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Credit Terms As a Credit Management Practice And Financial Performance Of Government Youth Funded Enterprises In Webuyeeastsub-County, Bungoma County, Kenya

Mr.Johnwekesa, Dr. Rashid Fwamba, Dr. ArnetyNangila

Abstract
Government youth funded enterprises that are in operation have had a deteriorating performance and have stagnated at small levels and hence do not progressively grow into large enterprises. This deteriorating performance has been attributed from inadequate Credit management skills. Therefore, the study sought to determine the effect of credit terms on financial performance of government youth funded enterprises in WebuyeEastSubCounty in BungomaCounty. The general objective of this study was to establish how Credit management practices affects government funded youth enterprises financial performance. Specifically, the study sought to establish the effect of credit terms on financial performance of government funded youth business.The study was based on theliquidity practice theory. Much of the available local empirical literature is in the banking context. Hence, this remains an area of empirical interest: this formed the motivation of the study. A descriptive survey design was adopted for the study. The target population for the study was 45 government funded youth enterprises who constituted the respondents. Data was collected through a structured questionnaire and financial records. Both descriptive and inferential statistics was used to analyze the data. Data presentation was done by the use tables for ease of understanding and interpretation. The investigation found that credit term policies (R=0.335, p = 0.025)has a positive significance correlation to financial performance.The study recommends government funded youth enterprises to be trained on credit term policies in their business to enhance good financial performance and ensures their survival on the market for a long time by knowing their customers and retaining them. The study also recommends government funded youth business operators to be trained on Credit management practices and the importance it has on their business before giving loans to them. The study also recommends youth enterprises to strictly keep record of information concerning their customers so that they regularly check the credit rating of their customers. They study also recommends youth business to rely on return on investments, net profit to measure their profitability and not rely on amount of sales as it doesn't reflect true financial performance.

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I. Introduction

1.1 Background information

Credit Management is defined by Charitou, Elfani, and Lois (2010) as a strategy that comprises the process of developing a policy that regulates how a firm lends credit to its customer base and monitoring such processes.Myers and Berkley (2013) define credit management practices as the strategies that organizations use to have an acceptable level of credit and to manage this level effectively.Companies may only gain from credit, according to Horne and Wachowicz (1998), if the profit earned from increasing sales overcomes the additional expenses of receivables. Credit, according to Myers and Berkley (2003), is a procedure in which the ownership of goods or services is permitted without immediate payment in exchange for a contractual promise to pay later. When a company offers its products or services but does not get payment in cash, it is said to have given its consumers trade credit. As a result, trade credit generates accounts receivables that the company expects to recover in the future (Kungu, Wanjau, Waititu&Gekara, 2014).

Many enterprises in France and Europe were obliged to take on more debt as a result of Covid 19, which put their financial balances under significant strain. To assist respond rapidly to these finance demands, the French government and other European governments insured state loans. The size of this liquidity shock is yet unknown, and how it is handled will be determined by how quickly the economy recovers. A surge in corporate debt might jeopardize the viability of many companies. Furthermore, a slow recovery and credit rating devaluations would heighten this danger. A large increase in business bankruptcies might result in more bad loans on bank balance sheets, stifling the credit expansion required for the economy to recover.The tension that exists between certain individually legitimate actions and their collectively Sub-optimal consequences has been highlighted by liquidity stress on financial markets and rising credit risk: particularly, fund management finances desiring to enhance their own independent liquidity positions have aggravated difficulties at the global level, generating liquidity stress for other stakeholders, such as banks and non-financial industries.

In Africa the concept of credit was not largely recognizeduntilin the 50’s when most banks started opening the credit sections and departments to give loans to white settlers.

Financial institutions in Nigeria have experienced weak credit risk management, as well as internal and external monitoring requirements, which have hampered their stability and profitability. Non-performing loans are one of the most common signs of bank failures in Nigeria, which are characterized by inadequate credit risk management (NPLs). Over the years, Nigerian banks have been carrying a large amount of hazardous assets that have grown year after year without being recognized due to poor credit risk management. In Nigeria, for example, 33 banks were dissolved between 1994 and 2000 due to massive non-performing loans totaling more than N200 billion (Nwaze, 2006).Credits were given out randomly without effective credit risk analysis and management in the 1990s as a result of enticing interest rates on deposits and loans. As a result, a large number of such credits went bad and unrecoverable. As a result, the quality of loan assets deteriorated, contributing to bank failures (Philip, 2007). Despite the implementation of different prudential measures to stem the flood, the rise in non-performing loans (NPLs) remained unabated throughout the 2000s. According to Ajekigbe (2008), First Bank of Nigeria Plc's non-performing loans, advances, and discounts (LAD) portfolio increased from N2.021 billion in 2007 to N6.015 billion in 2008.

Unemployment has an especially negative impact on Kenyan youth. Due to a lack of prospects in the legal labor market, many young people are forced to work in the unregulated informal sector, where they are subjected to dangerous working conditions for poor pay and long hours, with no formal contract. As a consequence of this significant difficulty confronting Kenyan adolescents, the Youth Enterprise Development Fund (YEDF) was established in 2006 and has now grown to over 3,000 registered youth development initiatives across the nation. The fund's major goal is to promote Kenyan youth's economic prospects and engagement in nation-building through company creation and strategic collaborations.Through sponsorship of numerous programs managed by Kenyan youth, the YEDF focuses on entrepreneurship development as a fundamental method for boosting economic prospects for them and their engagement in nation building. The development fund assists young entrepreneurs in bringing their ideas to fruition and making them commercially viable. Despite the Kenyan government's efforts to empower youths by subsidizing their companies, many government-funded youth firms have consistently had larger numbers of debtors, resulting in poor financial performance.The Kenyan government and other stakeholders have increased their efforts to ensure the success of youth group businesses, but statistics show that youth-owned businesses have a high birth rate and a high death rate, with 40% of start-ups failing by the second year and at least 60% closing their doors by the fourth year (Kenya National Bureau of Statistics, 2007). According to a study conducted by Bowen et al. in 2009, up to 50% of youth-owned businesses in operation have decreasing performance and are believed to stall at modest levels, failing to expand into significant businesses. This deteriorating performance has been associated with a lot of bad debts which occurs as a result failure to collect Credits in time or debtor’s failure to completely pay their Credits due to them

1.1.2 Financial performance

Stoner (2003) defines financial performance as the ability to survive, grow, operate efficiently, profitably, survive, and react to the threats of the environment and opportunities. Return on sales, return on assets, return on investment, return on equity, sales growth and return on capital employed forms part of financial measures of a firms’ performance. Brennan and Soloman (2008) argue that the objective performance measures include indicators such as revenue growth, return on capital employed and profit growth. Many firms' weak performances are as a result of poorly performing assets. These findings are reflected in the company's return on investment, return on assets, non-performing loans and value added.

The overall Credit collection policy of the firm should be that the administration costs incurred in Credit collection should not exceed the benefits received from incurring those costs (Pandey, 2004). According to Kakuru (1998), the Credit collection costs include bad debt losses, administration costs, production and selling costs. He contends that the use of a well formulated Credit policy can minimize some of these costs to a greater extent. If customers are allowed to take goods on Credit with a promise to pay in future, the business will soon run out of cash; this will be badly needed to replenish its stock and meet its operating expenses (O’du’boa, 2003). Debtors’ management has been adopted by many business enterprises as an essential component of finance operations (Komakech, 2002). Credit control policy can help entrepreneurs ensure the collection of trade Credits from customers. The concern is that bad debts have persistently led to the decline of business enterprises. Most business enterprises still report liquidity problems (Kazooba, 2006). This study was to address how debtors can be managed efficiently in order to mitigate liquidity problems faced by the youth and eventually their business failure.

1.2 Statement of the problem

The problem in focus is the poor financial performance of government funded youth owned enterprises that comes as a result of inadequate Credit management skills. Despite government funded youth enterprises efforts to manage their debtors to achieve their set goals, many governments funded youth businesses have continuously had higher numbers of debtors that have resulted into poor financial performance of their enterprises. The government of Kenya has significantly increased effort and other stakeholders to ensure the success of government funded youth group businesses, but unfortunately, past statisticsindicate that government youth funded businesses exhibit high birth rate and high death rate with40% of the start- up failing by the year two and at lEast 60% closing their doors by thefourth year (Kenya National Bureau of Statistics, 2007). Study by Bowen et al 2009, established that up to 50% of the enterprises owned by the youths in operation have a deteriorating performance and are said to stagnate at small levels and hence do not progressively grow into large enterprises. This deteriorating performance has been associated with a lot of bad debts which occurs as a result failure to collect the Credits in time or debtors' failure to completely pay their debts due to them (Geopoll report, 2015). Rotich(2018) studied Influence of Financial Management Practices On Profitability of Government Funded Youth Group Businesses InKuresoiSub – County. From a sample of 96 respondents obtained from 32 government funded youth group, it was discovered that many businesses had little liquid cash, the rest was held in debt receivables that had not been recovered. Phenya(2011)on assessment of financial management skills on small retail business owners in Moroka municipality in south Africa. He selected of a sample of 45 business and collected the data which he rated the knowledge on debt receivables management on a Likert scale, Fifty-eight percent rated their knowledge as average, less than 10% as very poor and none of them regarded their skills as excellent in managing the debts. Many empirical literatures are on credit management in financial institutions and none of these studies has looked at effect of Credit management skills on the financial performance of government funded youth enterprises in WebuyeEastSub- County, BungomaCounty, Kenya.

1.3 Objectives of the study

The general objective of this study was to establish how Credit management practices affects financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty.

The specific objectives of the study were:

i. To establish the effect of credit terms on financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty.

1.4 Research Hypothesis

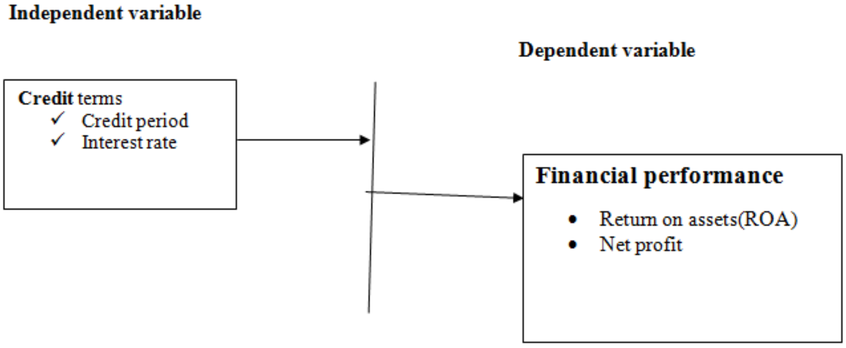
The study was guided by the following null hypothesis;

H_{01}: There is no significant relationship between credit terms and financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty.

1.5 Conceptual Framework

The conceptual base for this study was drawn from the theory of self-performance postulated by Bandura (1995). It "refers to beliefs in one's capabilities to organize and execute the courses of action required to manage prospective situations". Self-performance affects people's thoughts, feelings, actions, motivations, efforts, and determinations to confront the obstacles faced in life. High self-performance means that people are more likely to participate in activities in which they believe they can succeed. It promotes the premise that individuals have the potential to mitigate and improve their situations. Finally, the theory identifies factors that affect the success or failure of individuals, including their collective or group actions.

Figure 1: Conceptual Framework for the Stud



Source: Researcher (2022)

II. Literature Review

2.1 Introduction

This chapter reviewed literature and information from other researchers who had carried out their research on the same topic. The chapter reviewed literature on Credit management practices that include client appraisal, credit terms, collection policy, and credit risk. Theoretical and empirical reviews were also conducted.

2.2. Liquidity Preference Theory

The general idea of the liquidity preference theory was developed by J.M Keynes`s. In 1936 within a simplified model. According to Keynes, the rate of interest is purely **"a monetary phenomenon."** Interest is the price paid for borrowed funds. People like to keep cash with them rather than investing cash in assets. Thus, there is a preference for liquid cash. People, out of their income, intend to save a part. How much of their resources will be held in the form of cash and how much will be spent depend upon what Keynes calls liquidity preference, Cash being the most liquid asset, people prefer cash. And interest is the reward for parting with liquidity. However, the rate of interest in the Keynesian theory is determined by the demand for money and supply of money. According to the Liquidity Preference Theory money is held for different motives. Money can be held as transactional demand for money that is needed for day-to-day transactions. As there is a gap between the receipt of income and spending, money is demanded. Incomes are earned usually at the end of each month or fortnight or week but individuals spend their incomes to meet day-to-day transactions.

Keynes also asserts that money can be held as Precautionary Demand for Money: Future is uncertain. That is why people hold cash balances to meet unforeseen contingencies, like sickness, death, accidents, danger of unemployment, etc. The amount of money held under this motive, called **'Idle balance'**, also depends on the level of money income of an individual. People with higher incomes can afford to keep more liquid money to meet such emergencies. Keynes finally says money can be held as Speculative Demand for Money: The speculative motive refers to the desire to hold one's assets in liquid form to take advantages of market movements regarding the uncertainty and expectation of future changes in the rate of interest. The cash held under this motive is used to make speculative gains.

This theory helps government enterprises understand understands the environment of operation and other factors beyond this research that can have positive impact to their enterprises. They can hold cash in their business for speculative, transactional and precautionary. The theory controls help tocontrol credit to customers that end up not being paid on time or those Credits being declared as bad debts. Most government funded youth business fail as a result of lack of liquid cash to meet short term obligations this results because they fail to best manage their receivables. Therefore, using this theory government youth funded enterprises will not use all its loans to invest in inventories but some cash can be kept as speculative, precautionary and for transactional activities. This motive will cushion them against liquidity and only invest in projects or extend credits that have short payback period.

2.3 Credit Terms and Financial Performance

Wamasembe (2012) describes credit terms as the stipulation under which credit sales are made to clients by the firm. The stipulations involve: cash discount and credit period. An industry culture and practices can direct the credit period of a firm. The firm may widen the credit period or shorten the credit time. A firm tightens credit period by increasing sales and extension of credits hence increase in operating profits. With increased sales and extend credit period. According to kakuru (1998), found out that cash discount boosts collections due from customers and is used as a tool to increase sales. This will lead to the reduction in the level of debtors and associated costs.

Terms of credit in practice includes: the time of cash discount, the net credit period and the cash discount period. Saleh and Zeitun (2007) showed that credit period is the length of time taken to approve from the applicants to the issue of credit. Failure by customers to pay credit within a specified credit period would result to bad debts. The credit terms are measured by determining cost of bad debt arising when a business entity agree to credit a sum of assets to a debtor with expected repayment in a fixed period of time. This refers to the conditions under which a business lender advances credit to its customers.

Mutua(2016) investigated the impact of credit risk management on financial performance of savings and credit co-operative societies in KituiCounty. The General objective of this study was to assess the impact of credit risk management on financial performance of Savings and Credit Co-operative Societies in KituiCounty. The study used census survey on all 28 Saving and Credit Co-operative society in KituiCounty. Multiple linear regression model was used to analyze the data on the impact of credit risk management on financial performance of savings and credit cooperative societies in KituiCounty. The regression model established that there was a very strong positive relationship between credit monitoring and financial performance of SACCOs.

Matunda(2016) investigated the effect of credit policy on the financial performance of microfinance institutions in Nairobi County. The research objective was to establish the effect of credit policy on financial performance of microfinance institutions in Nairobi County. The study adopted correlation research design where 13 Micro Finance Institutions were selected for the year 2012 to 2014. The data collected was analyzed using analyses of correlation and regressing multiples to find out the degree up to how much credit policy influence financial performance of Micro Finance Institutions in Nairobi. The findings revealed that there was a significant relationship between financial performance of Micro Finance Institutions and credit standards, credit terms and conditions, and collection effort with R ranging from 0.498 to 0.235. From the findings it was established that credit terms affect the financial performance by a relatively moderate per cent.

III. Research Methodology

3.1 Research Design

This research implemented a descriptive research design. Descriptive studies depict attributes related with the Subject populace. Descriptive research designs are relevant in describing and explaining variables of interest such as financial performance, credit terms, client appraisal, credit collection policies and credit risk controls measures. The design enabled the researcher to describe the relationship between Credit management practices and financial performance within a certain period and develop recommendations for further study.

3.2 Target population

Target population is generally a large collection of individuals or objects that is the main focus of a scientific query/investigation Gaurav (2014). The target population as defined by Frederic (2010) is a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The target population for the proposed study were 45 members who were mainly treasurers of 45 government funded youth group businesses registered by ministry of ICT, innovation and Youth (2014) in WebuyeEastSubCounty and beneficiaries of the funds disbursed. Treasurers of the government youth funded enterprises were chosen as respondents due to their accessibility and availability and again they were involved in making important financial decisions involving management of the government funded youth businesses and records keeping.

3.3 Census survey

Since the population of the study is small, a census survey was adopted where data was collected from the 45 respondents. Census survey is the appropriate data collection design for a small heterogeneous population. Since the sample frame for the study was small and heterogeneous, census survey was adopted. According to Kothari (2008) the larger the sample size for a small population, the more accurate the results are likely to be and hence the choice of the census technique in the study

3.4 Data collection

The data collection instrument in this study was a questionnaire. According to Gaurav (2014), a questionnaire is defined as an instrument of data collection in which a respondent is asked to respond to some set of questions in a predetermined order. The research instrument was conveyed to the respondents through the drop and pick technique. Data collection was done and both primary and secondary data was collected. Structured questionnaires were used to collect primary data from the government youth funded in WebuyeEastSubCounty, whereas Secondary data was obtained from related materials in the periodicals, journals and books relevant to the study (Saunders and Thornhill, 2009). The data was collected using a self-administered questionnaire that contains close ended questions. Secondary data was derived from financial reports of 45 government funded youth group businesses registered by ministry of ICT for the period 2015 to 2019. Using a data collection sheet, financialperformance indicators of the government funded youth group businesses were collected.

3.5 Data Analysis and Presentation

Kothari (2009) argues that data collected can be processed, analyzed and presented in accordance with the outlined measures. The study data analysis involved the transformation of data into meaningful information for decision making, editing, error correction, rectification of omission and finally putting together or consolidating information. Kothari, (2013) argues that regression is the working out of a statistical relationship between one or more variables. Cooper and Schindler (2008) states that data analysis involves organizing, accounting for and explaining the data that make sense of the respondent's definition of the situations noting regularities, patterns, categories and themes. The research data collected was analyzed qualitatively and quantitatively. The researcher models for the study were; correlation analysis model, simple linear regression model,multiple regression models, and analysis of variance (ANOVA) model to show the effect and influence of the independent variables on the dependent variables. The simple linear regression model was depicted by the following equations:

$FP1= \beta0 + \beta1\ CT$

$FP= \beta0+\beta1CT +\varepsilon$

Where

FP= financial performance of government funded youth enterprises in Webuye East sub county:

(ROA= Net Income/Average Total Assets)

CT= credit term

The regression coefficient β0 is the intercept; while β1, β2, β3, and β4 are the net change in Y for each change of CT, CA, CP, and, CRC. The error term ε is a random variable with a mean of zero, which captures those variables that cannot be quantified. The study intends Statistical Package for Social Sciences to help in data analysis and use ANOVA to establish the significance of the regression model. The Statistical Package for Social Sciences (SPSS) Version 28.0 generated descriptive statistics such as frequencies, mean and standard deviation. The data was presented inform of tables.

IV. Data Analysis And Presentation

4.1 Reliability Analysis

This was performed to gauge the reliability of the five point Likert scale used in the questionnaire to evaluate the constructs of this study.

Table 1: Reliability Test Results

Variables (Constructs)	Number of items	Cronbach Alpha
Financial performance	5	0.898
Credit term	6	0.747
Client appraisal	6	0.629
Credit collection	6	0.624
Credit risk control	6	0.608

(Source: Pilot study results)

Findings of Table shows that Cronbach's alpha coefficient ranged between 0.608 (credit risk control) to 0.898 (financial performance), which exceeded the 0.6 lower levels of acceptability (Connelly, 2011) this indicated that measurement scales used in the study were sufficiently reliable and measured the variables for the study. Therefore, the study concluded that the study findings were reliable.

4.2 General Information of Respondents

This study established the demographic characteristics of government funded youth funded business enterprises. These characteristics include, gender, age, educational level, business type, number of years the time the business has been in operation

4.3 Gender of the Respondents

Findings related to the gender of the respondents are presented on Table 9

Table 2**: Gender of the respondents**

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	26	57.8	57.8	57.8
	Female	19	42.2	42.2	100.0
	Total	45	100.0	100.0	

Source: Researcher 2021

Table 9 shows the distribution of respondents by gender. The results show that 57.8%
were male while only 42.2% were female. This shows that both male and female youths are actively involved in running youth government funded enterprises in WebuyeEastSubCounty.

4.4. Age of the Respondents

Table3: Age of the Respondents

	Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 to 25	6	13.3	13.3	13.3
	26 to 30	19	42.2	42.2	55.6
	31 to 35	9	20.0	20.0	75.6
	36 and above	11	24.4	24.4	100.0
	Total	45	100.0	100.0	

Source: Researcher 2021

Table 10 shows distribution of youths running and operating business and are beneficiaries of government funds from WebuyeEastSubCounty. response rate shows 13.3% fall in the age bracket of 18 to 25, 42.2% falls in the age bracket of 26-30, 20.0% from the age of 31-35 years and 24.4% are 36 and above. Meaning out of those benefiting from government loan are youths who account for almost 76% of those operating business in WebuyeEastSubCounty.

4.5 Descriptive analysis of credit terms on financial performance

The first objective for the study was to establish the effect of credit terms on financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty. The study therefore, sought opinion of the youths who were involved in actively managing the youth enterprises who were beneficiaries of government loans by subjecting them to statements of facts in order to state their level of agreement based on a five-point scale. Rating of these statements was based on a five point Likert scale where: 1 – Strongly Disagree (SD), 2 – Disagree (D), 3 – Neutral (N), 4 – Agree (A), and 5 – Strongly Agree (SA) The findings are as shown in Table 17

Table 4: Credit terms practiced by government funded youth enterprises

Credit terms	SD 1	D 2	N 3	A 4	SA 5
Credit terms specifies the credit period given to customers for settlement of their Credits	2 4.4%	3 6.7%	3 6.7%	33 73.3%	4 8.9%
Credit terms specify the amount of interest charged on the Credit advanced to customers.	2 4.4%	4 8.9%	3 6.7%	23 51.1%	13 28.9%
Credit terms are evaluated by the trends in cash flow.	1 2.2%	5 11.1%	10 22.2%	21 46.7%	8 17.8%
Credit terms are important in ensuring that customers do not default their Credit repayment.	1 2.2%	2 4.4%	4 8.9%	23 51.1%	15 33.3%
Offer of discounts for early payment helps improve Credit repayment	3 6.7%	7 15.6%	9 20.0%	19 42.2%	7 15.6%
Credit terms are given after analysing customers credit history by checking their crediting ratings on listing boards	3 6.7%	4 8.9%	7 15.6%	22 48.9%	9 20.0%

Source: Researcher 2021

Table 17shows different practices by government youth funded enterprises on credit terms policy**.** The findings show that majority of the respondents were in agreement that Credit terms specifies the credit period given to customers for settlement of their Credits since73.3% agreed with the statement and 4.4% strongly agreed. 6.7% of the respondents were neutral,6.7% disagreed with the statement and 3.8% strongly disagreed. Majority of the respondents also agreed with statement that Credit terms specify the amount of interest charged on the Credit advanced to customers whereby 51.1% agreed and 28.9% strongly agreed. Those who were with contrary opinion were only few since 6.7% were neutral, 8.9% disagreed and 4.4% disagreed with the statement. As a way of applying credit terms before giving out goods or services to their customers' business owners evaluated the trend in their cash flows to know their liquidity this was supported by 46.7% who agreed, and 17.8% strongly agreed while 22.2% were neutral, 11.1% disagreed and 2.2% strongly disagreed. In order that customers do not default their Credit repayment some of the youths have created a credit term policy to help them recover their Credits where by majority of the respondents 51.1% agreed and 33.3% strongly agreed, those who with contrary opinion 8.9% were neutral, 4.4% disagreed and only 2.2% strongly disagreed with statement. Most of the respondents agreed that offer of discounts for early payment helps improve Credit repayment where 42.2% agreed, 15.6% strongly agreed, 20.0% were neutral, however 15.6% disagreed with the statement while 6.7% strongly disagreed. Credit terms are given after analysing customers' credit history by checking their crediting ratings on listing boards this was agreed by 48.9% and 20.0% strongly agreed, 15.6% were neutral, 8.9% disagreed with statement and 6.7% strongly disagreed. From the findings on credit terms it is clear that credit terms(Credit terms specifies the credit period given to customers for settlement of their Credits, Credit terms specify the amount of interest charged on the Credit advanced to customers, Credit terms are evaluated by the trends in cash flow, Credit terms are important in ensuring that customers do not default their Credit repayment, offer of discounts for early payment helps improve Credit repayment and Credit terms are given after analysing customers credit history by checking their crediting ratings on listing boards) influences financial performance of government funded youth enterprises as was supported by the majority of the respondents. These findings are in line with Muturi (2016) wo assessed the effect of credit management practices on loan performance in deposit taking microfinance banks in Kenya. The study found that the terms of credit, had an effect on the performance of the firms. This findings were also in line with Matunda (2016) who investigated the effect of credit policy on the financial performance of microfinance institutions in Nairobi County. The research objective was to establish the effect of credit policy on financial performance of microfinance institutions in Nairobi County. the findings revealed that there was a significant relationship between financial performance of Micro Finance Institutions and credit standards, credit terms. From the findings it was established that credit terms affect the financial performance by a relatively moderate per cent.

Table5: Trend of financial performance (return on asset)

	Mean	Std. Deviation	N
Return on asset in 2015	.4242	.13385	45
Return on asset in 2016	.4873	.17731	45
Return on asset in 2017	.5080	.19001	45
Return on asset in 2018	.4316	.14956	45
Return on asset in 2019	.3562	.13555	45

According to the respondents in table 21, majority of the government youth funded enterprises in WebuyeEastSubCounty had a marginal financial performance in the year 2019 as indicated by a mean of 0.3562 and according to figure 3 in year 5. The government funded youth enterprises had the highest financial performance in the year 2017 as indicated by a mean of .5080% on table 31 and year 3 according to figure 3. From the trend analysis, government youth funded enterprises in WebuyeEast financial performance is not stable. By the end of the year 2019, return on assets was the lowest with a mean of 0.3562% indicating declining financial performance of government funded youth enterprises. Financial stability is a very important tool that can be used to gauge the ability of government youth funded enterprises to generate value on shareholders' equity (Akbas, 2012) and (Eng, 2013). To ensure stability of government youth funded enterprises, Credit management practices to strictly be understood and well applied to fundamentally enhances the reliance and assurance of the investors (Martinov-Bennie & Kilgore, 2014)

4.6Relationship between Credit term and financial performance

The study sought to determine the strength and direction of the relationship between credit term and financial performance of government funded youth enterprises in WebuyeEastSubCounty, BungomaCountyKenya. This was achieved through Pearson Correlation analysis.

Table 6: Correlation between credit term and Financial Performance

		Financial performance
	Pearson Correlation coefficient (r)	0.564**
Credit term	Sig. (2-tailed)	0.025
	N	45

Source: researcher 2021

The findings of Pearson Correlation analysis (r= 0.564, p-value= 0.025) in table 22 indicate that there was a positive significant correlation between credit term and financial performance of government funded youth enterprises in WebuyeEastSubCounty, BungomaCountyKenya.

4.7 Simple Linear Regression Analysis between credit term and financial performance.

The researcher tested the hypothesis below in regard to credit terms;

H_{01}: There is no significant relationship between credit terms and financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty.

Table7:Simple Linear Regression Analysis between credit term and financial performance

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.564[a]	.318	.309	.8791638	.318	35.414	1	43	.001

a. Predictors: (Constant), CREDIT TERMS

b. Dependent Variable: ROA

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.373	1	27.373	35.414	0.025[b]
	Residual	58.743	43	.773		
	Total	86.115	44			

a. Dependent Variable: ROA

b. Predictors: (Constant), Credit Terms

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.021	.221		9.162	0.039
	Credit Terms	.494	.083	.564	5.951	0.025

a. Dependent Variable: ROA

Source: researcher 2021

The ANOVA test results from table 26 were F (1, 43) =35.41, p = 0.025< 0.05; an indication that the Simple Linear Regression model was a good fit to our dataset. The model (credit term) was able to explain 31.8% of the variation of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty, as indicated by the Adjusted R Square = 31.8. The regression beta coefficient showed that β=.494, *t =5.951, p=0.025<0.05*;Credit term had a positive standardized beta coefficient = 0.494 as shown in the coefficients results of Table 26; indicating that a unit improvement in the credit term was likely to result to an improvement in financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty by 0.494 times. therefore, the study rejected the null hypothesis and conclude that credit term has a statistically noteworthy impact on financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty.This is in line with the findings by Mutua (2016) who investigated the impact of credit risk management on financial performance of savings and credit co-operative societies in kituiCounty. To predict financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty when given the level of credit term, the study suggests the use of the following model;

$FP1 = \beta 0 + \beta 1\ CT$

Financial Performance = 2.021 + 0.494credit term.

The model means that (holding other aspects unbroken) a unit increase in credit term will lead to 0.494 times increase in financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty.

V. Summary, Conclusions And Recommendations

5.1 Credit Terms and Financial Performance

The first objective of this study was to establish the effect of credit terms on financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty. From the descriptive statistics many respondents agreed that credit terms if applied by government youth enterprises improves their business financial performance. The research also sought to determine the strength and direction of the relationship between credit term and financial performance of government funded youth enterprises in WebuyeEastSubCounty, BungomaCountyKenya.The findings of Pearson Correlation analysis (r= 0.564, p-value= 0.025) in table 22 indicate that there was a positive significant correlation between credit term and financial performance of government funded youth enterprises in WebuyeEastSubCounty, BungomaCountyKenya. Study further performed regression analysis to determine the nature of the relationships that existed between credit term policy and financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty. Using the ANOVA test results from table 26 of $F (1, 43) =35.41$, $p = 0.025< 0.05$The model (credit term) was able to explain 31.8% of the variation of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty, as indicated by the Adjusted R Square = 31.8. The regression beta coefficient showed that $\beta=.494$, $t =5.951$, $p=0.025<0.05$;Credit term had a positive standardized beta coefficient = 0.494 as shown in the coefficients results of Table 26; indicating that a unit improvement in the credit term was likely to result to an improvement in financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty by 0.494 times. Therefore, the study rejected the null hypothesis and concluded that credit term has a statistically noteworthy impact on financial performance of government youth funded enterprises in WebuyeEastSubCounty, BungomaCounty.This was in line with the findings by Mutua (2016).

5.2 Recommendations

Based on the findings of this study, the following recommendations are made;

i. The study recommends government funded youth enterprises to be trained on credit term policies to be used in their business to enhance good financial performance and ensures their survival on the market for a long time by knowing their customers and retaining them.

5.3 Suggestions for further research.

They study also suggest more study to be carried out on youth businesses, because there were some of the youths who strongly disagreed with the variables under study, therefore, more study will unveil those factors not in this study on top of credit management practices that affects financial performance to ensure sustainability of youth enterprises in short term and long term.

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