FACTORS INFLUENCING REPAYMENT OF CONSTITUENCY YOUTH ENTERPRISE SCHEME LOANS: A CASE OF KAITI CONSTITUENCY

MUSAU FREDRICK MWANGANGI

A Research Project Report submitted in Partial fulfillment of the Requirements for the Award of Masters of Arts Degree in Project Planning and Management of University of Nairobi

2012

DECLARATION

I the undersigned declare that the proposal is my original work, any material derived from any other source have been duly acknowledged. It has not been submitted to any other university for academic credit.

Name: **MUSAU FREDRICK M.**

Reg. No. L50/76603/2009

Date: 30/07/2012

Signature:...............................

The project has been submitted for examination with my approval as the University supervisor.

Name: **Ms ANN NDERITU**

Signature:...............................

Date: 30-07-12

DEDICATION

This work is dedicated to my Mum Anastasia Ndunge and my Dad Jonathan Muia whose inspiration laid down the foundation and aspirations for advanced learning. It is a lifetime testimony through their humble growth and teachings that hard work, perseverance and patience are key values to achieving excellence in life.

ACKNOWLEDGEMENTS

I express my gratitude for the guidance, mentoring, and intellectual support provided to me by my supervisor, Ms. Ann Nderitu.

I would like to thank James Nyanga for his assistance and encouragement that went beyond the call of duty. I also have appreciated the valuable insights and suggestions from Banda Ben, Winfred Nzia and Paul Mwololo, whose un ending support cannot go without God's pay thank you for your support.

This study would not have been possible without the cooperation of the clients of the Youth Enterprise Development Fund Kaiti Constituency, who have sacrificed their time during the harvest time to give their input in it.

Much gratitude also goes to Winnie Mbuli, for her moral, social support offered during the study period.

Finally, I thank my parents and family for their continued support and love that gives me the strength to achieve my goals while providing me with the perspective to know what is truly important.

TABLE OF CONTENTS

DECLARATION ii

DEDICATION iii

ACKNOWLEDGEMENTS iv

TABLE OF CONTENTS v

LIST OF TABLES ix

LIST OF ACRONYMS AND ABBREVIATIONS xi

ABSTRACT xii

CHAPTER ONE 1

INTRODUCTION 1

1.1 Background of the study 1

1.2 Statement of the problem 3

1.3 Purpose of the study 5

1.4 Objectives of the study 5

The research was set on the following objectives 5

1.5 Research question 6

The research questions to the study were 6

1.6 Significance of the study 6

1.7 Basic assumptions of the study 7

1.8 Limitations of the study 7

1.9 Delimitations of the study 8

1.10 Definition of significant terms 8

CHAPTER TWO 9

LITERATURE REVIEW 9

2.1 Introduction 9

2.2 Lending 9

2.2.1 The four C's of credit (Lending) 10
2.3 Joined liability 11
2.3.1 Motivation to access individual loans 12
2.3.2 Group dynamics and solidarity 13
2.3.3 Institutional policy 19
2.4 Group lending in perspective – repayment 22
2.5 Theoretical Literature 24
2.6 Conceptual Framework 27
2.7 Summary 28
CHAPTER THREE 29
RESEARCH METHODOLOGY 29
3.1 Introduction 29
3.2 Research design 29
3.3 Target population 29
3.4 Sample and Sampling procedure 29
3.5 Method of data collection 30
3.5.1 Questionnaire 30
3.6 Validity of research instruments 30
3.7 Reliability of research instruments 30
3.8 Methods of data analysis 31
CHAPTER FOUR 33
DATA ANALYSIS, PRESENTATION AND INTERPRETATION 33
4.1 Introduction 33
4.3 Demographic information 33
4.3.1. Designations 33
4.3.3 Age bracket of respondents 34

4.3.4 Highest level of education achieved 35

4.3.5 Group membership and levels of education 36

4.4 Group business activity 37

Groups business activities were shown in table 4.5 below 37

4.4.1 Profit margins made from business in a month 38

4.4.2 Intention to start a new business 38

4.4.3 Availability of capital 39

4.4.4 Group recognition 40

4.5 Total number of members registered during funding 41

4.5.1 Group membership to date 42

4.5.2 Group conflict resolution strategies 44

4.5.3 Group decision making 45

4.5.4 Extent of personal attitude towards group leadership 46

4.6 Youth Enterprise Development Fund Loan Recovery Policies 47

4.6.1 Demand Letters from Youth Enterprise Development Fund 48

4.6.2 Youth Enterprise Development Fund and field visits 49

4.7 Application of E-YES Loans 50

4.7.1 Attitude towards repayment 51

4.7.2 Means of repayments of loans 52

4.7.3 Training from Youth Enterprise Development Fund 54

4.7.4 Expertise Training 55

4.7.5 Political influence on loans 55

CHAPTER FIVE 57

SUMMARY OF FINDINGS, DISCUSSIONS CONCLUSSION AND RECCOMENDATIONS 57

5.1 Introduction of summary of findings 57

5.2 Summary of findings and discussions 57

5.2.1 Success of a business enterprise on repayment of Constituency Youth Enterprise Scheme Loans 57

5.2.2 Group cohesiveness and rates of repayment 58

5.2.3 Motivation to access individual loans 58

5.2.4 Effects of institutional policies on loan repayment 59

5.3 Conclusion 59

5.4 Recommendations 60

5.5 Suggestions for further study 60

References 62

Appendices 67

Remittal letter 67

Questionnaire 68

LIST OF TABLES

Table 4.1 Gender representation 33

Table 4.2 Age bracket 34

Table 4.3 Levels of group education 35

Table 4.4 Groups highest level of education of members 36

Table 4.5 Group business activity 37

Table 4.6 Profits made by business 38

Table 4.7 Intention to start new business 39

Table 4.8 Availability of capital 40

Table 4.9 Group recognition 40

Table 4.10 Group membership during funding 41

Table 4.11 group membership to date 42

Table 4.12 Group conflict resolution strategies 44

Table 4.13 group decision making 45

Table 4.14 Group personal attitude 46

Table 4.15 Loan recovery policies 47

Table 4.16 Demand letters issued 48

Table 4.17 Field visits by EDAs 49

Table 4.18 Application of E- YES 50

Table 4.19 Attitude on repayment 51

Table 4.20 Means of repayment 53

Table 4.21 Enterprise Training 54

Table 4.22 Expertise training 55

Table 4.23 political influence 56

LIST OF FIGURES

Figure 1. The relationship between independent and dependent variables in the study............. 27

LIST OF ACRONYMS AND ABBREVIATIONS

C-YES	Constituency youth enterprise scheme
EDA	Enterprise development agent
E-YES	Easy youth enterprise scheme
HELB	Higher education loans board
NGO	Non governmental organizations
SSEs	Small scale enterprises
YEDF	Youth Enterprise Development Fund

ABSTRACT

The aim of this project was to determine the factors that influence the repayment of the Constituency Youth Enterprise Scheme Loans; it starts with background information on the fund's formation and its objectives as well as its mandate.

The objectives of the study ware highlighted as; determining whether business enterprise success determines rates of loan repayment, exploring the relationship between group cohesiveness and loan repayment, assessing whether motivation for individual loan influences group loan repayment and evaluating the effects of institutional policies on loan repayment.

Research questions in the project ware based on research objectives, while the project will be significant to researchers, academicians, financial institutions, policy makers, and it will also contribute to the whole body of knowledge. Other areas covered ware basic assumptions of the study, its limitations of the study and definition of significant.

The project also explored research done by others covered in background information, the four C's of credit, theoretical framework, motivation for access of individual loans, group dynamics and solidarity, institutional policies, group lending in perspective, theoretical model and a conceptual frame work of the project. The project further highlighted qualitative research design which was used on the sample frame of forty groups, from which sample units were selected. Questionnaires were used as the instruments of data collection.

Data was analyzed based on objectives, in tables based on percentages mean and standard deviation based on response rate and generalization. The study established that there was no business success with groups which was grounded on the levels of skills training and group composition, while most groups were found to have never established any businesses enterprise which was the key reason for funding. Group repayments were found not to motivate individual members to graduate to individual loans thus there was low loan repayment.

The study recommended the adoption of stringent policies on recovery, the Grammeen bank lending model, small groups manned by the fund, establishment of skills training tailored for local investment, and the establishment of Youth Enterprise Development Fund own bank. it further recommends further studies to be carried on opportunities for investment in the constituency and review of YEDF's Credit Administration Policies to arrest defaults in order to promote the funds sustainability.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Most policy makers know that young people will greatly influence the future of their nations, however great challenges face these policy makers on the youth, like literacy drug and substance abuse, with this the Youth Enterprise Development Fund provides an example of the programmes and policies that the government has put in place to mitigate these challenges.

Youths account to 32% of the countries' population, 60% labour force, but majority remain un engaged in meaningful activities with 61% being un employed and 91% having no skills in job training other than formal schooling, (Youth Enterprise Development Fund 2010).In response to these challenges, the youth enterprise development fund was established in 2006 and was greeted with optimism by the youth who had small enterprises, (Daily nation, December 8th, 2010). On 20th February 2007 it was officially launched by Kenya's President Mwai Kibaki and later transformed into state co-operation on 11th May 2007.

The objectives of the fund are provision of loans for on-lending to youth enterprises, facilitating investment in micro commercial infrastructure that will be beneficial to youth enterprises. It also supports youth oriented enterprises to develop linkages with large enterprises, facilitation of marketing of products and services of youth enterprises both in domestic and international markets, and also provision of business development services to the youth, (Youth Enterprise Development Fund 2012).

Since its formation as a flagship project of the social pillars of vision 2030, Youth Enterprise Development Fund has changed the lives of most youths in Kenya which is a country amongst those experiencing youth budge, (Daily Nation, December, 8th, 2010). According to the funds Chief Executive Officer Mr. Mwatata Juma, in its five years of operation the fund has financed over 158,000 youth enterprises to a tune of 5.9 billion, with Kshs 6.148 million of the money having been disbursed at the constituency level, supporting 13341 groups, while thousands of youths have been helped to build to build their own enterprises through market support and enterprise training. Many youths have also been helped secure Jobs abroad, who have in turn become employers today (Youth Enterprise Development Fund 2012).

According to the Youth Enterprise Development Funds' board chairman Mr. J Gitau, on its establishment in 2006, The youth enterprise Development fund was greeted with optimism by youths, especially the jobless and those struggling with small enterprises, with others thinking it was a political gimmick made to influence the voting patterns and others withdrawing their application forms on learning that loans were to be repaid, (Youth Enterprise Development Fund 2012), while according to the former chief executive officer of the Youth Enterprise Development Fund Mr. Wario loans advanced through the constituency have a three months grace period and repayments have picked up but not as high as those of the financial intermediaries, with this challenge the fund has rolled new products (Youth Enterprise Development Fund 2010).

As borrowers, youths do not possess any collateral as is a requirement by banks, the government adopted no collateral strategies, to tackle the problem by providing venture capital from revenues, to create a revolving fund, (FAO, 1999).

1.2 Statement of the problem

Poverty affects all spheres of human life, if the poor are to share in the economic growth of their countries, then adequate resources must be committed to help build the institutions that serve them. The youth who can be categorized among the poor must be empowered to participate actively in institutions and the economic growth of their countries.

Kenya is gradually sinking into deep poverty and is unable to translate income into human development. According to the Ministry of Planning and National Development (1998), (UNDP 2002), (UN habitat 2010, 2011), eighty per cent (80%) of Kenya's population is living in poverty which is revealed through various ways, like lack of sustainable environment, spread of diseases, high rates of population growth, but more importantly lack of employment which leads to low income levels which give room to major problems. Urban poverty stands at 49% and rural at 53%.

The realization of poverty levels has led to the growth of considerable support to Small Scale Enterprises (SSEs) in Kenya where there has been an increase in the number of institutions with projects and programmes in support of SSEs. With the goal of raising income levels and welfare of the people in SSEs, it has been realized that one of the major obstacles to realization of SSEs benefits is lack of capital, with which to initiate and expand micro businesses. A number of non governmental institutions have come up with SSEs credit schemes with the aim of availing credit to the poor. The government has also ventured in with large investments to support these SSE; this is through the establishment of the Women Enterprise Development Fund in 2006, and the Youth Enterprise Development Fund, both which provide loans to groups with no collaterals.

A survey carried out by Kenya Rural Enterprise Programme (K-REP) in 1993 estimates total employment in the informal sector to be 2.1 million people. The Kenyan Government estimates show that SSE sector employs 40% - 60% of the urban labour force, and contributes to 20 % to 30 % of the total urban income. The emergence of enterprising culture both individually and in groups in Kenya is in gradual increase and it is evident with those becoming self employed, this is clearly visible in slum areas where the Women Enterprise Fund and the Youth Enterprise Fund have reached the youths, together with other nongovernmental organizations, where income generating activities include, sale of cereals, fruits, vegetables, others even operating Matatus, from these people manage to repay their loans and graduate to individual loans.

With the delivery of credit both by government and none governmental organizations there arises questions on how NGOs and Government parastatals deliver credit to the poor, and how the rates of repayment are? As is with the Youth Enterprise Development Fund. This is important because the delivery of credit may determine the success or failure of micro financial programme.

The major issue in accessing micro- finance programme loans is whether they benefit the poor or whether they are reasonably cost effective? Several Kenyan NGOs as well as government parastatals among them Women Enterprise Development Fund, Youth Enterprise Development Fund, Kenya Rural Enterprise Programme and Kenya Women Finance Trust are among the financial institutions which provide micro finance and use group lending to reduce transaction costs on borrowers. The group is liable for any default, loans given are small so that they do not exceed repayment capacity which is on a steady schedule, if group defaults or individuals do, the group's savings are forfeited and group is denied future access to credit.

The availability of credit however does not by any means indicate that youth groups or SSEs will become self sustaining. The sudden availability of credit on attractive terms may cause a group to expand its operation in excess of demand and their failure to meet supply rates, where else enterprises may also become dependent on outside assistance to remain viable. Groups in enterprises which are created in an environment of subsidized credit and management assistance may not be able to survive without it. Outside assistance may at time strengthen certain groups in enterprises to some point where competition is destroyed and instead monopoly with its bad consequences created.

In Kaiti constituency the repayment of Constituency Youth Enterprise Scheme Loans advanced to groups in the year 2007 have been a concern. There is no certainty on the eventuality of repayment, with the rate of repayment stagnating at thirty five point one three percent (35.13%) for the last five years, despite new applications for loans, (Youth Enterprise Development Fund 2010). This study therefore attempted to evaluate the repayment of Constituency Youth Enterprise Scheme Loans by the target population; it focused particularly on the factors influencing the repayment of the Constituency Youth Enterprise Scheme Loans, in Kaiti Constituency.

1.3 Purpose of the study

The purpose of this study was to establish the factors influencing of repayment of Constituency Youth Enterprise Scheme Loans in Kaiti constituency, in Makueni County.

1.4 Objectives of the study

The research was set on the following objectives

1 To find out whether the success of a business enterprise determines the repayment of the Constituency Youth Enterprise Scheme Loans.

2 To explore the relationship between group cohesiveness and the repayment of Constituency Youth Enterprise Scheme Loans.

3 To assess whether motivation to access individual loans determines the repayment of Youth Enterprise Scheme Loans.

4 To evaluate the effects of institutional policies (Youth Enterprise Development Fund) on loan repayment.

1.5 Research question

The research questions to the study were

1. Does the success of a business enterprise influence the repayment of Constituency Youth Enterprise Scheme Loans?

2. How does cohesiveness of a group influence repayment of Constituency Youth Enterprise Scheme Loans?

3. To what extent does motivation to graduate to individual loans influence repayment of Constituency Youth Enterprise Scheme Loans?

4. What are the effects of institutional policies on repayment Constituency Youth Enterprise Scheme Loans?

1.6 Significance of the study

The findings of the study will be useful to researchers and academicians in assisting them broaden their understanding on group loan repayments. The management of the Youth Enterprise

Development Fund will also find the research useful in policy implementation. Institutions aiming at lending to groups in the society will also find it useful in establishing the factors to consider before lending. Generally the study will contribute to the general body of knowledge, in that it will highlight group behavior in relation to development.

1.7 Basic assumptions of the study

The researcher held the assumptions that, respondents answered the research questions correctly and truthfully. The researcher also assumed that the sample which was chosen was representative of the population for which the results of the research were generalized. The researcher also held the assumption that the selected variables had contingent effects on repayment of the Constituency Youth Enterprise Scheme Loans.

1.8 Limitations of the study

It would have been ideal to carry out a country wide survey, but this was not possible, due to limitations of funds, time and scope of the project.

Language dialect may have limited the study; this is because the researcher was not very fluent in the local Kamba language dialects. This was overcame by use of research assistants Mr. Paul Mwololo and Ms Winfred Nthenya who come from the area, and had access to the target population, understood and were fluent in all dialects used in the area,

The study would have been carried out on the newly funded groups, but this was not be possible because no funds were disbursed to group accounts since the year 2007, and those that had been vetted had not yet been disbursed, thus the study was limited to the forty funded groups in Kaiti constituency in the year 2007, which were the only loans being serviced during the study.

The problem of disclosure and consequences was experienced where groups were not willing to give sincere information to the researcher and assistants who were expected to be following default cases by the groups; however this was overcame by clearly communicating that information was purely for the purpose of research.

1.9 Delimitations of the study

It would have been ideal to employ all the research designs, in the project, but as a result of time and the nature of the project this was not possible.

1.10 Definition of significant terms

Constituency Youth Enterprise Scheme Funds disbursed by the Youth Enterprise Development Fund through the Constituency vetting committee to youth groups comprised of a minimum of ten members.

Loan Any credit advanced to a borrower with set terms of repayment.

Repayment rate The percentage of target loans recovered relative to total target loans including principal and interest.

Matatu A transport business that involves vans and buses.

Micro finance Any small amount of money advanced to individuals from money lending institutions at small interests for a particular period.

Micro financial institution An organization that advances credit to its members at an interest for a given period of time.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes information from other researchers who have carried out research in the same field of study. The specific areas covered here are; lending, the four Cs' of credit, theoretical framework-joined liability, motivation and access to individual loans, group dynamics and solidarity, institutional policies, group lending in perspective, a theoretical model and a conceptual framework of the study.

2.2 Lending

According to Zeller (1996), 'Lending is a risky enterprise because repayment of loans can seldom be fully guaranteed.' According to Tehmeen (2010), microfinance is a lending model within which general microfinance lending models exist which differs in terms of sources of funds. The explosion of group lending programs around the world is a recent phenomenon. While a few group loan institutions were operating in the 1970's, a proliferation of such programs occurred in the 1980's and continues to accelerate in the 1990's. Nearly all of the programs are NGO sponsored credit-first approaches.

Interest in the utilization of groups has originated from an increased knowledge of informal financial arrangements using groups Microfinance institutions (MFIs) were established to fill the gap in the financial services sector by providing funds to the poor and lower income group and thus alleviating poverty and enhance their business activities.

The MFIs provide funds for start-up business or for working capital. In addition, some MFIs also provide funds for non-business activities such as for education and emergencies purpose like the Higher Education Loans Board (HELB). In the credit market, agency problem, moral hazard and adverse selection exist because of information asymmetries, which are the main obstacle for MFIs to provide loans to clients (Tehmeen 2010).

Financial institutions usually requires business proposal, borrower past credit information and collateral before approving the loan. MFIs offer credit through group-based lending method to mitigate agency problems, moral hazard and adverse selection and to replace the collateral requirement. According to (Aghion, 1999), in group-based lending, borrowers must form a group before applying loans and they also responsible to other loan members. If one member default, the others will be responsible to pay the loan or they will be denied access for the next loans, as is the case with Youth Enterprise Development Fund, which provides C- YES Loans based on group lending for youths as individuals lack collateral, steady employment and verifiable credit history, therefore they cannot even meet the most minimal qualifications to gain access to traditional credit.

The Grameen Bank defined microcredit as small loans given to the poor for undertaking self-employment projects that would generate income and enable them to provide for themselves and their families. The target population comprising women microenterprises from the low-income households and the loans have no collateral. (Ghatak, 1999).

2.2.1 The four C's of credit (Lending)

Jessup (1978) argues that, banking manuals often stress on four C's of credit: Character, Capacity, Capital and Collateral.

Character refers to individual's intention and determination to pay bills promptly and repay loans. issues to consider character may include good credit rating, no default in past repayment, personal maturity and also special caution about applicants far from income, applicants new to area or job jumper.

Capacity refers to an individual's income, and cautions as an indicator of his or her ability to pay loan according to schedule. Issues to consider in capacity include steady employment, steady income. sufficient funds to repay and special caution about applicants with excessive debts.

While capital summarizes an applicant's financial structure his/her assets, liability and net worth and collateral refers to the pledging of specific assets to secure a loan in event of deficit, issues to consider under capital and collateral are sufficient equity, strong assets position, good amount of liquid assets and value of collateral, that is sufficient and sustainable.

2.3 Joined liability

There are several theories as to why group lending is more efficient than individual lending and as a result can lead to higher loan repayment rates. These theories assume that borrowers have perfect information about one another, enforcement is costless, borrowers are risk neutral and the project returns of group members are un correlated (Ghatak,1999).

According to Ghatak and Genuine (1999) according to the theories each member within a group is held jointly responsible for each other's loans. Their model demonstrates how joint –liability lending promotes screening, monitoring, state verification and enforcement of repayment. These actions are necessary for lenders to know what kind of risk the potential borrower is likely to encounter, so lenders do adverse selection and analysis to ensures that borrowers will utilize the loan properly, so as to repay it and avoid moral hazard, learn how her project did in case she defaults on a loan to avoid high auditing costs, and find methods to enforce repayment of the loan by the borrower.

Joint liability helps to promote screening that is necessary to mitigate adverse selection. Adverse selection occurs when borrowers have negative characteristic that are unobservable to the lender and affect the probability of loan repayment. Group lending can alleviate adverse selection problems especially in rural markets because in these markets it assumes that borrowers may have more information about one another than the lender, (Van Tassel, 1999).

The positive assertive matching property of group formation (safe partners end up with safe partners, risky partner with risky partners) allows banks to screen borrowers by the company they keep. (Ghatak, 1999). When group members do not know each other then group lending brings no improvement to loan repayment rates, (Laffont and N, Guessan, 2000).

2.3.1 Motivation to access individual loans

Peer monitoring contracts in microfinance institutions involve a group of borrowers who are linked by a joint-liability default clause that states; if any members of the group defaults on her loan, the rest take responsibility to pay her portion or risk losing access to future loans. Peer monitoring thus transfers part of the monitoring effort normally incurred by microfinance institutions to the borrowers. The main objective of peer monitoring is to prevent strategic default, which occurs when a member is able but unwilling to pay her portion of the loan (Aghion 1999).

Aghion (1999) shows in his model that the benefits from peer monitoring are maximized when risks are positively correlated across borrowers, and when the size of the group is neither too small (due to 'free-riding' effect). In large groups, there is an increased probability that at least one borrower will have high output and be able to repay for a borrower who strategically defaults on her loan (free – riding effect). Also, in large groups, coordination difficulties and free – rider problems can overshadow the informational and enforcement benefits of a group.

According to Ghatak (1999), large groups can also lead to problems of loan supervision and collection (Owusu, Tetteh, 1982) and make peer monitoring extremely difficult (Kandel and Lazear, 1992) or less effective, (Impavido, 1998). If a group is too small, the costs of monitoring another borrower are not shared among enough borrowers, leading to an increase in the cost of each borrower, and preventing the effects of joint-liability and commitment from occurring. Commitment causes a borrower to become increasingly fearful about strategic default by other group members as the group size increases because one will have to pay for a larger number of defaulting group members (Aghion, 1999).

2.3.2 Group dynamics and solidarity

Group solidarity is a mechanism that relates directly to group dynamics and has been shown through various models to have an effect on loan repayment rates. It requires the existence of intra-group insurance, which enables group members to repay each other's loans in instances of negative shocks, provided that the returns between their projects aren't correlated , (Varian 1990). The typical form of intra-group insurance is a shock-contingent loan given to the unfortunate member by one or more of the other group members, (Wydick, 2000).

Oni (1999) studied the proportion of loan repayment by smallholder farmers in Osun State. His explanatory variables were: amount of loan collected, expenditure on farm, interest rate, extent of farmers contact with bank, disbursement lag, cultivated land area and years of experience in farming. The result of linear and log form equations showed that the regression coefficients associated with amount of loan (+), disbursement lag (-) and extent of farmers' contact with banks (+) had expected signs and were statistically significant at 5% per cent.

Group cohesion refers to the extent to which members of a group exhibit a desire to achieve common goals and group identity. Research supports the view that high interaction teams need high task cohesion to be consistently successful, whereas for moderate or low interaction teams cohesion is less important to success, (Wydick, 2000). Again we have social cohesion, which is refers the extent to which members of a group get on with one another, and task cohesion, the extent to which members cooperate to achieve the group's goals. The following factors affect cohesion:

Stability - Cohesion develops the longer a group is together with the same members Similarity-Cohesion develops when the more similar the group members are in terms of age, sex, skills and attitudes.

Size - Cohesion develops more quickly in small groups.

Support - Cohesive teams tend to have managers and coaches who provide support to team members and encourage them to support one another.

Satisfaction - Cohesion is associated with the extent to which team members are pleased with each other's performance, behavior and conformity to the norms of the team.

Collective identity- A sense of shared purpose structured patterns of communication

Loafing - Loafing is the tendency for individuals to lessen their effort when they are part of a group - also known as Ringelmann effect. Causes of loafing in a team have been attributed to individuals: perceiving others to be working less hard than themselves thereby giving them an excuse to put in less effort, believing that their own efforts will have little effect on the outcome disliking hard work and assuming that their lack of effort will not be noticed feeling "off form" and believing team mates will cover for their lack of effort.

Performance - for a group to perform at its highest level of performance, methods and strategies, need to be applied which will improve group productivity and reduce loafing, the subsequent effect will be to improve cohesion and develop positive group dynamics.

Group dynamics are affected by the level of social cohesion within the group or the degree to which group members know each other and interact on a regular basis. The degree of social cohesion is often determined by population density, geographical proximity, Social economic class, and level of homogeneity within the group, (Spagnolo, 1999)

Huppi, Fender, (1990) and Zeller (1998) show that in group-lending programs, homogenous self-selected groups of individuals from the community and economic class are more successful than other groups. Wenner (1995) finds in his study of 25 Costa Rican credit groups, repayment rates were higher among those groups that were able to screen its members due to geographical proximity. (Reinke, 1998) argues that most of the models such as (Aghion, 1994), (Besley, 1993) and (Stiglitz, 1993) do not reflect the origins and implications of group solidarity but instead treat group solidarity as exogenous and merely an a priori assumption to forming group lending contracts.

According to (Reinke, 1998), his argument is that group solidarity is the main condition for participation and is also a form of social capital. Like social capital, group solidarity will "depreciate if it is not renewed through regular communication" (Coleman, 1990). Like meetings required by microfinance institutions can serve as a platform for strengthening communication among members and thus can lead to greater group solidarity. They allow for social interaction or social ritual that will in turn strengthen the mutual commitment underlying group credit, (Reinke, 1998). Hechter, (1987) argues that visibility, ritual and public commitment to group values are essential in creating group solidarity and enforcing obligations.

Another mechanism that relates to group dynamics and affects loan repayment rates is social sanctions. Aghion, (1999) developed a model of 'strategic' default, which occurs when a group member is able but unwilling to pay her portion of the loan. In this model a borrower's partners can verify her true project return at some cost and impose sanction if she defaults. She argues that joint-liability can prevent 'strategic' default because of the comparative advantage borrowers have in monitoring each other due to geographical proximity and the ability they have to impose social sanctions upon those who default. Under this model borrowers have an incentive to monitor one another and to enforce debt repayments with the threat of social sanctions because if the entire group defaults, all group members lose access to future credit. This has lacked with loans advanced by the Youth Enterprise Development Fund.

Besley and Coate (1995), claim that social sanctions are dependent on the extent of harm imposed by the non-contributing member and the 'reasonableness' of the decision not to contribute. 'Reasonableness' entails the return or profit of the non-contributor's project. They assume that if a partner fails to contribute when her project has the lowest possible returns, then she will not be sanctioned. In a model created by (Impavido, 1998) the magnitude of social sanctions is contingent on the magnitude of the deviation, the level of monitoring within the group and the ability and costs of the group to impose punishment.

According to Impavido (1999), a large group size leads to lower levels of monitoring, making it more difficult to impose social sanctions. He also shows that optimal group size is positively correlated with a group member's sensitivity to social sanctions that exists *ex ante* to the group being formed. And thus, the higher the individual's sensitivity to social sanctions, the higher the probability of group formation and the larger the optimal group size.

According to Rogarly, (1996) groups repayments does not solely depend on peer pressure; groups take different forms in different contexts and it is difficult to analyze the mix of circumstances which include supervision management transparency and accountability of these system borrowers could use a local enforcement technology to coax the defaulter into repaying her loan. In both of these scenarios, the actions of the peer group have direct consequences for an individual's own repayment decisions. Several theoretical models examine various mechanisms through which joint liability operates including screening, monitoring and enforcement.

In many instances it is difficult for a microfinance institution to apply financial sanctions against a delinquent borrower because the majority of its clients are poor people without a significant form of collateral. This is a major source of market failure in credit markets. However, if social ties among members are strong enough then there will be strong social sanctions imposed against those who default and as a result a group can enforce repayment better than would occur under individual loans, leading to higher repayment rates.

Coate, (1995), Spagnolo (1999) argue that strong social sanctions made possible by strong cooperative relations, emerge as 'credible threats', making peer monitoring more effective. Floro and (Yotopolous, 1991) show that since there are negative externalities imposed on group members who default, and borrowers' utility functions are influenced by social standing in close-knit communities, borrowers internalize the externalities associated with moral hazard. Thus stronger social ties will lead to higher repayment rates.

Wydick (1996) also shows in his model that a strong threat of social sanctions against a defaulting group member will prevent moral hazard and lead to a higher repayment rates. Social penalties can also eliminate the 'free-rider' problem, as any individual who 'free-rides' on the good returns of her partner will face a social penalty. It then becomes less likely that a group member with the highest returns will have to repay the entire group's loan, (Besley & Coate, 1995).

The level of social cohesion within a group can also be measured by distance between members businesses, income and occupation. Lending program where group members' businesses are located close together repayment rates are higher. Cardenas (2003) finds in his experiments in the field lab that the levels and composition of wealth as well as the occupation of the participants affect the level of cooperation among group members.

Variation in the distribution of wealth or inequality leads to a decrease in the efficiency level. Vaurghese and Ostrom (2001) found that wealth inequality, heterogeneity and social distance within a group can prevent motivators of cooperation or collective action such as reciprocity and trust, while shared values and norms can increase cooperation among members. In the case of Youth Enterprise Development Fund, money disbursed is strictly made for group activity, which leads to other malpractices on the loan and as a result of dynamism and fluid nature of youths repayment rate could be a challenge due to lack of skills in management and also financial management.

There are empirical studies that indicate a certain degree of heterogeneity, rather than homogeneity, among group members can lead to better group performance. Baker (1998) argues that some inequality in wealth is necessary because it provides incentives for certain members in a community to bear a disproportionate share of the group costs. A few empirical studies have suggested that homogeneous groups with strong social ties may actually prevent the perceived threat of social sanctions, leading to lower loan repayment rates. Wydick, (1999) argues "previously existing social ties may even create a conflict of interest, making threats of expulsion from the group more difficult and less credible" (Wydick, 1999, p.474).

In examining the theories and empirical studies pertaining to ideal group composition and how group composition impacts loan repayment, it is clear that there is no general consensus. Some authors have argued that homogeneous groups comprised of friends or relatives may cause shrinking to result in guilt or shame, making them more ideal. If individuals feel guiltier about cheating others, partnerships will be more common among people from the same culture, (Kandel & Laear, 1992).

Homogeneous groups may also respond more with group solidarity when another member has loan repayment problems, (Paxton 2000). There is no distinction made between varying levels of homogeneity that may exists between groups comprised of family members and groups comprised of friends or neighbors. Others have argued that heterogeneous groups are more desirable when they lead to uncorrelated project returns because this decreases the risk of overall group default , Ghatak, (1999) and when they facilitate the perceived threat (Wydick, 1999) or enforcement of social sanctions Sharma and (Zeller, (1997).

2.3.3 Institutional policy

Some authors link the repayment performance with firm characteristics such as (Nannyonga 2000), (Arene, 1992) and (Oke et al. 2007) mention that firm's profit significantly influenced loan repayment. Besides that, (Khandker et al, 1995) raise the question of whether default is random, influenced by erratic behavior, or systematically influenced by area characteristics that determine local productions conditions or branch- level efficiency. Their study on Grameen overdue loans supports the idea of partial influence of area characteristics. Rural electrification, road width, primary educational infrastructure and commercial bank density are positively correlated with a low default rate as well as predicted manager's pay.

According to Johnson and Rogaly, (1997) in 1950's government and National aid donor subsidized credit delivery to small finances in rural area in many developing countries poor people found great difficulty in obtaining adequate volumes of credit and were charged high rates of interest by monopolistic money lenders. Financial institutions such as agricultural development bank emerged and were responsible for delivery of cheap credit to farmers. Adams and Von Piske (1992), points out that a dependence on fluctuating whims of government of donors led to poor investment decisions and low repayment rates, where many of development finance institutions were unable to sustain their lending programmes. While Johnson and Rogerlys' view is that private money lenders charged interest rates which were higher than formal bank rates because of high costs they faced in terms of risk, particularly when landing without physical collateral until 1970s, when Grameen bank in Bangladesh begun using peer group monitoring to reduce lending risks.

Godquin, (2004) suggests that the provision of non-financial services such as training, basic literacy and health services has a positive impact on repayment performance. Zaini (2009) found that borrowers that did not have any training in relation to their business have a higher probability to default. Tedeschi, (2006) notes that there are two possible reasons for default: strategic default or default due to a negative economic shock.

The lending contract provides incentives to discourage strategic default, but default due to an economic shock is unavoidable. In contrast, (Hulme and Mosley, 1996) argue that the important factors contribute to loan repayment performance are the design features of the loan, they categorize the design features into three categories ; access methods, screening methods and incentive to repay.

Access methods generally ensure that poor people access the loans not the richer people and the features include maximum loan ceilings and high interest rate. Screening methods are used to screen out bad borrowers. However, (Stearns, 1995) argues that, "it is the lender not the borrower, who causes or prevents high levels of delinquency in credit programs. While, (Awoke, 2004), reports that most of the default arises from poor management procedures, loan diversion and unwillingness to repay loans. Therefore, the lenders must devise various institutio mechanisms that aimed to reduce the risk of loan default.

A few researchers also found that loan characteristics play an important role in determin repayment performance, (Roslan & Mohd Zaini, 2009); (Njoku, 1997), (Copissarow, 20 found that defaults generally arise from poor program design or implementation, not from essential problems with the borrowers.

Lending to the poor or lower income group raises many debates among practitioners academicians. The youth are usually excluded from credit facilities because of many reaso These include insufficient collateral to support their loans, high transaction costs, unsta income, lower literacy and high monitoring costs. Usually they survive through involvemen micro business activities or informal activities that comprises food processing and sales, sn scale agriculture, services, crafts and petty trading.

Youth activities actually contribute greatly to total employment and gross domestic proc (GDP) to any country. Micro and small enterprises (MEs) have been recognized as a m source of employment and income in many countries of the Third World, these businesses thus referred to as survivoristic businesses (Mead and Liedholm, 19 (Africa.com:kenyaSSME.)

The literature on factors influencing loan repayment performance among financial instituti targeting the poor is very sparse and limited mainly to microfinance experience in low-inco countries, (Derban et al, 2005); Silwal, 2003). The results of the studies show mixed res Based on past literature, the factors affecting repayment performance of MFIs can be divi into four factors namely individual borrowers factors, firm factors, loan factors institutional/lender factors.

Several studies, Greenbaum et al, (1991); Hoque, (2000); Colye, (2000); Ozdemir and Boran, (2004), show that when a loan is not repaid, it may be a result of the borrowers' unwillingness and or inability to repay. Stiglitz and Weiss (1981) recommend that the banks should screen the borrowers and select the "good" borrowers from the "bad" borrowers and monitor the borrowers to make sure that they use the loans for the intended purpose. This is important to make sure the borrowers can pay back their loans.

2.4 Group lending in perspective – repayment

Several perceptive authors have drawn attention to the potential pitfalls of group lending. Hossain (1988) explores the cultural roots of group activity and warns of the need for group credit programs to be sensitive to varying cultural norms, values, and cognitive structures. Also, some of the critics question assumptions that transactions costs are indeed lower to borrowers and lenders under group lending. The time commitments of group members is enormous and group mobilization and training cause high administrative costs, (Huppi and Feder , 1989), (Khan 1994).

Huppi and Feder (1989) challenge the notion that repayment rates are truly higher for group lending operations. Instead, they suggest that loan repayment performance is a function of counteracting negative and positive externalities. The domino effect is one that has been witnessed in a variety of group lending programs. In numerous cases, group lending starts strong with 100 percent repayment, but after a few months or years, certain areas experience widespread default. This may be explained by an inherent "matching problem" causing certain individuals to default, followed by a domino effect of borrowers defaulting due to their loss of effective incentives because she would have to pay for a larger number of defaulting group members, (Aghion, 1999)

Bratton (1986) illustrates the domino effect in Zimbabwe. In a good year, group lending institutions had better repayment rates than individual loan programs, however, in a bad year, the opposite was true. The same domino effect was witnessed in the Philippines. Matienzo, (1978) and in Burkina Faso by the author. This illustrates an important risk of joint liability.

While most anecdotal and empirical studies report high degrees of group pressure, particularly in Asia, some studies have found peer pressure to play an insignificant role in credit groups, (Matienzo 1978, Hulme, 1993), preliminary findings in Chile by Sprodofsky (1995). In one Malaysian program, Hulme found a common village sentiment that "in Malay villages, one shouldn't intervene in a neighbors' business even if others would lose privileges." Hulme (1993).

Results from Burkina Faso suggest that neighborhood harmony is prized above access to future loans and therefore peer pressure was minimal. Montgomery points out the high costs of peer pressure including a heightened perception of risk, an erosion of mutual trust, and an increased likelihood of excluding the poorest and most vulnerable' (Montgomer, 1995).

In order to encourage collective actions, selective incentives are important. These are mechanisms that apply to group members selectively based on whether or not they contribute to the provision of the collective good. In the case of group lending, if the collective good is thought of as future access to loans, then correct repayment is necessary. Selective incentives may include group pressure if an individual does not contribute his/her loan repayment or social harmony if correct repayment occurs.

A non-selective incentive typically is used in group loans; that is in an event if only one person defaults; the rest of the group has no future access to loans. This non-selective incentive becomes a catalyst for the social selective incentives to function. Free-riding takes place in group lending when an individual does not contribute the weekly repayment, allowing the rest of the group to cover the arrears, or when an individual does not carry an appropriate share of the screening and monitoring costs incurred by the group.

While much controversy exists in the literature regarding whether or not group lending increases or decreases repayment rates, few models have been specifically designed to test for the determinants of group loan repayment, however, none of them incorporate groups' individual`s motivation to access individual loans. Institutional policies despite the amount of empirical evidence that suggests that peer pressure and group solidarity are the key elements to successful repayment.

2.5 Theoretical Literature

This study is anchored on the Grameen bank model from Bangladesh. by Dr Muhamad Yunus.

Otero M. (1999). argues that provision of financial services to the poor and attaining financial viability are at odds, poor people are considered problematic borrowers because the loan amounts they seek are small and the administrative cost per loan is high because they lack collateral or access to cosignatories to guarantee their loans and are perceived as risky, thus group mutual guaranteed methods reduce risks and administrative cost per borrower,

According to Berenbech and Diegs in (Otero 1999) add that solidarity groups have proven efficient in deterring loan defaults as evidenced by loans repayment attained by the Grameen bank;- working through groups helps reach large households with credit administration being the same whether one extends loan to individuals or groups.

According to Yunus (1999) community village banks are formal versions of associations and created by members of a target coming wishing to improve their living standards and to generate employment by offering micro financial services, they seek to develop their countries.

Guarantees are provided by social, cultural (peer pressure) as services are distributed through member groups where each member is eligible based on his or her peers performance.

Dr. Muhamad Yunus is credited with community banking and describes the dynamics of lending through solidarity lending this way. "Group membership not only creates support and protection, but also smoothes out the erratic behavior patterns of individual members making each borrower more reliable in the process subtle and sometimes not more subtle. Peer pressure keeps each group members in line with the broader objectives of the credit program because the group appears the loan requests of each member, the group assures moral responsibility for the loan". If any member of the group comes into trouble the group gets into to help (Yunus, 1999).

According to the Grameen model the responsibility delinquency of loans is handled by elected leaders of a larger village level group called the centre because its members come from the same village and loan repayment takes place during the central meeting where the principle of using social capital for leverage is not compromised but members of the centre are collectively responsible for unpaid loan.

According to Yunnus (2005, 2006) many micro credit institutions use solidarity group, as a form of joint liability thus the group takes any action practical to collect seriously delinquent loan not just from individual member, but from any member of the group with the capability to repay.

The Grameen bank followed certain criteria which were as follows:-

Group of five select themselves men and women but should have a similar economic background.

Members are restricted to those assets worth less than half an acre of land.

Activities involve saving a taken per week per person and this saving remains compulsory throughout membership.

Loans are made to those members and must be repaid in equal installments over fifty weeks. Each time a loan is taken or borrowed must repay five percent (5 %) of loan amount into group fund the group is ultimately responsible for repayment of individual default.

According to Jain (1996) the Grameen bank high repayment is as a result of practice of weekly public meeting at which attendance is compulsory for the repayment of loan installments and collection of saving. The meeting reinforces a culture of discipline routine payment and staff accountability borrowers can make repayment out of their normal income.

Rutherford (1995) argues that regular payments on loans required both microfinance institutions provide evidence that poor people can save in cash by insisting on regulatory savings microfinance institutions can screen out some potential defaulters build up financial security of individuals increase funds available for leveling and develop among members a degree of identification with financial security of health of institution.

While the bank exhibits an average of 97 percent repayment rates, group saving have proven as successful as group lending. The Grammen bank system has a proven track record in helping the poor to be self reliant.

2.6 Conceptual Framework

Independent variables

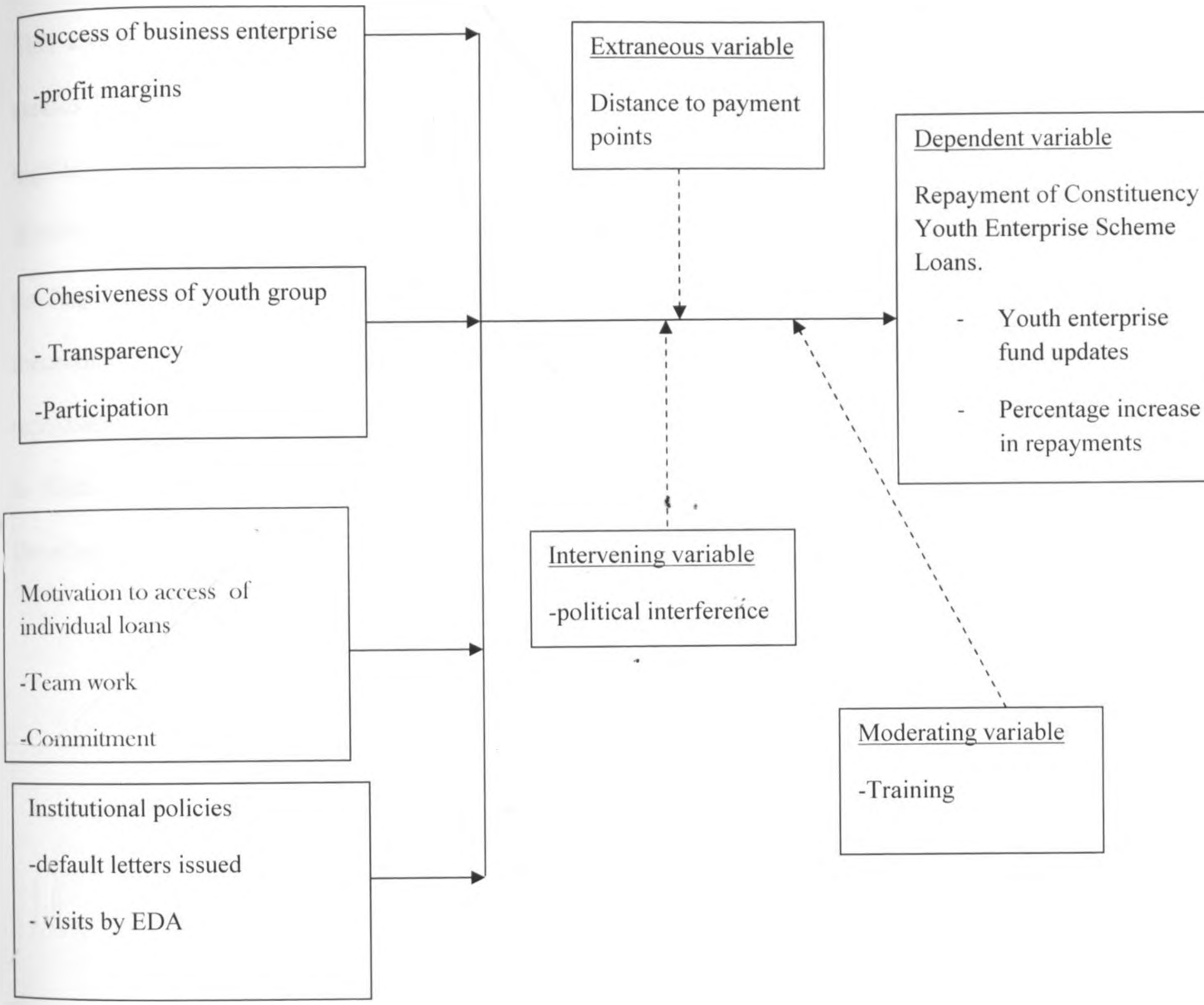

Figure 1.The relationship between independent and dependent variables in the study.

The figure indicates the relationship of the independent variables; Success of business enterprise, cohesiveness of a group, individual motivation to access individual loan and institutional polices on the independent variable Repayment of the Constituency Youth Enterprise Scheme Loans, with other variables that may influence the relationship being the extraneous, moderating and intervening variables.

2.7 Summary

This chapter reviews literature from prior researchers which highlights key objectives and tackles lending, in the perspective of groups with no collateral other than social security, it highlights group internal factors like commitment cohesiveness, variations in resources distribution as well as cultural social norms as factors emergent in group repayments up funding , the researcher further highlights peer borrowing in Burkinafaso ,Chile and gives theoretical literature from Grammen bank in India which has experienced over 97% group repayment from venture capital. in trying to establish the factors that have led to low repayments in Kaiti Constituency at 35.13% of in Kenya by groups funded by the Youth Enterprise Development Fund

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter contains the following; research design, target population, methods of data collection, Methods of data analysis and Validity and reliability.

3.2 Research design

The researcher used survey research design. The choice of survey design was based on the fact that in the study the researcher was interested on the state of affairs already existing in the field.

3.3 Target population

The researcher targeted a population of the forty funded youth groups funded in Kaiti constituency in the year 2007, which was the sample frame. This study consisted of youth groups having membership of between ten to thirty members, derived from Kilungu, Kee, and Makueni divisions because of ease of accessibility and being the only divisions that received the Youth Enterprise Development Funds. See appendix 3.

The sample also reduced costs of travelling for the researcher and it was convenient for the researcher to access the target population.

3.4 Sample and Sampling procedure

The sample was one twenty elements, drawn from the forty groups (all members). Using stratified technique elements were stratified into forty strata (Sample frame). Three elements from each strata, one of which was an official, and two who were supposed to be non officials each group was further stratified into two strata one of officials and another of non officials and simple random method was used to pick one element from the officials strata and two elements from the non officials strata, which participated in the research study.

3.5 Method of data collection

3.5.1 Questionnaire

A survey questionnaire was employed as data collection instrument, the survey questionnaire was issued to each member of the sample population, the questionnaire had both open and closed ended. The closed ended questions provided more structured responses to facilitate tangible recommendations, while the open ended questions provide additional information that might not have been captured in the close – ended questions the questionnaire will be carefully designed and tasted with a few members of the population for improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

3.6 Validity of research instruments

Validity refers to the degree to which evidence supports inferences a researcher makes based on the data which he or she collects using a particular instrument. The process of drawing the correct conclusion based on the data obtained from an assessment is what validity is all about.

The content validity of the instrument was established by ensuring that there was systematic examination of the test content to determine whether it covers representative samples of the content domain to be measured, for example, the questionnaire had items covering all areas of the variables discussed in the literature review such as group's success in business enterprise, group cohesiveness, individual motivation to access individual loans and institutional policies on rates of loan repayment, therefore content validity was established through discussing with the research assistants on the questionnaire to ensure high precision and minimal errors in data entry.

3.7 Reliability of research instruments

Reliability of an instrument is the ability of the measuring device to yield similar results when repeated measures are taken under identical measuring conditions (Spata, 2003)

It is the consistency of the scores obtained from the data collection instrument. The reliability of research instrument (the questionnaire) was estimated through test-retest method, where a sample of ten respondents was selected before the actual administration of questionnaires and ten questionnaires administered to the ten respondents at two separate times, before and after the major questionnaire, for each subject under the same conditions, were scores were found to be reliable.

3.8 Methods of data analysis

The researcher used both qualitative and quantitative data analysis, ones data was collected, it was checked for completeness, ready for analysis. The data from the field was coded according to themes, it was then subjected to qualitative and quantitative analysis to produce information inform of descriptive statistics, such as percentages, and proportions that were presented in tables.

3.9 Operationalization of variables

The table below shows the operationalization of variables

Table 3.0 Operationalization of variables

Variable	Type of variable	Indicator	Measurement scale	Data analysis method	Instrument of data collection	Approach to data analysis
uccess of usiness nterprise	Independent	Profit margins	Interval	Quantitative Qualitative	Survey questionnaire Document Analysis	Descriptive
ohesiveness of outh group	Independent	Transparency Participation	Nominal	Quantitative	Survey questionnaire	Descriptive
roup otivation to cess individual an	Independent	Commitment	Nominal	Quantitative	Survey questionnaire	Descriptive
stitutional olicies on loan covery	Independent	Default letters Visits by EDAs	Nominal Ordinal	Quantitative	Survey questionnaire	Descriptive

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the data finding drawn from the research instrument and the information processed thereof by way of data analysis based on the objectives of the research study.

4.2 Response rate

Out of the 120 questionnaires administered to the sampled population in the targeted 40 funded groups in Kaiti constituency 91 questionnaires were fully filled making a response rate of 75.8% which was achieved through personal administration of the questionnaires.

4.3 Demographic information

4.3.1. Designations

According to the responses from the field all the respondents where registered members of the groups during funding and were conversant with the day today's activities of the groups.

4.3.2 Gender of participants

Table 4.1 shows gender of the participants

Table 4.1 Gender representation

Gender	Frequency	Percentage
MALE	55	60.4%
FEMALE	36	39.6%
TOTAL	91	100%

According to the findings on gender, majority of the respondents were males representing 60.4%, while the females represented 39.6%. Thus there were more male respondents than females.

4.3.3 Age bracket of respondents

Table 4.2 Age bracket

Age bracket	Frequency	Percentage
10-17	0	0
18-35	54	59.3%
35+	37	40.7%
TOTALS	91	100%

According to the study majority of the respondents in these youth groups are youth within the age bracket 18-35 at 59.3% while those above 35 years are at 40.7% indicating that the target population of study is within the age bracket considered for more loans and at this stage repayment is an issue because of their fluid nature.

While the 40% of those above the youth bracket are people who are established and have more set objectives thus able to repay.

4.3.4 Highest level of education achieved

The respondents' level of education was represented as shown in table 4.3

Table 4.3 Levels of group education

Level of education	Frequency	Percentage
Class 8	21	23.1%
Form 4	44	48.3%
Technical education	17	18.7%
Diploma	3	3.3%
Degree	4	4.4%
Others	2	2.2%
Total	91	100%

The study required respondents to indicate their highest level of education achieved according to the research, majority of the respondents as shown by 48.3% had a form four certificate 23.1% had a certificate in primary education, 18.7% technical education certificate 4.4% degree certificate 3.3% diploma certificate and 2.2% had left school before they joined class eight or completed their secondary education.

This indicates that the target population had mixed levels of education achievements hence levels of skills in enterprise development.

4.3.5 Group membership and levels of education

The groups levels of education was represented as shown in table 4.4

Table 4.4 Groups highest level of education of members

Level of Education	**Frequency**	**Percentage**
Class eight	19	21%
Form four	35	38%
Diploma/Technical education	30	33%
Degree	7	8%
Total	**91**	**100%**

The researcher required respondents to identify the highest level of education achieved by its members where 21% of the respondents had a qualification of class eight at 38% form four, 33% diploma and technical education, and 3% had a degree for all the groups. Those groups with highest levels of education; diploma and degree had fully completed repayment. Thus there is a relationship between the levels of education in reference to skills in management which positively influenced the rate of loan repayment.

4.4 Group business activity

Groups business activities were shown in table 4.5 below

Table 4.5 Group business activity

Business activity	Frequency	Percentage
YES	41	45%
NO	50	55%
Totals	91	100%

The study required respondents to indicate whether they had any group business activity that they had been running since they were funded in 2007 majority of the respondents 55% indicate that they had no business activity while 45% had a business activity that they were running since funding

Out of the 45% groups running business only 15.5% had totally completed repayment with 19.5% in the process of repaying thus groups engagement in business enterprise had no positive influence on the rate of repayment of the Youth Enterprise Development Fund Loans.

4.4.1 Profit margins made from business in a month

Group's profit margins were represented on table 4.3.1.

Table 4.6 Profits made by business

Profit margin	Frequency	Percentage
5,000-10,000	32	**35%**
11,00 -15,000	9	**9.8%**
16,000-20,000	0	**0**
21,000-25,000	0	**0**
25+	0	**0**
Other	40	**44%**
Totals	**91**	**100**

Majority of the groups 44% were not making profits out of their business with 35% making profits of between 5,000-10,000 and 9.8% making profits of between 11,000-15,000,while there was group making profits above 15,000, out of the groups making profits between 5,000 and 10,000 the six groups that had completed their repayment were 100% represented. An indication that high profit margins do not positive influence rate of loan repayment, while group funds were not utilized for business, but shared or diverted to individual members.

4.4.2 Intention to start a new business

The study also sought to establish whether the respondents had intention to establish new business as shown in table 4.7.

Table 4.7 Intention to start new business

Intention to start business	Frequency	Percentage
YES	67	73.6%
NO	24	26.4%
TOTAL	9.1	100%

Majority of the groups` intendment to start a new business and ware represented by 73.6%, while 26.4% did not intent to start a new business. With only 33.3% identified horticulture as their business of interest, 13.4% Poultry, 11.9% Cows and Goats 10.4%. Table banking, 9 % Motor bike, 4.5% Fish 3%, Hotel 1.5 % and Shop 1.5% they attributed this to the high rates of returns in the kind of ventures identified, the willingness to start a new business was based on initial business success and the need to diversify to new businesses this was not the case thus in effect, the success of a business enterprise did not positively influence on the rate of loan repayment.

4.4.3 Availability of capital

The study also sought to establish the saving culture leading to a saving culture for future investments represented in table 4.8.

Table 4.8 Availability of capital

Capital availability	Frequency	Percentage complete
Yes	38	47.8%
No	53	58.2%
Total	91	100%

The highest respondent percentage rate of 58.2% had no capital available and 47.8% had capital available against 70.5 % of groups that had made repayment . The availability of capital to the groups did not positively influence on the rates of repayments made by the groups, in that against payments were outstanding balances.

4.4.4 Group recognition

The researcher set to establish groups success based on recognitions received as shown in table 4.9.

Table 4.9 Group recognition

Group	Frequency	Percentage
Yes	44	48%
No	49	52%
Total	91	100%

According to the findings 48 % of the respondents said they had never received any recognition as a group, while 52% had received recognition, of these 25.4% 16.6% had been recognized by the Women Enterprise Development Fund and 10% by the Constituency AIDS awareness Committee this indicated that the groups were not successful in their businesses, level of group success in terms of performance was not basically on business other than other diverse objectives on which groups were set other than that which they were funded for, thus group success has no positive influence on the rates of repayment of the constituency youth enterprise scheme loans.

4.5 Total number of members registered during funding

Group membership during funding was as shown in table 4.10.

Table 4.10 Group membership during funding

Number	Frequency	Percentage
10 - 15	45	49.5%
16 - 20	31	34.1%
21 - 25	12	13.1%
26 -30	3	3.3%
Totals	**91**	**100%**

The research established that there was a negative linier correlation between membership and frequency of repayment where while one value increases (membership). the other (frequency) decreases. Thus r =-1 which is a perfect negative correlation indicating negative correlation thus group size has a negative influence on the repayment of the Constituency Youth Enterprise Scheme.

From the study majority of the groups 49.5% of the groups were formed by members ranging between 10 – 15, while 16 – 20 members were represented by 34.1%, 21 – 25 forming 13% and groups with membership ranging from 26 – 30 forming 3.3% from these findings groups were found to be large, hence there was no business success as a result of the heterogeneous nature.

25% of groups with membership range between 10 – 15 people had completed repaying, while 8.1% of groups with membership range between 16 – 20 had completely repaid their loans while the others had not.

4.5.1 Group membership to date

The researcher sought to find out whether groups were harmonious to date with results being represented in table 4.11.

Table 4.11 group membership to date

All members in group	Frequency	Percentage
Yes	30	34%
No	61	66%
TOTAL	91	100%

The research sought to find out whether members who were in the group during funding still existed in them, where 34% representing 10 groups agreed that members were still in group attributing this to, good leadership, common goal as well as commitment of individuals to groups' activities. 66% of the respondents said that not all members were in the group attributing this to, search for jobs, outstanding loan advances to them, death, intra and extra conflicts and in ability to sustain self in and within group through contributions. From this the harmony in a group has a positive influence on the rate of loan repayment, while the lack of sustainable commitment to groups' activities as members negatively influenced the repayment of Constituency Youth Enterprise Scheme Loans.

4.5.2 Group conflict resolution strategies

The researcher sought to establish whether groups had any conflict resolution strategies in their groups, as shown in table 4.12.

Table 4.12 Group conflict resolution strategies

Group	Frequency	Percentage
Yes	62	68%
No	29	32%
Total	91	100%

According to the findings, 68% of the respondents agreed that they had strategies and 32% of the respondents did not have any strategies. The strategies adopted by the respondents varied from constitution , administrative consultation , selected committees and group resolution.

Group solidarity is the main condition for participation and is also a form of social capital. Like social capital, group solidarity will depreciate if it is not renewed through regular communication, Conflict resolution which influences group cohesion from the findings was found to have a negative influence on loan repayment in that despite the existence of strategies there were no repayments on the Constituency Youth Enterprise Scheme Loans.

4.5.3 Group decision making

The study required respondents to identify how they made decision as presented on table 4.13.

Table 4.13 group decision making

Who makes decisions for group	Frequency	Percentage
All members	67	77%
Executive	17	19%
Other	6	4%
Totals	91	100%

According to the study findings on group decision making 77% members said that group decision were made by all members while 19% had their decision made by the executive and 4% of respondents used other means like local administration in coming up with decision. This meant that decision making in groups did not influence positively on the Constituency Youth Enterprise Scheme Loans in that with presence of cohesion repayment was not efficiently effected.

4.5.4 Extent of personal attitude towards group leadership

Respondents were required to indicate their attitude towards group leadership as shown in table 4.14.

Table 4.14 Group personal attitude.

Good leadership			Transparency		Cooperative	
	Freq	Percentage	Freq	Percentage	Freq	Percentage
Strongly agree	16	18%	14	15%	12	13%
Agree	33	36%	31	34%	33	36.3%
Undecided	6	65%	8	9%	6	6.6%
Disagree	29	32%	26	29%	30	33%
Strongly agree	7	7.9%	12	13%	10	11%
Variance	1.63		1.76		1.7	
Standard Deviation	1.28		1.32		1.29	

Most of the respondents agreed that their groups had good leadership at a mean of 3.14, with 18% strongly agreeing to good leadership, 36% agreeing, and 65% being undecided, 32% disagreeing, and 7.9% strongly disagreeing. From research findings, although good leadership existed; it did not influence on the rates of repayment.

Respondents agreed that there was transparency in their groups with a mean of 3.1, with 15% strongly agreeing to strong transparency, majority 34% agreeing to transparency. From these findings there exists group transparency which influences cohesion, but despite its existence it did not positively influence the repayment of the C –YES Loans

4.6 Youth Enterprise Development Fund Loan Recovery Policies

The researcher required respondents to express their feelings on the policies set on recovery by the Youth Enterprise Development Fund shown in table 4.15 below.

Table 4.15 Loan recovery policies

Paid loan	**Frequency**	**Percentage**
Yes	53	58.3%
No	38	41.7%
Total	91	100%

The researcher also sought to established the extent to which respondents believed the Youth Enterprise Development Fund had powerful recovery policies, where 58.3% believed that the fund had strong recovery policies, attributing this to the fact that there was strong follow up on receipts issued on repayment by banks by EDAs and also auction of youth group property by the fund and the new adopted strategies of individual lending, the availability of Youth Enterprise Development Fund officers on the ground recovering the loans. While 41.7% said that they did not believe the fund has strong policies on recovery attributing this to lack of follow up and lending by Youth Enterprise Development Fund to youths with no property and also lack of group visits since funding by YEDF, 58.3% representing 17 groups is an indication that policies formulated on loan recovery do not have a positive influence on C – YES loan repayment.

4.6.1 Demand Letters from Youth Enterprise Development Fund

The researcher required respondents to identify whether they had ever received any demand letters from the Youth Enterprise Development Fund indicated in table 4.16.

Table 4.16 Demand letters issued

Received demand letter	Frequency	Percentage
Yes	42	46%
No	49	54%
Total	91	100%

The researcher sought to find out whether the respondents had ever been served with any demand letter from the Youth Enterprise Development Fund where 46% representing 16 groups agreed that they had been served with demand letters where 5% repaid their loan dues, while 54% of the respondents said they had never been served with any demand letters. This is an indication that demand letters from youth enterprise development fund has no influence the repayment rates of group loans.

4.6.2 Youth Enterprise Development Fund and field visits

The researcher required respondents to indicate whether they had been visited by any enterprise development agent as indicated in table 4.17.

Table 4.17 Field visits by EDAs

Visited by EDA	Frequency	Percentage
Yes	60	66
No	31	34
Total	**91**	**100**

66% representing 20 groups of the respondents said they had been visited by an officer attributing the visit to loan recovery , marketing of new products and guidance on application of Easy Youth Enterprise Scheme Loans.

34% of the respondents representing 12 groups said they had never been visited by fund officers attributing this to the funds that the funds they had requested were funds geared to encourage them vote thus they expected that more funds would be available in the coming year they also said that the funds as institution did not have any employer who could do monitoring.

From the above the visit to youth groups by funds officers does not influence the rates of repayment of youth groups.

4.7 Application of E-YES Loans

To determine the motivation to graduate to individual loans, respondents were required to indicate whether they had applied for *E- YES* loans as shown in table 4.18.

Table 4.18 Application of E- YES

Applied E - YES	Frequency	Percentage	Representative
Yes	26	23	7
No	57	63	19
Total	**91**	**100**	**51**

Table 4 .18 shows the respondents, response on application of E- YES loans where 23% of the respondents said that they had applied for Easy Youth Scheme Loans attributing this to the fact that they has completed repaying C- YES loans, attributing their repayment to the low loan maintenance fee (5%) set by the fund, where majority 63 % said that they had not applied for E-YES loans attributing this to the fact that they were not aware that their first loan was to be repaid since it was perceived to be a grant from the government, and that they were servicing other loans from other institutions, like Women Enterprise Development Fund loans. Others attributed their lack of repayment and application of individual loans to diverting loans from the initial business plans.

From the findings, the existence of E- YES loans did not positively influence the repayment of C- YES loans.

4.7.1 Attitude towards repayment

Respondents were required to indicate their attitudes towards group repayments as shown in table 4.19.

Table 4.19 Attitude on repayment

	Commitment to repay		Members contributions		Penalties	
	Freq	**Percentage**	**Freq**	**Percentage**	**Freq**	**Percentage**
Strongly agree	15	16.5%	10	11%	6	6.6%
Agree	31	34.1%	30	33%	18	19.8%
Undecided	16	17.5%	13	14.3%	18	19.8%
Disagree	21	23.1%	25	-27.5%	30	33%
Strongly Disagree	8	8.8%	13	14.3%	19	20.9%
Variance	1.153		1.612		1.452	
Standard Deviation	1.23		1.271		1.205	
Mean	3.26		2.99		2.58	

The respondents were found to have greater commitment to repay the disbursed loans at a mean of 3.26, while 16.5% strongly agreed that there was strong commitment to repay. 34.1% agreeing that they were willing to repay, 17.5 % being undecided to repay, while 23% disagreeing that they were to repay, and 8.8% strongly disagreed that they were to repay the loans.

The researcher also found out that respondents had great commitment towards their groups contributions, with a mean at 2.99, where 11% strongly agreed that they were committed to timely contributions, 33% majority agreeing that contributions were timely, 14.3% being undecided on whether contributions were timely, 27.5% disagreeing, while 14.3% strongly disagreeing that contributions were timely to groups. This was a strong indication that despite the existence of group cohesion and commitment they did not positively influence on loan repayment.

On individual attitude towards group having paid penalties on other loans, 6.6% respondents strongly agreed that their groups had paid penalties, with 19.8% agreeing, 19.8% being undecided, 33% disagreeing, while 20.9% strongly disagreeing to having paid penalties on any loan.

The researcher found out that groups were not in any financial commitment for their sustainability a further indication that there would be a greater margin of default due to lack of any economic ventures.

4.7.2 Means of repayments of loans

Respondents were required to identify the means repayment they were aware of as shown in table 4.20.

Table 4.20 Means of repayment.

Means	Frequency	Percentage
M-Pesa	24	26
Direct Bank Deposit	67	74
Electronic money transfer	0	0
Total	91	100

According to table 4.20, 26% of the respondents said that they were aware of M-PESA a means of repayment of C- YES loans, majority 74% knew direct bank deposits as the means of repayment of the loans. While 55% of the respondents said that distance from the bank influenced their loan repayment and 45% said that bank distance did not influence their loan repayment in any way.

55% of the respondents said that distance from bank payment point influenced their repayment and 45% said that their repayments are not influenced by distance from the bank payment points. From the above the means of repayment has and positive influence can loan repayment as well as distance from bank.

4.7.3 Training from Youth Enterprise Development Fund

Table 4.21, below shows trainings offered by the YEDF to groups as a policy requirement.

Table 4.21 Enterprise Training

Trained on enterprises	Frequency	Percentage
Yes	21	28.6%
No	65	71.4%
Total	**91**	**100%**

The research sought to find out whether Youth Enterprise Development Fund trained youths after funding on business development, where 28.6% representing 7 groups said they had been trained and majority 71.4% said they had not been trained after funding. From the above it is evident that training negatively influences the rates repayment by youth groups. This was also an indication that at level of policy implementation the fund was not keen on its execution.

4.7.4 Expertise Training

The researcher required respondents to indicate whether they had sought any training as shown in table 4.22.

Table 4.22 Expertise training.

Sought Expertise training	Frequency	Percentage
Yes	21	23%
No	78	77%
Total	**91**	**100%**

From the above table 23% of the respondents agreed that they sought expertise training after being funded, these groups attributed this to their prior experiences trainings and the need to do better, while 77% who were the majority said they had not sought any expert for training attributing this to lack of capacity in the groups to facilitate trainings and lack of commitment from the Enterprise Development Fund to train them. It is thus evident that, high level of educational training has positive influence on the rate of loan repayment.

4.7.5 Political influence on loans

Respondents were required to identify whether there was any political influence on loans disbursed in 2007 as indicated in the table 4.23.

Table 4.23 political influence

Political influence on loans	Frequency	Percentage
Yes	50	55%
No	41	45%
Total	**91**	**100%**

The researcher wanted to know whether the respondents thought that the loans disbursed in 2007 had any political influence where majority of the respondents 55% representing 17% said that the loans were political, attributing this the fact that loans were made available during the electoral year. 45% of the respondents representing 15 groups said that they did not believe that the loans were political in that general procedures was followed on application and also that during the year 2011 other loans were distributed to youths as a government policy on livelihood improvement for youths.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS CONCLUSSION AND RECCOMENDATIONS

5.1 Introduction of summary of findings

The chapter presents the summary of findings, discussion, conclusion and recommendations based on results in chapter four other recommendations revolved around future areas of research study topics.

5.2 Summary of findings and discussions

The objective of the study was to investigate and determine the factors that influence the rate of repayment of the Constituency Youth Enterprise Scheme loans in Kaiti Constituency. The specific objectives of the study were to establish how the success of a business enterprise influences the rate of repayment of Constituency Youth Enterprise Scheme Loans, explore the relationship between group cohesiveness and rates of loan repayment of constituency scheme loans and to access how motivation to access individual loan influences on repayment rates, and to evaluate the effects of institutional policies on loan repayment rates.

5.2.1 Success of a business enterprise on repayment of Constituency Youth Enterprise Scheme Loans

On the question on how success of a business enterprise influences on the loan repayment the study established that the success of a business enterprise determines the loan repayment attributing business success to group membership and composition where groups with manageable membership between ten and fifteen and with members of the same sex. Business success was great and repayment rates in these groups too. This is as had been realized by (Paxtan 2000) that homogeneous groups respond more with group solidarity, when members have repayment problems, and (Awoke 2004), supports that there is group success, when there is no diversion of loans and poor management.

Levels of education were also found to positively influence loan repayment, through business success in that group with members with high levels of education were more successful and had completed their repayments. The researcher also found out that a great number of the groups did not run any business activity represented by 48% thus they could not repay, because the group funds had been diverted shared among group members

5.2.2 Group cohesiveness and rates of repayment

On the question of group cohesiveness on repayment the study found out that groups were not cohesive with a cohesion percentage at 34% attributed to existence of conflict resolution strategies, the researcher also found out that though group cohesion was enhanced by strategies, they were never adhered to with members having negative attitudes toward group leadership participation and transparency.

Group cohesion was found to have a positive influence on loan repayment, as supported by (Guessan 2000), that when group members know each other, this helps on repayment given that members can screen themselves to determine who forms their group. Cohesiveness is determined by group size and according to (Impavido 1999), Large groups leads to lower levels of repayment and also monitoring, as is the case with the groups funded by the Youth Enterprise Development Fund in 2007.

5.2.3 Motivation to access individual loans

The question on the motivation to access individual loans was addressed and the researcher found out that 23 % of the respondents had applied for individual loans while 77% had not, the respondents also exhibited low levels of commitment to loan repayment, as well as contributions to groups activities. With a mean 3.26, while despite a greater percentage being aware of M-Pesa and direct bank deposit as the means of repayment at 24% and 67% respectively motivation to access individual loans did not have any positive influence on the rates of loan repayment. This shows that the groups formed were not homogeneous, as claimed by (Huppi and Fender 1999), group success would lead to individual motivation towards success.

5.2.4 Effects of institutional policies on loan repayment

The question on institutional policies adopted by the youth Enterprise Development Fund to influence sustainable repayment was addressed where the research found out that the fund had strong policies represented by 58.3% of the respondents, which included issuance of demand letters at 42% field visits by fund officers at 60% and prior training to funding at 21%.

Despite the existence of these powerful policies, they did not influence on the rates of repayment the institution did not implement them consistently to each group and if it did, its officers were not fully empowered. As (Godguin, 2004) claims training and basic literacy have a positive influence on repayment and those without training have a higher default probability.

Institutional policies were found to have no positive influence on loan repayment by groups because of lack of follow up.

5.3 Conclusion

Repayment factors in this document specifically addresses the following areas, success of a group business enterprise, group cohesion, motivation and institutional policies, politics and their influence on loan repayment.

A ,thorough imposition of stringent policies towards repayment as well as formation of homogeneous groups and exoneration of politics from the fund can play a crucial role on loan repayment, thus each has a crucial role towards loan repayment.

5.4 Recommendations

The researcher made the following recommendations from the study,

1. The study recommends that the Youth Enterprise Development Fund should develop stringent policies as well as applying the same policies to none repaying groups to encourage repayment.

2. The study recommends the adoption of the Grameen lending model or an equivalent successful model to enhance effectiveness on loan repayment.

3. The study recommends the formation of groups solely managed by the Youth Enterprise Development Fund and with a maximum of four members.

4. The government needs to address the issues of inflation and cushion businesses against sudden unexpected changes in business dynamic.

5. The study recommends the establishment of the funds owned operational bank which is accessible to individual youths who need individual funding, other than the group funding products which are unsustainable due to group dynamics.

6. The Youth Enterprise Development Fund needs to develop business skill training for youths tailored to suit local investment opportunities as well as technological changes.

5.5 Suggestions for further study

The study recommends research to be carried on investment opportunities for the youths in the constituency to be able to advise groups on business viability.

The study also recommends research to be carried out to review credit administration YEDF with a view to arresting cases of customers defaulting repayment in order to promote funds sustainability.

References

Adrian Woods Ed. (2001). *Evaluating international humanitarian.* London, Zed books

Aghion Beatriz, (1991). On the design of credit Agreement with peer monitoring. *Journal of development economic 60: 79 - 104.*

Aghion Beatriz. (1999). On design of credit. Agreement with peer monitoring. *Journal of development economics 60: 79 - 104.*

Akong'o Odhiambo Rose. (2002). *The role of micro financial institution in poverty reduction: Case of Migori Town. (*Project H9 - 4026 R6).

Arene, C.J. (1992). Loan repayment and technical assistance among smallholder maize farmers in Nigeria.

Awoke, M.U. (2004). Factors affecting loan acquisitioned repayment patterns of smallholder farmers in Inlka

Baker J.M (1998). The effect of community structure on social forestry outcomes: insight from Chota Nagpul, India Mountain. *Research and development 18(1) 51 - 62.*

Besley T and Coate S. (1993). "*Group Lending repayment incentives and social collateral.* Woodrow Wilson School of public and international affairs. Princeton university.

Besley T.S and Guzman D. (1992). The solidarity Group Experience Worldwide.

Besley Timothy and Coate Stephen. (1995). Group lending repayment incentives and social collateral. *Journal of Development economics 46: 1 - 18.*

Bratton M. (1986). Financing small holder production; a comparison of individual group credit schemes in Zimbabwe public administration and development.

Bulletin; Available online at www.microcreditsummit.com

Chirwa, E.A, 1997. "*An econometric analysis of the determinants of agricultural credit payment in Malawi,* " African (Project)

Coate, (1995) Stephen and Ravallion. Martin (1993). Reprocity without commitment characterization and performance of informal risk sharing agreements. *Journal of development economics 2(1). Article 3.*

Copisarrow, R. (2000). The application of micro credit technology to the UK: key commercial and policy issues. *Journal of Micro Credit*, 1(1).

Coyle, B. (2002). *Framework for Credit risk management*. CIB Publishing, UK.

Daily Nation, December 8th, 2010. Youth enterprise development fund 4th Anniversary.

Derban, W.K, Birrnes J.M & Mullineux A. (2005). Loan repayment performance in community development finance institutions in the UK. Small business Economics, 25, 319 - 332.

Derban, W.K., Binner, J.M., & Mullineux, A. (2005). Loan repayment performance in community development finance institutions in the UK. Small Business Economics, 25, 319-332. *Development*, 26(1), 61-74.

George O K'Aol and Richard Ochanda, Factors *Influencing the Establishment of Micro-finance Schemes in Kenya,* Nairobi, United States International University.

Ghatak Maitress and Guinnane, Timothy. (1999). The economic of lending with joint liability: theory and practice. *Journal of development economics 60: 195 - 228.*

Godquin, M. (2004). Microfinance repayment performance in bangladesh: how to improve the allocation of loans by MFIs. *World Development*, 32(11), 1909-1926.

Government of Kenya. (1992). *Sessional Paper No. 2 of 1992 on Small Entreprise and Jua Kali Development in Kenya*, Nairobi, Government Printers.

Hecher, M. (1987). *Principles of Group solidarity*, Los Angeles, LA: University of California Press.

Hulme, D., & Mosley. P. (1996). *Finance Against Poverty*, 2, London, UK.

Huppi M. and Feder "The role of Groups and Credit cooperatives in rural lending". *World Bank Economic Review, 4: Sept. 1990.* Intermediate Technology Publication, New Delhi.

International Journal of Business and Social Science Vol. 1 No. 2; November 2010 154 Review of Money Finance and Banking, Vol. 1-2: 107-122.

James Midget. Social development; The development perspective in Social welfare, Sage Publication, London, New Delhi.

Kandel Eugene and Lazear Edward, (1992). Peer pressure and partnership. Journal of political Economy, 100(4) : 801 - 817.

Khandker, S.R., Khalily, B., & Khan, K. (1995). Grameen Bank: performance and sustainability. *World Bank Discussion Paper*, 306, The World Bank, Washington, DC.

L. and E. O. Idowu (eds.) *Poverty alleviation and food security in Nigeria*, Ibadan, NAAE, pp: 342-348.

Maggison W.L. et al. (2003). *Small Business management and enterprise.* Quick-Books

Malcon Harper. (1996). *Empowerment through enterprise; A framing manual for NGO's*

Mead, C.D, & Liedholm, C. (1998). The dynamics of micro and small Enterprises in developing countries. *World*

Njoku, J. E. (1997). Determinants of loan repayment under the special emergency loan scheme (SEALS) in Niger: A case study in Imo state. *African Review of Money Finance and Banking*, 1, 39-51.

Oke, J.T.O., Adeyemo, R. & Agbonlahor, M.U. (2007). An Empirical Analysis of Microcredit Repayment in Southwestern Nigeria. *Humanity & Social Sciences Journal*, 2(1), 63-74.

Oni, T.K., 1999. "Bank credit facilities for smallholder farmers: Implications for food security in Nigeria." In Fabiyi.

Oshumuvye, Joel et al; Evolving strategies on poverty alleviation in Kenya, Nairobi. Catholic University of Eastern Africa.

Otero, M. (July 1999). *Effective Governance and Performance Benchmarking; Micro Banking*

Otero, M.& Rhyne, E. (1994), The new world of microenterprise, finance building healthy financial institutions for the poor.

Palmon Persons (1983) Roots of rural poverty, London Heinemann.

Paul F. Jessup (1978), 'Modern banking management.' *West publishing Company*. New York

Peil, M. (1995). *Research Methods, a Handbook for Africa;* Nairobi, EAEP.

Reinke Jens (1998). Does solidarity pay? The case of small enterprise foundation. *South Africa Development and change 29: 553 - 576.*

Rogaly Ben and Susan Johnson (1997); Microfinance and poverty reduction.

Rogaly, B, (1996). Microfinance evangelism, destitute women and hard selling of a new anti-poverty formula development in practice 6 (2) 100 - 112. *Journal of International Development*.

Roslan, A.H, & Mohd Zaini, A. K. (2009). Determinants of microcredit repayment in Malaysia: the case of Agrobank. *Humanity & Social Sciences Journal*, 4(1), 45-52.

Roslan, A.H, & Mohd Zaini, A. K. (2009). Determinants of microcredit repayment in Malaysia: the case of Agrobank. *Humanity & Social Sciences Journal*, 4(1), 45-52.

Roslan, A.H., Faudziah, Z.A., Mohd Saifoul, Z.N., & Rahimah, M. (2007). Microfinance service for micro enterprise: Good practices and performance of selected microfinance institutions in Malaysia. *Journal of Yala Rajabhat University*, 2(1), 31-45

Sharma, M., & Zeller, M. (1997). Repayment performance in group based credit programmes in Bangladesh. *World Development*, 25(10), 1731-1742.

Spagnalo. (1999). Social relations and cooperation in organizations. *Journal of Economic Behaviour & Organization 38: 1 - 25.*

Stiglitz (1993). Credit Rationing in Markets with Imperfect Information, *American Economic*

Stiglitz, E.J & Weiss, A (1981). Credit rationing in markets with imperfect information.

Susan Johnson & Ben Rugaly (1996). Development guidelines: Microfinance and poverty reduction, UK. Oxfarm.

Tedeschi, G. A. (2008). Overcoming selection bias in microcredit impact assessments: a case study in Peru.

Van Tassel Eric. (1999). Group lending at asymmetric information. *Journal of development economics.*

Varian, H. (1990). Monitoring agents with other agents. *Journal of Institutional and theoretical economics. 146: 153 - 174.*

Von Pischke, J.D, "ROSCAs: State - Of - The - Art Financial Intermediation" Informal Finance in low income countries ed. Adams, D.W and Fitchett D.A, Westview Press; Boulder Co. (1992).

Wamavumo, D et al (1998). ***Creating an Enabling Environment for Micro Finance***. The Commercialization of Micro Finance Conference, Nairobi, USAID.

Wenner, M. (1995). Group credit. A means to improve information transfer and loan repayment performance. *Journal of Development studies: December 1995.*

Wydick, (2000). Group Lending under dynamic incentives as a borrower discipline device. *Review of Development Economics Manuscript No. DE # 9151.*

Wydick Bruce. (1999). Can social cohesion be harnessed to repair market failure. Evidence from prompt lending in Guatemala. *The economic Journal 109: 463 - 475.*

Youth Enterprise fund (2012). *Three years of youth fund.* Youth Enterprise Development Fund, Nairobi.

Youth Enterprise fund (2010). *Three years of youth fund.* Youth Enterprise Development Fund, Nairobi.

Yunus, M. (1996). *Fighting Poverty from the Bottom Up,* New York, Timeline. Available online at www.microcreditsummit.com

Yunus, M. (1997) *Soul from the Ground Up,* Noetic Sciences Review, Spring. Available online at www.microcreditsummit.com

Zeller, M. (1998). Determinant of repayment performance in credit groups: The role of program design, intragroup risk pooling, and social cohesion. *Economic Development and Cultural Change*, 46(3), 599-621. *Centre for Promoting Ideas, USA www.ijbssnet.com*

Appendix 1

Remittal letter

The Chief Credit Officer

Youth Enterprise Development Fund

Po Box 48610

Nairobi

Dear Sir,

<u>RE: REQUEST TO COLLECT DATA</u>

I am Fredrick M. Musau, Registration Number L50/76603/2009. School of Distance and Continuing Studies, Department of Extra – Mural Studies, pursuing a Masters in project planning and Management.

Pursuant to the pre-requisite course work, I would like to conduct a research project on the factors influencing the rate s of repayment of C- YES loans in Kaiti Constituency. The focus of my research will be the youth groups funded in 2007, and the staff at the credit department , this will involve use of questionnaires administered to the members.

I Kindly seek your authority to conduct the research from the institution through questionnaires and any other relevant document available that might be important in the study.

Find enclosed; an introductory letter, from the University. Your assistance is highly valued.

Yours faithfully,

Fredrick M Musau

P.O Box 110 – 90130

Nunguni

Appendix 2

Questionnaire

I am Fredrick M Musau, a Master of arts student in Project planning and Management at the University of Nairobi, carrying out on the factors influencing the rates of repayment of the Constituency Youth Enterprise Fund Loans, granted in 2007 to youth in the constituency – Kaiti.

I request you to answer the following questionnaire. **Note;** The information you give, will be treated outmost confidentiality and will only be used for research purpose.

Tick where appropriate and give explanations where possible.

Part A

1 sex ? Male ( ) Female ( )

2 Age bracket?

a) 10 – 17 ( )
b) 18 – 35 ( )
c) 35 + ( )

3 What is your highest level of education achieved?

a) Class eight (8) ( )
b) Form four (4) ( )
c) Technical Course (TC) ( )
d) Degree (D) ( )
e) Others (specify) ( )

4 How many members of your group have these qualifications achieved to

a) Class eight (8) ( )
b) Form four (4) ( )
c) Technical Course (TC) ( )
d) Degree (D) ( )

e) Others (specify) ( )

Section B

2 a) Does your group have any business activity that it has been running since it was funded by the Youth Enterprise Development Fund since 2007?

YES ( )

NO ( )

b) If yes state the type of businesses you have engaged since you were funded?

....
....
....

c) What profit margins do you make from your business(s) in a month?

I. 5,000 – 10,000 ( )

II. 10,000 – 15,000 ( )

III. 15,000 – 20,000 ( )

IV. 20,000 – 25,000 ( )

V. 25,000 – Above ( )

VI Other specify ( )...................................

6 a) Do you intent to start a new business?

YES ( )

NO ( )

b) If YES in A above state the business and explain why?

....
....
....

Do you have the capital available for the business.

YES ( )

NO ( )

7 a) Has your group received any recognition?

YES ( )

NO ( )

b) Explain your answer above.

....
....
....

Part C

8. a)What was the total number of registered members of the group during funding?

Males:.................................... Females:.......................... Total:..........

b) Are all members still in the group? YES ( ) NO ( )

c) Give reasons for your answer in question for (8 b) above.

....
....
....

9 a) Does your group have any conflict resolution strategies?

YES ( ) NO ( )

b) Explain a above.

....
....
....

10 Who makes decisions in the group?

All members ( )

The executive committee ( )

Others (explain) ( )

11 What is your attitude towards your group.

Attitude	1 Strongly agree	2 Agree	3 Undecided	4 Disagree	5 Strongly disagree
Group has good leadership					
Transparency is in the group					
Members are cooperative					

Part D

11 a) Does youth Enterprise Development Fund have any powerful loan recovery policies?

YES ( )

NO ( )

b) Give reasons for your answer in (a)

....
....
....
....

12 Have you ever received any demand letter from the Youth Enterprise Development Fund?

YES ( )

NO ( )

13 a) Has any Youth officer from the Youth Enterprise Development Fund visited your group?

YES ( )

NO ( )

b) If YES in a) above, explain reasons for the visit.

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

Part E

14 a) Has any member of your group ever applied for the E- YES loans?

YES ( )

NO ( )

b) Give reasons for your answer above.

……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………………………………………………………………

15 Tick against the attitude of choice.

Attitude	1 Strongly agree	2 Agree	3 Undecided	4 Disagree	5 Strongly dis agree
Group members are committed to loan repayment					
Members pay contributions on time					
Group has paid penalties on other loans					

16 a) Which means of loan repayment are you aware of , which can be used to repay the Youth Enterprise Development Fund loans?

i. M – Pesa ( )

ii. Direct bank deposits ( )

b) Does the distance from your bank influence your loan repayment?

YES ( )

NO ( )

C) Give reasons for b) above.

....
....
....

17 Did your group receive any training from the Youth Enterprise Development Fund before or after being funded?

YES ( )

NO ( )

18 a) Has your group ever sought any expertise training before or after being funded and starting a business?

b) Explain a) above.

....
....
....

19 a) Do you think that there was political influence on the Youth Enterprise Development Fund loans granted to your group in 2007?

YES ( )

NO ( )

b) Explain a) above.

....
....

Appendix 3

Kaiti Constituency, Youth Enterprise Development Fund. Funded Groups 2007

:N STATUS REPORT 02/14/11

List of Funded Groups

Name	Approved Amt	Disbursed Amt	Mgmt Fee	Amount Due	Amt Recovered	% Recovery Rate	Total Outstanding
Umisyo Witu	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
Kil[illegible] Jua Kali	50,000.00	47,500.00	2,500.00	50,010.00	25,008.00	50.01	24,992.00
Ngwate Group	50,000.00	47,500.00	2,500.00	50,010.00	5,500.00	11.00	44,500.00
Kveni Cha Muika	50,000.00	47,500.00	2,500.00	50,010.00	26,777.00	53.54	23,223.00
Tembea Na Wakati	49,000.00	46,550.00	2,450.00	49,005.00	0.00	0.00	49,000.00
Ukita Group	50,000.00	47,500.00	2,500.00	50,010.00	55,000.00	109.98	-5,000.00
Matongo Group	50,000.00	47,500.00	2,500.00	50,010.00	50,000.00	99.98	0.00
[illegible]	36,120.00	34,314.00	1,806.00	36,120.00	14,500.00	40.14	21,620.00
Tumaini Group	50,000.00	47,500.00	2,500.00	50,010.00	20,000.00	39.99	30,000.00
Ksamoini Group	50,000.00	47,500.00	2,500.00	50,010.00	16,800.00	33.59	33,200.00
Kimandeni Group	49,050.00	46,597.00	2,453.00	49,050.00	45,075.00	91.90	3,975.00
Kilungu Women Traders	50,000.00	47,500.00	2,500.00	50,010.00	50,600.00	101.18	-600.00
Kiseliini Group	50,000.00	47,500.00	2,500.00	50,010.00	8,668.00	17.33	41,332.00
Kituluni Rescue Group	50,000.00	47,500.00	2,500.00	50,010.00	49,700.00	99.38	300.00
Kimaka Group	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
Muthangani Ve Kindu Group	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
Kola	50,000.00	47,500.00	2,500.00	50,010.00	4,200.00	8.40	45,800.00
Kilia Group	50,000.00	47,500.00	2,500.00	50,010.00	15,300.00	30.59	34,700.00
Siloam Youth Micro Enterprise Group	50,000.00	47,500.00	2,500.00	50,010.00	47,500.00	94.98	2,500.00
Kinganga	50,000.00	47,500.00	2,500.00	50,010.00	4,166.00	8.33	45,834.00
Kathuni	27,000.00	25,350.00	1,350.00	27,000.00	0.00	0.00	27,000.00
Kyanguli	35,300.00	33,535.00	1,765.00	35,310.00	0.00	0.00	35,300.00
Action	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
Kitaroi	30,000.00	28,500.00	1,500.00	30,000.00	0.00	0.00	30,000.00
Twone Mbee	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
Mwanga Kutoka Mbali Women Group	50,000.00	47,500.00	2,500.00	50,010.00	35,000.00	69.99	15,000.00
Mukuyuni Bidii	50,000.00	47,500.00	2,500.00	50,010.00	30,700.00	61.39	19,300.00

76

N STATUS REPORT 02/14/11

Name	Approved Amt	Disbursed Amt	Mgmt Fee	Amount Due	Amt Recovered	% Recovery Rate	Total Outstanding
Eitu Atangwa	46,000.00	43,700.00	2,300.00	46,005.00	16,000.00	34.78	30,000.00
Kithia	50,000.00	47,500.00	2,500.00	50,010.00	8,300.00	16.30	41,700.00
Kiloio	50,000.00	47,500.00	2,500.00	50,010.00	39,000.00	77.98	11,000.00
Kyambutha	50,000.00	47,500.00	2,500.00	50,010.00	8,334.00	16.66	41,666.00
Uvaani	50,000.00	47,500.00	2,500.00	50,010.00	21,000.00	41.99	29,000.00
Mutethya Cbo	47,500.00	45,125.00	2,375.00	47,505.00	10,000.00	21.05	37,500.00
Ngiluni	50,000.00	47,500.00	2,500.00	50,010.00	13,500.00	26.99	36,500.00
Kyanzuva	50,000.00	47,500.00	2,500.00	50,010.00	50,000.00	99.98	0.00
Muembe	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
Itambya Ya Makongo	50,000.00	47,500.00	2,500.00	50,010.00	4,000.00	8.00	46,000.00
Amuka	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	0.00
Kamwanyani	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
Ikala Wisi Self Help Group	50,000.00	47,500.00	2,500.00	50,010.00	0.00	0.00	50,000.00
l	1,919,970.00	1,823,971.00	95,999.00	1,920,315.00	674,628.00	35.13	1,195,342.00