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The Effect of Microfinance Service on the Growth of Youth-Owned Micro-Small and Medium-Sized Enterprises in Kitui County, Kenya

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ABSTRACT

The emergence of microfinancing as a catalytic force for the growth of MSMEs owned by youths has been significant, as it represents a powerful means to promote entrepreneurship and tackle financial exclusion among underserved communities. "This study examined microfinance services' effects on the growth of youth-owned MSMEs in Kitui County, Kenya. Notably, it examined how microcredit, micro-savings, training, and business consultancy services affected the growth of these enterprises. The study was geographically constrained within Kitui County and concentrated in MSMEs, allowing a narrow geographical focus. This helped acquire a clean and full picture of local dynamics and the reasons propelling youth-owned MSMEs. The findings intended to guide policymakers toward determining the appropriate response to the growth challenges facing Kitui County youth-owned MSMEs. The research's underlying theories were resource-based and social capital theories. A descriptive research design served as the basis for the study, and the main instrument for gathering data was a questionnaire. The study population was 2,814 MSMEs youth own in Kitui County. The sample size was determined with the Yamane formula (1973) as n = N /(1 + N e^2). This method resulting in a sample size of 350 MSMEs. To be precise, useful and reliable, the questionnaires were edited for the answers given by respondents. The responses were coded and analyzed statistically using Statistical Package for the Social Sciences (SPSS) v.30. Inferential statistics, particularly regression analysis, were used to analyze the nature and scope of the connection between the independent and dependent variables." The study found that the availability of micro-savings, microcredit, business consulting, and training services significantly and positively affected the growth of Kitui County youth-owned MSMEs. Additionally, it found that MSMEs in the area had access to microfinance services and that most MSME owners knew about them. Furthermore, the study has discovered that microfinance service provision promotes the growth of the youth-owned MSME industry to an average extent. The study concluded that MSMEs should first do capacity building, due diligence, and risk assessments before obtaining loans. The study significantly contributed to the work of industry practitioners, researchers, and policymakers. It emphasized the need for well-targeted interventions and policies to encourage entrepreneurship and economic empowerment amongst the youth in rural areas.

Key words: Microfinance services, Microcredit, Micro-savings, Training, Business consultancy services, Youth-owned MSMEs.

1.0 INTRODUCTION

Microfinance was created in response to the need to support those with limited resources who are shut out of regular financial institutions. Muhammad Yunus is recognized for having invented the modern type of microfinance, which originated in Bangladesh and is currently practiced all over the world.. Yunus started providing modest loans to impoverished basket weavers in 1970 while employed at Chittagong University (Rogito, Makhanu, Mombinya, & Nyamota, 2020). In order to reach a much larger audience, Yunus continued this effort for over ten years until founding the Grameen Bank in 1983. Approximately 81,000 villages are served by the 2,500 branches of Grameen Bank, which cater to over 8 million borrowers (Kanyari & Namusonge, 2017). Grameen Bank claims that its customers, who are 97% female, return their loans over 97% of the time—a recovery rate that surpasses that of any other banking system (Ngutiku, 2021). Yunus and Grameen Bank shared the 2006 Nobel Peace Prize in recognition of their achievements in microfinance. It is also acknowledged that Joseph Blatchford contributed to the development of contemporary microfinance initiatives (Yeboah & Jayne, 2020).

With the global youth population aged 15 to 24 years hitting a record-breaking 1.5 billion, economies throughout the globe are facing growing challenges in offering employment opportunities for youth. In developing nations, close to 1.3 billion young people have experienced unemployment, which has escalated to a crisis level. Despite a 10.5% increase in the world's young population over the last decade, youth employment increased by only 0.2% (Chamwada, 2021). The growing issue of youth unemployment led to the organization of the inaugural Global Young MSMEs Conference, which took place in September 2007 in Washington, D.C. The aim of the conference was to give vulnerable people access to microfinance regarded globally as an inventive and long-term strategy that allows young people to participate in MSMEs ventures and earn revenue to enhance their standard of living and promote economic expansion (Effiom & Edet, 2022). In particular, microfinance programs focusing on rural areas can assist impoverished individuals in conducting commercial operations that might lead to employment and revenue (Zaidi, Khan, Khan, & Mujtaba, 2023). This is because, as prior research has shown, the MSME sector can generate income and jobs.

The small-scale MSMEs sector plays a significant role in Kenya's business banking industry. Results from Strategic Business Advisors Africa Ltd. showed that 23 percent of Kenya's 2.2 million MSMEs have bank accounts (Buonomo, Benevene, Barbieri, & Cortini, 2020). According to the Central Bureau of Statistics (2004), MSMEs are semi-organized and unregulated activities primarily by self-employed individuals in open markets, undeveloped plots, stalls, or streets within urban regions and centers. They frequently provide local or municipal authorities fees. In industrialized nations, there is evidence of a favourable correlation between the development of MSMEs and economic growth. Nearly all African countries have undertaken financial and economic reforms since the 1980s to strengthen economic governance and establish macroeconomic stability (Zaidi et al., 2023). These changes have brought more stable macroeconomics, better monetary and fiscal policy, and better overall economic performance.

Various mechanisms have been implemented by governments and NGOs to support youth-owned MSMEs. The Kenyan government has introduced several programs to foster youth entrepreneurship (Chrisman, McMullan, Kirk, & Holt, 2021). Youth MSMEs Development Fund (YEDF) initiative lends money as well as offers business development services to young entrepreneurs. Uwezo and Women Enterprise Fund provides financial support as well as capacity building services for youth and women entrepreneurs (Buonomo et al., 2020). However, there are a number of NGOs that operate in Kenya to support entrepreneurship among youth. TechnoServe and the Kenya Youth Business Trust (KYBT), among others provide training, mentorship and access to financing for young entrepreneurs (Yeboah & Jayne, 2020). They serve as a bridge between skills gap and help resource with which businesses can grow. Collaborations between the private sector, the government, and international development agencies have been developed with the initiative of Kenya Youth Employment and Opportunities Project (KYEOP), that provides training, internship, grants to young entrepreneurs (Athiambo, 2024).

Nevertheless, there is still a large financing gap for Kenyan youth-owned MSMEs. Traditionally banking institutions view these MSMEs as risks as they fail to meet the adequacies, i.e. lack of collateral, credit history and formal business structure. The implication is that most young entrepreneurs struggle to generate the required amount of capital to operate and grow their businesses (Ngutiku, 2021). This means that microfinancing that provides flexible, small scale loans to MSME sector is required. As conducting individual lending poses high risks to unsecured borrowers, microfinance institutions (MFIs) offer a potential source of such financing through loans based on social collateral and group lending methods. Further, these institutions also provide financial literacy training, business development services and other programmes aimed at increasing young entrepreneurs' ability to drive their businesses.

Most of the current studies have not been specifically addressing the effect of MFIs on growth of youth owned MSMEs in Kitui County. The limited assets by MSMEs in Kenya have resulted in many of them being denied access to financial institution's credit facilities (Chrisman, 2021). This stunts the growth and expansion of these MSMEs and forces them to underperform. 1 out of 4 firms go down for inadequate finance and bad management in the first few months after starting a business in the area (The County Government of Kitui, 2023). One of the main problems in the development of the MSMEs in Kitui County is accessing credit facilities and people living in the county depend on these MSMEs for employment (Buonomo et al., 2020). Although MSMEs are critical to the growth of the economy, most entrepreneurs start business without adequate capital. The growth and sustainability of the MSMEs in Kenya is therefore depends on financial support from MFIs. The purpose of the study is to address this gap by offering a useful insight into the effectiveness of the MFIs in terms of expanding youth owned MSMEs in Kitui County. This facilitates the development of targeted interventions and policies that will help to foster entrepreneurship and economic empowerment of the youth in rural areas.

2.0 METHODOLOGY

The researcher employed a descriptive methodology to gather empirical information in a methodical manner. The descriptive research design offered a structured framework to carry out the research.

The research targeted MSMEs not above the age of 35 and existed in all the 8 sub counties of Kitui County. The total targeted populace for the study was 2,814 MSMEs within Kitui County. The researcher employed a proportionate stratified random sampling technique to represent the sample in each sub-county in Kitui County. In this study, five categories of businesses in Kitui County were utilized as strata, as presented in Table 3.2. To calculate the correct sample size, a simple sampling technique was employed using Yamane's (1973) formula as shown below:

$n = N / (1 + N e^2)$

n=Sample Size

N=Population Size

e= The acceptable sampling error

Where N=2,814 and e=0.05 (Sampling error)

$n= 2,814 / (1+2,814*0.05^{2)} = 350$ MSMEs.

The proportionate stratified random sample = (sample size/population size) × stratum size.

Sample size = 350

Population size = 2,814

Strata sample size= (sample size/population size) × stratum size

Table 3.2: Sample Size

Subcounty	Category	Stratum Size	Strata sample size
Kitui Central	Barbers	120	15
	Hair salons	115	14
	Greengrocers	106	13
	Cyber cafes	89	11
	Second-hand clothing dealers	136	17
Kitui East	Barbers	102	13
	Hair salons	88	11
	Greengrocers	94	12
	Cyber cafes	73	9
	Second-hand clothing dealers	107	13
Kitui Rural	Barbers	86	11
	Hair salons	79	10
	Greengrocers	75	9
	Cyber cafes	64	8
	Second-hand clothing dealers	86	11
Kitui South	Barbers	61	8
	Hair salons	65	8
	Greengrocers	43	5
	Cyber cafes	65	8
	Second-hand clothing dealers	88	11
Kitui West	Barbers	53	7
	Hair salons	44	5
	Greengrocers	52	6
	Cyber cafes	36	4
	Second-hand clothing dealers	66	8
Mwingi Central	Barbers	75	9
	Hair salons	80	10
	Greengrocers	72	9
	Cyber cafes	56	7
	Second-hand clothing dealers	65	8
Mwingi North	Barbers	51	6
	Hair salons	54	7
	Greengrocers	38	5
	Cyber cafes	27	3
	Second-hand clothing dealers	72	9
Mwingi West	Barbers	50	6

Hair salons	39	5
Greengrocers	51	6
Cyber cafes	42	5
Second-hand clothing dealers	49	6
Total	2814	350

Questionnaires were the main tool used in the study to collect information from the chosen companies. The questionnaires were created with the precise data to be gathered, the goals of the study, and the time limits in mind. The quantitative analysis was made possible by the precise replies obtained using the closed-ended forms. Data on both dependent and independent variables were gathered using a self-administered survey approach, which improved response rates and lessened issues with non-response bias. Time was adequate for participants to respond to the inquiries and most of them could offer thought provoking feedback.

In an attempt to minimize the potential misinterpretations and misunderstandings, semi structured questionnaires were used by the researcher. Survey used Likert scale with 5 points from Strongly Disagree (SD) to Agree (A); Strongly Agree (SA). For each of the points of the scale, there was a scaler which gave the score from 1 to 5, depending upon the response of the subject. As questionnaires are known to be efficient means of collecting large amounts of data within a short period of time, they were preferred.

The initial stage in gathering data was compiling the replies and importing them into a Microsoft Excel worksheet. According to a test of normalcy, all records with insufficient information were eliminated using a data cleansing process. Applicable software was utilised to do statistical study on the quantitative survey data. In particular, SPSS v.26 was used to guarantee the precision and stability of the data analysis. Descriptive statistics, such percentages, averages, and standard deviations, were used to summarize the collected numerical data.

Visual aids like pie charts and statistical analysis like frequency ranges were used to assess the demographic data. To ascertain the relationships between the variables, regression and correlation analyses were conducted. Regression analysis was performed on both dependent and independent variables in order to illustrate the nature and strength of the found relationships. Throughout the investigation, a 95% confidence level and a significance criterion of 0.05 were applied. For an independent variable to have a substantial impact on the dependent variable, its P-value cannot be higher than the significance threshold of 0.05.

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where: Y = growth of MSMEs

$\beta 0$ = Intercept

$\beta 1...4$ = Beta coefficients

X_1 = Micro saving services

X_2= Microcredit_services

X_3= Business consultancy services

X_4= Training

ε = error term

Ethical approval was sought before commencing data collection. Participants provided informed consent, and their responses remained confidential. Participation was voluntary, and an option to withdraw at any time was available to ensure adherence to research ethics guidelines.

3.0 RESULTS AND DISCUSSION

This chapter presents the discussion and research findings on the impact of the micro finance services to the growth of the MSMEs owned by the youth in Kitui County of Kenya. Analysis of response rate and research instrument reliability makes up the first part of the chapter. It then goes on to discuss the demographic variables of the participants that include their age, business type, education and the firm performance. The study also discusses additional effects of microcredit, micro saving services, business consultancy, and training in MSME development. Further, statistical analysis on regression and ANOVA is made and the impact of the MFIs on the business development is studied.

A total of 301 of the 350 questionnaires that were disseminated among the owners and employees of the registered MSMEs in each of the five CSR agents in the Kitui County were finished and returned, and yielded a reply rate of 86 percent. The remaining 49 surveys (14%), which were either not returned or incomplete, could not be examined. The response rate is adequate for this research as supported by Mugenda and Mugenda (2018) says that 50 percent is enough, 60 percent is good and finally above 70% is excellent. The response rate achieved in this study is, therefore, sufficient to uphold and bring out concrete meaning, so that such findings were representative and could be relied upon to unearth the effect of micro finance services on the growth of MSMEs operated by youtha in Kitui County.

To assess the influence of MFIs on the growth of youth possessed MSMEs in Kitui County, the research sought to collect demographic information about the participants, including age and the greatest degree of education they had received. This was done to determine whether the respondent was suitable for the research. The results were as the following sections suggest.

The study assessed the respondents' age range. The following table displays the findings:

Table 4.2: Respondents' Age

Age Bracket	Frequency	Percentage
18-24 years	90	29.9
25-30 years	105	34.9
31-35 years	106	35.2
Over 35 years	0	0
Total	**301**	**100**

Source: Survey Data (2024)

The responses indicate that all participants are aged 35 years or younger, aligning with the study's focus on youth-owned MSMEs. Entrepreneurs aged 31-35 years make up the largest group (35.2%), closely followed by those aged 25-30 years (34.9%). Younger respondents aged 18-24 years constitute 29.9%, reflecting a significant proportion of early-stage entrepreneurs. These findings suggest that most youth entrepreneurs are at a stage in life where they are actively

Highest Academic Level

The research also aimed to determine the respondents' highest level of education. The results are shown in the chart below.

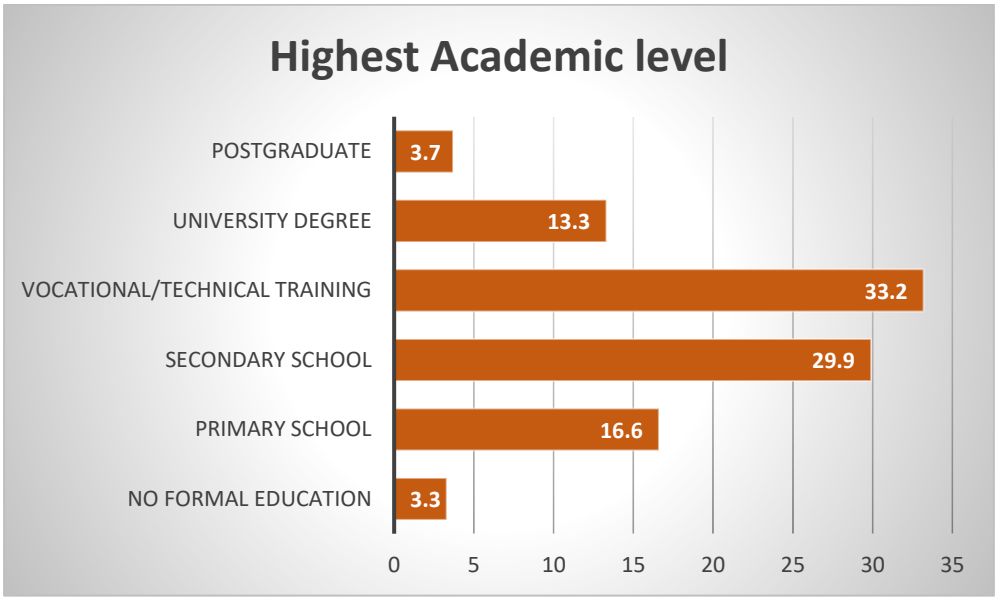

Figure 4.3: Highest academic level

A majority of respondents (33.2%) have vocational or technical training, reflecting the practical nature of skills needed for small business operations. Secondary school education (29.9%) is also prevalent, providing basic literacy and numeracy. University graduates (13.3%) and postgraduates (3.7%) represent a smaller segment, showing fewer youth entrepreneurs pursuing higher education before venturing into business. The low percentage of those with no formal education (3.3%) indicates an uneducated pool of young entrepreneurs in Kitui County. This mix underscores the importance of accessible vocational training and mentorship programs for youth seeking businesses growth.

The study sought to determine the effect of microcredit services on the growth of youth-owned MSMEs in Kitui County, Kenya. Respondents selected how much they agreed with a range of statements about affordability, the loan process, and accessibility to microcredit services using a 5-point rating system.

Table 4.5: Effect of Microcredit Services on the Growth of Youth-owned MSMEs

Number	Statement	1	2	3	4	5	Mean	Std Dev
		%	%	%	%	%		
Affordability								
1	The interest rates on loans provided by microfinance institutions are affordable for my business.	4.7	11.2	18.4	43.6	22.1	3.76	0.943
2	I am able to meet the costs associated with microcredit services (e.g., processing fees).	4.4	10.6	17.8	44.2	23.0	3.78	0.936
3	My business has sufficient collateral to access loans from microfinance institutions.	5.3	11.5	21.3	42.1	19.8	3.73	0.958
Lending Process								
4	The loan application process at microfinance institutions is simple and straightforward.	4.2	10.3	17.0	45.0	23.5	3.82	0.926
5	The time taken for the loan approval and disbursement process is reasonable for my business needs.	4.5	10.4	18.3	44.0	22.8	3.79	0.933
6	Microfinance institutions provide clear information and guidelines on the lending process and repayment terms.	4.0	9.5	16.4	45.3	24.8	3.86	0.915
Accessibility								
7	It is easy for youth-owned businesses to access microcredit services from financial institutions.	5.0	11.1	20.1	42.7	21.1	3.77	0.947
8	Qualification requirements (such as business history and credit scores) are fair and allow most youth-owned MSMEs to apply for loans.	4.3	11.4	18.9	43.1	22.3	3.78	0.940

Under affordability, 65.7% agreed that interest rates were affordable, while 18.4% were neutral, and 15.9% disagreed (M=3.76, SD=0.943). Similarly, 67.2% found the costs of microcredit services manageable, with 17.8% neutral, and 15.0% disagreeing (M=3.78, SD=0.936). However, 61.9% agreed their businesses had sufficient collateral for loans, while 21.3% were neutral, and 16.8% disagreed (M=3.73, SD=0.958). These findings highlights affordability as a critical determinant of the effectiveness of microcredit in promoting MSME growth. These findings aligns with study done by Aladejebi (2019) emphasize that reasonable interest rates and manageable costs enhance MSMEs' ability to access credit without overburdening them financially.

For the lending process, 68.5% agreed the loan application process was simple, while 17.0% were neutral, and 14.5% disagreed (M=3.82, SD=0.926). Reasonable loan approval and disbursement times were noted by 66.8%, with 18.3% neutral, and 14.9% disagreeing (M=3.79, SD=0.933). Clear information on lending processes and repayment terms was provided, according to 70.1% of respondents, while 16.4% were neutral, and 13.5% disagreed (M=3.86, SD=0.915). The findings underscores the importance of streamlined and transparent lending processes in increasing MSME access to credit. These results are consistent with the study done by Lumumba (2019) which suggest that clear and simplified lending processes reduce the perceived complexity of accessing credit, thus encouraging participation from underserved businesses.

Regarding accessibility, 63.8% agreed it was easy for youth-owned MSMEs to access microcredit services, with 20.1% neutral, and 16.1% disagreeing (M=3.77, SD=0.947). Similarly, 65.4% believed qualification requirements were fair, while 18.9% were neutral, and 15.7% disagreed (M=3.78, SD=0.940). The findings are supported by existing literature that emphasizes accessibility as a cornerstone of effective microfinancing. For example, Amha (2020) argues that fair and straightforward qualification criteria are essential for inclusive financial services, particularly for youth-owned enterprises.

The study also examined the impact of micro-saving services on the growth of youth-owned MSMEs in Kitui County, Kenya. On a five-point rating scale, respondents indicated how much they agreed with statements on the amount of savings, the usage of savings as collateral, and the interest generated on saves.

Table 4.6: Effect of Micro-Saving Services and the Growth of Youth-owned MSMEs

Number	Statement	1	2	3	4	5	Mean	Std Dev
		%	%	%	%	%		
Amount of Savings								
1	My business has been able to save a reasonable amount through micro-savings services offered by microfinance institutions.	4.5	11.0	18.3	43.7	22.5	3.78	0.936
2	I regularly deposit a portion of my business income into micro-savings accounts.	4.1	10.9	17.2	44.2	23.6	3.80	0.930
3	The savings options provided by microfinance institutions are suitable for the needs of youth-owned businesses.	3.9	9.9	16.8	45.4	24.0	3.83	0.913
Ability to Use Savings as Collateral								
4	I can use the savings in my micro-savings account as collateral to access further loans.	4.3	11.2	19.4	42.3	22.8	3.77	0.944
5	Microfinance institutions recognize the savings in my account when determining my loan eligibility.	4.0	10.5	16.6	44.8	24.1	3.81	0.926
6	My ability to save influences my chances of securing additional credit from microfinance institutions.	4.1	11.1	18.1	43.2	23.5	3.79	0.932
Interest on Savings								
7	The interest earned on my savings is reasonable and contributes to the growth of my business's capital.	4.4	10.4	20.3	41.9	23.0	3.77	0.948
8	Micro-savings services provide me with attractive interest rates that encourage long-term saving.	4.2	10.4	17.9	43.7	23.8	3.80	0.937

Under amount of savings, 66.2% of respondents agreed that micro-savings services allowed their businesses to save a reasonable amount, while 18.3% were neutral, and 15.5% disagreed (M=3.78, SD=0.936). Similarly, 67.8% indicated they regularly deposit a portion of their income into micro-savings accounts, with 17.2% neutral, and 15.0% disagreeing (M=3.80, SD=0.930). Additionally, 69.4% agreed that the savings options provided by microfinance institutions are suitable, while 16.8% were neutral, and 13.8% disagreed (M=3.83, SD=0.913). These findings suggests that access to micro-savings services enhances financial stability and promotes business growth. These findings aligns with the study done by Ng'ang'a (2018), increased access to savings accounts leads to higher business investment and growth, especially among small-scale entrepreneurs.

Regarding ability to use savings as collateral, 65.1% of respondents agreed they could use savings as collateral for loans, while 19.4% were neutral, and 15.5% disagreed (M=3.77, SD=0.944). 68.9% agreed that microfinance institutions recognize their savings when determining loan eligibility, with 16.6% neutral, and 14.5% disagreeing (M=3.81, SD=0.926). Further, 66.7% indicated that their ability to save influences credit approval, while 18.1% were neutral, and 15.2% disagreed (M=3.79, SD=0.932). These findings identifies savings as a critical tool for improving credit access among MSMEs. These results are supported by the study done by Munanda (2017) highlight that using savings as collateral reduces the barriers to obtaining loans, particularly for businesses without physical assets.

For interest on savings, 64.9% of respondents agreed that the interest earned on savings contributes to capital growth, while 20.3% were neutral, and 14.8% disagreed (M=3.77, SD=0.948). Lastly, 67.5% agreed that the interest rates offered by micro-savings services encourage long-term saving, with

17.9% neutral, and 14.6% disagreeing (M=3.80, SD=0.937). The findings emphasize the importance of interest-earning savings accounts in promoting business growth. These findings align with the study done by Rogito et al. (2020) argue that interest on savings incentivizes long-term financial planning and helps MSMEs accumulate capital for reinvestment.

Furthermore, the study determined how business consulting services affected the expansion of youth operated MSMEs in Kenya's Kitui County. On a scale of 1 to 5, participants were asked to rate how much they agreed with a variety of statements regarding business consulting services offered by microfinance organizations. The results emphasized three key areas: operational effectiveness, market analysis, and strategic planning.

Table 4.7: Effect of Business Consultancy Services on Growth of Youth-owned MSMEs

Number	Statement	1	2	3	4	5	Mean	Std Dev
		%	%	%	%	%		
Strategic Planning								
1	The business consultancy services provided by microfinance institutions help me develop long-term goals for my business.	4.7	10.4	20.7	45.6	18.6	3.72	0.942
2	Consultancy services have improved my business's ability to respond to market changes effectively.	5.1	10.8	21.6	44.3	18.2	3.70	0.910
Market Analysis								
3	The consultancy services I receive help me understand my target market and customer needs better.	4.3	10.0	18.9	48.0	18.8	3.80	0.925
4	I get insights from business consultancy services on how to take advantage of market trends.	4.1	8.2	19.3	47.8	20.6	3.82	0.907
5	Market analysis services provided by microfinance institutions have helped me identify new business opportunities.	3.8	7.7	17.4	47.5	23.6	3.85	0.902
Operational Efficiency								
6	Business consultancy services have helped me streamline my operations and reduce costs.	4.9	10.7	20.9	46.1	17.4	3.75	0.917
7	I feel more confident managing my business after receiving consultancy services.	4.5	11.6	18.7	45.3	19.9	3.78	0.935
8	Microfinance institutions offer regular follow-up support after consultancy.	5.4	11.5	22.3	44.1	16.7	3.68	0.940

Under strategic planning, 64.2% of respondents agreed that consultancy services helped them develop long-term goals for their businesses, while 20.7% remained neutral, and 15.1% disagreed (M=3.72, SD=0.942). Additionally, 62.5% agreed that consultancy services improved their ability to respond to market changes, with 21.6% being neutral, and 15.9% disagreeing (M=3.70, SD=0.910). The findings are supported by Chrisman et al. (2021), who reveals that the strategic planning improves the decision-making process in MSMEs, enabling them to identify growth opportunities and adapt to external challenges.

Regarding market analysis, 66.8% of respondents found the services useful in understanding their target market, while 18.9% remained undecided, and 14.3% disagreed (M=3.80, SD=0.925). Insights on market trends were agreed upon by 68.4%, with 19.3% neutral and 12.3% disagreeing (M=3.82, SD=0.907). Moreover, 71.1% agreed that consultancy services helped them identify new business opportunities, with 17.4% neutral and 11.5% disagreeing (M=3.85, SD=0.902). These findings align with Kremel and Yazdanfar (2018), who emphasized that the market analysis helps MSMEs identify customer needs and market gaps, which are critical for designing products or services that meet demand.

In terms of operational efficiency, 63.5% agreed that consultancy services streamlined operations and reduced costs, with 20.9% neutral and 15.6% disagreeing (M=3.75, SD=0.917). Confidence in business management after consultancy was agreed upon by 65.2%, with 18.7% neutral and 16.1% disagreeing (M=3.78, SD=0.935). Regular follow-up support was rated positively by 60.8%, while 22.3% were neutral and 16.9% disagreed (M=3.68, SD=0.940). This finding is supported by According to Nakamura and Avner (2018), who reveals that operational efficiency is a key determinant of MSME success, and consultancy services often provide tailored advice to streamline processes and reduce waste. By enhancing strategic planning, market analysis, and operational efficiency, consultancy services address critical areas that influence business sustainability and growth.

The study explored the influence of training on the growth of youth-owned MSMEs in Kitui County, Kenya. Respondents were asked to indicate their level of agreement with statements regarding training on a scale of 1-5. The findings analyzed three critical aspects of training: strategic planning, market analysis, and operational efficiency.

Table 4.8: Effect of Training services on the Growth of Youth-owned MSMEs

No	Statement	1	2	3	4	5	Mean	Std Dev
		%	%	%	%	%		
Strategic Planning								
1	The business consultancy services provided by microfinance institutions help me develop long-term goals for my business.	4.2	11.9	18.7	46.0	19.2	3.78	0.940
2	Consultancy services have improved my business's ability to respond to market changes effectively.	4.7	10.0	20.8	44.2	20.3	3.76	0.928
Market Analysis								
3	The consultancy services I receive help me understand my target market and customer needs better.	3.9	8.8	19.4	46.6	21.3	3.82	0.915
4	I get insights from business consultancy services on how to take advantage of market trends.	3.7	9.5	17.5	46.1	23.2	3.85	0.908
5	Market analysis services provided by microfinance institutions have helped me identify new business opportunities.	3.6	9.6	16.2	45.9	24.7	3.87	0.903
Operational Efficiency								
6	Business consultancy services have helped me streamline my operations and reduce costs.	4.8	10.6	21.7	43.7	19.2	3.74	0.918
7	I feel more confident managing my business after receiving consultancy services.	4.3	10.1	19.3	45.8	20.5	3.80	0.930
8	Microfinance institutions offer regular follow-up support after consultancy.	5.4	11.4	23.5	42.8	16.9	3.67	0.945

Under strategic planning, 65.2% of respondents agreed that training provided by microfinance institutions enabled them to develop long-term business goals, while 18.7% were neutral, and 16.1% disagreed (M=3.78, SD=0.940). Similarly, 64.5% indicated that training enhanced their ability to adapt to market changes, with 20.8% undecided, and 14.7% disagreeing (M=3.76, SD=0.928). The findings emphasize the importance of consultancy services in enhancing the strategic focus of MSMEs, which is crucial for their long-term development and resilience in dynamic markets. The findings are supported by Aladejebi (2019), who reveals that strategic planning improves the decision-making process in MSMEs, enabling them to identify growth opportunities and adapt to external challenges.

In the area of market analysis, 67.9% agreed that training helped them understand their target market and customer needs, while 19.4% remained neutral, and 12.7% disagreed (M=3.82, SD=0.915). Insights into leveraging market trends were acknowledged by 69.3% of respondents, with 17.5% neutral, and 13.2% disagreeing (M=3.85, SD=0.908). Moreover, 70.6% indicated that training aided them in identifying new business opportunities, with 16.2% undecided and 13.2% disagreeing (M=3.87, SD=0.903). These findings reveals how market analysis helps MSMEs identify customer needs and market gaps, which are critical for designing products or services that meet demand. These findings align with the study done by Teima et al. (2018) show that businesses with access to market intelligence are better positioned to seize emerging opportunities and sustain growth in competitive environments.

In terms of operational efficiency, 62.9% agreed that training helped streamline operations and reduce costs, while 21.7% were neutral, and 15.4% disagreed (M=3.74, SD=0.918). Confidence in business management post-training was expressed by 66.3%, while 19.3% were neutral, and 14.4% disagreed (M=3.80, SD=0.930). Follow-up support after training was positively rated by 59.7%, with 23.5% neutral, and 16.8% disagreeing (M=3.67,

SD=0.945). These findings are well-supported by Gatuhu (2019), who reveals that operational efficiency is a key determinant of MSME success, and consultancy services often provide tailored advice to streamline processes and reduce waste.

The study evaluated the growth of youth-owned MSMEs in Kitui County, Kenya, as influenced by MFIs. Respondents rated their agreement with various statements related to financial performance, revenue growth, and market share on a scale of 1-5 as shown below.

Table 4.9: Growth of Youth-Owned Enterprises

	Statements	1	2	3	4	5	Mean	Std Dev
		%	%	%	%	%		
Financial Performance								
1	MFIs have contributed positively to the overall profitability of my business.	4.3	10.0	17.6	45.6	22.5	3.81	0.940
2	Since receiving microfinance support, my business's net income has shown steady growth.	4.5	9.5	19.3	44.3	22.4	3.78	0.932
3	I have seen an increase in my business's financial stability due to microcredit and related services.	5.0	10.7	18.4	43.0	22.9	3.76	0.948
Revenue Growth								
4	My business's sales revenue has grown consistently on a year-over-year basis since engaging with microfinance services.	4.2	9.5	16.1	45.8	24.4	3.86	0.915
5	The financial support I have received has enabled my business to achieve significant revenue growth.	4.3	9.5	16.8	45.4	24.1	3.84	0.910
6	My business's revenue growth rate has improved due to the use of microfinance and consultancy services provided by microfinance institutions.	4.4	9.8	17.3	44.8	23.7	3.83	0.912
Market Share								
7	Microfinance support has helped my business increase its share of the market in Kitui County.	4.9	10.0	20.3	43.9	20.9	3.79	0.926
8	I have been able to expand my customer base due to the training and financial services provided by microfinance institutions.	4.1	9.6	18.9	44.3	23.1	3.81	0.919
9	Microfinance services have enabled my business to become more competitive within my industry.	4.4	10.0	19.4	43.6	22.6	3.80	0.922

Under financial performance, 68.1% of respondents agreed that microfinance services positively contributed to profitability, while 17.6% were neutral, and 14.3% disagreed (M=3.81, SD=0.940). Similarly, 66.7% noted steady net income growth due to microfinance support, with 19.3% neutral and 14.0% disagreeing (M=3.78, SD=0.932). Additionally, 65.9% agreed that financial stability improved, while 18.4% were undecided, and 15.7% disagreed (M=3.76, SD=0.948). These findings reveals that access to MFIs significantly improves financial performance in MSMEs by providing working capital and reducing reliance on costly informal borrowing.

In terms of revenue growth, 70.2% agreed that their sales revenue grew consistently due to MFIs, with 16.1% neutral, and 13.7% disagreeing (M=3.86, SD=0.915). Significant revenue growth was attributed to financial support by 69.4%, with 16.8% neutral and 13.8% disagreeing (M=3.84, SD=0.910). Improved revenue growth rate was observed by 68.5%, with 17.3% neutral and 14.2% disagreeing (M=3.83, SD=0.912). The results are supported by Iitondoka (2018) who emphasizes that microfinance contributes to revenue growth by providing the necessary funds for scaling operations.

For market share, 64.8% agreed that microfinance support enhanced market share, with 20.3% neutral and 14.9% disagreeing (M=3.79, SD=0.926). An expanded customer base was noted by 67.4%, while 18.9% were neutral and 13.7% disagreed (M=3.81, SD=0.919). Competitiveness within the industry improved for 66.2%, while 19.4% were neutral and 14.4% disagreed (M=3.80, SD=0.922). "The findings are consistent with the study done by Amha (2020) highlighting that microfinance improves the competitive position of small businesses by providing the resources necessary to innovate and expand."

Regression analysis was used as an inferential statistical method in this study to examine the relationship between the expansion of youth-owned MSMEs in Kitui County, Kenya, and MFIs. To ascertain the type and degree of the link between the independent variables (training, business consulting,

microcredit, and microsaving services) and the dependent variable (growth of youth-owned MSMEs), regression analysis was selected. Results from the regression coefficients, ANOVA, and model summary are shown in below sections along with thorough justifications of their importance and ramifications.

The model summary presents the coefficient of determination (R-squared) and modified R-squared, which indicate the extent to which the independent variables account for the fluctuations in the dependent variable.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.823	.677	. 674	1.712021

The R (0.823) represents the coefficient of correlation, indicating a strong positive linear relationship between the independent variables and the growth of youth-owned MSMEs.

The R-squared of 0.677 indicates that the variance in the growth of youth-owned MSMEs is explained by the MFIs (micro saving services, microcredit services, business consultancy services, and training).

The Adjusted R-squared of (0.674 or 67.4%), providing a more accurate measure of the model's explanatory power when applied to other datasets. The 67.4% suggests that the independent variables collectively explain a significant proportion of the variance in the dependent variable. The remaining 32.6% of the variance in MSME growth is attributed to factors outside the scope of this study, such as macroeconomic conditions, regulatory frameworks, or market dynamics.

To evaluate the regression model's overall significance, an Analysis of Variance (ANOVA) was performed. ANOVA looks at whether a statistically significant amount of the variance in the dependent variable can be explained by the independent factors taken together. Table 4.11 presents the findings.

Table 4.11: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	761.247	30	76.0328	11.4876	.000
Residual	331.136	271	6.63452		
Total	1092.353	301			

The regression model's overall fit is shown by the F-statistic (11.487). A high F-value indicates that the dependent variable is strongly predicted by the independent factors taken together. Given that the P-value (0.000) is below the significance level of 0.05, the regression model is considered statistically significant. Thus, the expansion of MSMEs owned by youths in Kitui County is strongly influenced by at least one independent variable.

The regression analysis evaluated the combined effect of all independent variables (micro saving services, microcredit services, business consultancy services, and training) on MSME growth. The results are summarized below:

Table 4.16: Coefficients of Regression

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	5.902	0.723	-	8.163	.000
Microcredit services	0.814	.135	.052	6.029	.000
Micro saving services	0.811	.133	.042	6.097	.000
Business consultancy services	0.798	.173	.133	4.612	.000
Training	0.785	.140	.078	5.607	.000

The resultant equation was

$Y= 5.902+ 0.814X_1 +0.811X_2 + 0.798X_3+0.785X_4$

Where: Y = Growth of youth-owned MSMEs in Kitui County, Kenya

X_1 = Microcredit services

X_2 = Micro saving services

X_3 = Business consultancy services

X_4 = Training

The study results indicate statistically significant positive relationship of microfinancial services (microcredit, microsavings, business consultancy and training) and growth of youth owned MSMEs. The coefficients (B = 0.814, 0.811, 0.798, and 0.785 respectively) imply that if there is a one unit increase in these services, the MSME growth will increase by one unit as well, which highlights the fundamental importance of micro finance institutions (MFIs) to encourage business expansion and sustenance among young entrepreneurs. In other words, MFIs are a major engine driving youth entrepreneurship and their incorporation into policy and financial programmes can be an important factor in ensuring the favourable survival and expansion of MSMEs in the future.

Microcredit services help MSME growth significantly by offering working capital, asset acquisition, and business expansion opportunities with the help of convenient financing. This analysis is in agreement with Nakamura and Avner (2018), who claim that microcredit relieves young entrepreneurs of a financial bottleneck faced with usual banks. Nevertheless, Gatuhu (2019) argues against this, asserting that MFIs still regard youth-owned MSMEs as high risk borrowers, thereby making formal credit difficult. This points out the need of MFIs to make their loan processes more streamlined so as to attend to the need of the youth entrepreneurs. These findings for this study suggest that while microcredit is a very important tool for MSME growth, the accessibility of this tool must be improved to exploit its benefits, particularly for young business owners who systematically face financial exclusion.

Micro savings services also serve a critical function in enabling young entrepreneurs to save and grow capital for reinvestment as noted by Lumumba (2019) who indicate that accessible and secure savings mechanisms are key to elevating MSME growth. Moreover, Pretorious and Shaw (2018) state that savings induce financial discipline and resilience to small business owners, which improves the business sustainability over the long run. According to Aladejebi (2019), however, savings alone may not be sufficient for business expansion without additional financial and advisory support, thus MSMEs need a combination of micro savings and credit in achieving maximum growth. Hence, micro savings should be integrated with other financial services including micro credit and business consultancy to form a holistic financial support for young entrepreneurs for them to thrive.

Similarly, business consultancy services also possess high impact for MSMEs, enabling entrepreneurs to develop their strategic plans, the management of financials as well as the operational efficiency. Chrisman et al. (2021) also back the study findings that expert guidance enables businesses to deal with the uncertainties in the markets and offer better performance. Nevertheless, Gatuhu (2019) posit that consultation services tend to be pricy and have no guarantee of giving to tangible growth without the benefit of the implementation of recommendations. The implication of this study is that business consultancy services must be more accessible and tailored to youth MSMEs' specific needs so that young entrepreneurs can use expert advice in a practical and affordable manner.

Amha (2020) concludes that training services greatly improve the performance of MSME by equipping the entrepreneurs with financial literacy, innovation skills as well as strategic decision making skills. Nevertheless, Pretorious and Shaw (2018) claim that training by itself does not bring about the desired results if there are no access to capital and mentorship and therefore call for an integrated approach. In line with this, training has been proven to be critical for MSMEs growth though financial access and continuous mentorship must be facilitated alongside training to ensure its fitness in the real world business environment.

4.0 CONCLUSION

The study shows that microcredit, micro saving, business consultancy and training services are important in the growth and sustenance of youth owned MSMEs. These services give young entrepreneurs what they need financially and strategically to overcome business challenges and continue to grow their established here. The implications are that reducing financial barriers through access to MFIs is important in facilitating youth entrepreneurs to scale their businesses, to become more financially stable and to make better decisions. In addition, it also suggests that the provision of financial support, along with business development support such as consultancy and training, benefits MSMEs. This study provides insights into the necessity to integrate financial help and capacity buildup efforts, which deal with low financial constraints and management deficiencies. It implies also that policymakers, financial institutions, as well as business development organization have to work hand in hand to build a more inclusive entrepreneurial ecosystem. Generally, the study attests that MFIs to youth owned MSMEs is not only about giving capital but also providing entrepreneurs with tools of managing and growing their business sustainably. These service strengthening will lead to economic empowerment, job creation, and long-run business resilience in youth owned MSMEs."

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