



**INFLUENCE OF FINANCIAL RISK
ON PERFORMANCE OF YOUTH OWNED ENTERPRISES
IN BARINGO NORTH SUB COUNTY, KENYA**

Chelimo Alfred Samuel¹ⁱ,

Andrew Nyakundi²,

Phyllis Osodo³

¹Catholic University of Eastern Africa,
Kenya

^{2,3}Dr., Catholic University of Eastern Africa,
Kenya

Abstract:

Small and Medium Enterprises (SMEs) owned by youths play vital role in Kenya's economy. Despite this key role, they are often faced with entrepreneurial risks. Studies have been conducted to investigate these risks but few have attempted to focus on youth owned SMEs. The effects of financial risk are unknown. Therefore, the purpose of this study is to investigate the influence of financial risk on performance of youth owned small and medium enterprises in Baringo North Sub County, Kenya. The research questions are; what is the influence of financial risk on performance of youth owned enterprises in Baringo North Sub County. The study was anchored on Enterprises Risk Management theory. A descriptive design was used. The target population was 182 and a sample of 125 respondents was used. Simple random sampling technique was used to select respondents and data collection was done using questionnaires. Multiple regression technique was used to analyze data with help of SPSS. From regression model, the result showed that 82.4% of the variation in performance of youth owned enterprise was due to entrepreneurial risk ($R^2=0.824$) while 28.8% was for other factors. The findings revealed positive significant influence of financial risk and market risk on performance of youth owned enterprise ($t=3.312$, $P<0.05$; $t=5.600$, $P<0.05$) while social risk and psychological risk ($t= -0.492$, $P>0.05$; $t=-0.018$, $P>0.05$) had insignificant influence on the performance of youth owned enterprise. The study concluded that financial risk greatly affects performance of youth owned SMEs but effects of social risk and psychological risk were minimal. The study recommended that MFIs to increase their support to youth owned enterprises, use of modern marketing strategies and improvement on networking, make observations on social-cultural dynamics and respond accordingly and finally more trainings be

ⁱ Correspondence: email chelimoalfred90@gmail.com

organized by the County Government. The study will benefit youth entrepreneurs' in Baringo North Sub County, Baringo County Government, National Government and Scholars.

Keywords: influence, financial, risk, performance, youth, owned, enterprises

1. Introduction

Performance relates to how well or bad things are accomplished, or how good or bad things work. The performance can be evaluated using performance indices (Nickel & Rodríguez 2002). The investigator used several indices for measuring the efficiency of young groups, such as amount of people, increasing assets, and profitability. According to Makau (2010), entrepreneurs are the type of people who are specially driven and talented, so that they can see and utilize potential benefits. From the perspective of entrepreneurship this concept is created as consciousness or alertness for profit. According to this perspective, good opportunities which produce very beneficial outcomes for Kruger (2004) explain a business' performance. Makau (2010) believes that the entrepreneur responds rather than creates possibilities to this perspective; rather than generated them, he seizes profits.

The potential for anticipated occurrences to adversely effect on capital income is based on the risks of Raghavan (2005). The risk may also refer to the possibility of an adverse case and, in this connection; the risk describes a scenario in which the returns to an investment are not only one prospective result, but also an array of prospective returns. Consequently, risk may be regarded as economic loss uncertainty. The adaptability and agility of small and medium-sized enterprises, such as their close contact with clients, their openness to fresh operating methods and their risk-taking strategy are commonly seen, but many small and medium-sized enterprises are prone to significant external shocks (Laforet & Tann, 2006). Small and medium sized enterprises support competitive systems and impact big businesses directly or indirectly.

Financial risk occurs in all elements, including capital raise, use and allocation, of financial management activities of companies. This needs executives to concentrate on all elements of change completely, to recognize hazards in good time and to take effective action to control risk spreading (Shuying & Mei, 2014). Czech businessmen say banks use excessively stringent loans requirements (Belás, Demjan, Habánik, Hudáková, Sipko, 2015). Steven (2013) researched the impact of financial risk on Brazil's results and discovered that management of economic risks is designed to handle the exposure of a corporation to currencies, interest rates, energy, goods and other financial market variables. It should be seen as a continuing process with which businesses constantly develop as they face fresh and unpredicted hazards.

The research by Nigeria, Ogujuiba et al., (2014) on the impact of economic hazards on the performance of small and medium-sized enterprises in Lagos showed

that most small and medium sized enterprises were folding or lacking in competitiveness due to lack of economic ability. The research suggested that small and medium-sized enterprises accept enhanced lending but still have poor debts. Henry, Hill, and Leitch (2013) conducted a survey on the impacts of business traits on the survival of SMEs in South Africa, finding that business traits include: control locus (21.5%); risk-taking (23%); achievement needs (43.5%); management (46%) and incentive to excellence (48.5%) for both survivors and non-survivors.

The main source of jobs and revenue in developing nations is micro-and small businesses (MSEs) (Mano, Iddrisu, Yoshino, and Sonobe 2011). Although SMEs are struggling to absorb and cope with these hurdles, they still need to build capacity to address the growing problems facing them and the hazards facing them (Leopoulos, 2006). Under circumstances of uncertainty, most company choices are taken and entrepreneurial risk is divided into strategic, operational, economic, social-political and reputational risk (Fetisovová, 2012). In the event of chosen listed companies on the bourse, Gachua (2011) did a research on the impact of foreign exchange exposure on the economic performance of a company and suggested that a thorough market risk analysis be incorporated and the interest rate risk in the analysis. It is obvious from these researches that none of them concentrated on the effects on the performance of young small and medium-sized enterprises owned by the present research.

We examined the impact of innovations on business planning among Kenya's small-and medium-sized businesses and targeted women's and young companies (2010). The results showed that Kenyan SMEs were confronted with some important limitations, especially in long-term loan conditions, by accessing sufficient and timely finance, in the light of a global financial crisis and the resulting liquidation limitations in the Kenyan finance sector. In particular, easily accessible credit has become hard.

Previous surveys indicate scientists were interested in economic risk, except for Letting and Muthoni (2010) as an element of business risk. The impacts of the economic hazards on performance of SMEs were researched by Ogujuiba, Ohuche and Adenuga (2014), and not economic hazards for youth-owned companies. The impact of innovation on business planning among small and medium-sized firms was studied by Steven (2013) on the impact of financial risk on business performance but not on risk for young entrepreneurs, Letting and Muthoni (2010). Studies have therefore been made to tackle the financial risk to youth-owned businesses that have been studied in this research.

1.1 Statement of the Problem

Small and medium-sized businesses (SMEs) have a crucial role to play in many countries' financial growth and development. Statistics indicate that, in the first three years of operation, three out of five youth-owned companies fail and that those who continue fail 80 percent before the fifth year in Kenya (CBK, 2017). It also shows that approximately 46% of small and medium-sized enterprises end up within one year and 15% close doors within one year. In line with the Vision 2030 Medium Development

Plan (MTP), the government of Kenya has chosen to promote start-up and development in young companies through the development of youth programs that contributed 30% of Kenya's economic activity in 2016 compared to 13% in 1993 (CBK 2017).

Studies were carried out on the impact of economic danger on the performance of SMEs, but none tried to concentrate on the performance of SMEs owned by young people. No effort has been created to explore the impact of economic risks on youth-owned undertakings in Baringo North Sub-County, despite the important role that youth-owned companies play in economic development. The study therefore sought an impact on the performance of small and medium-sized youth-owned businesses in Baringo North County, Kenya, by the entrepreneur's economic risks.

1.2 Theoretical Framework

The research was based on the theory of company risk management (Tseng, 2007). Enterprise Risk Management (ERM) is a structure that focuses on the systematic and uniform management of all hazards faced by an organisation. On the other side, Gordon et al., (2009) identify the ERM as the general method for handling an organization's exposure to uncertainty with specific emphasis on the identification and management of occurrences that might impede it from reaching its goal. The risk manager is constantly conscious of the dangers facing him, thus monitoring his exposures and being able to alter his approach or direction to guarantee an acceptable amount of risk.

In short, risk management enables an entity to get there and prevent crashes and surprises along the manner (Nocco and Stulz, 2006). The risk management notion of companies was therefore described as a systems-integrated and disciplinary strategy in risk management within organisations to guarantee that enterprises achieve their goal of maximizing and generating value for their stakeholders. ERM itself plays a primary role in integrating and coordinating all kinds of hazards throughout the organisation. It is not possible to manage hazards in the silo strategy. The company should combine and manage all hazards. ERM allows users to identify future incidents that could influence the company and allow management to understand their risk appetite.

2. Literature Review

In classifying hazards as market risks, economic risk, operational risk, corporate risks, and event risks, Bratanovic and Greuning (2003) took a distinct path. Despite this clashing dispute, the fact that risk categories only show the origin and not the nature and, as such, is insufficient is not to be lost. Napp (2011) says a number of financial risk types existed. Depending on modifications on financial markets, on the other hand, there are external economic risks and inner economic risks where the business itself is responsible for the risks. External economic risks are driven by hazards such as currencies, interest rates and commodity prices. This is what the author describes: the funding risk, the solvency risk and the liquidity risk.

Fetisovová (2012) stated that economic risk is of extreme significance in all corporate risk of the company, which determines the economic condition of that company. The writer also says that economic risk intensity increased substantially during the crisis. Research by ESR Council shows that the credit crisis and subsequent recession resulted both in a higher threshold for credit authorization (owing to the financial market crisis) and an increased default risk (owing to the subsequent recession). The result was a reduction of credit accessibility.

According to Czech businessmen, when credit is provided, banks apply excessively rigorous requirements (Belás, Demjan, Havánik, Hudáková and Sipko 2015). Financial risk occurs in all elements of economic management activities of businesses, including capital raising, utilization and allocation. This calls for executives to concentrate completely on all elements of change, recognize the hazards in due course, and take efficient actions to control risk spread (Shuying & Mei, 2014). Financial danger always occurs and cannot be transmitted through men's will. It cannot be prevented or eliminated by people, but it can be reduced and the risk addressed by multiple technical means and through the development of preventive measures.

The impact on business results of the business in Brazil has been researched by Steven (2013). The design of a descriptive survey study targeted 54 production companies. The research discovered that economic risk management is aimed at managing the exposure of a company to currencies, interest rates, power, goods and other economic market-oriented variables. It should be seen as a continuous process which develops constantly with businesses while they are exposed to fresh and unexpected hazards.

Study on the impact of economic hazards on the results of SMEs in Lagos, Nigeria, Ogujuiba et al., (2014). The results demonstrate that most small and medium-sized enterprises have folded or lacked competitiveness because they lack the much-needed funding to continue their activities. In order to raise investment to suit the growing demand for lodging facilities in the region, the research recommends that SMEs develop policies to improve profitability for hotel business in Lagos.

100 SME working in and around Nairobi have received samples of risk mitigation strategies used by small and medium-sized enterprises in Kenya, Kagwathi, Kamau, Muthoni, Stephen and Kamau in 2014. The research recognized the key threat facing SMEs for capital markets, customer relations, operating-economic, worldwide perspective and branding risks, while diversification, cooperation, insurance and use of the credit scorecards, representing 66 percent, are the primary risk mitigation strategies of SMEs used at least one of these strategies.

The impact of economic hazards on the performance of Lagos SMEs has been researched by Ogujuiba et al., (2014), rather than economic hazards for youth companies. Steven (2013), too, concentrated on the impact of economic danger on the performance of companies but not on the hazards of young businessmen. We researched the impact of technology on business planning between SMEs, Letting and

Muthoni (2010). Thus, no research was performed on the impact of entrepreneurial danger on young small and medium-sized enterprises.

Ogujuiba, et al. (2014) research on the impacts of financial risk of SMEs in Lagos Nigeria found that most SMEs had become less competitive or lacked the much-needed economic ability to pursue their businesses. Letting & Muthoni (2013) study on innovation through Business Planning among Micro, Small and Medium Enterprises in Kenya. The research discovered that Kenyan SMEs confronted some of the main limitations on competitive finance, in particular long-term lending, with access to credit easily in the face of the current global financial crisis and resulting liquidation limitations in the Kenyan economic industry. None of them affected the impact of the danger from the entrepreneur on the performance of young SMEs owned by the research.

3. Research Methodology

A descriptive design was used in the study. Descriptive research design aims primarily at describing the current state of affairs (Kombo and Tromp 2006) and the investigator has basically reported the results. In Baringo North Sub County, the target population was composed of 182 SMEs owned by youth. This was categorized according to the products and services they provide. Using questionnaires, data was gathered. The researchers managed the questionnaires to obtain primary data from SMEs belonging to young people. There were two parts of the survey: background and specific information for participants based on the research goals. The questionnaire was given to owners of SMEs owned by young people from each of the companies chosen.

In order to guarantee that the instrument measures continuously what it should assess the validity and reliability of the questionnaire was developed and tested during the pilot study. The researcher used an expert judgement to determine the content validity of the tool. This was achieved by talking to the managers and teachers from the Accounting and Finance department about the products in the tool. The researchers were helped to assess the validity of the study tools by advice from these individuals.

A total of 12 young SMEs in the Baringo Central Sub-County underwent a pilot survey in order to ensure the accuracy of the tool. This is because Baringo Central Sub-County has comparable features as far as youth owned SME are concerned to Baringo North Sub-County. To determine the reliability of the study tool, Cronbach's Coefficient Alpha was used. The reliability of the tools has been thought to be 0,70 or greater and the device is enough to be used in a major research to represent the inner reliability of the tools (Fraenkel & Wallen, 2000).

A sample is a portion or part of the population of interest. Using Yamane's formula (1972), at 95% confidence level, ($P = 0.05$), the sample size obtained was 125 as shown below:

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

where;

n = the sample size of target population;

N = the population size, e = the acceptance sampling error (Level of significance);

$n = 182/1 + 182(.05)^2 = 182/1 + 0.715$;

n = 125 respondents.

This study used simple random sampling technique to select the youth entrepreneurs who participated in this study. Simple random sampling was used as a major sampling technique because each respondent had an equal chance of inclusion in the sample. This technique was appropriate for the study as it was cost effective and efficient to administer.

The researcher sought an introductory letter from the Catholic University of Eastern Africa (CUEA) Gaba campus. Once the permit is issued, the researcher presented the permit to County Director of Education to be given an introductory letter that was presented to the youth entrepreneurs in the sub county. The researcher went to the youth entrepreneurs in Baringo North Sub-County with the questionnaires to collect data.

After a data collection, the researcher conducted data cleaning to improve the quality of the responses. The questionnaire was coded in line with the Statistical Package for Social Science (SPSS Version. 23). Descriptive statistics included the use of means, standard deviation, frequencies, and percentages, while the inferential statistics including multiple regression. The regression model was used to explain the extent to which each predictor financial is, explained dependent variable (performance of youth owned enterprises).

4. Results and Discussion

4.1 Financial Risk of Youth Owned Enterprises

The findings of the study showed that 79(75.9%) of the respondents agreed that they do not fear investing their money on a project whose risk was calculated, with 8(7.7%) undecided and 17(16.3%) disagreed as summarized in Table 1 below. Majority 54(52%) of the respondents agreed that they have adequate assets in running the business, with 8(7.7%) undecided and 42(40.3%) disagreed. Most of the respondents 77(74%) agreed that they depend on borrowing of loan for running the business, with 9(8.7%) undecided and 18(17.3%) disagreed. Most of the respondents 80(76.9%) agreed that they had adequate capital to start a business, with 9(8.7%) undecided and 15(14.4%) disagreed. Majority 82(78.9%) of the respondents agreed that they always experience cash-flow risks in their firm, with 6(5.8%) undecided and 16(15.4%) disagreed.

Most of the respondents 84(80.8%) agreed that they always encounter credit risks in their firm, with 15(6.7%) undecided and 13(12.5%) disagreed. Majority 79(76%) of the respondents agreed that they lack technological expertise in management resulting in loss of profit, with 6(5.8%) undecided and 19(18.3%) disagreed. Most of the respondents

69(66.4%) agreed that debt collection from customers is a big problem in their business, with 21(20.2%) undecided and 14(13.5%) disagreed.

Table 1: Financial Risk of Youth Owned Enterprises

	Strongly agree		Agree		Undecided		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
I do not fear investing my money on a project whose risk is calculated	30	28.8	49	47.1	8	7.7	7	6.7	10	9.6
I have adequate assets in running the business	19	18.3	35	33.7	8	7.7	28	26.9	14	13.5
I depend on borrowing of loan for running business	26	25.0	51	49.0	9	8.7	13	12.5	5	4.8
I have adequate capital to start a business	25	24.0	55	52.9	9	8.7	7	6.7	8	7.7
I always experience cash-flow risks in my firm	27	26.0	55	52.9	6	5.8	11	10.6	5	4.8
I always encounter credit risks in my firm	35	33.7	49	47.1	7	6.7	8	7.7	5	4.8
Lack of technological expertise by management results in loss of profit	29	27.9	50	48.1	6	5.8	8	7.7	11	10.6
Debt collection from my customers is a big problem in my business	35	33.7	34	32.7	21	20.2	9	8.7	5	4.8

4.2 Performance of Youth Enterprises

The variable was established by determining the performance of youth enterprise in terms of the sales growth margins, gross profit margins, and an increase in number of employees over the last one year. Also, it gives the perception of respondents on the performance of youth enterprises.

4.3 Sales Margins

The respondents were requested to rate the performance of youth enterprise in terms of the sales growth margins, as shown in Figure 1.

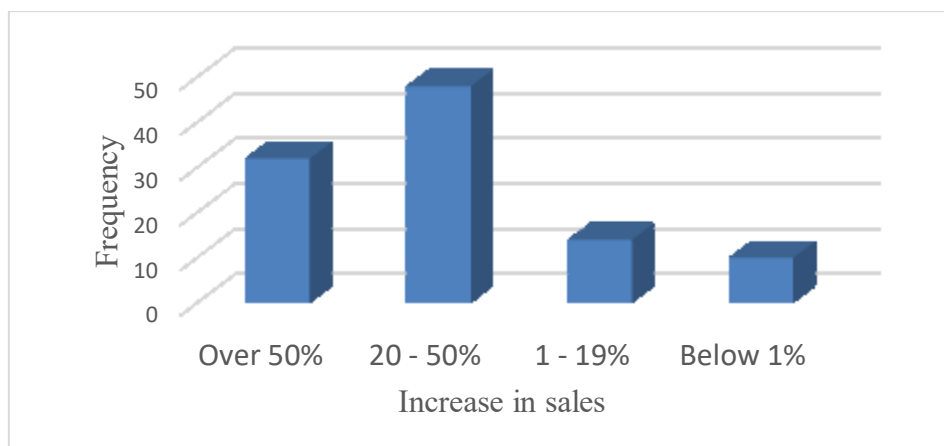


Figure 1: Sales Growth Margins

From the findings on sales margins over the last one year, at least 48 (46.2%) of the respondents agreed that sales margins increased by 20 - 50% over the last one year, with 32(30.8%) over 50% and 14(13.5%) increased by 1 - 19%. The least 10(9.6%) identified that sales have declined below 1%.

4.4 Gross Profit Margins

The respondents were requested to rate the performance of youth enterprise in terms of the gross profit margins. The results are indicated in Figure 2 below.

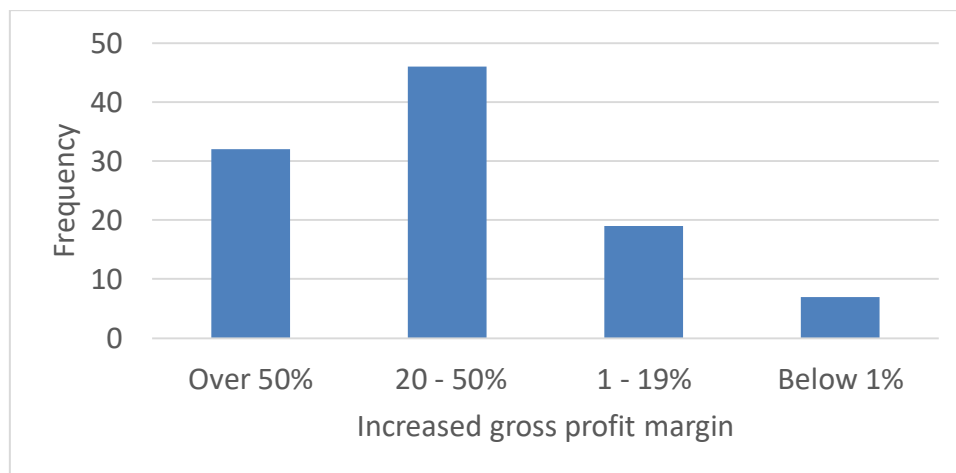


Figure 2: Gross Profit Margins

The performance of enterprise was made in terms of the gross profit margins over the last one year, 46(44.2%) of the respondents agreed that gross profit margins increased by 20 - 50%, with 32(30.8%) over 50% and 19(18.3%) increased by 1 - 19%. The least 7(6.7%) identified that gross profit margins have declined as shown in Figure 2.

4.5 Improvement on Performance of Youth Enterprises

The respondents were requested to establish how improvement on performance of youth enterprises. The findings are shown in Table 2 below.

Table 2: Improvement on Performance of Youth Enterprises

	Frequency	Percent	Cumulative Percent
Through entrepreneurship mentorship programmes	44	42.3	42.3
Through entrepreneurial financial management education	27	26.0	68.3
Through entrepreneurial training	33	31.7	100.0
Total	104	100.0	

Source: Survey data, 2019.

From the table 2 above performance of youth enterprises has improved, 44(42.3%) of the respondents agreed that performance of youth enterprises has improved through

entrepreneurship mentorship programmes, with 27(26%) through entrepreneurial financial management education and 33(31.7%) through entrepreneurial training.

4.6 Increase on the Number of Employees

The respondents were requested to establish how improvement on performance of youth enterprises in terms of increase on the number of employees. The findings are shown in Figure 3 below.

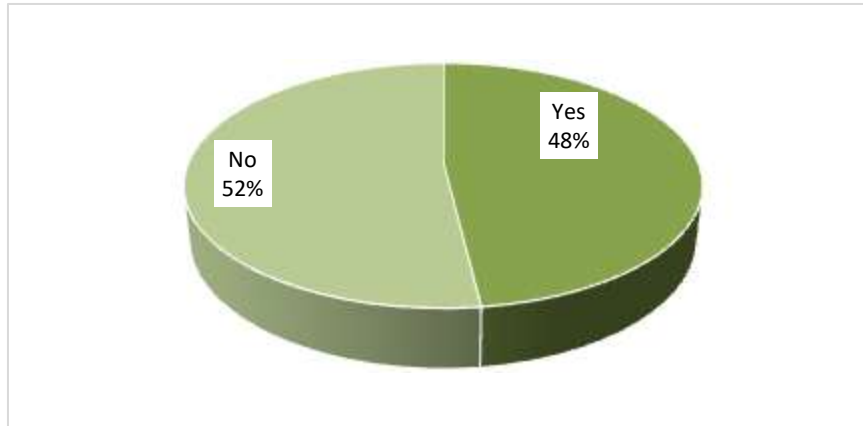


Figure 4.3: Increase on the Number of Employees

From the results 54(52%) of the respondents indicated that there was no increase in the number of employees since they started business and 50 (48.1%) agreed they started business.

4.7 Rating the Performance of Youth Enterprises

The findings showed that most of the respondents 66(63.5%) agreed that they were satisfied with the rate at which their business was growing, with 12(11.5%) undecided and 26(25%) disagreed as presented in Table 3. Majority 54(51.9%) of the respondents agreed that funds they received from the government enabled them to expand the business and employ other people, with 14(13.5%) undecided and 36(34.6%) disagreed.

Table 3: Rating Performance of Youth Enterprises

	Strongly agree		Agree		Undecided		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
I am satisfied with the rate at which my business is growing.	24	23.1	42	40.4	12	11.5	15	14.4	11	10.6
Funds I received from the government have enabled me to expand the business and employ other people.	15	14.4	39	37.5	14	13.5	15	14.4	21	20.2
My business assets have so far increased compared to when I started.	19	18.3	58	55.8	14	13.5	4	3.8	9	8.7
I have received enough income from the business to enable us clear the loan.	22	21.2	42	40.4	11	10.6	15	14.4	14	13.5
I consider my business to be successful	28	26.9	53	51.0	11	10.6	6	5.8	6	5.8

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since my monthly profits have increased.										
I am able to expand my business market and increase my customer base.	21	20.2	59	56.7	13	12.5	5	4.8	6	5.8
Amount of capital has grown	29	27.9	50	48.1	11	10.6	9	8.7	5	4.8
Volume of sales improved	22	21.2	64	61.5	7	6.7	6	5.8	5	4.8
Number of employees increased	26	25.0	51	49.0	9	8.7	13	12.5	5	4.8
Number of business associates rise	25	24.0	55	52.9	9	8.7	7	6.7	8	7.7
Accessibility of loans easier	27	26.0	55	52.9	6	5.8	11	10.6	5	4.8
Quality of products improved	35	33.7	49	47.1	7	6.7	8	7.7	5	4.8
Size of market share rose	29	27.9	50	48.1	6	5.8	8	7.7	11	10.6
Level of competition increased	43	41.3	48	46.2	5	4.8	5	4.8	3	2.9

Most of the respondents 77(74.1%) agreed that their business assets had so far increased compared to when they started, with 14(13.5%) undecided and 13(12.5%) disagreed. The findings also showed that most of the respondents 64(61.6%) agreed that they have received enough income from the business to enable them clear the loan, with 11(10.6%) undecided and 29(27.9%) disagreed. Majority 81(77.9%) of the respondents agreed that they consider their business to be successful since their monthly profits had increased, with 11(10.6%) undecided and 12(11.6%) disagreed. Most of the respondents 80(76.9%) agreed that they were able to expand their businesses market and increase their customer base, with 13(12.5%) undecided and 11(10.6%) disagreed.

The findings showed that most of the respondents 79(76%) agreed that the amount of capital has grown, with 11(10.6%) undecided and 14(13.5%) disagreed. Majority 86(82.7%) of the respondents agreed that the volume of sales had improved, with 7(6.7%) undecided and 11(10.6%) disagreed. Most of the respondents 77(74%) agreed that the number of employees has increased, with 9(8.7%) undecided and 18(17.3%) disagreed. Most of the respondents 80(76.9%) agreed that the number of business associates have risen, with 9(8.7%) undecided and 15(14.4%) disagreed.

On accessibility of loans majority of the respondents 82(78.9%) agreed that they have become easier, with 6(5.8%) undecided and 16(15.4%) disagreed. Majority 84(80.8%) of the respondents agreed that the quality of products improved, with 7(6.7%) undecided and 13(12.5%) disagreed. Most of the respondents 79(76%) agreed that the size of market share had risen, with 6(5.8%) undecided and 19(18.3%) disagreed. Most of the respondents 91(87.5%) agreed that the level of competition have increased, with 5(4.8%) undecided and 8(7.7%) disagreed.

4.8 Influence of Financial Risk on Performance of youth Owned Small and Medium Enterprises

The assessment of the connection between single dependent and several predictor variables was conducted using linear regression analysis (Hair et al. 2006). This overview was used to clarify the connection between independent and dependent, as shown in Table 4. The regression coefficient overview was used.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.824 ^a	.679	.676	.38693

a. Predictors: (Constant), Financial

82.4% of the change in results in the youth-owned company is explained by entrepreneurial danger, the coefficient of determination (R squared) of .824. The adjusted R square of .679 shows that all entrepreneurial risk excluding the continuous variable show that 67.9 percent of the performing fluctuation of the youth-owned business is due to other variables that are not covered by the model. The predictor of the regression model with enterprise danger (F=216.03, p value= 0.000) indicates a substantive link between entrepreneurial danger and youth-owned company performance and at least the path (β -coefficient) is no smaller than nil, as shown in Table 5. Therefore, it can be meant that the corporate risk and the performance of the youth company are significantly interrelated.

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.341	1	32.341	216.026	.000 ^b
	Residual	15.271	102	.150		
	Total	47.612	103			

a. Dependent Variable: Performance

b. Predictors: (Constant), Financial

The researchers used multiple regression analysis to evaluate hypothesis of the research to determine the impact of entrepreneurial risks on youth-owned company performance (Table 6). In order to test the hypotheses of the research, the coefficients β were also produced for entrepreneurial danger in the form of autonomous variable.

Table 6: Coefficients of Performance of Youth Owned Enterprise

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.528	.222		2.372	.020
	Financial	.862	.059	.824	14.698	.000

Dependent variable: Performance

The β -value for financial risk had a positive coefficient, depicting positive relationship with performance of youth owned enterprise as summarized in the model as:

$$Y = .528 + 0.862X_1 + \epsilon \dots \dots \dots \text{(Equation 4.1)}$$

where:

Y =performance,

X₁ =financial and

ϵ = error term

The conclusions revealed that β -value for economic danger showed a favorable connection with youth-owned business performance. Thus, financial risk was linked to youth-owned enterprises' performance. The findings collected revealed that financial risk had a substantial beneficial impact on the performance of youth-owned companies ($t=2.372$, $p<0.05$), and the findings therefore confirmed that financial risk affects the output of youth-owned companies.

The company sales output has grown by 20-50% over the last year in terms of sales margins. In terms of gross income margins, the company's efficiency improved over the last year by 20-50 percent. The young individuals were happy about the results of young businesses, the money they receive from government had made it possible for them to grow company and hire other individuals.

Most young people have obtained sufficient revenue from the company to allow them to clear out the loan, as their monthly earnings have risen. Most young people were able to grow their company markets and boost their client base and the capital stock was increasing. The young people increased sales volume, the number of staff and the number of company partners. Loans had been made easier to access, products quality had improved, market share volume had risen and competition levels had risen. With regard to financial risk, the results showed that most young people do not fear to invest their cash in a project with a calculated risk. They have sufficient resources to run the company, rely on loans for the management of the company and have sufficient funds to begin a company. The young always have cash flow hazards in their companies, they always have loan hazards in their company, they lack the technology in leadership and loss of profit and their clients are having a major debt collection issue. The results showed that the economic risks of youth owned companies are related in a beneficial manner. An increase in financial risk therefore leads to an increase in youth-owned business performance. Financial risk therefore had a positive impact on youth business performance. This agrees with Ogujuiba et al. (2014), that most SMEs had either fallen or lacked competitiveness because their business activities lacked the needed economic ability.

5. Conclusion

The youth had no fear investing their money on a project whose risk was calculated, had adequate assets in running the business, depend on borrowing of loan for running the business, and had adequate capital to start a business. The youth experience cash-flow risks in their firm, always encounter credit risks in their firm, lack of technological expertise on management results in loss of profit; debt collection from their customers is a big problem in their business. The findings depicted that there was a positive significant relationship between financial risk on performance of youth owned enterprise. An increase in financial risk lead to a rise in performance of youth owned enterprise. A positive significant influence of financial risks on performance of youth

owned enterprise. The study concludes that financial risk plays an important role on the performance of youth owned enterprise in Baringo County.

5.1 Recommendations

The microfinance institutions should continuously engage with the youth entrepreneurs in providing finance and entrepreneurial knowledge to the poor in the society as this would lead to creation of jobs and reduced poverty levels in a country. The youth owned enterprise should device measures for risk analysis, measurement, prevention, minimization, and mitigation to ensure that financial risks do not affect performance of their enterprises while addressing other factors that affect performance.

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