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An Empirical Evidence of Strategic Asset Allocation and Financial Performance of Projects Funded by Youth Enterprise Development Fund in Turkana County, Kenya

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Abstract The Kenyan government expects that the projects funded by Youth Enterprise Development Fund perform well financially for the benefit of the youth. However, there is poor financial performance as the projects funded by Youth Enterprise Development Fund have been defaulting in loan repayment and the ideal loan recovery rate of 100% has never been achieved. This sought to determine the effect of strategic asset allocation on financial performance of projects funded by Youth Enterprise Development Fund in Turkana County, Kenya. The study was founded on modern portfolio theory. Descriptive cross-sectional survey research design was used. A total of 300 projects which are fully registered and funded by Youth Enterprise Development Fund in Turkana County, comprised the study population. The study involved managers from a sample of 172 projects which are registered and funded by Youth Enterprise Development Fund in Turkana County. Simple random sampling was used to select the projects whose managers took part in the actual study. A pilot study was conducted in order to test the reliability of the research questionnaire and ensure its validity. Content validity of the research questionnaire was ensured through consultations with the supervisor while reliability was tested using Cronbach's alpha coefficient. Structured questionnaires were used to collect data. Both descriptive and inferential statistics were used for analyzing data. Descriptive statistics included frequency tables, percentages, means and standard deviations. Inferential statistics included multiple regression analysis and Pearson product moment correlation. Inferential statistics included multiple regression analysis and Pearson product moment correlation. It was noted that strategic asset allocation significantly predicts financial performance ($\beta_3 = 0.561$; $p < 0.05$). It was concluded that strategic asset allocation and tactical asset allocation significantly affect financial performance. It was recommended that strategic asset allocation should be enhanced in order to improve financial performance of projects funded by Youth Enterprise Development Fund in Turkana County, Kenya.

Keywords: *strategic asset allocation, financial performance, youth enterprise development*

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1. Introduction

The government gazettes the Youth Enterprise Development Fund (YEDF) in 2006 and it became a state corporation 2007. The fund provides other support services meant to ensure development of youth enterprises. This ensures that the young people take an active part in building the nation in order to achieve Vision 2030 [1]. The YEDF also assists in developing necessary infrastructure required to facilitate the development of youth projects, markets goods and services of the youth enterprises and promotes youth employment in other countries [1]. The establishment of YEDF has impacted on projects initiated by the youth. The disadvantage young people encounter is that incomes has to be shared among group members hence leading to little investment value for individuals involved in youth enterprise development [1].

The financial performance of a project can be defined as its success level which is measurable in monetary terms. It actually depicts the quality of a project which is measured by various valuable outcomes like returns attained [2,3]. Performance is usually measured subjectively by researchers as most organizations may not be willing to provide data in relation to finances [4]. This study will use return on net assets, return on investment, net income and residual income to measure financial performance on a five-point Likert scale [5,6]. Devinney, Yip and Johnson [7] proposed that at least three

dimensions of financial performance can be used as measures in research.

So as to improve on financial performance, investment decision is the key decision that is arrived at by the financial manager as it's important with regards to value generation. Capital investment refers to the apportionment of capital to projects of investment with future benefit realization. As the future benefits are unknown the projects of investment involve risk [8]. Subsequently, they should be examined in terms of the anticipated returns and risks because they are the factors that affect the valuation of the firm in the market place. Involved also in the decision making of investment is the option of capital reallocation when the asset is no longer viable to the economic commitment to it. It's then decided by the decision of investment the total amount of assets the project should give in possession of the firm, asset composition, the business complex risk of the firm as known by capital suppliers [8]. From a portfolio perspective, investment decision entails investment appraisal, risk budgeting, and asset allocation decision. Asset allocation could be done tactically or strategically [9,10].

In order to allocate assets to various units of the investment portfolio, investment appraisal is critical. Investment appraisal entails evaluating the viability of proposed investments/projects which require funding. Once a project's costs and benefits have been evaluated in terms of costs and benefits, the financial manager can then decide how much funds to invest in those projects. The financial manager must determine the project required rate of return which is based on risk of the project and is usually used as the discounting rate in capital budgeting [8]. When evaluating projects, the cash flows should be expressed in present value, owing to the time value of money, from modern capital budgeting perspective. Discounted cash flow techniques can be used in projects worth evaluation [8].

Tactical allocation of assets tries to give value to strategic asset allocation by locating opportunities in the short term which allows the reception of extra return. It's involved in the process overweighing of those classes of assets which are undervalued and under-weighing those that have been overvalued. The implication of these portfolio dynamics is that once an asset has reached the peak in terms of the value in the market, it is worthwhile to sell it because the value is likely to reduce in future [11]. Thus, by selling and buying certain assets in the portfolio at appropriate times, the financial manager can be able to take advantage of market dynamics and make gains on investment. The initial allowed level of tolerance set up for portfolio referencing is not supposed to change substantively [11].

Tactical asset allocation requires that appropriate portfolio decisions in the short-term to medium-term are made regarding cycles of business or market sentiment. Modifications of the mix of asset within the portfolio is the primary tactical portfolio strategy in view of the economic news or different various technical factors of markets [11]. Tactical asset allocation or market timing is often regarded as an active component of the process of decision making [9]. The markets for assets keep on incurring changes that affect the demand and supply of assets and this automatically impacts on asset values and prices. It is thus prudent to sell off assets at profitable prices to take advantage of such changes in the market environment [12].

Global Perspective of Decision Making Practices

In the United States of America, youth enterprises are financed by the Ambassador's Special Self-Help Fund in order to economically empower the young people. The investment decisions regarding the kinds of projects to finance that the owners of youth enterprises make determine the financial performance of the projects. These projects are usually completed within a year and become self-sustainable as a strategy of continuous or sustainable development of communities [13]. In the United States, tactical asset allocation (TAA) strategies adopted by youth enterprises ensure that the project portfolio can be adjusted to tap advantageous investment opportunities in diversified asset classes across regions and economic sectors. This strategy is critical in achieving reasonable risk-adjusted performance [12].

United States enterprises monitor markets and buy or sell assets possessed to ensure that losses in asset values are not encountered as forces of demand and supply result in asset value fluctuations [12]. In Canada, asset allocation strongly affects the pattern and level of returns of youth enterprises. However, the impact of asset allocation on performance among or across investments is tiny [9]. The manner in which assets are allocated in a project portfolio has an indirect influence on financial performance. This is because there are various investment classes that the financial manager considers while putting their funds into a given venture. These could be real assets or securities in the context of projects funded by YEDF. The idea behind having investments in various classes of assets is to diversify risk [9].

Risk is actually the probability that what was initially anticipated or planned in the financial realm may not be fulfilled as circumstances keep on changing in business. The portfolio manager must consider diversifying asset classes so that optimal financial performance is attained. Therefore, the investment of funds in various assets in portfolios of youth enterprises is thus critical in determining financial performance [9].

In Indonesia, asset allocation decisions with options to rebalance or reorganize the asset mix leads to improved financial performance in youth enterprises. The youth enterprises have to consider changing their mix of assets depending on the situation in the investment environment [14]. Assets that are likely to earn more returns are preferred and more funds are put into such initiatives so that the optimal risk-return performance can be attained by these enterprises. Some sectors may be desirable in the long term or the short term and thus it is important that youth enterprises make adjustments to the mix of assets in the portfolio if they are to achieve their initial financial objectives [14].

African Perspective of Decision Making Practices

In Nigeria, the Graduate Entrepreneurship Fund was established by the Bank of Industry to empower members affiliated to the National Youth Service Corps. Investment appraisal in the youth enterprises determines their financial performance as all the cash flow implications of investment are assessed [15]. The fund finances projects

of the young people after thorough assessment of the business ideas and certifying that their ideas result in marketable and bankable investment projects. This practice ensures that all funded youth projects experience sustainable financial performance [15].

In South Africa, the National Youth Development Agency finances projects started by young people aged between 18 to 35 years, in order to improve financial performance of youth projects [16]. The investments of the youth enterprises are appraised from the financial point of view among other requirements for successful operations and financial performance. The requirement to qualify for funding is possession of appropriate skills and experience as well as potential skills suited for the kind of investment to be undertaken [16].

In Rwanda, investment appraisal significantly and positively affects financial performance of youth enterprises. The projects of the youth are assessed in terms of financial viability to ensure that only positive net present value projects are financed [17]. This enables the young people to allocate their funds in projects that report positive financial performance. The future cash inflows and outflows as well as associated risks are estimated in order to ensure that the funded youth projects perform well financially [17].

In Uganda, the asset allocation decisions of youth enterprises determine financial performance. The investment projects of young people are appraised and financed for enhanced financial performance [18]. The Youth Venture Capital Fund addresses the problem of unemployment among young people. To enhance financial performance of youth projects, Ugandan government also supported youth enterprises development through financing for five years through Youth Livelihood Programme which was established in September 2013 [18].

Kenyan Perspective of Decision Making Practices

In Kenya, the YEDF aims to empower young people economically and financially in order to start up investment projects and earn a living. The fund also provides other support services meant to ensure development of youth enterprises. This ensures that the young people take an active part in building the nation in order to achieve Vision 2030 [1]. The YEDF provides finances to banks and licensed non-governmental organizations, among other financial intermediaries to advance credit to investment projects started by the young people. The fund also assists in developing necessary infrastructure required to facilitate the development of youth projects, markets goods and services of the youth enterprises and promotes youth employment in other countries [1].

The government allocated finances to the tune of 940,000 US dollars in youth projects across all the 47 counties of the Republic of Kenya between 2007 and 2012. The uptake of the funds provided by YEDF is generally very low [1]. Cumulatively, the YEDF has capacity built 508,368 youth on entrepreneurship and business opportunities and facilitated 10,767 youth in international and local product marketing as at May 2019 [1]. A total of 1,653 youth entrepreneurs have been facilitated to access affordable trading spaces as at May 2019. Aggregately, in 2017/18 financial year, a total of Sh549 million was disbursed to 109,840 youth, representing a 57 percent improvement compared to the FY 2016/17 financial year [1].

Cumulatively, the YEDF has disbursed loans amounting to Sh12.8 billion to 1,159,393 youth across the country. Out of this, Sh7.8 billion has been advanced through on-lending and leverage agreements with financial intermediaries while Sh4.97 billion has been disbursed directly [1]. The financial performance of projects funded by YEDF most of which are in the small and medium enterprise category has not been impressive In Turkana County. Most of the enterprises fail within the first few years of operation. Failure to pay back the loans which arises from inadequate proceeds from investment is common for the projects funded by YEDF in Turkana County [1].

In Kenya, asset allocation strategy adopted by youth enterprises funded by YEDF determines whether portfolio returns will be optimized or not [19]. Asset allocation youth enterprises funded by YEDF positively influences financial performance [20]. There is a positive and significant relationship between investment appraisal and financial performance of youth enterprises funded by YEDF. Investment appraisal enables investors in youth enterprises funded by YEDF to settle on a foreseeable better actual return increasing chances of success in their operations [19]. In Turkana County, projects funded by YEDF still fail whereas the projects are first appraised before they are funded. The relationship between investment appraisal and financial performance of these projects is by and large negative. However, the investment appraisal approaches differ in terms of sophistication and mostly simple techniques of appraising investments are used [1].

Statement of the Problem

The Kenyan government established the YEDF in order to empower young people economically and financially. It is thus of great concern to the government that the projects funded by YEDF perform well financially for the benefit of the youth [21]. However, there is poor financial performance as the projects funded by YEDF have been defaulting in loan repayment and the ideal loan recovery rate of 100% has never been achieved. The average rate of loan recovery was 58% in 2015 to 2016 financial year and was 88% in the 2018 to 2019 financial year. There was improved recovery rate of 18% between 2016 to 2017 financial year and 2017 to 2018 financial year [1]. Among the major challenges encountered by projects funded by YEDF are long maturity periods for investments and competitive business environment. The immediate effect of not mitigating these problems is poor financial performance and subsequent failure of projects funded by YEDF. This will be a great impediment to the achievement of vision 2030 as the youth determine the economic future of the country. Failure of youth or un-sustainability of youth projects results to poor living standards [22]. Investment decision making is essential in ensuring successful financial performance of projects funded by YEDF. From the review of relevant literature, it is evident that no study on investment decision making focused on its effect on financial performance of projects funded by YEDF both globally and locally. No study

specifically assessed the effect of investment appraisal, risk budgeting, strategic asset allocation and tactical asset allocation on financial performance of projects funded by YEDF. To bridge this gap, this study determined the effect of investment decision making practices on financial performance of projects funded by YEDF in Turkana County, Kenya.

Objective of the Study

To determine the effect of strategic asset allocation on financial performance of projects funded by Youth Enterprise Development Fund in Turkana County, Kenya.

Research Hypothesis: H_{01}: Strategic asset allocation has no significant effect on financial performance of projects funded by Youth Enterprise Development Fund in Turkana County, Kenya

2. Literature Review

Theoretical Review

The section discusses theories that give the platform for understanding relationship between investment decision making and performance. The study used modern portfolio theory.

Modern Portfolio Theory

In relation to the modern portfolio theory (MPT) whose pioneer is Markowitz in 1952, portfolio optimization entails balancing risk and returns in line with the financial practice of portfolio diversification [20]. MPT implies that there is need to optimize portfolios through either the minimization of the expected risk being for a given level of the returns anticipated or by the maximization of returns for certain risks. The theory of MPT relates to perfect capital markets, investors rationality and the absence of financial transaction costs [23]. The attractiveness and longevity of the theory of MPT is tied to its simplicity. It is possible to easily measure correlation of asset returns as well as risk using standard deviation. MPT explains that portfolios can be created by investors configured in a way to attain their goals and objectives [24].

Portfolio which maximize returns at different levels of volatility or minimize the expected volatility and different levels of returns are regarded as optimal thus lie on the efficient frontier. It's anticipated by MPT a relationship which is positive between expected returns and expected volatility [24]. In the current times in investment industries the decision of asset allocation is still the major element in the building of portfolio. Whereas there are many methods and theories created to help with the decision of asset allocation the theory of modern portfolio is still the most imminent. The theory of MPT elaborates the relationship between strategic asset allocation, tactical asset allocation and risk budgeting and the financial performance of projects funded by YEDF in Turkana county, Kenya [24].

Effect of Strategic Asset Allocation on Financial Performance of Projects

Brown, Garlappi and Tiu [9] carried out a study on asset allocation and the performance of portfolio on university endowment funds in the United States of America, Canada and Puerto. The assessed the relationship between the decisions of allocation of assets and performance in multiple classes of asset portfolios. It was observed that though endowment differed largely in asset class composition, policy portfolio returns and volatilities are quite similar across the sample. The performance of the endowment adjusted for risk is negligible, but funds that are managed in an active manner give out larger alphas as compared to the passive ones. This is similar to security managers utilizing their security selection abilities through the overweighing of the classes of assets in which they possess superior skills. The study was not carried out in Kenya. Additionally, the study was not specific on projects of youths funded by the YEDF.

Santacruz [25] assessed strategic asset allocation and the performance of portfolio in funds managed in Australia. The study was targeted at the confirmation of previous studies using the investment data of US that found out that strategic asset allocation was dominant as compared to other decisions of investment which are market timing and the selection of security. Applying data from the funds managed in Australia the total returns in relation to the magnitude and about 88% of the variability in total returns of portfolio is revealed to be accounted for by strategic asset allocation. However, the study was not carried out in Kenya. Additionally, it was not specific on the projects of youths funded by the YEDF.

Amayo [20] carried out a study on portfolio optimization and its impact on the performance of Kenyan commercial banks. It was revealed by the study findings that a significant positive relationship prevailed between asset allocation and performance in Kenyan commercial banks. This means that an increase in unit of asset allocation index results in a significant increase in the commercial banks performance. The findings revealed to a significant positive relationship between diversification of portfolio and performance in commercial banks in Kenya. However, the study did not examine the effect of strategic asset allocation on financial performance. Additionally, the study was not specific to projects of youths funded by YEDF.

Brinson, Hood and Bee bower [26] through their study tried to identify the determinants of portfolio performance using data from 82 large pension funds in the period 1977 to 1987. A structure to determine the contributions of the different policies in the process of investment management refers to the asset allocation policy, asset allocation and asset selection. The study revealed that 91.5 % in a portfolio returns are simply related to strategic asset allocation; the expansion of the performance attribution framework does not account only for the selection of security and the allocation of assets but also changes of the risk of portfolio characteristics because of the risk positioning of the individual assets. However, the study was not carried out in Kenya. Additionally, it was not specific on projects of youths funded by YEDF.

Ariemba, Evusa and Muli [27] undertook a study the impact of decision of investment on the financial performance of savings and credit cooperatives in Kitui central-sub County in Kenya. The researcher used time series data from 2006 to 2015 and undertook the study in 12 SACCOs in Kitui town which was a census survey. The researcher conducted multivariate analysis and also

correlation analysis in order to answer the research questions. The findings of the study showed only research and development decision had significant impact on the performance of SACCO whereas expansion decision and renewal decision didn't have any. However, the study did not examine the impact of strategic asset allocation on financial performance. Additionally, the study was not specific on youth's projects funded by YEDF.

Conceptual Framework

A conceptual framework can be defined as a collection of concepts that are widely explained and organized in a systematic manner to give a focus, rationale and an integration and interpretation tool for information that is mostly displayed abstractly using word models [28]. The foundation of the conceptual framework is on review of literature connected to the study. The independent variable for the study was strategic asset allocation whereas the dependent variable was financial performance of projects funded by YEDF in Turkana County, Kenya. Fig 2.1 reveals the conceptual framework.

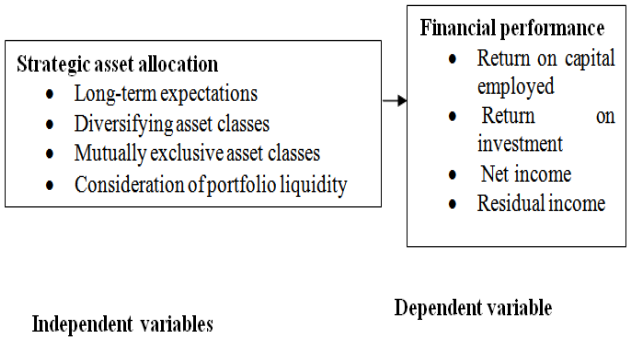

Figure 2.1. Conceptual Framework

3. Research Methodology

Research Design

The research framework that depicts how research problems being investigated will be solved is called the research design. Descriptive cross-sectional survey research design was used in this study. Variability in phenomena can be identified and described through descriptive research using questionnaires which seek to establish opinion of respondents on various aspects. This study was cross-sectional as it used data collected at a given time [13,29].

Target Population

Population refers to the elements or subjects under research investigation. Target population is the population about which findings will be generalized. The accessible population refers to the population that the researcher can manage to study given time and resource constraints. The accessible or study population can also be the target population depending on circumstances of the study [29]. This study targeted 300 projects which are registered and funded by Youth Enterprise Development Fund in Turkana County; and whose managers participated in the actual study.

Sampling Technique and Sample Size

Sampling refers to the selection of a few elements from the study population. This means that inferences about the population can be made based on sample results. A sample is thus a subgroup of the study population that enables the researcher to make conclusions about the entire sampling frame. The advantage of sampling is that it saves time and also enables one to conduct the research economically [29].

Yamane [30] provided a formula that can be used to determine the sample size assuming a level of confidence of 95% and significance level (e) of 0.05. The formula is depicted in Equation 3.1.

$$\mathbf{n} = \frac{\mathbf{N}}{1+\mathbf{N}\left(\mathbf{e}^2\right)} \qquad \text{Equation 3.1}$$

In Equation 3.1, n is the sample size and N is the population size. Applying the formula to the current study, the size of the sample can be calculated as presented in Equation 3.2.

$$\mathbf{n} = \frac{300}{1+300(0.05^{2)}} = 171.4286 = 172 \qquad \text{Equation 3.2}$$

Therefore, the sample of 172 projects which are registered and funded by Youth Enterprise Development Fund in Turkana County took part in the actual study. The projects whose managers participated in the study were selected through simple random sampling. Only one manager for each project was required to provide responses to questions posed by the researcher.

Data Collection Instruments

According to Saunders, Lewis and Thornhill [13], in choosing data collection methods, ensure that data obtained is accurate and convenient. Structured questionnaires were used to collect primary data. Quality is ensured when structured questionnaires are used to collect data. They are also economical and fast [31].

Pilot Study

Pilot study was carried out in similar projects from Uasin Gishu County which are funded by YEDF. Kothari [32] argues that a sample of 10% of the study sample is adequate for pilot study. This equals to 18 projects funded by YEDF. Pre-testing the research questionnaire aids in showing unclear questions so that they are re-examined until all subjects can understand it well. After revising the questionnaire, the actual study was conducted [33].

Validity of Research Instruments

Research validity implies that the study was conducted in line with the objectives and if the outcomes of the research process can be verified. The researcher ensured that the research questionnaire is valid. Validity means the accuracy of the research instrument in measuring what it is intended to [33]. The researcher ensured the content validity of the research questionnaire is upheld through consultations with the research supervisor. Content validity of the research questionnaire ensures that the concepts and variables in the study are correctly measured. It thus implies that if content validity is ensured, the research questionnaire fully measures the issues or attitudes intended to be measured by the researcher [33,34].

Reliability of Research Instruments

Reliability is a measure of the consistency of an instrument in measurement of variables. A reliable research questionnaire can produce similar results when administered to the same respondents more than once. The implication of having a reliable research questionnaire is that valid conclusions can be made based on research findings [33]. The researcher used the Cronbach's alpha coefficient to test the reliability of the research questionnaire. A coefficient of 0.7 and above is considered an indicator of acceptable reliability of the instrument [28].

Data Processing and Analysis

After collecting, cleaning and coding data, it was analysed using descriptive and inferential statistics. Descriptive statistics included frequencies, percentages, means and standard deviations. Inferential statistics included multiple regression analysis and Pearson product moment correlation. Tables, charts and graphs were used for data presentation.

The following multiple regression model was adopted by the study:

$$\mathbf{Y} = \boldsymbol{\beta}_0 + \boldsymbol{\beta}_1 \mathbf{X}_1 + \boldsymbol{\varepsilon} \qquad \text{Equation 3.1}$$

Where;

Y represents financial performance of projects funded by YEDF in Turkana County, Kenya.

$\boldsymbol{\beta}_0$ represents the y-intercept

$\boldsymbol{\beta}_1$, strategic asset allocation

$\mathbf{X}_1$, represent the independent variables

$\boldsymbol{\varepsilon}$ represent error term

4. Research Findings and Analysis

Response Rate

The researcher distributed a total of 172 questionnaires. Only 144 questionnaires were duly filled and returned. The response rate, which was 83.72%, was sufficient for analysis and reporting. A response rate of 50% is sufficient for analysis and reporting. Moreover, a response rate of 60% is good and a response rate of 70% and over is excellent [28]. A response rate of 50% is considered acceptable for analysis and reporting [25]. The analysis on response rate is depicted in Table 4.1.

Table 4.1. Response Rate

	Frequency	Percent
Questionnaires not returned	28	16.28
Questionnaires duly filled and returned	144	83.72
Total	172	100

Pilot Study Results

The Cronbach's alpha coefficient was used to assess the reliability of the research questionnaire. The results of analysis are shown in Table 4.2.

The results indicated that tactical asset allocation had the highest Cronbach's alpha coefficient (0.869). It was noted that financial performance of projects funded by YEDF in Turkana County, Kenya had a Cronbach's alpha coefficient (0.767) and that strategic asset allocation had a Cronbach's alpha coefficient (0.702). This implies that the research questionnaire was reliable as all the five variables had Cronbach's alpha coefficients greater than 0.7.

Table 4.2. Reliability of the Research Questionnaire

Constructs	Cronbach's Alpha Coefficient	Test Items
Financial performance of projects funded by YEDF in Turkana County, Kenya	0.767	4
Strategic asset allocation	0.702	4

Distribution of Respondents by Gender

This study examined how the respondents were distributed according to their gender. The results of the analysis are presented in Table 4.3.

Table 4.3. Distribution of Respondents by Gender

Gender of respondent	Frequency	Percent
Male	73	50.7
Female	71	49.3
Total	144	100.0

It was established that 73 (50.7%) respondents were male while 71 (49.3%) were female. This implies that the respondents were fairly distributed in terms of gender.

Distribution of Respondents by Duration in the Group

The study also examined the distribution of respondents based on duration the time they had been in their groups. Results of analysis are shown in Table 4.4.

Table 4.4. Distribution of Respondents by Duration in the Group

Time	Frequency	Percent
3 to 4 years	76	52.8
Over 4 years	48	33.3
1 to 2 years	20	13.9
Total	144	100.0

It was found out that 76 (52.8%) respondents had worked in their organizations for 3 to 4 years. 48 (33.3%) respondents had worked in their organizations for over 4 years. 20 (13.9%) respondents had worked in their organizations for 1 to 2 years. This implies that the respondents were generally conversant with investment and performance in their organizations.

Distribution of Respondents by Educational Level

The study further sought to ascertain the educational levels of respondents. These results are shown in Table 4.5.

Table 4.5. Highest Educational Level of Respondents

Educational Level	Frequency	Percent
Post-secondary	64	44.4
Secondary	63	43.8
Graduate	17	11.8
Total	144	100.0

The study established that 64 (44.4%) respondents had attained post-secondary education. It was also found out that 63 (43.8%) respondents had completed secondary education. 17 (11.8%) respondents had completed undergraduate education. These findings indicate that

majority of the respondents had attained at least post-secondary education.

Distribution of Respondents by Age

The study also examined distribution of respondents according to their age brackets. The results of this analysis are shown in Table 4.6.

Table 4.6. Age Bracket of the Respondent

Department	Frequency	Percent
18 to 35 years	144	100.0
Above 35 years	0	0.0

The study findings indicate that 144 (100.0%) respondents were aged between 18 to 35 years. This implies that all the respondents were the youth targeted by YEDF and hence the right information was gotten from the respondents.

Descriptive Analysis

The researcher also sought the opinions of respondents on investment decision making practices and financial performance of projects funded by YEDF in Turkana County, Kenya. The respondents were required to indicate their level of agreement/disagreement with various statements on a five-point Likert scale. The frequencies (Freq.) and percentages (Perc.) for each response were recorded.

Effect of Strategic Asset Allocation on Financial Performance of Projects Funded by Youth Enterprise Development Fund

The study also examined the opinion of respondents on effect of strategic asset allocation on financial performance of projects funded by Youth Enterprise Development Fund in Turkana County, Kenya. The results of analysis are presented in Table 4.7.

It was found out that 58 (40.3%) respondents disagreed that funds are usually invested to acquire project assets based on long-term expectations of returns and risk. 62 (43.1%) respondents agreed that funds are usually invested to acquire project assets based on long-term expectations of returns and risk. It was noted that the respondents were undecided on whether funds are usually invested to acquire project assets based on long-term expectations of returns and risk or not (mean = 3.11; Std = 1.275). 48 (33.4%) respondents disagreed that the project assets are usually acquired based on the principle of having a number of assets whose returns don't vary in the same direction so as to minimize risk and optimize investment. 75 (52.0%) respondents agreed that the project assets are usually acquired based on the principle of having a number of assets whose returns don't vary in the same direction so as to minimize risk and optimize investment. The respondents were undecided on whether the project assets are usually acquired based on the principle of having a number of assets whose returns don't vary in the same direction so as to minimize risk and optimize investment or not (mean = 3.23; Std = 1.378).

The findings show that 44 (30.6%) respondents disagreed that the various assets acquired by the project are mutually exclusive. 69 (47.9%) respondents agreed that the various assets acquired by the project are mutually exclusive. It is shown that the respondents were undecided on whether the various assets acquired by the project are mutually exclusive or not (mean = 3.17; Std = 1.297). It was revealed that (15.3%) respondents disagreed that assets are acquired by the project in such a way that no investment class of assets results in liquidity crisis. 89 (61.8%) respondents agreed that assets are acquired by the project in such a way that no investment class of assets results in liquidity crisis. The respondents agreed that the assets are acquired by the project in such a way that no investment class of assets results in liquidity crisis (mean = 3.65; Std = 1.040).

Table 4.7. Survey Findings for Strategic Asset Allocation

	Statements		Total	SD	D	UD	A	SA	MN	STD
i	Funds are usually invested to acquire project assets based on long-term expectations of returns and risk	Freq.	144	13	45	24	37	25	3.11	1.274
		Perc.	100	9.0	31.3	16.7	25.7	17.4		
ii	The project assets are usually acquired based on the principle of having a number of assets whose returns don't vary in the same direction so as to minimize risk and optimize investment	Freq.	144	23	25	21	46	29	3.23	1.378
		Perc.	100	16.0	17.4	14.6	31.9	20.1		
iii	The various assets acquired by the project are mutually exclusive	Freq.	144	22	22	31	47	22	3.17	1.297
		Perc.	100	15.3	15.3	21.5	32.6	15.3		
iv	Assets are acquired by the project in such a way that no investment class of assets results in liquidity crisis	Freq.	144	4	18	33	58	31	3.65	1.040
		Perc.	100	2.8	12.5	22.9	40.3	21.5		

Table 4.8. Survey Findings for Financial Performance of Projects Funded by YEDF in Turkana County, Kenya

	Statements		Total	SD	D	UD	A	SA	MN	STD
i	The earnings after interest and tax for every shilling of capital employed in the project is increasing	Freq. Perc.	144 100	17 11.8	34 23.6	34 23.6	35 24.3	24 16.7	3.10	1.272
ii	The earnings after interest and tax for every shilling invested in investment/total assets is increasing	Freq. Perc.	144 100	21 14.6	33 22.9	27 18.8	39 27.1	24 16.7	3.08	1.325
iii	The annual earnings after interest and tax are increasing	Freq. Perc.	144 100	17 11.8	30 20.8	40 27.8	41 28.5	16 11.1	3.06	1.190
iv	The operating income of the project less charge on investment is rising	Freq. Perc.	144 100	16 11.1	32 22.2	38 26.4	38 26.4	20 13.9	3.10	1.219

Financial Performance of Projects Funded by YEDF in Turkana County, Kenya

The study also analyzed the views of respondents on financial performance of projects funded by YEDF in Turkana County, Kenya. The results are shown in Table 4.8

It was found out that 51 (35.4%) respondents disagreed that the earnings after interest and tax for every shilling of capital employed in the project is increasing. 59 (41.0%) respondents agreed that the earnings after interest and tax for every shilling of capital employed in the project is increasing. It was noted that the respondents were undecided on whether the earnings after interest and tax for every shilling of capital employed in the project is increasing or not (mean = 3.10; Std = 1.272). 54 (37.5%) respondents disagreed that the earnings after interest and tax for every shilling invested in investment/total assets is increasing. 63 (43.8%) respondents agreed that the earnings after interest and tax for every shilling invested in investment/total assets is increasing. The respondents were undecided on whether the earnings after interest and tax for every shilling invested in investment/total assets is increasing or not (mean = 3.08; Std = 1.325).

The findings indicate that 47 (32.6%) respondents disagreed that the annual earnings after interest and tax are increasing. 57 (39.6%) respondents agreed that the annual earnings after interest and tax are increasing. The annual earnings after interest and tax are increasing the annual earnings after interest and tax are increasing or not (mean = 3.06; Std = 1.190). 48 (33.3%) respondents disagreed that the operating income of the project less charge on investment is rising. 58 (40.3%) respondents agreed that the operating income of the project less charge on investment is rising. The respondents were undecided on whether the operating income of the project less charge on investment is rising or not (mean = 3.10; Std = 1.219).

Multiple Regression Analysis

Multiple regression analysis was conducted in line with the specific objectives of this study.

Table 4.9. Multiple Regression Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.870	.756	.749	.50623

a. Predictors: (Constant), strategic asset allocation

b. Dependent Variable: Financial performance of projects funded by YEDF in Turkana County, Kenya

It was found out that there is a positive and strong relationship between investment decision making practices and financial performance of projects funded by YEDF in Turkana County, Kenya (R = 0.756). The findings indicate that 74.9% of the variation in financial performance of projects funded by YEDF in Turkana County, Kenya can be explained by strategic asset allocation (R^2_{adj} = 0.749). This implies that investment decision making practices determine financial performance of projects funded by YEDF in Turkana County, Kenya. However, the error of the model in predicting financial performance of projects funded by YEDF in Turkana County, Kenya is 0.50623.

The researcher also examined the fit of the multiple regression models for the data collected using regression analysis of variance (ANOVA). The relevant results of ANOVA are shown sin Table 4.10.

Table 4.10. Results of ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	110.418	4	27.605	107.716	.000
Residual	35.622	139	.256		
Total	146.040	143			

a. Predictors: (Constant), Strategic asset allocation

b. Dependent Variable: Financial performance of projects funded by YEDF in Turkana County, Kenya

It was found out that there is a statistically significant relationship between investment decision making practices and financial performance of projects funded by YEDF in Turkana County, Kenya (F = 107.716; p < 0.05). Hence, the regression model was a good fit for the data. Furthermore, emphasis should be placed on strategic asset allocation and tactical asset allocation as they positively affect the financial performance of projects funded by YEDF in Turkana County, Kenya.

Hypotheses Test Results

The study also conducted the t-test to ascertain the statistical significance of the regression coefficient of each independent variable. The relevant results of analysis are presented in Table 4.11.

The research hypothesized that there is no significant relationship between strategic asset allocation and financial performance of projects funded by YEDF in Turkana County, Kenya. The study established that strategic asset allocation significantly predicts financial performance of projects funded by YEDF in Turkana County, Kenya (β_3 = 0.561; p < 0.05. Therefore, null hypothesis was rejected. This implies that improving strategic asset allocation by 1 unit improves financial performance of projects funded by YEDF in Turkana County, Kenya by 0.561 units. The coefficient of strategic asset allocation was included in the final prediction equation. The findings agree with results of a study by Brown, Garlappi and Tiu [9] which suggested that strategic asset allocation decisions positively affect portfolio performance and Santacruz [25] whose results noted that about 88% of the variability in total returns of portfolio in funds managed in Australia is accounted for by strategic asset allocation. The study findings also agree with study results by Brinson, Hood and Beebower [26] which revealed that 91.5 % in a portfolio returns are simply related to strategic asset allocation and Amayo [20] who noted that a significant positive relationship prevailed between asset allocation and performance in Kenyan commercial banks.

Table 4.11. Evaluating Individual Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.155	.186		.832	.407
Strategic asset allocation	.561	.064	.555	8.772	.000

a. Dependent Variable: Financial Performance of Projects Funded by YEDF in Turkana County, Kenya

The results of the t-test of individual regression coefficients show that only two independent variables would be included in the regression equation as they were significant (p < 0.05). The final regression function is shown in Equation 4.1.

$$\mathbf{Y} = 0.155 + 0.561\mathbf{X}_3 + +\boldsymbol{\varepsilon} \quad \text{Equation 4.1}$$

The findings indicate that improving strategic asset allocation by 1 unit enhances financial performance of projects funded by YEDF in Turkana County, Kenya by 0.561 unit (β_3 = 0.561; p < 0.05).

5. Summary, Conclusions and Recommendations

Summary of the Study

The study findings indicate that strategic asset allocation has a significant effect on financial performance of projects funded by Youth Enterprise Development Fund in Turkana County, Kenya. Thus, improving strategic asset allocation by enhances financial performance of projects funded by YEDF in Turkana County, Kenya.

Conclusions of the Study

The research concluded that since strategic asset allocation positively and significantly affects financial performance of projects funded by YEDF in Turkana County. It is thus important for the fund to strategically allocate funds to youth enterprises to enhance the performance.

Recommendations of the Study

It was recommended that strategic asset allocation should be enhanced in order to improve financial performance of projects funded by YEDF in Turkana County.

Suggestions for Further Studies

This study suggests that future researchers should examine the effect of investment decision making practices focused on in this paper on financial performance of micro, small and medium enterprises in Turkana County. That will allow them to focus on a wider range of businesses including those funded by YEDF.

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List of Appendices

Appendix I: Research Questionnaire for Project Manager

This questionnaire is intended to gather information for an academic study entitled *"investment decision making practices and financial performance of projects funded by youth enterprise development fund in Turkana County, Kenya"*. The data collected is purely for academic purposes and any information given will be treated as confidential.

Questionnaire Number [ ]

Section A: Personal Information
Kindly tick (√) against the correct answer

1. What is your gender?

   Male [ ] Female [ ]

2. What is your highest level of education?

   Primary [ ] Secondary [ ] Post-secondary [ ] Graduate [ ]
   Post graduate [ ]

3. For what period of time have you been a member of your youth group?

   1 - 2 years [ ] 3 - 4 years [ ] More than 5 years [ ]

4. Please indicate your age bracket

   Less than 18 years [ ] 18-35 years [ ] above 35 years [ ]

INSTRUCTIONS FOR SECTIONS B, C, D, E AND F

You are required to indicate your level of agreement/disagreement with the statements in the tables provided using the following 5-point Likert scale: 1 = Strongly disagree; 2 = Disagree; 3= Neutral; 4 = Agree and 5 = Strongly Agree. Kindly put a tick (√) against the correct choice.

Section B: Investment appraisal

	Statements	5 Strongly agree	4 Agree	3 Neutral	2 Disagree	1 Strongly disagree
i	The expected cash inflows and outflows for potential projects are usually estimated					
ii	Only viable projects are usually financed based on return analysis					
iii	Future cash flows are usually expressed in terms of value today when evaluating potential investments					
iv	The implications of qualitative factors which cannot be fitted into analysis of cash flows are usually considered					

Section C: Risk budgeting

	Statements	5 Strongly agree	4 Agree	3 Neutral	2 Disagree	1 Strongly disagree
i	The overall risk of the investments of the projects is usually assessed					
ii	The risk of each asset in the set of total investments is usually determined					
iii	The proportion of investments in the total set of investments for the project is usually based on risk contributions					
iv	Changes in the risk of the set of investments for the project are usually assessed					

Section D: Strategic asset allocation

	Statements	**5 Strongly agree**	**4 Agree**	**3 Neutral**	**2 Disagree**	**1 Strongly disagree**
i	Funds are usually invested to acquire project assets based on long-term expectations of returns and risk					
ii	The project assets are usually acquired based on the principle of having a number of assets whose returns don't vary in the same direction so as to minimize risk and optimize investment					
iii	The various assets acquired by the project are mutually exclusive					
iv	Assets are acquired by the project in such a way that no investment class of assets results in liquidity crisis					

Section E: Tactical asset allocation

	Statements	**5 Strongly agree**	**4 Agree**	**3 Neutral**	**2 Disagree**	**1 Strongly disagree**
i	The project assets which are undervalued are usually given greater weight and acquired as their future prospects of value increase are high					
ii	The risk tolerance level with reference to the initial strategic asset allocation is usually considered in market timing					
iii	The investments in various assets are usually made considering short term changes that can result to profits					
iv	The amount of funds invested in the mix of assets of the project is usually altered based on market changes					

Section F: Financial Performance of projects funded by Youth Enterprise Development Fund in Turkana county, Kenya

	Statements	**5 Strongly agree**	**4 Agree**	**3 Neutral**	**2 Disagree**	**1 Strongly disagree**
i	The earnings after interest and tax for every shilling of capital employed in the project is increasing					
ii	The earnings after interest and tax for every shilling invested in investment/total assets is increasing					
iii	The annual earnings after interest and tax are increasing					
iv	The operating income of the project less charge on investment is rising					