influence of leadership on financial sustainability of projects funded by youth enterprise development fund in Meru North sub county, Meru County, Kenya A descriptive survey approach was adopted to obtain information concerning influence of leadership of financial sustainability of projects funded by youth enterprise development The Target population for this study was 205 youth group leaders in Meru North sub county that had been funded. Completed questionnaires were edited for completeness and consistency. Data collected was coded using a predetermined coding scheme and analyzed both qualitatively and quantitatively. The researcher used the Statistical Package for Social Sciences (SPSS) version 17 to analyze quantitative data The result indicated that the groups had an average current ratio of 2.1 implying that most groups were largely financially sustainable. The results further indicated that there was a strong positive significant correlation between youth groups where youth leaders consult group members on the running of projects funded by YEDF and current ratio ($r = 0.712$ at $p = 0.013$). This implies that consultation in a group is vital for the sustainability of group projects

Background to the study

Youth definitions are contextual, depending on the social, cultural, political and economic environment. The United Nations defines youth as persons aged between 15 and 24 years (Kimando, Njogu & Kihoro, 2012). The new Constitution defines youth as all individuals in the republic of Kenya who have attained the age of 18 years but have not attained the age of 35 years (GOK, 2010).

UNICEF (2009) notes that the global economic crisis has produced a large cohort of unemployed youth, who in 2009, stood at around 181 million worldwide. For those who are employed, decent work is scarce. As at 2011, the global economic outlook remained highly uncertain and the possibility of a prolonged economic malaise with negative implications for economic progress in many countries still loomed (UNICEF, 2011). Over the past 10 years, many countries have adopted innovative and successful initiatives to encourage youth participating in development.

Pursuant to the above, the Kenyan ministry of youth affairs was created in December 2005 with a mandate to fully develop the potential of the youth as well as prepare and engage them in the socio- economic development of Kenya. Specific priority areas include empowering the youth to engage in economic activities through training and funding of youth projects, creating employment opportunities that benefit the youth and providing the youth with necessary financial support and market linkages to their products. To ensure the youth get access to cheap loans, the youth enterprise development fund was created in December 2006 through a legal notice. YEDF (2010) estimated that the youth account for 61% of the unemployed in Kenya and number 13 million. Information available on the YEDF website shows that the Kenyan government has so far released Ksh. 3.8 billion to the fund which has so far financed 157,000 youth enterprises thus helping create over 300,000 jobs in five years . In a country where the number of unemployed youth is estimated at 8million (YEDF, 2010), creation of 300,000 jobs is like a drop in the lake. At this rate, the youth fund may never create the 8 million jobs needed.

Many developing countries continue to spend scarce resources on youth loans that have no proven impact. Simon and Kenyon (2009) concurs and points out that the authorities have not been keen to increase the rate of youth loan absorption and the survival rate of new youth enterprises. It is surprising that in spite the introduction of youth funds, many youths still struggle to get employment. Simon and Kenyon (2009) and Kimando, Njogu and Kihoro, (2012) reported that most of the youth projects funded by YEDF have low survival rates and in most cases the youths are unable to repay the loans. Consequently, the youth continue languishing in poverty (Gachuru & Mwirigi, 2014). However, Simon et al (2009) did not provide answers to the low survival rates of youth enterprises funded by YEDF. Thus, this study was set to establish the influence of leadership on financial sustainability of youth projects funded by YEDF in Maara Sub-County, Tharaka Nithi County, Kenya.

Statement of the Problem

Kenya has an overwhelmingly large young population, with children and young people under the age of 35 years accounting for 78% of the total population (GOK, 2009). As the country gears towards Vision 2030, the Kenyan youth face some challenges, particularly in the economic context of livelihoods (GOK, 2010). A large population of young people is unemployed and many more are engaged in short-term, low-paid jobs or in the informal economy (Kimando, Njogu & Kihoro, 2012). The Youth Enterprise Development Fund (YEDF) was conceived in 2006 as a strategic move towards addressing youth unemployment in Kenya through enterprise development. The underlying premise of YEDF is that economic development and poverty reduction can be achieved by enhancing access to financial resources to encourage micro, small, and medium enterprise development initiatives. However, even with these strategies for support, it is apparent that economic development of youth in Kenya has been slower than expected, leading to continuing gross socio-economic disparities between the youth and the rest of the population. It is not clear whether YEDF funded projects are financially sustainable (Simon et al 2009). It is on this premise that this study sought influence of leadership on financial sustainability of youth projects funded by YEDF in Meru North sub county, Meru County, Kenya is undertaken.

Objective of the study

The objective of the study was to establish the influence of leadership on financial sustainability of projects funded by youth enterprise development fund in Meru North sub county, Meru County, Kenya

LITERATURE REVIEW

Oino, Kirui, Towet and Luvega (2015) analyzed the dilemma in sustainability of community based projects in Kenya. They reported that globally, billions of shillings have been spent in communities to enhance the living situation of the people. However, one of the most critical obstacles is the extent to which the projects are able to persist despite the exit of donors, while the beneficiaries reap dividends; appreciate their participation and ownership role in the project. Apparently, it is sustainability that makes the difference between success and failure of community-based projects. Oino, Kirui, Towet and Luvega (2015) argued that various factors such as technical, financial, institutional, economic, and social factors contribute to the failure to sustain the projects if not considered well in the project management cycle. Oino, Kirui, Towet and Luvega (2015) concluded that lack of stakeholder ownership and commitment leads to project failure. This implies that leaders involved in the project plays an instrumental role in the success of such projects. Even though the review concentrated on community based projects, it is possible that similar factors might influence sustainability of YEDF funded projects. Thus, the current study sought to establish the influence of leadership on sustainability of the projects.

Njuki, Mwangombe, Okoth and Mutua (2013) investigated the the factors that affect performance of youth group income generating projects in Kenya. The study employed a survey research design and sampled youth group projects in Taita district. The study mainly analysed the factors affecting the overall performance of youth group initiated projects in Taita district. The study established that appropriate usage of available resources meant for community development were regarded top in providing long-term solution to the challenges that affected youth group projects in Taita District. The study further established that the nature of activities that youth groups were involved in affected the enterprises' product/service marketability and operational continuity to the extent every person wanted endless involvement. Given that appropriate usage of resources and nature of activities that youths invest in are largely guided by the group leadership, it is more likely that the leadership of a group could contribute to financial sustainability of a group to a large extent. Thus, the current study sought to establish the influence of leadership on sustainability of the projects.

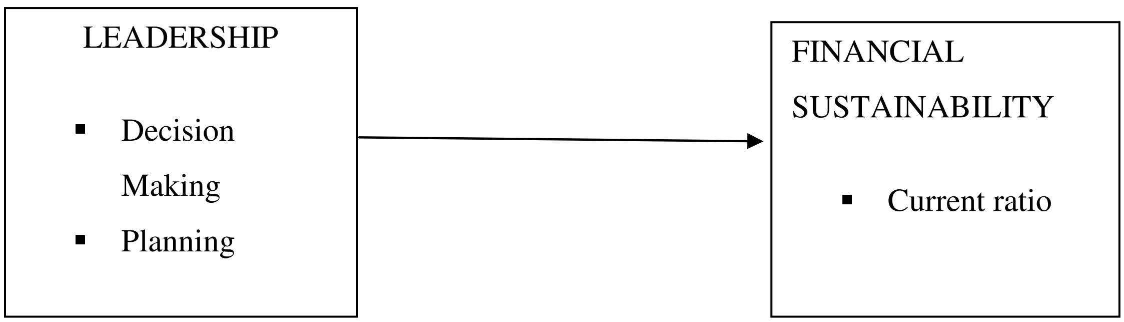
Karanja (2014) investigated the influence of management practices on sustainability of youth income generating projects in Kangema District, Muranga County, Kenya. The study focussed on training, monitoring and evaluation, leadership and financial management aspects in relation to project sustainability. The study revealed that, sound financial management, appropriate training, leadership and effective monitoring and evaluation influence the sustainability of the youth projects. The study revealed that, majority of the project leaders and the members felt that academic qualification of the project leader was a key aspect that influences youth projects sustainability. Karanja (2014) reported that projects in Kangema faced the challenge of having semi-illiterate leaders and members implying that even the basic skills of project management may be missing. This implies that leader characteristics are vital for financial planning and implementation of projects which ultimately results in financially sustainable projects. However, this assertion needs to be supported by empirical evidence. Thus, the current study sought to establish the influence of leadership on sustainability of the projects.

UNESCO (2008) indicated that the Youth Visioning for Island Living (YVIL) initiative of the United Nations Educational, Scientific and Cultural Organization (UNESCO) seeks to empower young people in small island countries to take action for sustainable living and development, and by doing so encourage locally-based development of new skills and opportunities. However, UNESCO (2008) argued that the challenge for this initiative is to find further funding and more on-the-ground partners that can provide the required support needed by inexperienced project leaders. This implies that most projects fail due to inexperienced project leaders. Nonetheless UNESCO (2008) pointed out that through this process, greater success of projects can be ensured and a greater impact made on those that participate. The projects implemented by Youth Visioning aimed to be self-sustainable through forging partnerships and networking to obtain assistance (both in-kind and financial) and expertise. A number of project leaders were able to secure long-term support and thus will be able to continue their work. This implies that even though leaders need support their motivation to spur their groups to success can enable a group to successful and sustainably implement its projects.

Conceptual Framework

The conceptual framework explains the relationship between the independent variables and the dependent variables. The former is presumed to be the cause of the changes while the former influences the latter (Kothari, 2003). Independent variables are variables that investigator has no control over. In some studies, independent variables might be manipulated by the investigator. However, in descriptive studies the investigator may not be able to manipulate the independent variable like he/she may in experimental studies. It may be something that is already there and is fixed, something you would like to evaluate with respect to how it affects something else. It assumed that factors which influence sustainability of projects funded by YEDF are already in place hence the investigator cannot manipulate them.

Independent variables **Dependent variables**



Conceptual framework

Leadership is conceptualized as independent variables that influence financial sustainability. Good decision making and planning reduces overdependence on external funding which results into reduced liabilities and raises the current ratio leading to financial sustainability.

RESEARCH METHODOLOGY

A descriptive survey approach was adopted to obtain information concerning influence of leadership of financial sustainability of projects funded by youth enterprise development fund in Meru North sub county, Meru County, Kenya. The purpose of descriptive survey is basically to observe, describe and document aspects of situations as it naturally occurs. The fact that it is not concerned with characteristics of individuals but provides information about population made the preferred research design (Kothari, 2009). A descriptive study was chosen because it enabled generalization of the findings to a larger population.

The Target population for this study was 205 youth group leaders in Meru North sub county that had been funded. The youth group leaders were targeted because they had the necessary information to answer study objectives. The study also targeted two YEDF officers in the Sub-County. The YEDF officers in the Sub-County were targeted because they were bast placed to understand sustainability of projects funded by YEDF and because they are directly involved in monitoring and evaluation of these projects

This study used Cochran's (1977) categorical data sample size formula to determine the sample size

Completed questionnaires were edited for completeness and consistency. Data collected was coded using a predetermined coding scheme and analyzed both qualitatively and quantitatively. The researcher used the Statistical Package for Social Sciences (SPSS) version 17 to analyze quantitative data. Quantitative analysis was done using descriptive statistics such as frequency counts, percentages, tables and graphs to describe distributions, per-charts to show differences in frequencies and bar charts to display nominal or ordinal data. The data was presented using graphs, and tables as was found appropriate for each set of data. Thematic data analysis was used to analyse qualitative data. This involved identification and description of both implicit and explicit ideas within the data in form of themes as suggested by Dey (1993). Thematic analysis in this study entails data familiarization, coding, categorization, identification of patterns and interpretation of the patterns. The data was then presented in form of narratives.

RESULTS AND DISCUSSION

Financial Sustainability

The study collected data on total current assets and current liabilities. The mean total current assets and mean total liabilities are shown in Table below

Average current assets and current liabilities

	Mean (Ksh)	Standard deviation(STD)
Current assets	582360	2300
Current liabilities	276,000	1670

The results in the table indicated that groups had a mean current asset of Ksh. 582360 (STD=2300) and a mean current liabilities of Ksh. 276,000 (STD=1670). This is an indication that the groups had higher current assets than current liabilities. In order to determine the financial sustainability of the groups, current ratio was computed. The result indicated that the groups had an average current ratio of 2.1

implying that most groups were largely financially sustainable. This finding differs from Kimando, Njogu and Kihoro, (2012) study which reported that most of the youth projects funded by YEDF have low survival rates.

Group leadership and financial sustainability

The study sought to determine the influence of leadership on financial sustainability of youth income generating projects. The respondents were required to indicate their level of agreement to various statements related to leadership and financial sustainability of projects funded by YEDF. The results are summarized in the Table below.

Influence of leadership on financial sustainability of youth income generating projects

	SA		A		U		D		SD	
Statement	F	%	F	%	F	%	F	%	F	%
Leaders have little say on the projects funded by YEDF	0	0	18	13.8	0	0	88	66.2	27	20.0
Youth leaders make informed decisions on the kind of projects the group invests in	88	66.2	27	20.0	0	0	18	13.8	0	0
Youth leaders consult group members on the running of projects funded by YEDF	63	47.6	27	20.0	25	18.6	0	0	18	13.8
Youth leaders are often responsible for failure or success of most youth group projects funded by YEDF	63	47.6	52	38.6	0	0	0	0	18	13.8
Youth leaders ensure that loans taken from YEDF are paid promptly	81	60.7	34	25.5	0	0	0	0	18	13.8
Youth leaders in your group have ensured that most projects invested in are profitable and can sustain the monetary needs of the group	90	67.6	25	18.6	0	0	0	0	18	13.8
Most projects funded by YEDF make loses because of poor leadership	0	0	0	0	0	0	115	86.2	18	13.8

The results in table above indicated that most (66.2%) of the youths disagreed and 20 percent of them strongly disagreed that leaders have little say on the projects funded by YEDF. This implies that group leaders play a major role in the projects that the group invests in. The finding supports Oino, Kirui, Towet and Luvega (2015) study which indicated that leaders involved in the project plays an instrumental role in the success of such projects. The results also showed that most (66.2%) of the youths strongly agreed and 20 percent of them agreed that youth leaders make informed decisions on the kind of projects the group invests in. This implies that youth leaders make due diligent prior to advocating for the funding of any projects even though they take into consideration the views of other group members. The finding concurs with Njuki, Mwangombe, Okoth and Mutua (2013) study finding which indicated that group leaders play a vital role on determining the nature of activities that youth groups are involved in which ultimately affect the enterprises' product/service marketability and operational continuity. It was also established that majority (47.6%) of the youths strongly agreed and 20 percent of them agreed that Youth leaders are often responsible for failure or success of most youth group projects funded by YEDF. This implies that youth leaders need to be well endowed makes so as to ensure that projects they invest in are financially sustainable since they play a key role in whether a project will succeed or fail. This result corroborates Karanja (2014) study which revealed that group leaders with sound financial management, appropriate training, better leadership and effective monitoring and evaluation influence the sustainability of the youth projects. The information also indicated that majority (47.6%) of the youths strongly agreed and 38.6 percent of them agreed that youth leaders consult group members on the running of projects funded by YEDF. The results indicated that 60.7 percent of the youths strongly agreed and 25.5 percent of them agreed that youth leaders ensure that loans taken from YEDF are paid promptly. This implies that youth group leaders are responsible for the repayment of loans secured from YEDF and hence they have a moral responsibility to invest in financially viable projects. This finding supports UNESCO (2008) report which argued that most projects fail due to inexperienced project leaders. Information in table also indicated that 67.6 percent of the youths strongly agreed and 18.6 percent of them agreed that youth leaders in your group have ensured that most projects invested in are profitable and can sustain the monetary needs of the group. This is an indication that youth leaders strive to ensure that youth projects are successful in terms of return on investment. It was further established that 86.2 percent of the youths disagreed that most projects funded by YEDF make loses because of poor leadership. This implies that leadership is not solely responsible for the failure of success of a project funded by YEDF.

The influence of group leadership on financial sustainability

The study sought to establish the correlation between group leadership and financial sustainability. Pearson correlation was used to ascertain the correlation. The results are shown in table below

Correlation between leadership and financial sustainability (current ratio)

		Current ratio
Leaders have little say on the projects funded by YEDF	Pearson Correlation	-.436
	Sig. (2-tailed)	.035
	N	133
Youth leaders make informed decisions on the kind of projects the group invests in	Pearson Correlation	.577
	Sig. (2-tailed)	.011
	N	133
Youth leaders consult group members on the running of projects funded by YEDF	Pearson Correlation	.712
	Sig. (2-tailed)	.013
	N	133
Youth leaders are often responsible for failure or success of most youth group projects funded by YEDF	Pearson Correlation	-.323
	Sig. (2-tailed)	.043
	N	133
Youth leaders ensure that loans taken from YEDF are paid promptly	Pearson Correlation	.624
	Sig. (2-tailed)	.001
	N	133
Youth leaders in your group have ensured that most projects invested in are profitable and can sustain the monetary needs of the group	Pearson Correlation	.220
	Sig. (2-tailed)	.021
	N	133

The results show that there was a statistically weak negative correlation between current ratio and when leaders have little say on the projects funded by YEDF ($r = - 0.436$ at $p = 0.035$). This is because the p-value was less than 0.05. This implies that groups where leaders have little say on the projects funded by YEDF the current ratio of the group declines. The results also indicated that groups where youth leaders make informed decisions on the kind of projects the group invests in are positively and significantly correlated with current ratio ($r = 0.577$ at $p = 0.011$). This is because the p-value was less than 0.05. This implies that when group leaders make informed decisions on the kind of projects to invest in the group is likely to be sustainable since the group's current ratio increases. The results further indicated that there was a strong positive significant correlation between youth groups where youth leaders consult group members on the running of projects funded by YEDF and current ratio ($r = 0.712$ at $p = 0.013$). This implies that consultation in a group is vital for the sustainability of group projects. The findings also showed that there is a weak negative correlation between groups where youth leaders are often responsible for failure or success of most youth group projects funded by YEDF and current ratio (r = -0.323 at p = 0.043).. This implies that groups where all group decisions are left to the leaders are likely to have unsustainable group projects. Thus, there is need to involve all members in the group activities. In addition, the results indicated that there is a significant positive correlation between a group where youth leaders ensure that loans taken from YEDF are paid promptly and current ratio (r = 0.624 at p = 0.001). This is an indication that repayment of loans on timely basis enables a group to be financially sustainable. The study further established that there is a significant positive correlation between a group where youth leaders ensure that most projects invested in are profitable and can sustain the monetary needs of the group and current ratio (r = 0.220 at p = 0.021). This is an indication that group leaders play a central role in ensuring sustainability of group projects.

Summary

The study sought to determine the influence of leadership on financial sustainability of youth income generating projects. The results indicated group leaders play a major role in the projects that the group invests in. The results also showed youth leaders make due diligent prior to advocating for the funding of any projects even though they take into consideration the views of other group members. It was also established that youth leaders need to be well endowed makes so as to ensure that projects they invest in are financially sustainable since they play a key role in whether a project will succeed or fail. The results indicated youth group leaders are responsible for the repayment of loans secured from YEDF and hence they have a moral responsibility to invest in financially viable projects. It was also established that youth leaders strive to ensure that youth projects are successful in terms of return on investment. However, the results also indicated that youth group leadership is not solely responsible for the failure of success of a project funded by YEDF.

Conclusion

It was concluded that youth group leadership are key determinant of the success or failure of YEDF funded projects. They are expected to make due diligence prior to investing in a specified project. The leaders act as advisors and decision makers on how the projects are run.

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