



RESEARCH ARTICLE

**INFLUENCE OF SOCIAL NETWORK ON ACCESSING YOUTH ENTREPRISE DEVELOPMENT FUND,  
A SURVEY OF YOUTH OWNED ENTREPRISES IN RACHUONYO NORTH SUB COUNTY**

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**ABSTRACT**

Youth unemployment in Kenya has been the main challenge faced over the years. Based on this challenge, the government of Kenya conceived the idea of Youth enterprises development fund in 2006 as a strategic measure towards arresting youth unemployment in the country through enterprises. This study examined the influence of social network in accessing the youth enterprises development fund conceived by the Government of Kenya in 2006. This study was restricted to youth enterprises owners within Rachuonyo North Sub County. The selected youth owners' enterprises who received youth fund acted as units of study from where the respondents were drawn. Questionnaires with open and close ended questions were developed and administered to the respondents; key informant persons were interviewed. The numbers of youth enterprises owners who received youth enterprises development fund in Rachuonyo North Sub County were 700 out of which 22% were selected through a random sampling technique giving a sample size of 152. Pilot study was conducted to test the reliability and validity of the research tools. Secondary data was obtained from records kept by Sub County Youth office in Rachuonyo North Sub County Offices, National Government publications on Youth Enterprise Development Fund (YEDF) and refereed journals. Pearson correlation coefficient was used to establish factors affecting access of youth enterprises development fund in Rachuonyo North Sub County. It was appropriate to use the technique because the statement used were interval and ratio-scaled. The results were presented in tabular form using frequencies and percentages alongside inferential statistics. There was a positive influence of social network on accessing of the youth enterprises development fund [ $r=0.389, n=149, p<.05$ ], this indicated that an increase in youth social network, made access of the fund successful. The social network had significant relationship with access of YEDF and this indicates that social network is a very important factor to young entrepreneurs.

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**INTRODUCTION**

In general terms, social networks are defined by a set of actors (individuals and organizations) and a set of linkages between those actors (Brass, 1992). Social networks are the relationships through which one gets opportunities to access, use financial and human capital relationships in which ownership is not solely the property of an individual, but is jointly held among the members of a network (Burt, 1992). Social networks are also a set of relationships that can define the perception of a community, whether a business community or a more general notion of community in society (Anderson and Jack, 2002). Thus, society, in the abstract sense, is a series of connected or tied nodes (Narayan and Pritchett, 1999). This broad conception of social networks, social capital and accessibility of capital implies that the dynamics of economic exchange are socially embedded (Granovetter, 1985)

As distinct from rational choice perspectives, the social embeddedness perspective emphasizes that, in embedded

contexts, entrepreneurial agency, that is the ability to garner entrepreneurial ideas and the resources to develop them is shaped by implicit norms and social mores. Thus, social capital is conceptualized as a set of resources embedded in relationships (Burt, 1992). This idea raises interesting questions revolving around the entrepreneurial applications of social capital, in particular, in relation to some less desirable consequences. For instance, the accessibility and exploitation of social capital by any one person or entrepreneur, even within contextual rules, if any, implies both winners and losers (Anderson and Jack, 2002).

Related to this idea, (Portes and Landolt, 2000) identified four negative consequences of social capital: exclusion of outsiders, excess claims on group members, International Small Business Journal 29 (2) restriction on individual freedoms and downward leveling of norms. As an example, these authors point out that the same strong ties that enable group members to obtain privileges of access of capital and other resources, bar others from securing the same assets.

In a similar vein, the particularistic preferences granted to members of a clan or circle of friends are common at the expense of the universalistic rights of others. These phenomenons of unequal rights to entrepreneurial resources often frame the differences among ethnic entrepreneurial groups, or among entrepreneurs in different regions or countries (e.g. developing countries). This view of social capital is closely associated with the emphasis placed by Coleman (1993) on community structures as a mechanism of social control, which, in turn, is also linked with the predominant culture in a specific society. Within the field of entrepreneurship many studies have drawn on social network analysis to illustrate entrepreneurs' access to capital and other resources that are not possessed internally (Bowey and Easton, 2007), The underlying idea is that, although entrepreneurs usually hold some of the resources necessary to create a business (e.g. ideas, knowledge and competence to run the business), generally they also need complementary resources which they obtain through their contacts (networks). (e.g. information, financial capital, labour) to produce and deliver their goods or services (Aldrich and Zimmer, 1986)

Over the decades, three propositions have been formulated:

- a) Social networks affect the outcome of instrumental actions,
- b) The nature of resources obtained from social networks is affected by people's original position, and
- c) The nature of resources obtained from social networks is affected by the strength of ties (Lee, 1999).

This interest shows how social networks affect status attainment which has also occupied entrepreneurship scholars Aldrich and Zimmer, 1986; Granovetter M.S (1995). Entrepreneurship research shows that social networks affect opportunity recognition (Singh, 2000), entrepreneurial intention (Hmieleski and Corbett, 2006), entrepreneurial orientation (Ripolles and Blesa, 2005) and the vocational decision to become an entrepreneur (Davidsson and Honig, 2003). One of the essential results, which previous entrepreneurship research on social networks has shown, concerns on embeddedness. People embedded in networks containing entrepreneurs tend to be more entrepreneurial oriented and easy to access capital than others who are not.

People who have close family members in business or personally know someone who has started a business, seem to have a better chance of becoming entrepreneurs and able to access capital easily than others (Davidsson and Honig, 2003). (Davidsson and Honig, 2003) found in their study in Sweden that people who have parents in business or have close friends or neighbors in business are more likely to become nascent entrepreneurs and also easy to take risk in acquiring capital even through loans. With respect to personally knowing people who have started a business, De Clercq and Arenius (2006) found positive correlations in both their Belgium and their Finish sample. In an analysis of the 2001 GEM database, considering a sample drawn across 29 countries, Morales-Gualdrón and Roig (2005) also concluded that personally knowing someone who has started a business has a positive impact on people's decisions to access fund and become entrepreneurs

Nwokwu (2012) added that youth have fewer social network contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their access to capital. Since most youth entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information for access to capital. Most existing networks are male adults dominated and sometimes not particularly welcoming to youth but prefer to be exclusive. Even when youth does venture into these networks, their task is often difficult because most network activities take place after regular working hours when youth are not capable to afford. Few youth are invited to join trade missions or delegations, due to the combined invisibility of youth-dominated sectors or sub sectors. On the above argument the study determined the role of social network in access of YEDF in Rachuonyo North Sub-County. The knowledge generated by this study will be useful not only to Kenya but also to other developing countries in the area of entrepreneurship development and empowerment. The findings of the study will be of interest to policy practitioners in government, non-governmental organization and in the donor community as well as to business development service providers. The study will benefit researchers by providing information that will be useful in their research work and in identification of gaps for further research.

**Theoretical Background**

In conducting this study reference was made from Economic theory of Entrepreneurship by Harvard Business School (HBS) which considers entrepreneurship as the outcome of the combination of both internal and external factors. Internal factors being: Intelligence, skills, knowledge, perception and exposure while External forces are Economic, political, social network, culture, access to information and policies framework (Chetty, 2010). In regards to the above theory, this study examine the impact of social network as an external factor affecting access of YEDF in Rachuonyo North Sub County.

In all environments, entrepreneurs must build reputation-enhancing relationships with outside resource providers who are willing to share valuable information, technology, and finance. Therefore it can be said that entrepreneurs use their own informal business and personal networks to establish new business. For example, social network contacts are the most needed by new and small businesses to overcome their difficulties in getting suppliers, customers and access to capital at the early stage of business formation and this is what this study examined in relations to YEDF access in Rachuonyo North Sub County.

**Conceptual framework**



**Figure 1** Social network is the Independent Variable while Access of YEDF is the Dependent Variable

According to conceptual framework level of Socialnetwork is

Independent Variable and Access to YEDF is Dependent Variable amongst the youth persons when they are low. It means that access of YEDF can be enhanced if this factor is positive.

According empirical literature reviewed earlier in this chapter indicates that access of YEDF to youth owned enterprises can be positively or negatively influenced by the level of social network the youth have. Lack of or inadequate relevant social network in business may lead to low access of the fund everywhere. Entrepreneurship research shows that social networks affect opportunity recognition (Sigh, 2000)

## **RESEARCH METHODOLOGY**

### ***Research Design***

The study used Survey method of collecting data. Survey design is appropriate method of collecting data of such study that administers the questionnaires to a sample of individuals as primary data. It is a method of study which can also be used to collect information about people's attitudes, opinions, habits, Orodho and Kombo (in Tromp and Kombo 2006). The study used both primary and secondary data where secondary data was obtained from records kept by youth development office in Rachuonyo North Sub County, National government (YEDF) publications and refereed Journals. This design enhanced rapid data collection and enabled the researcher to understand how social network affects access of youth enterprises development fund (YEDF) on youth owned enterprises in North Rachuonyo Sub County.

### ***Study Area***

The area of study was Rachuonyo North Sub County in Nyanza Region. Purposive sampling was used to select Rachuonyo North due to its low access of the YEDF amongst the young owned enterprises regardless of the availability of Fund. The study was carried out in both two divisions East and West Karachuonyo Divisions since they are the only divisions found in Rachuonyo North Sub County. West Karachuonyo division is located Westside of the Sub County's headquarters and has a population of 69,179 and East Karachuonyo which is located East side of the Sub County headquarter also has a population of 92,866 (GOK National Bureau of Statistics 2009)

### ***Population***

The total population of the study encompassed all youth owned enterprises in Rachuonyo North Sub County. The target population was derived from the total population which were Youth owned enterprises started by YEDF. Rachuonyo North Sub County had seven hundred (700) youth owned enterprises started by YEDF (Data from Sub County officer Rachuonyo North) this formed target population of the study; study population was derived from target population.

The sample size consisted of 152 youth enterprises where seventy six (76) youth owned enterprises from each of the two Divisions which received the YEDF loan in the past six

months prior to the study were randomly selected and 20 key informant respondents who were concerned members of the fund's administration and management were interviewed.

### ***Sample size***

The sample size was calculated based on 95.5% level of confidence and 2% confidence interval, Kothari (2004) where 22% of the target population formed the study population. This study used random sampling techniques to administer 152 questionnaires with open and close ended questions to collect primary data. 152 questionnaires were distributed to selected youth owned enterprises where each location, seven (7) randomly selected youth owned enterprises who received YEDF for the last three months prior to the study were selected. Rachuonyo North Sub County has two Divisions and twenty two (22) Locations distributed equally in both the two Divisions.

Twenty key informant interviews guides were administered to twenty key persons purposively sampled based on their participation in Rachuonyo North Sub County Youth Enterprise Development fund (YEDF)'s administration, management and influence. They were: Sub County Youth officer, Division funds officers both for East and west Divisions, Area Chiefs and fund clients staff members from youth financier institutions this was done to allow researcher to get other additional information not provided by the Youth clients. Interviews enabled the researcher to obtain the information that could not be directly obtained from Youth member's enterprises. This mainly touched on information expected from the Ministry of Youth Officials, Government Administrators and management concerned with monitoring of the Youth Fund and Financiers of Youth Enterprises Development Funds.

### ***Documents analysis***

Document analysis was used to obtain un-obtrusive information at the pleasure of the researcher by examination of public records with information related to YEDF empowerment of youth. This technique enabled the researcher to obtain data at his own convenient time and also saved time and expense in transcribing. Documents that were verified included; published and unpublished materials on Youth Enterprise Development Fund, journals, National Government publications on (YEDF). Youth Enterprises Development Fund monitoring and evaluation reports, academic materials and other published books.

### ***Validity and Reliability***

Content validity of the instruments were determined by pre-testing, where fifteen (15) questionnaires were administered to fifteen respondents to test their responses. Face validity was tested by consultations with the supervisors and other research experts. This was done to determine whether the items were correctly worded in order to avoid misinterpretation when they were finally administered to the whole respondents in the main study. After pre-testing, the instruments were then adjusted. Reliability of the instrument was Pre-tested to enhance consistency and dependency, accuracy and adequacy of the instruments (Okungu 2010).

Consistencies of the test items were measured by the degree to which the test item attracted similar and related responses from the sample in the pilot testing exercise.

**Data Analysis and Presentation**

Data collected using questionnaires and other data collection instruments were systematically organized in a manner that facilitated analysis through descriptive technique. They were coded, summarized, presented and analyzed using statistical package for social sciences (SPSS). The research yielded both qualitative and quantitative data. Quantitative technique such as descriptive statistics and inferential statistics were used to establish relationships between variables. Qualitative data was analyzed qualitatively based on content analysis. Simple descriptive statistics was used to analyze quantitative data. Pearson correlation coefficient was used to establish factors affecting access of youth enterprises development fund in Rachuonyo North Sub County. It was appropriate to use the technique because the statement used were interval and ratio-scaled. The results were presented in tabular form using frequencies and percentages alongside inferential statistics.

**Empirical Model**

The study employed multiple regression model as follows:

$$Y = \beta_0 + \beta_1 X_1 + \dots + \beta_n X_n + e$$

- Where Y=Dependent variable
- $\beta_0$ =Constant
- $X_{1,n}$ =independent variables
- $\beta_{1-n}$ =regression coefficient
- $e$ =error term

**RESULTS AND DISCUSSION**

**Influence of social network on accessing of the youth fund**

The objective was to establish the influence of social network on accessing of the youth enterprises development fund. This was obtained by establishing the role of social network and its influence on accessing of the youth enterprises development fund.

**The role of social network in accessing of the youth fund**

Social networks of the youth were assessed using the number of business friends they had and whether those friends were important in helping them access fund

In table 1: Importance of business friends were as follows: 94.7 % (n=144) use their friends to network with other business people, 54.6% (n=83) to connect to supplier and 32.2% (n=49) to connect to banks and financial institutions. In general, for a business youth to grow he/she must have elements of social network with other youth business friends or financial institutions to help them in access to funds,

**Table 1** Role of Social Networks

Importance of Business Friends	Frequency (n=149)	Percentage (%)
Network to other business people	144	94.7%
Connect to Suppliers	83	54.6%
Connect to financial institution/banks	49	32.2%

customers, open new business opportunities and connect them to suppliers.

**Influence of social network on accessing of the youth fund**

Pearson Product Moment Correlation Coefficient was employed to determine the influence of social network on accessing of the youth fund. There was a positive influence of social network on accessing the youth enterprises development fund [r=.389, n=149, p<.05], this indicated that an increase in youth social network access of the fund was successful. Thus the more youth improves their social network the accessing of the fund is improved.

**Table 2** Influence of social network on accessing of the youth fund

		Access	Social network
Access	Pearson Correlation	1	.389**
	Sig. (2-tailed)		.000
Social network	Pearson Correlation	.389**	1
	Sig. (2-tailed)	.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed); b. List wise N=149; Source: Author’s computations, 2014

There was a positive influence of social network on accessing of the youth enterprises development fund. The findings agree with (Anderson and Jack, 2002) that social networks are also a set of relationships that can define the perception of a community, whether a business community or a more general notion of community in society. The exploitation of social capital by any one person or entrepreneur, even within contextual rules, if any, implies both winners and losers (Anderson and Jack 2002). Related to this idea, (Portes and Landolt 2000) identified four negative consequences of social capital. (Bowey and Easton, 2007) argues that within the field of entrepreneurship has shown that social network analysis illustrate entrepreneurs’ access to resources that are not possessed internally.

The underlying idea is that, although entrepreneurs usually hold some of the resources necessary to create a business (e.g. ideas, knowledge and competence to run the business), generally they also need complementary resources which they obtain through their contacts (e.g. information, financial capital, labour) to produce and deliver their goods or services (Ribeiro-Soriano and Urbano, 2009)

Most existing networks are male adults dominated and sometimes not particularly welcoming to youth but prefer to be exclusive. Even when youth does venture into these networks, their tasks are often difficult because most network activities take place after regular working hours. Entrepreneurship research shows that social networks affect opportunity recognition (Singh, 2000), entrepreneurial intention (Hmieleski and Corbett, 2006), entrepreneurial orientation (Ripolles and Blesa,2005) the vocational decision to become an entrepreneur (Davidsson and Honig,2003). One of the essential results, which previous entrepreneurship research on social networks has shown, concerns embeddedness. People embedded in networks containing entrepreneurs tend to be more entrepreneurial oriented. People who have close family members in business, or personally know someone who has started a business seem to have a better chance of becoming entrepreneurs (Davidsson and Honig, 2003),

## CONCLUSION

There was a positive influence of social network on accessing of the youth fund [ $r=.389$ ,  $n=149$ ,  $p<.05$ ], this indicated that an increase in youth social network, made access of the fund successful. The social network had significant relationship with access of YEDF and this indicates that social network is very important to entrepreneurs. The social networks are also a set of relationships that can define the perception of a community, whether a business community or a more general notion of community in society. Although entrepreneurs usually hold some of the resources necessary to create a business there is a need complementary resources which they obtain through their contacts to produce and deliver their goods or services. Most existing networks are male adults dominated and sometimes not particularly welcoming to women but prefer to be exclusive. Even when youth does venture into these networks, their task is often difficult because most network activities take place after regular working hours which are not favorable time for these youth.

## Recommendation

Youth should form strong network amongst the business community and other business partners. They should network with financial linkages to help them access funds, have customers and suppliers who intern will boost their ventures. It is highly recommended that youth should join business societies to help them build strong networks with other business people. Youth are sometimes very adamant to serious meeting where business ideas are being discussed it is encouraged they should use their time effectively for these meeting to help them discover new opportunities. Older business people also are encouraged to introduce Youth to other business partners this is good for entrepreneurship continuity after the elderly are tired and are unable to continue serious business. Lastly, youth must learn on how to deal with Government bureaucracies and attain bargaining power also they should join professional organizations

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