M-SHWARI LOAN ACCESS AND EFFECTS ON EMPLOYMENT AND INVESTMENT IN YOUTH-OWNED MSES IN ONGATA-RONGAI, KENYA

BY

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ACRONYMS

BoP	Bottom of the Pyramid
CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
CGAP	Consultative Group to Assist the Poor
FII	Financial Inclusion Insights
FSD	Financial Sector Deeping
FSDA	Financial Sector Deeping Africa
KCB	Kenya Commercial Bank
KNBS	Kenya National Bureau of Statistics
KI	Key Informant
Ksh	Kenya shilling
MFI	Micro Finance Institution
MSEs	Micro and Small Enterprises
MSME	Micro, Small and Medium Establishment
YEDF	Youth Enterprise Development Fund

DEDICATION

To

Mum and dad

For your constant encouragement to take this path, thank you very much

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ABSTRACT

This research project sought to explore effects of access to M-Shwari loan on youth-owned micro and small enterprises in Ongata-Rongai, Kenya by establishing the characteristics of youth-owned MSEs using M-Shwari loans, the nature of M-Shwari loans accessed, immediate use of M-Shwari loans by youth-owned MSEs and establishing the relationship between M-Shwari loan access, employment and investments in youth owned MSEs. This study was framed on the theory of finance and development and guided by financial inclusion from capability approach model. The study employed mixed method design employing both qualitative and quantitative research. The qualitative method involved the use of interview guides administered to both key informants and selected youth-owned MSEs for case studies. The quantitative technique involved administering questionnaires to randomly sampled youth-owned MSEs in the study area. A total of 53 youth-owned MSEs drawn from a population of 283 youth-owned MSEs were interviewed. The finding of this study shows that a majority of owners of youth-owned MSEs have completed secondary school and have stalls selling vegetables and fruits. Youth-owned MSEs got into business with the motive of self-employment and livelihood sources. Casual jobs and short term contracts are important sources of start-up capital for the youth-owned MSEs. M-Shwari loan is the most utilised mobile platform loan by the youth-owned MSEs. Categories of youth-owned MSEs utilizing M-Shwari loans are regular monthly borrowers who are the majority, weekly borrowers, one time borrowers, periodic borrowers, proxy borrowers, those who borrow loans from more than one mobile platform and defaulters. Access to M-Shwari loan plays a critical role in easing consumption, meeting the basic needs, adding business stock and smoothing cash flow in youth-owned MSEs .On employment, M-Shwari loan facilitated a few youth-owned MSEs in providing employment opportunities while on investments, a majority of youth-owned MSEs believe that M-Shwari loans facilitate investments. However, the relationship between access to M-Shwari loan and investment yielded a Cramer's V of .363 with a contingency coefficient of .341 and a Pearson's Chi-square of .509 showing no relationship. Overall, M-Shwari loans are important to the youth-owned MSEs for their investments, achieving personal goals, improving their well-being, enhancing livelihood streams, in addition to financially including the entrepreneurs and enabling their development of financial capabilities through financial empowerment.

1.0 CHAPTER ONE

1. INTRODUCTION

Access to finance is important to both the development of the nation and to the micro and small enterprises (Atieno, Baroko & Bokea, 2011). Finance contributes to the society and economy in four principal ways which are: payments, matching lenders with borrowers thus important to savings, management of personal finances and fourth, mitigating risks for both businesses and individuals (Kay, 2015). In looking at access to finance and development, the importance of MSE cannot be ignored. MSEs play a vital in creating employment and in enhancing livelihoods among many other benefits. In line with this, the government of Kenya through the MSME Act 2012 commits to mainstreaming youth activities including the youth-owned MSEs within the sector (KNBS, 2016). Even though youth-owned MSEs have been prioritised as part of the government agenda, they still face the challenge of accessing finance through the conventional ways and therefore need to seek alternatives in financing their enterprises. M-Shwari loan is one of the alternative ways of accessing finance and it is delivered via mobile platform. Linking access to M-Shwari loan and its effects on youth-owned MSEs, in addition to understanding various ways youth-owned MSEs utilize M-Shwari loans is important in digital finance development. This forms the basis of this research.

M-Shwari is a joint venture between Commercial Bank of Africa (CBA) and mobile phone company Safaricom, providing savings and credit over the M-Pesa payment platform (FSD, 2013; Cook & McKay 2015). M-Shwari is one of the many financial products that leverage on mobile money platform to enable payment (FSD, 2013). Launched in November 2012 (Abayo & Oloko, 2015), M-Shwari can be described as an important step in achieving financial inclusion. In Kenya, growth in bank accounts is driven by the growth in Mobile bank accounts e.g. M-Shwari and KCB - M-Pesa, a reason to look at them as drivers in financial inclusion. Mobile bank accounts and informal groups are also the dominant sources of credit for everyday needs (FSD, 2016).

M-Shwari accounts are issued by CBA and linked to M-Pesa accounts provided by Safaricom (Cook & McKay, 2015). Depositing and withdrawing from M-Shwari is through M-Pesa wallet on the M-Pesa toolkit (Cook & McKay, 2015). Safaricom uses the know your customer data, customer's airtime and M-Pesa usage footprints to enable CBA's account opening and credit scoring (Cook & McKay, 2015). Using the airtime and M-Pesa history, some customers qualify right away while others have to demonstrate credit-worthiness (Cook & McKay, 2015). M-Shwari imitates the way low-income Kenyans manage their money, a reason behind its success (Cook & McKay, 2015). Kenyans balance the need for short-term liquidity and a return for the future investments (Cook & McKay, 2015). The greatest strength of M-Shwari among the customers appears to be the ability to save for short-term while increasing credit limit in future (Cook & McKay, 2015). The common loan size is small, at Ksh. 1,250 with the loan limit duration at 30 days (Cook & McKay, 2015). The accounts are subjected to regulations by banks requiring customers' verification of identification (Cook & McKay, 2015).

In this study, access to M-Shwari as defined by Cook & McKay (2015) where the right to use M-Shwari once a customer has opened an M-Shwari account and deposited at least Ksh one (1), will be adopted. M-Shwari operates on the USSD (Unstructured Supplementary Service Data) or quick code, a protocol used by Global System for Mobile Communication (GSM) which is currently the suitable option to serve the low income customers (Hanouch & Chen, 2015).

M-Shwari can be described as a product that followed the path of M-Kesho innovation. M-Kesho was initially launched with similar features to M-Shwari and was used to verify financial gap amongst the low income even though M-Kesho failed to scale up (FSDA, 2016). M-Shwari is one of the digital products offered in Kenya. CGAP distinguishes digital credit from conventional ones by stating that digital credit is instant, automated, and remote (Chen & Mazer, 2016). Loan application, disbursements, and repayment are done remotely, via mobile channel (Hwang & Tellez, 2016). Parada & Bull (2014) state that approved funds are immediately availed on a borrower's M-Pesa account. The M-Pesa account of a user serves as collateral against non-payment (Parada & Bull, 2014).

Loan eligibility in M-Shwari requires a customer to have used M-Pesa for at least six months (Hwang & Tellez, 2016).

1.1 Background of the research

Globally and locally, youth unemployment remains one of the biggest challenges in the 21st century. It is estimated that 88 million youths are unemployed or underemployed worldwide (Mwangi & Namusonge, 2015). One of the possible solutions to youth unemployment is the micro and small enterprises. Apart from their potential in solving unemployment, youth-owned MSEs are also considered a viable approach to sustainable development (Njuguna, 2015). This is because MSEs are effective in utilising local, social and natural resources (Namatovu et al., 2012).

Micro and small enterprises have the potential to generate employment opportunity and income to a great percentage of the population in both the developed and developing world (Atieno, 2009). In discussing the MSEs in terms of employment, micro enterprise employs less than ten employees while small enterprises employ between ten and fifty employees (KNBS, 2016). This study will adopt the definition of employment as per KNBS. Employment will be a key variable in analysing of effects of access to credit and on a MSE. The development of MSEs has been identified as one of the strategies for industrialisation, employment generation and poverty reduction in Kenya (Atieno, 2009). A case in point is the over 50% of new jobs in 2005 in Kenya created by MSEs (Kanyari & Namusonge, 2013).

Despite the potential exhibited by micro and small enterprises, access to finance remains a major obstacle (KNBS, 2016). The challenge is higher in youth-owned MSEs. Youth-owned MSEs fail to access finance since markets prefer financing established business (Mwangi & Namusonge, 2015). Youth-owned MSEs are also hindered by little experience and less assets (Mwangi & Namusonge, 2015), in addition to recurring shortage of working capital (Mead & Liedholm, 1998).

In Kenya, access to loans from commercial banks is difficult for MSE due to high interest rates, lack of collateral and the burden that comes with the loan (KNBS, 2016). The requirement for collateral is a common practice in Kenya (KNBS, 2016; Atieno 2009). Most of the MSE lack collateral thus considered credit unworthy (Atieno, 2009). The sluggish development of MSE is rooted on inability to access financial resource (Atieno, 2009; Nkurunziza, 2005; KNBS, 2016).

Finance is a catalyst for firms' expansion thus insufficient access harm the overall economic growth (Prediger & Gut, 2014). Access to bank loans in Kenya is further associated with: employment, education, age, gender and locality (Johnson and Arnold, 2012). Age and employment status lock out youths owning MSEs since they are neither employed nor of the age that commonly access bank loans.

Kenya has recently begun improving her access to finance. Kenya's financial landscape has been shaped in the recent past by two major breakthroughs. These phenomena are first, the growth of Equity Bank and second, the successful development of M-Pesa a mobile based money transfer service (Johnson & Arnold, 2012; Upadhyaya & Johnson 2015). In Kenya there are 43 licensed commercial banks, nine Deposit Taking Microfinance Institutions (DTMs), over 3000 Savings and Credit Cooperatives (SACCOs), 125 foreign exchange bureaus, one mortgage finance company, one Postal Savings Bank and an Association of Microfinance Institutions (AMFI) (Omwansa & Waema, 2014). In addition to this, the rapid uptake of mobile financial services carries the prospects of 'cash-lite' financial systems with lower costs and higher accessibility levels (Omwansa & Waema, 2014).

The proportion of adults in Kenya utilising different financial services stood at 66.7% in 2013 in comparison to 41.3% in 2009 and 27.4% in 2006 while the proportion of adult population totally excluded from financial services declined to 25.4% in 2013, compared to 31.4% in 2009 and 39.3% in 2006 (CBK & FSD Kenya, 2013). CBK (2013), states that Kenya's financial landscape has significantly transformed over the period 2006-2013. This can also be witnessed through the financial surveys and studies done by FSD Kenya (CBK-FSD, 2013).

1.2 Problem statement

Access to finance is important in promoting the development of MSEs (Atieno et al., 2011; Beck & Demirgüç-Kunt, 2008). Financial development enhances inclusion (Demirgüç-Kunt, 2008; World Bank, 2008). Financial inclusion from capability approach facilitates freedom of choice (Storchi & Johnson, 2016). Choices may include: taking advantage of investment opportunities for MSEs (World Bank, 2008), balancing every day needs and future investments (Cook & McKay, 2015), increasing stock (Zollman, 2016), working capital (Mazer, McKee and Fiorillo, 2014) and closing the gap between every day needs and irregular income (Storchi & Johnsons, 2016).

Financial development implicitly increases access to credit. However, access to credit is often linked to conventional sources. The conventional sources of finance include formal bank loans, trade credits, ROSCAs, Micro-finance loans and government loans. These conventional sources either have high transaction costs or barriers that exclude majority of the youth-owned MSEs (Ngugi et al., 2016; Akoten, Sawada & Otsuka, 2006), reason enough to improve financial services.

Attempts at improving access to finance through projects such as loans via MFI and expansion of commercial banks in Kenya have been made in the recent past, yet these too have failed to include youth-owned MSEs (Johnson & Arnold, 2012). Parada & Bull (2014) posit that traditional microfinance models are either costly or difficult to deliver in remote places. Using mobile financial technology widens access to finance for MSEs and individuals (Demirgüç-Kunt & Klapper, 2013). With the success of M-Pesa, transformation was anticipated in Kenya (Atieno et al., 2011). The M-Pesa revolution has been essential in providing savings and lending services via mobile phone through M-Shwari. M-Shwari has majority of its users who are youths (Mirzoyants-McKnight & Attfield, 2014). It was expected that by accessing M-Shwari loans, youth-owned MSEs are financially included. With financial inclusion, choices and the desired goals of young entrepreneurs can be met. The choices may include increasing employment and investments among other personal goals.

Access to finance is important to youth-owned MSEs. However, it is important to understand the type of financing that youth-owned MSEs in Kenya need. Overall, most studies reviewed in this research have focused on credit access affecting employment and investments in MSEs but fail to show the type of credit being accessed by the MSEs. This study looks at M-Shwari loans since it is delivered remotely unlike other conventional sources of credit. Lack of micro-data linking access to finance and its effects on MSEs is an additional gap that will be addressed by this study. This study is necessitated by the need to establish if M-Shwari loans are fulfilling the credit gaps amongst the youth-owned MSEs and ways in which youth-owned MSEs utilize M-Shwari loans.

1.3 Research Question

The overall research question was: What are the effects of access to M-Shwari loan on a youth-owned micro and small enterprise in Kenya? To help answer the question, the following specific research questions were proposed:

1. What are the characteristics of youth-owned MSEs using M-Shwari loans?
2. What are the characteristics of M-Shwari loans accessed?
3. How have the young entrepreneurs use M-Shwari loans?
4. If M-Shwari loan was not available, what options would young-entrepreneurs utilize?
5. What is the nature of the relationship between M-Shwari loan access and employment on a youth-owned MSE?
6. What is the nature of the relationship between M-Shwari loan access and investments on a youth-owned MSE?

1.4 Research Objective

The overall objective of this research was to explore the effects of access to M-Shwari loan on a youth-owned micro and small enterprise in Kenya. This was done by meeting the following specific objectives:

1. To find out the characteristics of youth-owned MSEs using M-Shwari loans

2. To find out the characteristics of M-Shwari loans accessed
3. To analyse ways that young entrepreneurs use M-Shwari loans
4. To explore options young entrepreneurs would be utilizing in the absence of M-Shwari loans
5. To determine the nature of relationship between M-Shwari loan access and employment in a youth-owned MSE
6. To determine the nature of relationship between M-Shwari loan access and investments in a youth-owned MSE.

1.5 Justification of the study

Access to finance is viewed as an important factor to the development of MSEs. However, there was little empirical evidence to support that. Studies on effects of credit access on MSEs have been done in the past though they tend to treat MSEs either as homogenous or the studies are skewed towards women-owned MSEs, government funds and MFI (Ngugi et al., 2016). Osei-Assibey (2013) posits that the potential impacts of finance on enterprises are well documented even though there was insufficient evidence on which sources or nature of the finances. This study was thus important since it sought to research on effects of M-Shwari loan accessed by the youth-owned MSEs excluded by traditional sources of finance. Among the scholar and researcher, this research project aimed at contributing to the understanding of the role of digital finance and in linking digital finance to development.

Change in methodology done in this research which entailed mixed method design incorporating quantitative and qualitative approaches as described in chapter three (3) of this research project was proposed. A conceptual framework linking M-Shwari loan access to youth-owned MSE was developed for this study in attempt to address some of the shortcomings of the previous studies.

1.6 Limitations of the Study

Important to note in this study is the limited range of activities that youth-owned MSEs in Ongata-Rongai town especially on the study site were involved in thus not fully exploring usage of M-Shwari loans by youth-owned MSEs in a wide range of sectors. Stratified sampling involving a larger geographical boundary is recommended to understand how youth-owned MSEs in sectors such as construction industry, furniture making, textile and welding among other are utilising M-Shwari loans.

2.0 CHAPTER TWO

2. LITERATURE REVIEW

This section contains theoretical and empirical literature. Theoretical literature in this section discusses the relevant theory to the study and a model that explains how youth-owned MSEs are utilizing micro-credit i.e. M-Shwari loans and other loans they access. Empirical literature looks at previous studies and surveys focusing on access to M-Shwari loans, effects of M-Shwari loan access, youth-owned MSEs, alternative strategies youths adopt in absence of M-Shwari loans and the linkage between M-Shwari loan access, employment and investments.

2.1 Theory of Access to Finance and Development

According to Beck & Demirgüç-Kunt (2008), the theory of access to finance and development proposes that lack of access to finance by the poor constrains both human and physical capital accumulation (Beck & Demirgüç-Kunt, 2008). In theory, better access to finance is vital to MSEs' growth. Lack of inclusive financial system make small enterprises and poor individuals rely on personal wealth or internal resources for education, entrepreneurship or utilising growth opportunities (World Bank, 2008).

Imperfections such as information asymmetries and transaction costs within the financial markets hold the micro and small enterprises without collaterals, credit histories and networks thus impeding their opportunities (World Bank, 2008). Empirical evidence may point to a significant and a strong relationship between financial inclusion and growth, where micro data shows better financial systems easing constraints on firms. World Bank (2008) states that in general, financial depth can have both direct and indirect effects on small firms, where greater depth is linked to greater access for both firms and households.

Access to finance is important for the development of MSE (Atieno, et al. 2011; Atieno, 2009; Beck & Demirgüç-Kunt, 2008; World Bank, 2008). KNBS (2016) cites shortage of operating fund as one of the reasons why MSEs close the enterprises. Zollman (2016), notes that entrepreneurs moved in and out of businesses on grounds of availability of working capital. The need for working capital is further cited as a reason for most of the borrowing by the MSE (KNBS, 2016) where, lack of working capital for expansion impedes the growth stage of the MSEs (Abayo & Oloko, 2015). Access to finance is a key determinant to the level of MSE's investment (Macharia, 2012).

Access to finance is important to MSEs; however, Nichter & Goldmark (2009) suggest that opportunities for expansion of MSEs and capabilities of MSEs should be reason enough for growth. According to Nichter & Goldmark (2009) it is mandatory for entrepreneurs to have appropriate capabilities e.g. skills, resources and technology to leverage on existing opportunities to grow. This may be true, nonetheless, this paper points to the importance of accessing finance as a way of enhancing the capabilities and empowering youth-owned MSEs to grow.

Accessing credit may also jeopardise the development of MSEs. MSE development requires proper utilisation of loans. According to Mazer et al. (2014) credit is an important tool for entrepreneurs in accessing working capital yet indebtedness for the bottom of the pyramid (BoP) may mean selling of productive assets, cutting back on consumption, failing to access healthcare and pulling children out of school. This shows that accessing credit may be a 'curse' to some of the MSEs. In addition, to those below the poverty line using the loan for daily expenses, access to M-Shwari loan with limited financial knowledge could imply sinking deeper into debt and poverty (Mirzoyants-McKnight & Attfield, 2014).

The theory of access to finance and development is a critical link in hypothesising M-Shwari loan access and related benefits and uses that may accrue in MSEs. However, the goals and aspirations of entrepreneurs having MSEs in the developing countries may not be sufficiently understood using the theory alone. Most of the MSEs in the developing world are a source of livelihood (Zollman, 2016; Garoma 2012). An additional model which explains how livelihood of an entrepreneur is constructed within the realms of the MSE accessing micro-loans is needed. The model should be applicable in not only understanding, but also in linking effects of access to M-Shwari loans on youth-owned MSEs. The proposed model is financial inclusion from capability approach.

2.2 Financial inclusion from capability approach

This model is developed from Sen's definition of development as freedom (Sen, 1999). Storchi & Johnson (2016) state that financial inclusion is concern with increasing the set of financial service options available, while the notion of financial capability seeks to capture the idea that the effective use will lead to improved wellbeing. This model is cognizant of the fact that livelihoods in developing countries are developed through a number of sources of income or financial streams and through engaging in what appears to be risky business opportunities in a milieu of high vulnerability and uncertainty (Storchi & Johnson, 2016).

According to Storchi & Johnson (2016), capabilities are a combination of achievable opportunities that individuals have reasons to pursue since they important, while functioning are the real achievements that they reach. Capability Approach emphasizes the freedom of choice. Choices can be realized when a variety of financial services are offered to those in the BoP. The contemporary policy focus on financial inclusion is supported by the view that increasing access to financial services for the poor will lead to an increase in their well-being. Financial services thus assist people to pursue their valued goals. Of great importance will be to comprehend why people access or do not access certain financial services and also why they make the decision to do so or not to (Storchi & Johnson, 2016).

Access to M-Shwari can be viewed as one of the services facilitating financial capabilities. Financial capability is defined by Storchi & Johnson (2016) as the bundles of available financial and economic strategies and services among which people can choose from and the various possible ways to make use of them in support of their valued life goals. This provides a possible frame to explain the various ways that M-Shwari is utilized.

Using capability approach to analyze people's behaviour, individuals are defined by their own priorities in terms of what they want to achieve through a given financial service

(Storchi & Johnson, 2016). Financial capabilities allow individuals or households to have a reason to value into multiple relationship of debt in order to close the gap between their needs and their irregular income source, thus being instrumentally important for well-being (Storchi & Johnson, 2016) and as a livelihood strategy for the poor. Alternatives available to individuals in terms of financial and economic decision will be diverse with interpretation and use of available financial services different to individuals based on what is regarded as apt and valuable in a circumstance (Storchi & Johnson, 2016).

Individual characteristics and context will dictate ways that young entrepreneurs use M-Shwari. Storchi & Johnson (2016) state that certainly, the values that people associate with money and their financial and economic transactions are based on context and individuality. Additionally, financial decisions are as a result of experiences, from lessons that families teach on saving and expenditure, or as a consequence of informal borrowing of communities (Mas & Murthy, 2017). According to Mas & Murthy (2017) management of money signify implementation of coping strategies through financial deals. Mas & Murthy (2017), state that people connect narratives to their money where money combines elements of savings, credit and insurance. Money is assigned multiple responsibilities (Mas & Murthy, 2017) and access to M-Shwari loans may help in facilitating these roles. Access to M-Shwari loans can further aid in developing social capital needed for future borrowing.

This study takes into account the nature of some MSEs that want to operate fairly low with the aim of feeding families, building homes and paying children's fees in the contemporary economy (Zollman, 2016). With this kind of aspiration, short-term loans including M-Shwari, may suit the livelihood business category (Zollman, 2016).

2.3 Empirical literature

2.3.1 Characteristics of youth-owned MSEs using M-Shwari loans

According to the 2010 Kenya Constitution, the term youth means the collective of all individuals in the Republic who- (a) have attained the age of eighteen years; but (b) have not attained the age of thirty-five years (RoK, 2010). This study will use the definition of youth as per the Kenya's 2010 Constitution. A youth-owned MSE in this study is a micro and small enterprise whose proprietor has attained the age of eighteen and is below the age of thirty five.

Access to finance is unveiled as a challenge to youths on grounds of little experience and less assets (Ernst and Young, 2013). Due to unemployment, youths are pushed to establish MSEs even though unemployment accounts for their lack of managerial experience (Mwangi & Namusonge, 2015). Youths too have modest or no work experience (Kiruja, 2013).

Youth-owned MSEs are excluded from conventional sources of finance (Johnson & Arnold, 2012). Akoten et al. (2006) state that young enterprises and young managers aged 21-35 tend to borrow from friends and relatives since they are excluded from ROSCAs and MFIs due to their little social capital. Frequent amount of credit accessed by youth-owned MSEs from friends and savings ranged from Ksh 5,000 to 10,000 (Kiruja, 2013). Zollman (2016) notes that financial service providers are on the right course in addressing this gap in the MSE sector for the financial needs of between Ksh 1000-10,000. She is optimistic that the gap of financial needs by the MSEs will be closed by mobile based lenders like M-Shwari, KCB M-Pesa and Equitel working on ways to enable more access by majority in Kenya.

Youths form the majority of the age group using M-Shwari. The age group 15-34 years are the majority of M-Shwari users (Mirzoyants-McKnight & Attfield, 2014). Young entrepreneurs are best suited to adopt M-Shwari. Mecha (2014) affirms that they are enthusiastic, motivated, enterprising, resourceful, risk-taking, flexible, energetic and willing to try new approaches. These are quality that enables youths to source information and utilize M-Shwari loans for business.

While looking at youth-owned MSEs, it should be noted that MSEs are not homogenous. Akoten et al (2006) state that the characteristics of enterprise owner such as sex, marital status, and ethnicity, the number of relatives in the same business, age, education, previous occupation, and participation in formal training are important factors determining credit access.

The heterogeneity of the MSE sector may influence the nature of credit gap of an entrepreneur thus it will be important to look at the different categories that emerge in the sector. KNBS (2016) and Atandi & Wabwoba (2013) categorise the MSE in Kenya into three; that is commerce/trade, service and manufacturing. Kiiti & Hennink (2016) state that informal sector is also a term often used to describe micro and small enterprise (MSEs).

Nichter & Goldmark (2005) use the interaction of opportunities and capabilities to profile MSEs. In their scheme, four types of MSEs emerge. The four categories of MSEs according to Nichter & Goldmark (2005) are: “gazelles, ponies, caterpillars and tortoises”. “Gazelles” have a high sustained growth rate while “ponies” may expand quickly for a short duration but lack endurance or do not have requisite capabilities to sustain growth, “caterpillars” are awaiting metamorphosis, they are MSEs that exhibit substantial potential opportunities for growth while “tortoises” demonstrate least productivity as they are based on survival. It is important to mention that the categories are not fully distinct but blurred in reality. What Nichter & Goldmark (2005, fail to realise is that most of the MSEs in Africa are established out of necessity rather than opportunity and growth may never be a goal to them. The MSEs also lack differentiation hence requisite capabilities may not be necessary but are learnt during the transactions. The categorisation by Nitcher & Goldmark (2005) and KNBS (2016) and Atandi & Wabwoba (2013) are important yet they may not help in analysing the effect of M-Shwari loan access to a youth-owned MSE since most of the MSEs owned by the youths are micro with little manufacturing taking place.

Zollman (2016) clusters MSEs into four separate segments. She notes that MSEs are heterogeneous business with different pool of entrepreneurs and varied reasons for their establishment. The categorisation by Zollman (2016) is based on size. Four categories of MSEs emerge according to Zollman (2016): these are the ‘smallest’ which characterises the majority of MSEs which starts and stops often based on availability of working capital. Category two is the ‘livelihood businesses’ with ample monthly profits which require sizable investment in working capital or even equipment and enhances access to commercial credit. The third category is the ‘specialised’ MSE which is more focused e.g. the artisanal traders making jikos, saloons and hotels with fixed premises and some casual labours. The last category is the ‘established’ MSEs characterised by regular staff, multiple physical locations, and a business enterprise(s) which access formal loans and a number of bank accounts with major savings.

For the purpose of this study, the categorisation by Zollman (2016) is utilised in analysing youth-owned MSEs. During the identification stage of the MSE, the type of the enterprise or activity done by the youth-owned MSE was documented. Depending on a given MSE, the effects of access to M-Shwari loan will vary. Hypothetically small amounts of micro-credit accessed through M-Shwari loans may not mean much to an established enterprise compared to the livelihood type of MSE. Zollman (2016) posits that financial needs of every business are quite unique which may include cash flow management or growth beyond the common hurdles.

Youth-owned MSEs are thus described as enterprises owned by the youth which are relatively young with few networks developed and working capital majorly sourced from family and close friends, in addition to the businesses targeting youthful clientele base through new line of businesses including video stores, beauty products, and trendy boutiques among others. The businesses may or may not be part of ROSCAs or chamas.

2.3.2 Characteristics of M-Shwari loans accessed

According to Hwang & Tellez (2016) digital loans are smaller, shorter-term and more costly than the conventional loans. The average loan size of M-Shwari is small, at Ksh. 1, 280, with a loan term of thirty (30) days (Cook & McKay, 2015). The loan is popular among the users. Interest rate charge on M-Shwari is 7.5% per month levied on the amount borrowed. A myriad of factors account to high interest rates for the loans though the biggest driver is the ratio of costs to each loan may be higher for smaller loan sizes (Hwang & Tellez, 2016).

For M-Shwari, customer relations are managed remotely (Hwang & Tellez, 2016).This is done through SMS and phone call reminders prompting borrowers to repay their loan. Customer service staffs also engage borrowers who have defaulted through scripted interactions on calls with penalty fee being levied on defaulters (Hwang & Tellez, 2016).

In case of defaulter for M-Shwari loan, overdue loans are automatically extended for another thirty day cycle with interest increased to 15% for the second month of borrowing while borrowers are reminded over text messages and calls from customer centres of the options of being blacklisted by the credit bureau (Hwang & Tellez, 2016). The study by Hwang & Tellez (2016) is important though it fail to address particular reason why the loan is popular amongst the youths and the options that youth-owned MSEs utilised once blacklisted or in the absence of M-Shwari loan.

2.3.3 Young entrepreneurs' use of M-Shwari loans

M-Shwari micro-credit has had a high user uptake (Parada & Bull, 2014). High uptake is a pointer to a high demand for short term paperless, instantaneous credit. Majority of M-Shwari users are young, early adopters and those who are ready to experiment with new financial product (Mirzoyants-McKnight & Attfield, 2014). The users are in a position to experiment with M-Shwari loan devoid of long term financial apprehension (Mirzoyants-McKnight & Attfield, 2014). The readiness of the youths to experiment with new financial product is not treated with caution in this study yet it shapes the behavioural economics of the youths.

M-Shwari is used in three major ways: to manage ups and downs in cash flow, in some form of business-related investments and thirdly the need to cover daily expenses including food and transport (Mirzoyants-McKnight & Attfield, 2014, Kiiti & Hennink, 2016 and FSD, 2016). In addition, Cook & McKay (2015) indicate that M-Shwari loan is mainly used for small repairs, buying airtime, impulse buying and coping with emergencies. Even in business, M-Shwari loan appear to meet short term financial gap rather than long-term business investment. FII survey reveals that 10% of M-Shwari use is for business related expense and investment (Mirzoyants-McKnight & Attfield, 2014). The percentage of M-Shwari users who are shop owners is 15% (Mirzoyants-McKnight & Attfield, 2014). Among the users, M-Shwari loans do not affect any increase in net assets or liabilities though it shifts borrowing from family and friends (Cook & McKay, 2015). M-Shwari supplements other formal and informal financial product (Mirzoyants-McKnight & Attfield, 2014). Potentially, M-Shwari could be used as a source of working capital in MSEs.

A study by Kiiti & Hennink (2016) using mixed method design on the use and impact of M-Shwari in the jua kali sector found the service being used either for savings or loans or both. According to the study, the loan services are beneficial to boost businesses and to address personal financial needs. Users of M-Shwari denied loans are reported to have registered dissatisfaction with the product (Kiiti & Hennink, 2016). Kiiti & Hennink (2016) also revealed that the jua kali sector use the saving facility to set aside money for large purchases or to save for emergency expenses. The study however fails to point of the type or the nature of large purchases being done by those utilising the loan.

According to FSDA (2016) M-Shwari endeavours to expand and diversify the consumption and income benefits of M-pesa clients by offering a facility to save and provide credit beyond the clients' family network and friends. There is an anticipation of growth over time for usage of M-Shwari by those in the BoP, as the usage among the higher income groups nears saturation. Of great importance to note is, due to M-Shwari, millions of poor Kenyans currently use credit services that help them in risk management, reduce the impact of shock and, gradually, invest in their livelihoods improvement. M-Shwari innovation is designed with these goals (FSD, 2016; Hwang & Tellez, 2016). It can be argued that the innovation for building M-Shwari product on M-Pesa platform lowered transaction costs, promoted access to formal savings and credit facilities thus enabling poor families to withstand shocks and reduce their vulnerability (FSDA, 2016). Studies by Mirzoyants-McKnight & Attfield (2014), Kiiti & Hennink (2016) and FSD (2016) fail to point to the relationship of M-Shwari loan use and growth or investment in MSEs, specific amounts borrowed by the users and type of users that emerge due to M-Shwari loan access.

2.3.4 Options utilized in the absence of M-Shwari loans

The unbanked people in Africa and other parts of the developing world more often than not depend on informal financial practices that protect them against risk instead of accessing formal financial services (Parada & Bull, 2014, Smith, Brown, & Mackie, 2015) and for business investment (Smith et al., 2015). The informal financial systems that the poor depend on are family and social networks. M-Shwari loan is revealed to shift borrowing from friends and family thus enhancing privacy and reducing social obligation (Cook & McKay, 2015, Kiiti & Hennink, 2016).

Surveys by FSD (2015) and Zollman (2016) reported that credit is still mainly informal in Kenya and people rely on own savings or on chamas (informal groups) for investments in business and to cope with shocks. Smith et al. (2015) reveal that friends and family seem to be the most common form of borrowing for youth and women in entrepreneurship in Kenya. The study revealed that informal borrowing from family and friends is at 38%, 30% borrowed from chamas, 4% money lenders and 2% used bosses and suppliers. The study by Smith et al. (2015) further revealed that the majority (60%) of those that borrowed from one source were not aware of other sources. The studies by Zollman (2016), Parada & Bull (2014), Smith, Brown, & Mackie (2015) and FSD (2015) do not attempt to investigate if M-Shwari loans are substitute borrowing from relatives and friends or if the loans complement loans from friends and relatives.

2.3.5 Relationship between M-Shwari loan access and employment

Access to M-Shwari loan by youth-owned MSEs may facilitate engaging more employees. According to KNBS (2016), employment refers to the number of persons engaged in the MSE businesses, where it includes the working owners, full time paid employees, unpaid family workers, part time workers and apprentices.

Zollman (2016) notes that the smallest or micro-enterprises that exist, often temporarily, for survival have few formal (and informal) employment opportunities. To some of these businesses, access to M-Shwari loan may imply smooth operation or proper cash management in addition to engaging more employees. Youth-owned MSEs which are relatively young are likely to employ more at the inception stages or at the infantry stages.

A study by Ngugi et al. (2016) on the effects of access to capital on the growth of youth-owned MSE in Nairobi found access to credit as a determinant of MSE growth in relation to business expansion and increasing employment opportunities. Macharia (2012) study also revealed an increase in the number of employees owing to credit access. The two studies however do not specify the type or nature of credit accessed which affects employment, credit terms and the type of MSEs.

It would be important to evaluate if M-Shwari loans affect employment in youth-owned MSEs. It is important to understand that an increase in number of employees improves productivity and growth of the MSE though the argument is counterproductive since MSEs may operate where economies of scale may not apply (Nichter & Goldmark, 2005).

2.3.6 Relationship between M-Shwari loan access and investments

Investment is the other indicator to use in this study. Macharia (2012) define investments as active redirection of resources by an economic entity, from being consumed today, to create benefits in the future. MSEs investments include and not limited to increase in the volume of stock and cash, expansion of business space, buying fixed assets, venture in real estate and acquisition of business premise. Zollman (2016), investments in MSE include diversification in the businesses. Access to finance to a deserving MSE facilitates investments (Beck & Demirgüç-Kunt, 2008). One of the reasons cited for failure of older firms to develop is lack of investment in technology (Nichter & Goldmark, 2009). Fiala (2015) suggests that when family needs are given preference over business investment, the businesses develop minimally.

Macharia (2012) using a descriptive study on the effects of access to finance on MSE investments revealed an increase in the volume of stock and cash, expansion of business space, buying fixed assets, venture in real estate and acquisition of business premise as effects of credit access. His research revealed that 81% of entrepreneurs had accomplished the loans' objectives. The study by Macharia (2012) indicated an increase in assets when credit facility was first utilised for investments in assets growth. Credit sources included assistance from friends, family members and relatives, other organization owned by the same proprietor, financial institutions and other external sources other than business savings. The study by Macharia (2012) fails to show the nature of MSEs and the types of financial institutions that offer credit to the MSEs.

A survey by Osei-Assibey (2011) on whether finance matter for microenterprise growth in Ghana suggests that MSEs that receive technical and managerial skill training, monitoring and appropriate marketing information from financial institution, and accessed external finance were likely to stimulate productivity and growth. He notes that access to formal external finance by MSE spurred productivity and growth over time (Osei-Assibey, 2011). Access to external source of finance by MSEs in Ghana also enabled them to invest in new technology (Osei-Assibey, 2011). While Osei-Assibey (2011) study points to credit source which offer training and managerial skills, M-Shwari loans are accessed remotely by individuals without any training thus growth may or may not be possible. The study by Osei-Assibey (2011) may also face the bias since those offering training may report growth or productivity even in instances where the MSEs are failing.

Zollman (2016) states that investments in MSEs solely happen when one is able to divert own savings or other help from family when key necessities have been paid for or can be delayed to the future. The nature of MSEs being studied in relation to credit access should be noted since majority of them are established as a source of livelihood. Growth, i.e. investment and increasing the number of employees, may not be a priority to some of the MSEs. Zollman (2016) states that a small number of the MSE grow into something specialised, hire more employees and creates branches though a large majority do not aspiring to this kind of scale.

It is important to note that size of the firms and production level are among other factors that come to play when looking at employment and investments in firms. McCormick (1999) and Abeka (2011), point to low levels of products and process technology, small product markets, lack of access to capital and lack of physical infrastructure as reasons for lack of development in some of the MSEs. In this study however, MSEs will be studied in relation to accessing M-Shwari loan.

2.5 Conceptual framework

This study was framed within the theory of access to finance and development, and modelled around financial inclusion from capability approach. Access to finance is important for MSEs owned by the youths. Hypothetically, access to M-Shwari loans in a youth-owned MSE enlarges the choices of the enterprise owner to meet his/her goals or aspirations, increases employment and investments.

Access to finance and development theorists propose that access leads to both human and capital accumulation (Beck & Demirgüç-Kunt, 2008; World Bank 2008; Atieno et al., 2011). Improved access to finance is vital to the MSEs. Lack of access implies relying on personal wealth and internal resources for education, entrepreneurship or utilizing growth opportunities (World Bank, 2008; Beck & Demirgüç-Kunt, 2008). Moreover, financial inclusion from capability approach point to the importance of finance in promoting well-being (Storchi & Johnson, 2016). Financial services assist people to pursue their valued goals. Of great importance will be to comprehend why people access or do not access certain financial services and also why they make the decision to do so or not to (Storchi & Johnson, 2016).

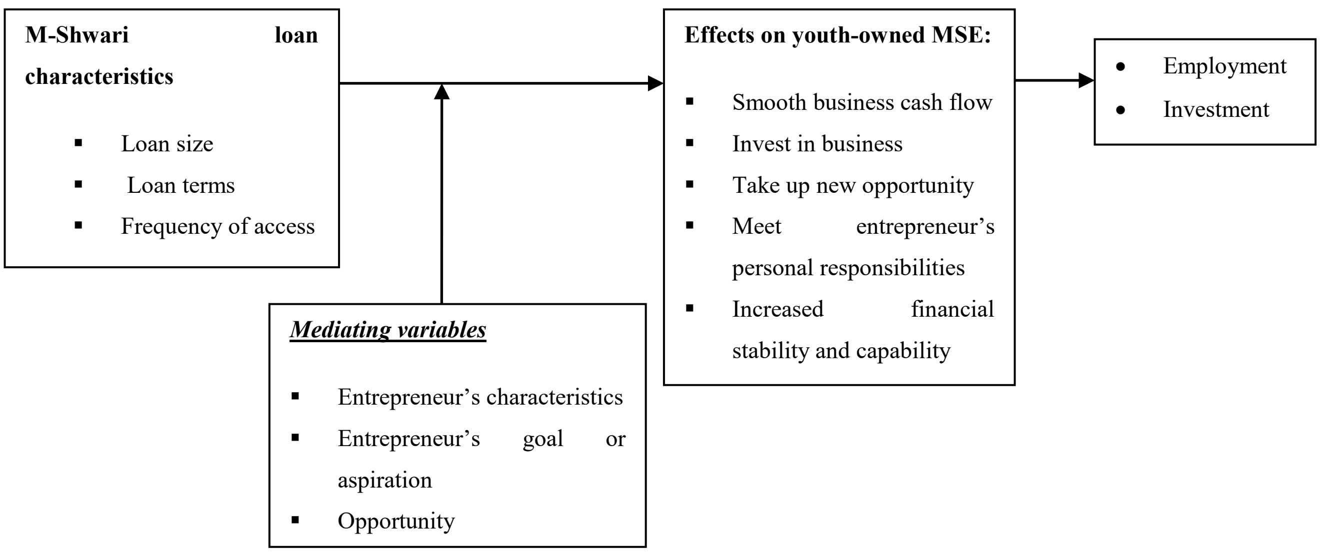
Using capability approach to analyze people's behaviour, individuals are defined by their own priorities in terms of what they want to achieve through a given financial service (Storchi & Johnson, 2016). Financial capabilities allow individuals or households to access credit to balance needs and their irregular income source, thus being instrumentally important for well-being (Storchi & Johnson, 2016). Access to finance may also allow investment in the MSE (Zollmann, 2016; Macharia, 2012) employment (Ngugi et al., 2016; Macharia, 2012), and facilitates working capital (Zollmann 2016; KNBS, 2016; Abayo & Oloko, 2015; Mazer et al, 2014). Some of these were individual's dream or the aspiration of the enterprise.

Access to finance and development provided the theoretical framework while financial inclusion from capability approach is the model used in linking and comprehending effects of access to M-Shwari loan on youth-owned MSEs. The anticipated uses of M-Shwari loan on a youth-owned MSE are based on the choices made by the entrepreneur.

Proper utilisation of the M-Shwari loan is important in the improvement of the livelihood of the young entrepreneur and in attaining the goals set by the individual. Below is a conceptual diagram to help in the analysis access to M-Shwari loan and its effects on a youth owned MSE.

Diagram 2.1 Conceptual framework

Independent variable **Dependent Variable**



(Author's conceptualisation)

This study looked at the effects of access to M-Shwari loan on a youth-owned MSEs. The independent variable was the characteristics of M-Shwari loan accessed in terms of size, loan terms and frequency of access. The dependent variables were the effects of M-Shwari loan accessed by a youth-owned MSEs. The effects included: smooth business cash flow, investment in business, taking new opportunity and meeting entrepreneur's personal responsibilities.

The mediating variable between M-Shwari loan access and effects on a youth-owned MSE were: entrepreneur's characteristics, entrepreneur's goal or aspiration and opportunities.

3.0 CHAPTER THREE

3. METHODOLOGY

This section contains: the research design, study site, population and sampling, data sources and data analysis.

3.1 Research Design

This study used a mixed method design employing qualitative and quantitative research. The purpose of mixed method was for the completeness of the research (Bryman, 2012). The qualitative method involved the use of interview guides administered to both key informants and selected youth-owned MSEs in case studies and unstructured questions on the questionnaire (appendix - 2) administered to the youths owning MSEs. Integrating case studies in the mixed method design was to further help understand various ways that M-Shwari loan is utilised by youth-owned MSEs, and the need to understand the motives behind particular usage. FSDA (2016) states that case studies contribute to useful learning amongst theorists and practitioners working in the field of making markets work for the poor. The quantitative method involved the use of structured questionnaires to the randomly sampled youth-owned MSEs either accessing or not accessing Mshwari loans.

3.2 Study Site

The study site was Ongata-Rongai town located 17 Km outside the Nairobi City's central business district in Kajiado County. The town is a fast growing residential and business hub with the majority of its population being youths (Macharia, 2012). Businesses established in the area are relatively young (Macharia, 2012). Ongata-Rongai is also a satellite town for Nairobi City. Empirical evidence from FII survey shows that majority of M-Shwari users are youths who reside in urban areas i.e. Nairobi, Mombasa and Kisumu, where there is high urbanization and population density (Mirzoyants-McKnight & Attfield, 2014). The choice of the study site, Ongata-Rongai, was influenced by its high urbanization rate, relatively young businesses (Macharia, 2012) and a youthful population. The site was based on the area with the highest concentration of MSEs. From the Google Earth map, the study area is the area around Rongai shopping centre along Magadi road. This area had an open air market where youth-owned MSEs were located next to the main road and on the periphery of the market.

Figure 3.1 Location map showing of the study area

Figure 3.1 is the location map for Ongata-Rongai town highlighting the study area and its neighbouring roads.

Source: www.googlearth.com

Figure 3.2 Zoomed in location map of the study area

Figure 3.2 is a zoomed in aerial map of the study location, Ongata Rongai, highlighting the study location with the concentration of micro and small enterprises where the study will be conducted.

Source: www.googlearth.com

Figures 3.1 and 3.2 are location maps sourced from Google earth depicting the study area. The area identified as the study site is depicted with yellow pointers in figures 1 and 2 above.

3.3 Population and Sampling

Individual micro and small enterprises owned by the youth were the unit of analysis in this study. The enterprise owners' were the respondents. All categories of youth-owned MSEs in the study site were targeted. During the process, a total of 283 businesses were identified through simple survey. The MSEs owned by the youths were mainly on the periphery, i.e. very close to the main road and on the outskirts of the market. Few youths had found spaces within the market. From the interview, the role of rural-urban linkage especially in the supply and distribution of agricultural produce formed the bed-rock of the activities in the market. Both the users and non-users of M-Shwari were interviewed.

From the population of the youth-owned MSEs in Ongata Rongai market, 56 enterprises were identified for the study. This was done by picking every 5th business from the population. Out of the 56 enterprises identified 53 were interviewed with two being incomplete. In the first case, it was a boda-boda transporter who during the process of the interview got a client and rode off. Rescheduling another interview was done upon his request but he was operating between Ngong and Ongata-Rongai. In the second case was that of an entrepreneur hawking and locating him for the full interview proved a hurdle. Replacement was done for a trader who had a mobile cart for selling cabbages with the immediate neighbour after he travelled and was not available at the onset of the interview period. Three (3) businesses did not consent to participate in the interview. Fifty three (53) interviews were conducted using questionnaires (attached in appendix - 2). This was mainly for quantitative study in the mixed method design.

Both probability, done through random selection (Kothari, 2004) of every 5th item, and purposive sampling were used. Probability sampling was used for the purposes of quantitative analysis and to help in generalisation. Purposive sampling was used in the case studies sampling for youth-owned MSEs accessing M-Shwari loans while probability sampling was used for quantitative study. According to Mugenda & Mugenda (2003) purposive sampling technique allows a researcher to use cases that have the required information in line with the objective of the study. Purposive sampling was to allow the study to narrow down on youth-owned MSES accessing M-Shwari loans. For a better understanding of access to M-Shwari loan by youth owned MSE, four (4) case studies were conducted on youth owned MSEs that accessed M-Shwari loan. According to Perry (1998), a minimum of two (2) to four (4) and a maximum of twelve (12) to fifteen (15) should be considered for master's thesis.

3.3.1 Case studies identification

From the interviews, a total of 4 case studies were identified for qualitative interviews (attached in appendix- 4). The case studies identified were based on emerging trends in the study location. These included:

- ❖ Trade credit as a source of working capital in addition to M-Shwari loans
- ❖ Utilization of more than one mobile platform loan i.e. M-Shwari loan and another product e.g. KCB-M-Pesa
- ❖ Defaulting its challenges on youth-owned MSEs
- ❖ M-Shwari loan used both for business and domestic functions.

3.3.2 Planning for the Key informant interviews

Having mapped out Key informants (KI) while undertaking the literature review, the researcher contacted the KI through emailing them to request for a meeting. The emails were followed with calls to help schedule meetings. The KI were either players or opinion shapers with regards to youth-owned MSE and M-Shwari use. The table 2 below show the key informants identified by the researcher and their roles.

Table 3.1 Key informant interview

Professional	Importance to the study
Officer M-Shwari -CBA	Borrowing patterns of youths and MSEs. Challenges faced by the youths in MSE sector in accessing digital finance.
Officer M-Shwari -Safaricom	Salient features of M-Shwari that facilitates borrowing among youths.
FSD research officer in charge of Micro-loans offered via mobile phone	Related field surveys on M-Shwari and MSEs.
YEDF manager	Financial gaps affecting youth-owned MSEs.

Source: Researcher

Three (3) out of the four (4) key informants responded positively. They were FSD-Kenya, CBA and YEDF. Safaricom directed the researcher to work closely with CBA since they were not in a position to give the required information. On the part of CBA and FSD-Kenya, the researcher was requested to set a date for making a presentation that was to culminate to obtaining the data required. Details of the data and information from the KI are provided in the next chapter.

3.4 Data Sources and Collection

A pre-test for the data collection instruments, and other field logistics were done before the actual data collection. The pre-test targeted six youth-owned MSEs with three male owned and three female owned MSEs of different categories for the testing of questionnaires.

The data collection exercise was conducted between the dates 11th July and 4th August, 2017 and an additional day on 2nd September for a follow up interview with one of the respondents who had requested for the date after being identified for Case study interview.

Primary and secondary sources of data were used in this study. Primary data was obtained from interviews for the key informant, interview guide (Appendix-1), administering questionnaires, questionnaire (Appendix-2) and case study, interview guide for case study (Appendix-3) and case studies (Appendix 4). Secondary data was drawn largely from previous studies and surveys on the websites of FSD and KNBS on M-Shwari and MSEs.

Data collection techniques that were employed in study include:

3.4.1 Note taking

This was mainly done during the case studies and in noting key points during the administration of the questionnaires. Field notes were reviewed every evening by the researcher to help better prepare for the next day. Note taking also involved translation of the interviews to English from Kiswahili or slang by the researcher.

3.4.2 Marking the codes for the coded questions in the questionnaire

The researcher while administering questionnaires to the respondents was marking answers that the respondents gave during the interview.

3.5 Data Needs Table

The data needs table helped in identifying the type of data to be collected, method of data collection and the source of the particular data. It was applicable in mixed method design. The overall research question was what are the effects of access to M-Shwari loan on a youth-owned micro and small enterprise in Kenya? Data on the specific research questions which helped answer the overall question is depicted on the data needs table. Table 3.2 below is the data needs table.

Table 3.2 Data Needs Table

Research Question	Data Needed	Source	Type of data	Instrument
1. What are the characteristics of youth-owned MSEs using M-Shwari loans?	Identity of category of an enterprise	Owner of MSE	Nominal	Questionnaire
	Age of an enterprise	Owner of MSE	Ratio	Questionnaire
	Age of the youth	Owner of MSE	Ratio	Questionnaire
	Education level of the youth	Owner of MSE	Ordinal	Questionnaire
	Gender of the youth	Owner of MSE	Nominal (Special)	Questionnaire
2. What are the characteristics of M-Shwari loans accessed?	Amount accessed	Owner of MSE	Ordinal	Questionnaire
	Frequency of access	Owner of MSE	Ordinal	Questionnaire
	Importance of the loan to business and household	Owner of MSE	Ordinal Nominal	Questionnaire Interview guide
		KI	Nominal	Interview guide
3. How have the young entrepreneurs used M-Shwari loans?	Category of usage	Owner of MSE	Nominal	Questionnaire
		KI	Nominal	Interview guide
4. If M-Shwari loan was not available, what options would young-entrepreneurs have utilized?	Other types of Credit accessed by youth-owned MSE	Owner of MSE	Nominal	Questionnaire
5. What is the nature of the relationship between M-Shwari loan access and employment on a youth-owned MSE?	Amount of loan accessed	Owner of MSE	Ratio	Questionnaire
	Frequency of loan access	Owner of MSE	ordinal	Questionnaire
	Change in number of employees	Owner of MSE	Ordinal	Questionnaire Interview guide
		KI	Nominal	Interview guide
6. What is the nature of the relationship between M-Shwari loan access and investments on a youth-owned MSE?	Amount accessed	Owner of MSE	Ratio	Questionnaire
	Frequency of access	Owner of MSE	ordinal	Questionnaire
	Type of investment	Owner of MSE	Nominal	Questionnaire Interview guide
		KI	Nominal	Interview guide

Source: Researcher

3.6 Data Analysis

This research generated both quantitative and qualitative data. The qualitative data was transcribed, coded, and analysed for common themes that emerged and those identified in literature review. Detailed description and analysis of the data was based on the demographic characteristics of the youth-owned MSE, type of enterprise owned by the youth, loan accessed and motivation in accessing M-Shwari loans.

The quantitative data was useful in establishing whether there was a relationship between M-Shwari loan access, employment and investments in youth-owned MSE or not. Univariate and bivariate analysis was done for the data on the variables collected where appropriate. The data collected was keyed in SPSS 22.0 for analysis.

Univariate analysis was done for the nominal, ratio and ordinal data collected from the field. To show the relationship between employment and M-Shwari loan access, and investment and M-Shwari loan access, bi-variate data analysis involving cross tabulation with Pearson Chi-square test, Cramer v test and contingency coefficient test were done. Verbatim response from key informant interviews, case studies and the open ended questions were used in elaborating further the quantitative data analysed.

Analysed data was presented using tables, charts and cross tabulations in chapter four (4) of this research project.

4.0 CHAPTER FOUR

4. FINDINGS AND DISCUSSIONS

During the field survey, a total of 53 youth-owned MSEs were interviewed. This included both the users and the non-users of M-Shwari loans. Of the 53 youth-owned MSEs interviewed, 34 youth-owned MSEs, representing a population of 64.2% borrow loans from mobile based platforms including M-Shwari, Equitel and KCB-M-Pesa. In this study, these youth-owned MSEs are considered active users of mobile platform loans. The non-users of mobile platform loans were 35.8% or 19 youth-owned MSEs.

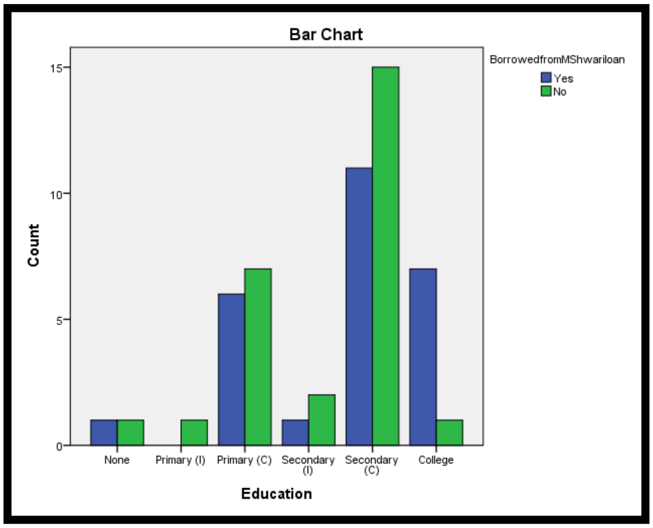
Youth-owned MSEs that were active users of M-Shwari loans were 26 representing 49.1% of the youth-owned MSEs interviewed. Active users of M-Shwari loans were 76.5% of the youth-owned MSEs accessing the mobile platform loans. When access to M-Shwari as a financial product was analyzed, 29 youth-owned MSEs i.e. 54.7%, out of the 53 youth-owned MSEs use the product. The additional users are due to the youth-owned MSEs that use M-Shwari savings account but are yet to borrow an M-Shwari loan.

4.1 General characteristics of youth-owned MSEs using M-Shwari loans

4.1.1 Highest levels of education attained by youths owning MSEs

A majority of youths owning MSEs have completed secondary school. Those who have completed the secondary school are 49.1% of the youths owning MSE, 15.0% are diploma, certificate and degree holders. This means that over 60% have completed at least secondary education. The education levels are analysed for the 53 youth-owned MSEs interviewed including both the users and non-users of M-Shwari loans.

Chart 4.1 M-Shwari loan access by highest levels of education attained



Source (Field survey data, 2017)

When access to M-Shwari loan is cross tabulated against highest level of education attained, it shows high count of borrowers amongst those youth-owned MSEs that have attained post-secondary education compared to those not borrowing.

On Gender of the owners of youth-owned MSEs, a majority are owned by males at 64.2%. Female owned MSE are 35.4%. Manoeuvring way to get space for business activities in the market involves either casual job such as loading or unloading trucks that have brought goods or developing networks in the market. Within the business spaces, youth-owned MSEs were located very close to the main road or on the periphery of the main market. The nature of jobs to access space and the risk of having an enterprise close to the road is a disincentive to female youths.

4.1.2 Age of youths owning MSEs in Ongata-Rongai town

On the age of youths owning MSEs, majority of them fall within the age bracket 24-29 with a proportion of 45.3% of the population, this is followed by the age group 30-34 at 32.1% and finally 18-23 at 22.6%. The median age of youth entrepreneurs is 27 with the mean age at 26.93 years.

Table 4.1 Age group of youths owning MSEs

Age group of youth owning MSEs (users and non-users of M-Shwari loan, total - 53)	N=53	Percent
18-23	12	22.6
24-29	24	45.3
30-34	17	32.1
Total	**53**	**100.0**

Source (Field survey data, 2017)

Table 4.2 Mshwari loan by age-group

M-Shwari access	Age- group (Total - 53)		
	18-23	**24-29**	**30-34**
Number of those using M-Shwari loans	4	11	11
Number of those not using M-Shwari loans	8	14	5
Total	12	25	16

Source (Field survey data, 2017)

When cross tabulation is done for M-Shwari loan access and age group, age group 30-34 has the highest ratio of users compared to non-users of M-Shwari loans i.e. 11:5. Age group 18-23 has a lowest ratio of users compared to non-users of M-Shwari loan at 1:2. Age group 24-29 has a ratio of 11: 14 for users of M-Shwari loan compared to non-users of M-Shwari loans.

On the age of the MSEs owned by the youths, majority of the MSEs fall within the age bracket 5 years and above at 34%. Businesses that are below 1 year are the fewest at 15.1% of the total proportion of the MSEs in Ongata-Rongai. This is depicted by table 4.3 below.

Table 4.3 Age of youth-owned MSEs

Age of youth-owned MSEs	N=53	Percent (users and non-users of M-Shwari loan, total -53)
Above 5 years	18	34.0
3- 5 years	15	28.3
1 -2 years	12	22.6
Below 1 year	8	15.1
Total	**53**	**100.0**

Source (Field survey data, 2017)

4.1.3 Type of business

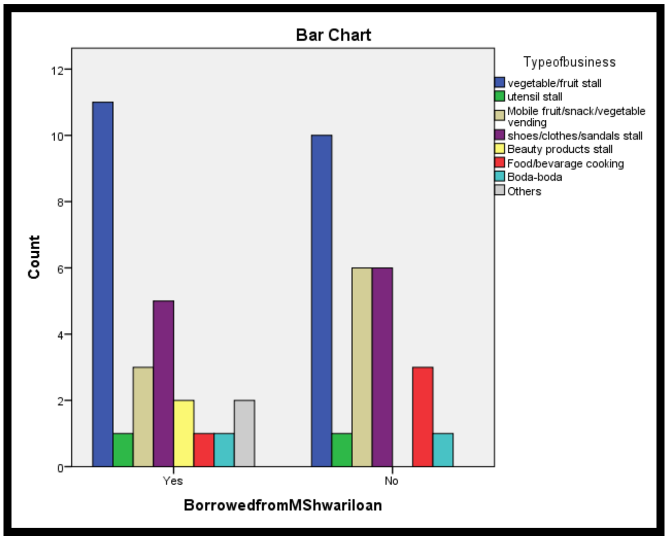
Majority of the youth-owned MSEs are stalls selling vegetables and fruits. Stalls selling vegetables and fruits are 39.6% of the proportion of businesses owned by the youths. Boda-boda and utensil stalls have the least percentage at 3.8% each. Ease of entry in vegetable and fruit stall business influence the choice of entrepreneurial activities that the youths undertake.

Table 4.4 Type of youth-owned MSEs

Type of youth-owned MSEs	Percentage for users and non-users of M-Shwari loan, total - 53	N=53
Vegetable/fruit stall	39.6	21
Shoes/clothes/sandals stall	20.8	11
Mobile fruit/snack/vegetable vending	15.1	8
Food/beverage cooking	7.5	4
Others	5.7	3
Utensil stall	3.8	2
Beauty products stall	3.8	2
Boda-boda	3.8	2
Total	**100.0**	**53**

Source (Field survey data, 2017)

Chart 4.2 M-Shwari loan access by type of youth-owned MSEs



Source (Field survey data, 2017)

Bar-chart 4.2 above shows the cross tabulation between M-Shwari loan borrowing and the type of business. Stall owners selling fruits and vegetable have the highest access bar of M-Shwari loans among youth-owned MSEs while at the same time, no access is highest among this group. Suppliers of green maize and sugar-cane shown as 'others' are all accessing M-Shwari loans as shown above. It is suggested by one of the key respondent that M-Shwari loan access aid youths in business stating that:

> "*Most of the youths borrowing M-Shwari loans are in business as the M-Shwari loans complement the financial streams that they utilise. Most of the borrowings occur on Saturday and Monday morning. Saturday for business purposes while Monday is for the employed making their way to work and those in business"* (Respondent 5, KII).

4.1.4 Motive behind the enterprises

Majority of youth-owned MSEs are established out of necessity with the need to be employed at 32.1% and business being a source of livelihood at 28.3%. Making profits is at 9.4% with the role of apprentice drive being the lowest at 3.8%. Youth-owned MSEs are also established due to the ease in entry.

Table 4.5 Motive behind the enterprises

Motive behind the enterprises' establishment	**N=53**	**Percent for users and non-users of M-Shwari loan, total - 53**
Unemployment/self-employment	17	32.1
Livelihood	15	28.3
Employment unsatisfactory	8	15.1
Profits	5	9.4
Passion and personal development	3	5.7
Ease in entry	3	5.7
Apprenticeship drive	2	3.8
Total	**53**	**100.0**

Source (Field survey data, 2017)

4.1.5 Main source of start-up capital

While looking at the main source of the start-up capital for the youth-owned MSEs, casual jobs such as waitress, casual employment in the market, providing casual labour at a construction site or a short term contract were found to be the main sources. This was represented by 69.8% for youth-owned MSEs whose source of capital was employment and savings. Loans from family and friends are second most important source of start-up capital. Only 1.9% of youth-owned MSEs had mobile platform loan as their source of start-up capital.

Table 4.6 Source of start-up capital source

Source of start-up capital for youth-owned	**N=53**	**Percentage for users and non-users of M-Shwari loan, total - 53**
Employment and savings	37	69.8
Loan from family/friend	7	13.2
Trade credit	3	5.7
Others	2	3.8
SACCOs	1	1.9
Commercial banks	1	1.9
Farming	1	1.9
Mobile Platform Loans	1	1.9
Total	**53**	**100.0**

Source (Field survey data, 2017)

4.2 Characteristics of M-Shwari loans accessed

Youth-owned MSEs have a majority of entrepreneurs borrowing from mobile platform loans. Of the 53 youth-owned MSEs interviewed, 64.2% of youths access loans through Mobile phones based platforms. Of the mobile platform loans, M-Shwari loans have the highest usage rate at 76.5% while Equitel is at 12.5% and KCB-M-Pesa is at 9.4%. M-Shwari was launched in November, 2012 and was the sole provider of mobile platform loan for 3 years before the others were introduced. Important to note about M-Shwari loans characteristics include:

> *"M-Shwari is one of the financial inclusion products where access to Mshwari involves updating the M-Pesa menu."* (Respondent 5, KII)

Flexible, private and remote characteristics of the loan account for the various types of borrowers accessing it. Respondent discussed M-Shwari loans as:

> *"Instant access, ease in application and ability to be accessed by all people in all places is the story being the success of M-Shwari loan" (*Respondent 4, KII)

> *"M-Shwari will continue with the micro loan product since there is a high risk for non-performing loans on higher/bigger loan size. M-Shwari principles will hold, however, customer segmentation may be needed since the credit needs vary as some of the recognizable groups in customer segmentation include: multiple borrowers, discerning/deserving professionals (employed), inconsistent borrowers and masses (micro borrowers who borrow regular*" (Respondent 5, KII)

On the advantages of M-Shwari loan, access in emergency and instant access of the loan are viewed as the most important characteristics of M-Shwari loans with 36% and 32% respectively. Private access was at 8% while easy flexible and remote access was at 4%.

Table 4.7 Advantages of M-Shwari loans

Advantages of M-Shwari loans among the youth-owned M-Shwari users	**N=25**	**Percentage (based on 25 M-Shwari loan users)**
Access in emergency	9	36.0
Instant	8	32.0
Savings	4	16.0
Private access	2	8.0
Terms of payment	1	4.0
Easy, flexible and remote access	1	4.0
Total	**25**	**100.0**

Source (Field survey data, 2017)

Access to savings account is also a key feature for M-Shwari loan where some customers are required to save first to access M-Shwari account while others access the account directly. M-Shwari loan is also accessed privately where no guarantor is needed.

Among the youth-owned MSEs, the disadvantages of M-Shwari loans include listing in the CRB which tops the list at 32% and high interest rate after repayment period has elapsed comes in second at 24%. Divergent view of 24% youth-owned MSE approve of M-Shwari loans as having no disadvantage.

Table 4.8 Disadvantages of M-Shwari loans on youth-owned MSEs

Disadvantages of M-Shwari loans among the youth-owned M-SE users	**N=25**	**Percentage based on -25 M-Shwari loan users**
CRB listing	8	32.0
High interest rate after repayment period	6	24.0
None	6	24.0
Lowering limit in case of default	1	4.0
Short Repayment period	1	4.0
During system upgrade, cannot be accessed	1	4.0
Addictive	1	4.0
Others	1	4.0
Total	**25**	**100.0**

Source (Field survey data, 2017)

Youth-owned MSEs urged that other disadvantages of M-Shwari loans include: short repayment periods, addictive loans, lowering limit in case of default and during the system upgrading the loan cannot be accessed, all at 4%. Other disadvantages of M-Shwari loans include: inability to access M-Shwari loan due to failure to pay micro loan for airtime (*okoa jahazi*) on a lost line, network issues affect access and failure to lend defaulters who repay later.

> *"What could these risks be among the youth-owned MSEs? Are there youths who borrow to gamble?"* (Respondent 2, KII)

> *"Youths aged 25-34 have the highest non-performing loans. Youths are also the highest defaulters. From behavioural economics, male youths are quick to borrow without a repayment plan."* (Respondent 5, KII)

Trade credit and access to other mobile platform loans occur among the youth-owned MSEs. Some youth-owned MSE utilize more than one form of mobile platform loan. The percentage of youths that access both M-Shwari and other mobile platform loans is 27.58%.

> *"M-Shwari enjoyed three (3) solid years before arrival of Tala, M-Kopo-rahisi, Equitel and KCB-M-pesa. With additional loan products, some people borrow to repay other loans mobile platform loans. It will be important for information sharing on credit to avoid this kind of risk"* (Respondent 5, KII)

4.3 Immediate use of M-Shwari loans by youth-owned MSEs

Access to M-Shwari loan plays a critical role in easing consumption and meeting the basic needs among the youth-owned MSEs. M-Shwari loan had a 52% usage in meeting household needs such as payment for rent, electricity and food. Addition of stock was the second immediate use of M-Shwari loan at 24%. Other business related spending for M-Shwari loan included launching a new product line, payment for services for the business, payment of trade-credit and in paying chamas for the business. Some MSEs also borrowed to meet the extended family demands. Among other immediate uses of M-Shwari loan by the youth-owned MSEs include buying airtime, paying for fuels and buying clothes. Some youth-owned MSEs borrow and pay frequently to try and improve their credit history.

> *"M-Shwari loan can be used in youth-owned MSEs for: business expansion, to meet basic needs and for emergency purposes. Other youths may use the loan for leisure e.g. alcohol purchase and partying"* (Respondent 4, KII)

> *"M-Shwari loans facilitate transactions that develop supply chain either through payment of trade credit or using the loans to pay for stock at the source of the product by MSEs."* (Respondent 3, KII)

Table 4.9 Immediate use of M-Shwari loans by youth-owned MSE

Immediate use of M-Shwari loans by youth-owned MSE	**N=25**	**Percentage based on 25 M-Shwari loan users**
Household needs	13	52.0
Add Stock	6	24.0
Trade credit payment	1	4.0
Pay for Health services	1	4.0
Pay for services for Business	1	4.0
New Product line	1	4.0
Sent to family/friend	1	4.0
Others	1	4.0
Total	**25**	**100.0**

Source (Field survey data, 2017)

On the perception about the importance of M-Shwari loan to family needs, 44% of the youth-owned MSEs felt that M-Shwari loans were very important to their family needs while 32% ranked M-Shwari loans as not important to family needs. In addition, on the perspective of youth-owned MSEs on the importance of M-Shwari loans to business, 40% of the youth-owned MSE felt that the loans were very important to their business while 28% felt that the M-Shwari loans were important to their business.

Table 4.10 Importance of M-Shwari loan to household needs

Importance of M-Shwari loan to youth-owned M-SEs for household needs	**N=25**	**Percentage based on 25 M-Shwari loan users**
Very important	11	44.0
Important	2	8.0
Somewhat important	4	16.0
Not important	8	32.0
Total	**25**	**100.0**

Source (Field survey data, 2017)

Table 4.11 Importance of M-Shwari loan to business

Importance of M-Shwari loan to youth-owned MSEs for business among users	**N=25**	**Percentage based on 25 M-Shwari loan users**
Very important	10	40.0
Important	7	28.0
Somewhat important	3	12.0
Not important	5	20.0
Total	**25**	**100.0**

Source (Field survey data, 2017)

Some of the borrowing patterns amongst the youth-owned MSEs that emerge due to the importance of the loans include regular borrowers who borrow monthly who are the majority of the M-Shwari loan users at 47.8%. One time borrowers are 13%, which is the same as weekly borrowers.

Categories of youth-owned MSEs owing to access to M-Shwari loans include defaulters i.e. those blacklisted by CRB, regular borrowers, one time borrowers and multiple loan users. A unique category of borrowers i.e. proxy borrowers also emerged where a spouse or a friend borrows M-Shwari loan on behalf of the actual user. According to the KI,

> *"Youth may form a unique group when it comes to M-Shwari loans. Some of the categories of youth-owned MSEs that are anticipated in the study include due to M-Shwari loan access are, the eligible and those accessing the M-Shwari loans, the non-eligible, frequent users and non-frequent users."* (Respondent 1, KII)

"*A recent survey point to 38% of M-Shwari users aged between the ages 25-34. Currently M-Shwari has 19 million customer, some customers have multiple accounts. 10,000 new customers are registered daily to use the product. 11.5 million Customers are male while 7.5 million customers female. 70, 000 loan applications happen daily. Average loan size is currently, Ksh. 3,600. Borrowing peaks 10th and 25th of every month where 25th is for the employed and 10th mostly for those in business. Time for borrowing is mostly evenings and 9:00 pm.*" (Respondent 5, KII)

4.4 Options in absences of M-Shwari loans

In the absence of M-Shwari loans, borrowing from family and friends was the most preferred option for youth-owned MSEs at 33.3% followed by chamas at 29.2%. Loans from the micro finance institutions were the least preferred source at 4.2%. Other youth-owned MSEs would prefer not to borrow in the absence of M-Shwari loans. This is depicted in table 4.13 below.

Table 4.12 Options in absences of M-Shwari loans

Options in absences of M-Shwari loans	**N=26**	**Percentage based on 26 M-Shwari loan users**
Borrow from friends/family	9	33.3
Borrow from Chama	8	29.2
Struggle to balance available cash	3	12.5
Borrow from Banks	2	8.3
Neighbour	2	8.3
SACCO	1	4.2
MFI	1	4.2
Total		**100.0**

Source (Field survey data, 2017)

4.5 Mshwari changing lives

Youth-owned MSEs felt that M-Shwari loans have transformed their lives through: emergency loan access when in need, smooth business operation through accessing working capital and boosting business stock, paying trade credits, ease access to finance and loans through M-Pesa menu on the sim card, enhanced savings and paying rent when one is stretched financially. M-Shwari loans also ensure business continuity even when one has no money for the stock. However, some of the youth-owned MSEs were of the view that M-Shwari loans does not change lives due to low loan limits and short loan repayment periods.

Boosting stock and emergency access are viewed as the changes in lives due to M-Shwari loan access at 30.4% and 21.7% respectively. On the contrary, 21.7% are of the view there is no change in life due to M-Shwari loans access while an additional 8.7% cite low loan limit as an impediment to M-Shwari loans transforming lives. Table 4.14 below provides a break down on the roles of M-Shwari loans in transforming lives.

Table 4.13 M-Shwari loans changing lives

How M-Shwari loans transform lives of youth-owned MSEs users	N=26	Percentage based on 26 M-Shwari loan users
Boost stock	8	30.4
Emergencies	6	21.7
None	6	21.7
Safe secure place to save	2	8.7
Transformational potential impeded by low limit	2	8.7
Social network building	1	4.3
Others	1	4.3
Total	**26**	**100.0**

Source (researcher)

4.6 Relationship between M-Shwari loan access and employment in youth-owned MSEs

A majority of youth-owned MSEs stated that access to M-Shwari did not lead to increase in the number of employees. However, 37.5% of youth-owned MSEs accessing M-Shwari loan had an increase in the number of employees either through starting a different line of business and hiring waged/casual employees or by engaging casuals to help on the premise owing to additional stock. This is shown in table 4.14 below.

Table 4.14 Frequency for Mshwari loan borrowing by changes in employee numbers

Borrowing frequency of M-Shwari loans for 24 M-Shwari loan users	**% of youth-owned MSEs that reported change in employment**	**% of youth-owned MSEs that did not report change in employment**
Weekly	8.3	4.2
Monthly	20.8	29.2
Twice every month	4.2	4.2
Once every two to three months	4.2	8.2
Borrowed only once	0	12.5
Twice a year	0	4.2
Total	**37.5%**	**62.5%**

Source (Field survey data, 2017)

The reasons cited as to why M-Shwari loans did not affect increase in number of employees were, the business operating within the scale of economy where an increase in number of employees would not influence profits, the businesses having sole-owners' who felt that they understood their businesses, M-Shwari loans being put to personal use rather than business thus one does not need to engage extra labour and youth-owned MSEs urging that access to M-Shwari loans did not affect the number of employees due to low loan limits. M-Shwari loans can also create employment opportunity as described below.

> *"M-Shwari loans can be a source of start-up capital to activities such as hawking, and micro enterprise development thus an avenue for youths to be self-employed or self-empowerment*" (Respondent 4, KII)

Attempt were made to test significance of access to M-Shwari loan, though with abundance of caution due to the small number of users by using the variable, frequency of access to M-Shwari loan against employment in youth-owned MSES. This yielded a Pearson's Chi of .588, Cramer V of .394 and a contingency coefficient of .367. This showed that access to M-Shwari loan is not significant to employment in youth-owned MSEs.

4.7 Mshwari loan and investments

Access to M-Shwari had a significant contribution to investments made by youth-owned MSEs. The proportion of youth-owned MSEs that attributed an increase in investments to accessing M-Shwari loans was 70.8%. Forms of investments that accrue due to accessing M-Shwari loans include: addition of stock, opening another line of business or diversifying. The diversification for example would take the form of a stall owner selling vegetables, fruits, potatoes or bananas starting the business of selling shoes or socks or engaging in agri-business. M-Shwari loans are also utilised in paying trade credit and servicing business ventures e.g. motor-bike owners paying for repair of Boda-boda.

> *"To the small businesses, the micro-loan could be used for stock, a case in point is the second hand clothes dealers buying stocks and a young entrepreneur who would like to start hawking wares would turn to M-Shwari as a source of start up capital in addition to 'mama mboga' also benefit from M-Shwari in boosting her business."* (Respondent 4, KII)

Table 4.15 Forms of investments that accrue from accessing M-Shwari loans

Investments that accrue from accessing M-Shwari loans on youth-owned MSEs	**N=25**	**Percentages based on 25 M-Shwari loan users**
Add stock	13	52.0
No investments	6	24.0
Pay for services	2	8.0
Agri-business	1	4.0
Diversify	1	4.0
Pay trade credit	1	4.0
Other	1	4.0
Total	**25**	**100.0**

Source (Field survey data, 2017)

Reasons as to why M-Shwari loans is not utilised in investments include: the loans being used to buy food, traders able to access trade credit, its mainly used for emergencies and the loan being used to pay personal bills as opposed to business investments. The need to maintain the businesses within their operational scale and M-Shwari loans used to buy household items also account the other reasons.

> "*The size of the loan is a hurdle which impedes investments by the youth-owned MSEs... The loan is however useful in creating alternative livelihood streams like poultry farming.* (Respondent 4, KII)

There are cases where some youth-owned MSE would engage in three different activities e.g. selling tea in the morning, selling clothes in the afternoon and at night selling boiled eggs due to the availability of working capital from M-Shwari loans. M-Shwari also aid youth-owned MSE in tapping into profitable ventures and getting favourable return as described here by one of the respondent.

> " *I remember one day travelling home in Laikipia to go inspect my onion farm, upon reaching home, a neighbour had his green peas ready for the market and I did not have money, green peas was scarce in the market so I was sure I was going to make a profit. I borrowed from M-Shwari and paid for the farm produce. When I return to my stall in Rongai, I sold the goods and made profit. I mostly sell onions and the products you see here but that day I had a golden opportunity to make some money".*

> *"I have diversified the products I sell through M-Shwari. I did not have bananas and I stocked them since I can access M-Shwari loan. Whenever I spot any business opportunity and I do not have the money, I run to M-Shwari. M-Shwari has enabled me to balance the short fall in capital."James (not his real names refer to case study B, appendix 4, for more details)*

> *On personal investments it was anticipated that M-Shwari loans allow some of the youth-owned MSEs to pursue individual goals e.g. the construction of*

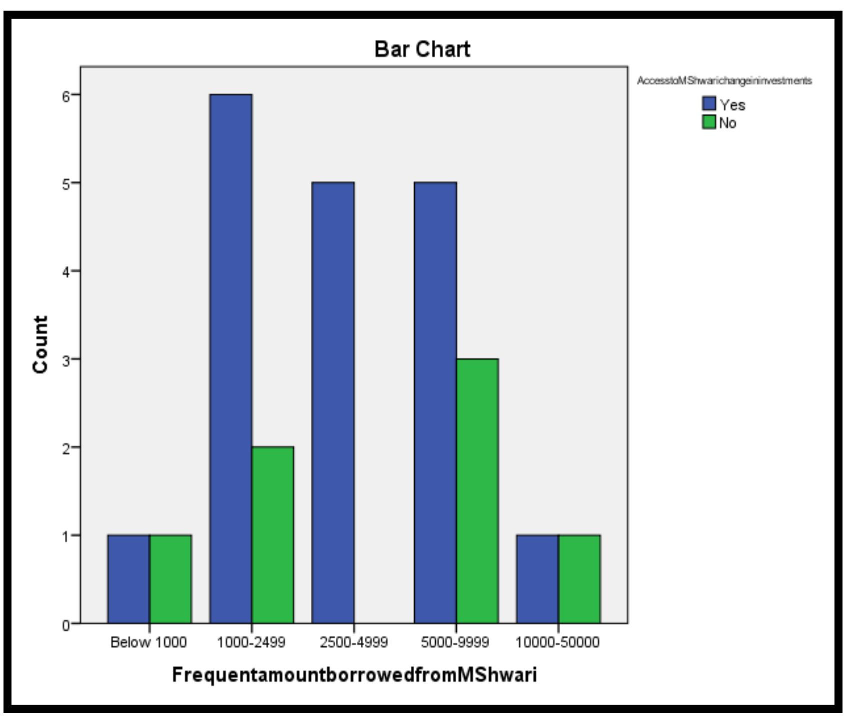
family house since M-Shwari loans facilitate access to finance?" (Respondent 3, KII)

Other youth-owned MSEs invest profits in activities such as agribusiness, purchasing plots and developing them, funding their own education or educating their children while relying on availability of working capital from M-Shwari loans for their businesses. 7.69% of youths chose to save their money in M-Shwari as they were planning to make the next move in business.

> *"M-Shwari facilitates savings. Mshwari loans and repayments helps in building credit history and credit discipline among youth-owned MSEs, skills that help in investments."*(Respondent 5, KII)

4.2 Relationship between M-Shwari loan and investments

Chart 4.3 M-Shwari loans access by change investments



Source (Field survey data, 2017)

Going by the chart above, it shows that the blue bar for change in investments due to access to M-Shwari loan is highest between loan amounts of Ksh. 1000 – 2499. The recipients of loans between Ksh. 2500- 4999 are all in agreement that access to M-Shwari loan leads to investments. The chart has a peak at loans between ksh. 1000-2499. M-Shwari loans between Ksh. 1000- 9999 as per the respondents enhance investments in MSEs as compared to loans below 1000 and those between Ksh. 10000-50000. Access to loans between Ksh. 1000-9999 facilitates investments within the MSEs due to the MSEs operating within their scale, nature of investments done by the MSEs can be supported by the micro-loans and the businesses having evolved from the survival type to either livelihood or specialized as discussed by Zollman (2016).

Attempts at establishing relationship between M-Shwari loans access and investments in youth-owned MSEs yielded a Cramer's V of .363 with a contingency coefficient of .341 and a Pearson Chi-Square of .509. The P-value shows that there is no relationship between M-Shwari loan accessed and investments in youth owned MSEs. Note that the small sample size calls for carrying out the test of significance with lots of caution.

4.8 Borrowing exclusively on other mobile phone platforms in Kenya

Apart from the M-Shwari loans, some youth-owned MSE in Ongata-Rongai borrow exclusively from the other mobile money platforms loans available in Kenya. These platforms include Equitel and KCB- M-Pesa. Equitel has a 12.5% usage by the youth-owned MSEs due to; accessible agents, no transfer charge from account to the phone, higher loan limit, instant cash, negotiable repayment periods, ideal for asset e.g. land/plot acquisition. KCB-M-Pesa loans has a 9.4% usage among the youth-owned MSEs owing to access to higher loan limits, repayment period is between 3-6 months, customers choose the duration of repayment and the loan is viewed as ideal for customers who have established relationship with KCB bank through having accounts with the bank.

4.9 Exclusion by M-Shwari loans

Some of the youth-owned MSEs are still excluded by the mobile phone platform loans. No need for a loan is ranked highest for the non-usage of M-Shwari at 26.6% while preference for other mobile platforms and trade credit comes in second at 25%. Hate for debts is third at 21.4%. Among the other reasons for non-usage of M-Shwari loans by youth-owned MSEs include using other subscribers hence lack of access to M-Shwari accounts, lack of trust on digital finance after losing money through wrong M-Pesa transactions and interest charged affecting profit margin hence no need for loans.

Table 4.16 Reasons for non-utilization of M-Shwari loans

Reasons for no-utilization of M-Shwari loans by MSEs not using the product	N=26	Percentage based on the 26 respondents not using M-Shwari loans
No need for loans	7	26.6
Prefer other loans/trade credit	6	25
Hate debts	5	21.4
Not qualified	4	14.3
Borrow from family/friend	2	7.1
Inaccessibility	1	3.6
Others	1	3.6
Total	**26**	**100.0**

Source (Field survey data, 2017)

4.10 Discussion on the findings of the study

From the findings of this study, even though there is no relationship between access to M-Shwari loans and employment and investments in youth-owned MSEs, M-Shwari loan remains an important financial tool to the youth-owned MSEs. M-Shwari loans are critical for the MSEs in the following ways, easing consumption and meeting the basic needs among the youth-owned MSEs, addition of stock, launching a new product line, payment for services for the business, payment of trade-credit, payment of chamas for the business and in meeting the demands of the extended family.

The findings of this study reveals that the utilization of M-Shwari loans by youth-owned MSEs is in line with studies by Mirzoyants-McKnight & Attfield (2014) and FSD (2016) that M-Shwari is used in three major ways i.e. to manage ups and downs in cash flow, some form of business-related investments and need to cover daily expenses including food and transport. The study by Cook & McKay (2015) is an additional confirmation to the findings of the study where M-Shwari loan is mainly used for small repairs, buying airtime, impulse buying and coping with emergencies. Since most of the MSEs move in and out of business due to lack of working capital (Zollman (2016, KNBS, 2016), M-Shwari loans provide a lifeline to those businesses that would have otherwise been closed due to lack of working capital.

The motives of youths in establishing the MSEs are mainly a source of employment opportunity and livelihood. Zollman (2016) posits that MSEs are established out of necessity rather than opportunity. This study concurs with her finding and supports her notion that the financial gap for these kinds of businesses is between Ksh. 1000-10,000 which is met by M-Shwari loans. M-Shwari loans provide a unique opportunity for those who may want to take advantage of starting new line of business or making instant decision.

M-Shwari ensures financial inclusion for the youth-owned MSEs who saves money regularly with the platform and withdraws with the aim of developing a financial history. This shows that some youth-owned MSEs have now understood that they need to develop a financial foot-print to better utilize the facility. These attest further that M-Shwari not only help youths achieving financial stability but also enable financial capabilities of the entrepreneurs.

M-Shwari loans complement others sources of loans for the youth-owned MSEs utilising more than one mobile based credit facility i.e. M-Shwari and KCB-M-Pesa or M-Shwari and Equitel thus enabling the youth-owned MSEs to cope with the challenges of the demand for working capital, household needs or meeting any financial gaps.

"*When I need a loan for my business, the one for vending boiled eggs, I use M-Shwari. I recently began farming at home and KCB-M-Pesa loans is essential for that"* (Respondent 27)

Additionally, M-Shwari loans is utilised by the youth-owned MSEs in paying trade credit and merry go rounds by the youth-owned MSEs. This is important in enabling networks and creating trust between the youth-owned MSEs and supply chains. In this regard, financial inclusion as described by Storchi & Johnson (2016) as increasing the set of financial service options available is achieved through M-Shwari loan.

The notion of financial capability which captures the idea that the effective use of loans will lead to improved wellbeing (Storchi & Johnson, 2016) is also achieved through the loan. Below is a case of Respondent 36 on well-being through M-Shwari loan.

" *I once came from the market after a busy day of getting stock from Gikomba in the morning only to find my house locked, I did not know who to run to, I immediately remembered that I could get Ksh. 4,000 from M-Shwari and use it to pay rent and promised to pay the remaining balance the next day. Without M-Shwari, I think I would have spent outside that night...*

M-Shwari loan enables me to pay rent and school fees without affecting my business" (Respondent 36).

Youth-owned MSEs in some cases borrow money on behalf of their friends or spouses. These kinds of transactions are value based in relation to the norms entrepreneurs associate with money or their environment. M-Shwari loans are imperative in fulfilling the values that people associate with money and their context. (Storchi & Johnson, 2016) state that financial inclusion is cognisant of the values individuals associate with money within their context.

"*When I need loan for my business, we access the loan through my wife's M-Shwari account, it works for us"* (Respondent 45)

M-Shwari loans have social significance among the youth-owned MSEs. Some youths borrow money and use it in facilitating their participation in Chama activities. Others borrow and send money to friends and relative while others rely on the good will of their friends to borrow money for them to use as working capital. According to Mas & Murthy (2017) friends and family form an important social security net that require being constantly cultured.

In the absence of M-Shwari loans, youth-owned MSEs would prefer to borrow from family and friends a notion supported by the study done by Akoten et al. (2006) positing that young enterprises and young managers aged 21-35 tend to borrow from friends and relatives and as such, M-Shwari is a game-change.

> *"M-Shwari loan takes borrowing away from friends. I use the loan to smooth operations in my business"* (Respondent 42)

Flexibility of M-Shwari loans enable its users to derive functionality based on their own needs which is unique to all categories such as regular weekly or monthly borrowers, one time borrowers, proxy borrowers or periodic borrowers. These categories of youth-owned MSEs have individual preferences that M-Shwari loans are able to fulfil. However, care should be taken by the users of M-Shwari loans to avoid being listed as defaulters and suffering the risk of financial exclusion.

5.0 CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the study

This research project comes from the background that conventional loans exclude youth-owned MSEs while access to M-Shwari loans financially includes them. The research project is framed on the theory of finance and development. The theory of access to finance and development proposes that lack of access to finance by the poor constrains both human and physical capital accumulation (Beck & Demirgüç-Kunt, 2008). In theory, better access to finance is vital to MSEs' growth (Beck & Demirgüç-Kunt, 2008, and World Bank, 2008).

With the accessibility of M-Shwari loans for youth-owned MSEs, their investments and development are made possible. It is established in this study that access to finance through M-Shwari loan enhances the financial capability of a youth-owned MSE since they are able to balance between loan repayment, trade credit repayment and making investment in business stock or other small forms of investments. An M-Shwari loan is a financial tool that empowers the youth-owned MSEs for a greater wellbeing. M-Shwari loan is also one of the financial products that forms the bundle of financial products that youth-owned MSEs access thus enhancing financial inclusion.

The application of the financial inclusion from capability approach model by Storchi & Johnson (2016) is important to this study in explaining the financial decisions and the use of M-Shwari loans by the youth-owned MSEs. Using M-Shwari loans to pay trade credit, invest in business stock, pay rent and/ or borrow on behalf of a friend or family shows how human behaviour is shaped either by the context or individuality. Borrowing M-Shwari loan to finance a business opportunity spotted by an individual points to M-Shwari empowering the individual's capability to take advantage of investment or business opportunities.

A majority of youths owning MSEs have completed secondary school. On the age of youths owning MSEs, majority of them fall within the age bracket 24-29 with a proportion of 45.3% of the population. The median age of youth entrepreneurs is 27 with the mean age at 26.93 years. On the age of the MSEs owned by the youths, majority of them fall within the age bracket 5 years and above.

Majority of the youth-owned MSEs are stalls selling vegetables and fruits. Ease of entry in vegetable and fruit stall influence the choice of entrepreneurial activities that the youth-owned MSEs undertake. In addition, majority of youth owned MSEs are established out of necessity with the need to be employed and a source of livelihood.

While looking at the source of the start-up capital for the youth-owned MSEs, casual jobs such as waitress, casual employment in the market, providing casual labour at a construction site or a short term contract are the main sources of start-up capital.

Youth-owned MSEs in Ongata Rongai have 64.2% of youths access loans through mobile phones based platforms. Of the mobile platform loans, M-Shwari loans have the highest usage rate at 76.5% while Equitel is at 12.5% and KCB-M-Pesa is at 9.4%. Among the youth-owned MSEs, regular borrowers who borrow monthly are the majority of the M-Shwari loan users at 47.8%. The overall categories of youth-owned MSEs due to accessing M-Shwari loan include regular borrowers, one time borrowers, multiple loan borrowers, proxy borrowers and defaulters.

Access to M-Shwari loan plays a critical role in easing consumption and meeting the basic needs among the youth-owned MSEs. M-Shwari loan had a 52% usage in meeting household needs such as payment for rent, electricity and food. Addition of stock was the second immediate use of M-Shwari loan at 24%. Other business related spending for M-Shwari loan included launching a new product line, payment for services for the business, payment of trade-credit and in paying chamas for the business. Some youth-owned MSEs borrow and pay frequently to try improving their credit history.

Despite M-Shwari loans contributing to significantly to financial inclusion for the youth-owned MSEs, some of the youth owned MSEs are still financially excluded. Those exclude can be categorised as either voluntarily excluded or involuntarily excluded. Those excluded are either using other networks e.g. orange sim-card hence cannot access M-Pesa menu, hate debts and the burden that comes with it, lack trust on digital platform after losing money through wrong M-Pesa transaction and some believe that the profit margins will be affected by the interest rates charged on repayment.

In the absence of M-Shwari loans, borrowing from family and friends is the most preferred option for youth-owned MSEs at 33.3% followed by chamas at 29.2%. Loans from the micro finance institutions are the least preferred source at 4.2%.

A majority of youth-owned MSEs stated that access to M-Shwari did not lead to increase in the number of employees. However, 33.3% of youth-owned MSEs accessing M-Shwari loan had an increase in the number of employees either through starting a different line of business and hiring a waged/casual employee or by engaging casuals to help on the premise owing to additional stock. The reason as to why M-Shwari loan was did not increase number of employees included the business operating within its scale of economy where an increase in number of employees would not influence profits, M-Shwari loans being utilised in personal needs rather than business and low loan limits hence no opportunity to engage extra labour.

Access to M-Shwari had a significant contribution to investments made by youth-owned MSEs. 70.8% of the youth owned MSEs had attributed their increase in investments to accessing M-Shwari loans. Forms of investments that accrue due to access of M-Shwari loan include addition of business stock and opening another line of business. M-Shwari loans is utilised in investments such as agri-business ventures, paying trade credit and in repairs of business ventures e.g. motor bikes. Reasons cited as to why M-Shwari loans are not utilised in investments are the loans being used to buy food, the MSEs can access trade credit, loan used for emergencies, loans used to pay personal bills as opposed to business investments and the need to maintain the business within its operational scale.

On changes in investments due to access to M-Shwari loan, loan size between Ksh. 1000-9999 have a significant effect on investments on youth-owned MSEs than those below Ksh. 1000 and loan size above Ksh. 10,000. Access to loans between Ksh. 1000-9999 facilitates investments within the MSEs due to the MSEs operating within their scale, nature of investments done by the MSEs and the development of the MSEs from the survival type to either livelihood or specialized type. On the significance of M-Shwari loans accessed and investments in youth-owned MSEs, a Cramer's V of .363 with a contingency coefficient of .341 is yielded and a P-value of .509. This shows no correlation between M-Shwari loan access and investments.

5.2 Conclusions

In conclusion, this study reinforces the theory of access to finance and development which proposes that lack of access to finance by the poor constrains both human and physical capital accumulation with better access to finance being important to MSEs' growth. This study points to the role of access to finance in aiding MSEs to tap into growth opportunities, boost business stock and to improve livelihood streams for the youth-owned MSEs.

Important to note is the source of start-up capital for the youth-owned MSEs where casual jobs such as waitress, casual employment in the market, providing casual labour at a construction site or a short term contract are the main sources of start-up capital. Creating opportunities through blue collar jobs and short term contracts can be a way of helping youths raise start-up capital for their business while M-Shwari loans can be a source of working capital for their businesses thus reducing unemployment.

M-Shwari loans affect investments on youth-owned MSEs. Some forms of investments accrue due to accessing M-Shwari loans including addition of business stock, opening another line of business and diversifying. Changes in investments due to access to M-Shwari loan is noted for loan size between Ksh. 1000-9999 while loans below Ksh. 1000 and loan size above Ksh. 10,000 do not contribute to any significant investments. It can be concluded then that the investment needs of the youth-owned MSEs can be financed by regular and emergency loans with loan size between Ksh 1000-9999 and M-Shwari loan is on the right path of addressing this need.

Overall, M-Shwari loans are important to the youth-owned MSEs both for their investments and for their personal goals. Access to M-Shwari loans is important in improving the well-being and in enhancing the livelihood streams of the youth-owned MSEs. Access to M-Shwari loans further help you in building financial history/foot print thus developing their financial capabilities. Youth-owned MSEs also finance opportunities they spot through M-Shwari loans thus M-Shwari loans empower the youths. Through defaulting or learning to balance financial resources between business and household while at the same time meeting the demands of the extended families, youths learn to be better managers of their finances. Financial capabilities of youths are also enhanced through M-Shwari loans by giving young entrepreneurs opportunities to exercise choices. The financial capabilities are enhanced in different ways sometimes through failure and at times through success.

Finally access to an M-Shwari loan enhances financial inclusion among the youth-owned MSEs that leads to economic empowerment through investments such as homes, setting aside school fees for children and financing business opportunities.

5.3 Recommendations

This research project would like to recommend to the following:

- ❖ Youth-owned MSEs by accessing M-Shwari loans are empowered and their financial capability (both the entrepreneur and the business) is developed thus Commercial Bank of Africa and their partner Safaricom should continue advancing the micro-loan to the youth-owned MSEs.

- ❖ Central Bank of Kenya (CBK) as a regulator should do more research on the long term impacts of access to and use of more than one micro-credit product by an individual. CBK should also promote transparency and information sharing to avoid punishing disciplined borrowers on one hand and on the other hand averting the risk of risky borrowing.

- To avoid risk of non-performing loans and borrowers who question the logarithms used in calculating the loan limits, continuous process of customer awareness should be done by CBA.

- Ways of addressing exclusion especially for youth-owned MSEs that are involuntarily excluded on grounds of not being Safaricom customers or utilizing other mobile service lines should be addressed. This can be done through having an M-Shwari application as a feature within the play-store that can be downloaded by any smart phone holder for use.

- Further research that focuses on the following areas is recommended:
    1. What will be more important to the customers, higher loan limits or longer repayment periods?
    2. How do you deal with the risk of non-repayments or defaulting youth-owned MSEs apart from listing by the CRB?
    3. What other variables can you use to measure effects of access to finance (M-Shwari loan) on youth-owned MSEs, apart from investments and employment?

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APPENDICES

Appendix 1: Key Informants Interview Guide

Hello.

My name is Alphonce Mollo, an M.A student at the Institute for Development Studies (IDS) at the University of Nairobi. I am currently writing my dissertation. My research is on M-Shwari loan access and its effects on youth owned MSEs in Ongata-Rongai Kenya and you are selected as one of the Key Informants.

The overall question is on the use of M-Shwari loan accessed by youth-owned MSE and your perception, views and expertise will be of great value to the study. This interview will take about 30 minutes and I will highly appreciate your time and cooperation. The information collected will be used for purely academic purposes and no other purpose. Your identity and information gathered will remain confidential.

A. General information of the Key Informant

Details of the Key Informant	
Name	
Designation including job description	
Contact (Optional)	

B. Interview Schedule

1. Are you aware of M-Shwari Loan?	1. Yes 2. No
2. If yes, could you please tell me why access to M-Shwari loan is important?	
3. What factors have contributed to the success of M-Shwari loan in Kenya?	
4. In what ways are the youth-owned MSE using M-Shwari loan?	
5. Are there ways that access to M-Shwari loans among the youth-owned MSEs contributes to:	

Employment	Investments
6. What are the advantages of access to M-Shwari loans on youth-owned MSEs?	
7. What are the Challenges of access to Mshwari loans on youth-owned MSES?	
8. In what ways does M-Shwari loan access contribute to the livelihoods' investments amongst the youth-owned MSEs?	
9. What is the future of M-Shwari usage amongst the young entrepreneurs?	

Thank you for your time and your cooperation!

Appendix 2: Questionnaire

A. **GENERAL DEMOGRAPHICS OF THE RESPONDENT**

1.	Name	
2.	Age	1. 18-23 2. 24- 29 3. 30- 34
3.	Gender	1. Male 2. Female
4.	Highest level of education attained	1. None 2. Some Primary 3. Primary Completed 4. Some Secondary 5. Secondary Complete 6. College 7. Graduate 8. Post graduate
5.	Source of Income	1. Business 2. Casual labour and business 3. Part-time business and fulltime employment 4. Contracts and Business 5. Business and Part time Employment 6. Others

B. **BACKGROUND INFORMATION ON MSE**

6.	Age of your enterprise	1. Below 1 year 2. 1-2 years 3. 3-5 years 4. Above 5 years
7.	Type of business (Describe the type of activities/product/services done by the business)	1. Stall selling vegetable/potatoes/fruits 2. Stall selling utensils 3. Mobile fruit/vegetable/potatoes/snack vending 4. Stall selling clothes/shoes/sandals 5. Beauty products/ saloon/barber shop 6. Food cooking 7. Retail Shops 8. Boda-boda 9. Others
8.	Why was your business established?	1. Unemployment/Self employment 2. Livelihood source 3. Employment Unsatisfactory 4. Apprenticeship inspiration 5. Profit 6. Passion and Personal Development 7. Ease in Entry

9.	Who established your business?	1. Self 2.Spouse 3. Family/Friend 4. Partner(s)
10.	What was the source of your start up capital?	1. Savings and Employment 2. Loan from friends/family 3. Trade Credit 4. SACCOs 5. MFI 6. Commercial Banks 7. Farming 8. Mobile Platform Loans 9. Others (Specify..................)
11.	What is the main source of your day to day working capital for the business?	1. Trade credits 2. Chama (ROSCAs and ASCAs) 3. Commercial Banks 4. SACCOs 5. MFI 6. Mobile Loans (Mshwari, Equitel, KCB-Mpesa) 7. Family/Friends 8. Business 9. Others (Specify................................)
12.	What is the range of the amount used on day to day running of your enterprise?	1. Below 1000 2. 1000-2499 3. 2500-4999 4. 5000-9999 5. 10,000-50,000 6. Above 50,000
13.	How often do you borrow money for the day to day running of your business?	1. Daily 2. Weekly 3. Once every month 4. Twice every month 5. Once every two to three months 6. Borrowed only once 7. Never borrowed at all 8. Others (Specify...........).

C. ABOUT MSHWARI

14.	Have you ever borrowed money from any of the following mobile platforms (Mshwari, Equitel, and KCB-Mpesa, Kopa-Cash)?	1. Yes	2. No
14. a	1f No in 14 why?	1. Not Aware	

		2. Hate Debts 3. Use Chama loans 4. Use SACCO loans 5. Access bank Loans 6. Others
15.	If Yes in 14, what was the source of the loan you borrowed (*Accept more than one source from above choices*)?	1. Mshwari 2. Equitel 3. KCB-Mpesa 4. Kopa Cash 5. Other...
16.	Do you use M-Shwari?	1. Yes 2. No
17.	Have you ever borrowed Money from Mshwari?	1. Yes 2. No
17. a	If No in 17 why not	1. Not qualified 2. Use M-Shwari for Savings only 3. No need for a loan 4. Hate debts/burden that comes with a loan 5. Others
18.	If Yes in 17 above, how often do you borrow money from Mshwari?	1. Daily 2. Weekly 3. Once every month 4. Twice every month 5. Once every two to three months 6. Borrowed only once
19.	How much do frequently borrow from Mshwari?	1. Below 1000 2. 1000-2499 3. 2500-4990 4. 5000-10000 5. 10,000-50000 6. Above 50000
20.	How important is Mshwari to your family needs?	1. Very important 2. Important 3. Somewhat important 4. Not important
21.	After borrowing a loan from Mshwari, what is your immediate use of the loan? *(Multiple responses possible)*	1. I use the loan to buy household needs (water, fuel, electricity, food, rent etc) 2. I use the loan to pay school fees 3. I use the loan to pay medical bills, purchase drugs or to access a health facility 4. I use the loan to pay for Chama 5. I use the loan for entertainment/buying clothes/personal items 6. I use the loan in betting

		7. I use the loan to buy or pay for services for my business 8. I use the loan to get additional stock for my business 9. I use the loan to buy equipment/tools for my business 10. I invest the loan in a new product or service for my business 11. I use the loan to pay other loans e.g. Bank loans, Micro finance loan, Chama loans, trade credits from suppliers 12. I use the loan to pay for labour/wages/salaries of my employees 13. I send the money to my parents /in-laws/friends/family 14. I use the loan in other ways (*specify*)...	
22.	How important is Mshwari loan to your business?	1. Very important 2. Important 3. Somewhat important 4. Not important	
23.	Would you recommend Mshwari loan to another entrepreneur?	1. Yes	2. No
23. a	If No (23) explain	1. Low loan limit 2. Better alternatives to M-Shwari 3. Others...........	
24.	What would you say are the advantages of accessing Mshwari loans?	1. Instant access 2. Easy, flexible and remote access 3. Private access 4. Emergency access 5. Others	
25.	What would you say are the disadvantages of using Mshwari loans?	1. CRB listing 2. Low loan limit 3. lowering limit in case of default 4. System upgrade make it inaccessible 5. High interest rate after repayment period 6. Addictive 7. None 8. Others	
26.	Describe how M-Shwari has changed your life?	1. Emergencies 2. Safe secure place to save 3. Help someone in need 4. Boost stock 5. Transformational potential impeded by low loan limit 6. None	

27.	If M-Shwari was not available, what options would you have utilised in borrowing?	1. Borrow from family/friend 2. SACCO 3. Shylock 4. Bank 5. Struggle to balance to balance funds available 6. Others			
28.	Apart from Mshwari loan, do you access other mobile platform loans?	1. Yes	2. No		
28.a	If Yes (24) Source	1. Equitel 2. KCB-Mpesa 3. Kopa- Cash 4. Others.------------------------------------			
29.	What are the advantages of this other mobile money platform?	1. Higher loan limit 2. Low interest rates 3. Longer repayment periods 4. You can negotiate 5. Others			
30.	How much do you often borrow from this platform?	1. Below 1000 2. 1000-2499 3. 2500- 4999 4. 5000- 9999 5. 10000-50000 6.Above 50000			
31.	In what ways have the loans from these other platforms changed your life?	1. Access working capital 2. Investments 3. Diversify business 4. Ease consumption 5. Defaulters not blacklisted 6. Others			
32.	Of the digital loans you have borrowed, which source do you prefer?	1. M-Shwari 2. KCB-M-pesa 3. Kopa-Cash 4. Equitel 5.Others			
33.	Since you access loan via mobile platform, have you stopped borrowing from the following:	1. Banks 2. MFI 3. Friends/Family 4. SACCOs 5. Chamas 6. Shopkeepers 7. Shylock 8. Others	1. Yes	2. No	3. N.A

EFFECTS OF ACCESS TO MSHWARI ON YOUTH-OWNED MSE

34.	By accessing Mshwari, are there changes in:	Yes	No	Explain
34. a	The number of employees (including *household labour, casuals*) in your business?			
34.b	Types of investments done in your business?			
35.	What is the average daily sales in your business when:	35. a 35. b		Not you where not Mshwari? ------------------------------- Accessing Mshwari? ---=
36.	What are the number of employees in your business when:	36. a 36. b		Not accessing Mshwari? -------------------------------- Accessing Mshwari loan? -------------------------------
37.	Are there any investments you have made due to access on Mshwari loan?	Yes	No	1. Add stock/ buy goods 2. Pay for a service (repair of the premise, decoration for the premise, and pay for connection fee, rent) 3. Buy any tool/equipment/utensils for the business 4. Buy fuel or pay for energy for your business 5. Paying trade credit 6. Paying for business Chama 7. Open up another business/diversified 8. Others (*specify*... 9. Explain for No...

Appendix 3: Interview Guide for Case Study

Hello.

My name is Alphonce Mollo, an M.A student at the Institute for Development Studies (IDS) at the University of Nairobi. I am currently writing my dissertation. My research is on M-Shwari loan access and its effects on youth owned MSEs in Ongata-Rongai Kenya and you are selected as one of the persons to take part in an in depth interview.

The overall question is on the use of M-Shwari loan accessed by youth-owned MSE and your perception, views and expertise will be of great value to the study. This interview will take about 20 minutes and I will highly appreciate your time and cooperation. The information collected will be used for purely academic purposes and no other purpose. Your identity and information gathered will remain confidential.

A. General information of the young-entrepreneur

Name	
Age	
Type of MSE	
Contact (Optional)	

B. Interview guide for in-depth interview

1. Do you use M-Shwari?
2. Tell me more on your Mshwari usage?
3. How did you start your business?
4. What are the challenges in your business?
5. How important is your business to your personal goals?
6. In what ways is access to M-Shwari loans helping in meeting your business goals?

Thank you for your cooperation and time!

Appendix 4: Case Studies

A

John (*not his real name*) is 33 years old he runs a stall that sells Irish potatoes, green bananas and pumpkins. Although he knew M-Shwari through the M-pesa application on his phone, he says the limit is too small to be of help to his business. He can only access a loan of Ksh. 1000 that he uses to buy credit and make orders for stock that he needs in his stall. Apart from that, when he needs an emergency loan from M-Shwari, a friend whose loan limit is Ksh. 10,000 comes in handy.

> "*My best friend would simple borrow for me the money from M-Shwari which I will pay after making my profit. I have never failed him on such that is why he will borrow for me when I am in need*"

John started his business through trade credit. He would get supply of Irish potatoes from up-country in the morning and sell during the day and later in the evening pay the owner and retain his profit. It is through trade credit that John has grown his business and is currently dreaming of owning a lorry so that one day he would be a supplier.

John describes his main challenge in business as feuds with the Council askaris by restricting his business space. Getting a space to sell was a problem but he boosts of a location he calls his own.

The business is helping John who is currently putting up a house to get construction materials and pay labour. Through the business too, John is saving some money in education fund for the children.

To John the ability to access emergency loan from M-Shwari when in need is vital for his business. M-Shwari is also important for him in paying trade credit when in need since he can always get the money through a friend who has a higher loan limit.

B

James (*not real name*) is 30 years old. He was introduced to M-Shwari by a customer. He borrows on average once per month to boost the business. He sees M-Shwari as a source of working capital. James has a stall where he sells butternuts, onions, carrots, green pepper and garlic.

James started his business through saving money from a previous business of photography. He had access to a camera at home which he used in taking photos and charging for the services thus making some saving out of that. According to James, his savings were adequate to start a vegetable business. For James, M-Shwari has been a game changer when in need. He recalls

> *"I remember one day travelling home to go inspect my onion farm, upon reaching home, a neighbour had his green peas ready for the market and I did not have money, green peas were scarce in the market so I was sure I was going to make some profit. I borrowed from M-Shwari and paid for the farm produce and on my return to Rongai, I made some good profit. I mostly sell onions and the products you see here but that day I had a golden opportunity to make some money"*

> *"I managed to balance my business through trade credits and borrowing from M-Shwari and KCB-M-pesa*"

According to James, some of the challenges in his business are perishable goods, out of season products and bad market days. The stock being perishable makes one susceptible to losses.

The business is important to James since he can feed his family and use some of the proceeds for agribusiness. He has diversified the products he sells through M-Shwari loans. He did not have bananas in his stall but now stocks them since he can access M-Shwari loans.

> "*Whenever I spot any business opportunity and I do not have the money, I run to M-Shwari for a loan.*"

C

Jill (*not her real name*) is 26 years old. She sells jumpers on a stall.

To Jill, access to M-Shwari is really important

> *" I once came from the market after a busy day of getting stock from Gikomba in the morning only to find my house locked, I did not know who to run to, I immediately remembered that I could get Ksh. 4,000 from M-Shwari loan and use it to pay rent and promise to pay the remaining balance the next day. Without M-Shwari, I think I would have spent outside that night*".

M-Shwari is important to Jill since she occasionally borrow from it when in need of additional funds to get stock. The amount paid for a bale of clothes varies, and when need arises, she uses M-Shwari loan to meet the deficit.

Jill at times borrows money from M-Shwari to send it to her parents or relatives in need. This is important to her since she is able to help the family even when she does not have the money immediately.

On how Jill started her business, she took a casual job at a saloon and through her savings she managed to start her business. Opening a business came at a time when Jill and some other casuals were laid off due to reduced number of customers in the saloon. With her savings, she went to Gikomba to get her first stock of sweaters. She attributes the business to someone who hinted to her that sweaters would be a profitable venture in the area. For her the journey has been a worthwhile.

To Jill her business is important to her personal goals since she is able to pay her rent comfortably and school fees for her child. The business has also enabled her help her parents when in need. On the part of her business, M-Shwari loan has helped her get additional stock or top up the working capital when such need arise.

D

Caro (*not her real name*) is 34 years old. She has a movable stall where she sells green maize and green peas. To Caro M-Shwari usage has had its own new challenges. Caro was a regular borrower of M-Shwari loan until the time she was blacklisted. Caro borrowed money from M-Shwari to diversify her business i.e. selling fruits that did not pick up well. This made her to run into losses that she did not anticipate and hence her inability to pay the M-Shwari loan thus getting blacklisted. Apart from M-Shwari loan, Caro was able to access KCB-M-pesa loan, a product that she currently utilises with a lot of caution.

At the time she accessed M-Shwari loan, Caro could use the money to pay for trade credit. Currently Caro says her business is struggling thus meeting her basics and keeping the business a float is a challenge.

The business was started after doing a small contract job that helped her get the requisite capital. She has sustained the business through trade credit and financing the business through KCB-M-Pesa loans.

To Caro the main challenge she is currently facing is a bad financial decision i.e. diversifying and her inability to control personal expenses from the business capital.

The businesses although, struggling is of great importance to Caro since she her household needs are met. M-Shwari was important to Caro since it helped her diversify i.e. the fruit business that though did not pick well, though she believes that if it is done correctly is a success story. Caro acknowledges that by borrowing from M-Shwari, you do not need to borrow from friends.