

**DETERMINANTS OF YOUTH'S ENTERPRISE DEVELOPMENT FUND LOAN  
REPAYMENT IN KISUMU COUNTY, KENYA**

**BY**

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This research proposal is my original work and has not been presented for award of degree in any other university.

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## **DEDICATION**

I dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I sincerely dedicate this work to my loving mother; Rosset Keragia who has encouraged me all the way and whose encouragement have made sure that I give it all it takes to finish that which I have started. To my brothers Edmond and Steve and my sisters Rona and Linda, who have been a strong pillar in my life and supported me all the way I say thank you very much. My love for you all can never be quantified. God bless you.

## **ABSTRACT**

Despite unemployment rate of 55% in Kisumu County, loan repayment rate from the youth enterprise development fund is below 30% yet proper loan repayment can improve loan disbursement from the youth enterprise development fund and hence address youth unemployment in the County. A study on the determinants of loan repayment was therefore necessary since no study has been done on the subject with five distinct variables together namely: business skills, external factors, borrower characteristics, business location, and terms of repayment. Therefore, the current research study investigated determinants of youth's enterprise development fund loan repayment in Kisumu County. The study employed cross-section design with a population of 7 responders. Data was collected using questionnaires which were administered by the researcher. Data analysis was then done using frequencies and percentages as well as mean and standard deviation. Content analysis was also used as part of the analysis. The study established that business skills (3.450, 0.517), borrower characteristics (3.374, 0.472), and terms of loan repayment (3.692, 0.155) representing mean and standard deviation for each variable highly determined loan repayment within the youth enterprise development fund. Additionally, external factors had a mean of 1.058 and a standard deviation of 0.536 meaning that it has lowly determined loan repayment within the youth enterprise development fund. Business location had a mean of 2.640 and a standard deviation of 0.420 meaning that it moderately determined loan repayment at the youth enterprise development fund in Kisumu County. The study recommended that emphasis should be put on the variables that contribute to loan repayment.

## TABLE OF CONTENTS

<b>TITLE PAGE .....</b>	<b>i</b>
<b>DECLARATION.....</b>	<b>ii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iii</b>
<b>DEDICATION.....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>TABLE OF CONTENTS .....</b>	<b>vi</b>
<b>LIST OF ABBREVIATIONS AND ACRONYMS .....</b>	<b>viii</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>LIST OF FIGURES .....</b>	<b>x</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Loan Repayment .....	2
1.1.2 Determinants of Loan Repayment.....	4
1.1.3 Youth Enterprise Development Fund in Kisumu.....	5
1.2 Research Problem.....	6
1.3 Objective of the Study.....	8
1.4 Value of the Study.....	8
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>10</b>
2.1 Introduction .....	10
2.2 Theories Grounding the Study .....	10
2.2.1 Information Sharing Theory.....	10
2.2.2 Information Asymmetry Theory .....	11
2.3 Empirical Evidence on Determinants of Loan Repayment.....	13
2.4 Summary of Literature and Study Gaps .....	17
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>18</b>
3.1 Introduction .....	18
3.2 Research Design.....	18
3.3 Population.....	18
3.4 Data Collection.....	19
3.5 Data Analysis .....	19

<b>CHAPTER FOUR: DATA ANALYSIS, RESULTS AND</b> .....	<b>20</b>
<b>DISCUSSIONS</b> .....	<b>20</b>
4.1 Introduction .....	20
4.2 Demographic Parameters .....	20
4.2.1 Division by Age .....	20
4.2.2 Division by Gender .....	21
4.2.3 Division by education Extent.....	22
4.3 Analysis of Study Variables .....	23
4.3.1 Business Skills .....	23
4.3.2 External Factors.....	24
4.3.3 Borrower Characteristics.....	25
4.3.4 Business Location .....	26
4.3.5 Terms of Loan Repayment.....	27
4.4 Discussions.....	28
<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS</b> .....	<b>34</b>
<b>AND RECOMMENDATIONS</b> .....	<b>34</b>
5.1 Introduction .....	34
5.2 Summary of Findings .....	34
5.3 Conclusions .....	35
5.4 Recommendations .....	35
5.5 Limitations .....	36
<b>REFERENCES</b> .....	<b>38</b>
<b>APPENDIX I: QUESTIONNAIRE</b> .....	<b>43</b>

## **LIST OF ACRONYMS AND ABBREVIATIONS**

**GDP-** Gross Domestic Product

**IAT-** Information Asymmetry Theory

**IST** – Information Sharing Theory

**SMEs-** Small and Medium Enterprises

**YEDF** – Youth Enterprise Development Fund



## LIST OF TABLES

Table 1.1 Division by Age .....	21
Table 1.2 Division by Gender .....	22
Table 1.3 Division by Education Extent .....	22
Table 1.4 Business Skills .....	23
Table 1.5 External Factors .....	24
Table 1.6 Borrower Characteristics .....	26
Table 1.7 Business Location .....	27
Table 1.8 Terms of Loan Repayment .....	28

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Determinants of loan repayment discourse has been in existence for a long period of time. Nganga (2010) explains that determinants of loan repayment are not just important for both the lender, but also for the borrower. The borrower gets the financial resources to sort out their business obligations while the lender gets to stay afloat on the bad side of the business or make profit on the good side of the business. Therefore, determinants of loan repayment work to help the borrower and the lender in a mutually beneficial relationship between the parties. According to Mungai, Maingi, and Muangi (2014), if all the loans advanced to the borrower are paid in good time as a result of sound determinants, the borrower gets a good credit rating which enables such borrower to obtain another loan in future with a lot of ease. It also helps the borrower to easily undertake or implement the programs, business or otherwise, for which the loan was borrowed. Mungai et.al (2014) further points out that if interest rate of the loan to be repaid is higher and the period is short as a result of poor selection of determinants, then loan repayment becomes a tool for impoverishing the borrower. Therefore, determinants of loan repayment can be a tool for progress and development or a reason for impoverishing the borrower, depending on whether the determinants from which the loan repayment are premised, are sound or otherwise

Several theories can be applied to explain the determinants loan repayment phenomenon. Information sharing theory according to Pilerot and Limberg (2011) provides a basis for advancing loan facility for the borrower. Information sharing makes it possible for

lenders to obtain information (which helps in determining loan advancement) from other third parties and of such basis, the lending decision can be made according to the aforesaid determining information from the third parties. Based on such information, loan amount can be decided which can improve loan repayment. Information asymmetry theory can also be useful in the discourse of loan repayment. Auronen (2003) information asymmetry theory is a theory that presupposes that information obtained for decision making on the part of the borrower may not be exact and may also be costly and time consuming. Therefore, based on such imperfect information, imperfect lending decisions are reached upon and the result becomes diametrically opposite to what was originally intended as far as loan repayment is concerned.

Youth enterprise development fund (YEDF) according to Government of Kenya (2017) is a state cooperation that was begun in the year 2006 whose total transformation was as a government cooperation was completed in the year 2007. As a government establishment therefore, the organization is intended to be a transformation tool by providing employment to the youth as part of social transformation envisioned in the Kenya vision 2030. The organization is therefore mandated to provide subsidy to small and medium enterprises operated by young people to mitigate the cost of doing business and maximize profits in the broader goal of social transformation (Government of Kenya, 2017).

### **1.1.1 Loan Repayment**

Loan repayment according to Karlan and Valdivia (2011) is the timely return of the financial resources advanced to a borrower by a lending organization in compliance with the contractual obligation. The element of time is important in loan repayment since

delayed loan without communication from the borrower disorients the interest of the lender. World Bank (2013) defines loan repayment as the return of the money borrowed to the lender by the borrowed in compliance with the terms around which such money was made available. The terms of lending normally revolve around the interest of the loan and the period of repayment that the lender and the borrower agree on. Therefore, loan repayment as Mukono (2015) asserts is taking back the money with or without interest to the lender after a given period and with adherence to the terms agreed upon by the two parties, the lender and the borrower.

Loan repayment is however determined in several ways. According to Angaine and Waari (2014), business skills contributes to loan repayment in the sense that a borrower with business skills such as budgeting skills is more likely to spend finances wisely in their business and hence repay the loan since the business is more likely to do well. On the other hand, Onduso (2013) propounds that external factors such political tension impedes loan repayment given that during such period, businesses are affected. Nganga (2013) explains that borrower characteristics such as repayment record of the borrower or even marital status predicts to a degree chances of loan repayment since borrowers with a good record of loan repayment and who are married are more likely to repay loan because of the demonstrated responsibility. Business location as Makorere (2014) points out, also contribute to loan repayment given that business in rural areas experience more vulnerabilities compared to businesses in urban setting and therefore impedes loan repayment. Terms of loan repayment also affect loan repayment. Kosen (2011) explains that terms of loan repayment such as flexibility or loan repayment or lack of it affects

loan repayment given that flexible terms makes businesses to adjust for repayment without defaulting.

### **1.1.2 Determinants of Loan Repayment**

Determinants of loan repayment according to Angaine and Waari (2014) include business skills which has several dimensions including networking skills, book-keeping skills, budgeting skills, salesmanship skills, as well as cash management skills all which determine loan repayment. Another determinant of loan repayment according to Onduso (2013) is external factors which has several dimensions including industry competition, technological advancement, labor organizations, changing consumer preferences, as well as consumer preferences. Further, Nganga (2013) points out that borrower characteristics is another determinant of loan repayment with several dimensions including marital status, gender, loan diversion, property ownership, as well as business training.

According to a study conducted by Jote (2018), the aim was to investigate determinants of loan repayment within microfinance institutions in Ethiopia. The study utilized a sample of 364 respondents which were obtained using stratified simple random sampling method. The study established that variables that determine loan repayment which were measured such as family size was dependent on the context such as microfinance institutions. This therefore means that the variables of measurement do not cut across every context upon which they are applied. A different study conducted in Ghana do not support the study by Jote (2018) in terms of variables measured. According to the study which was conducted by Salifu et. al (2018), the main aim was to examine determinants of loan repayment among small and medium enterprises in Ghana. The study laid

emphasis on level of education and established that there was a significant correlation between level of education and loan repayment within the rural banks in Ghana. Mirpourian et al (2016) explains that measurements of loan repayment patterns differ from context and variables and hence a single case and context cannot be replicated from another case and context.

### **1.1.3 Youth Enterprise Development Fund in Kisumu**

The youth enterprise development fund (YEDF) according to Sikenyi (2017), is an organization established by the Kenya government to transform the economic situation of unemployed youth in Kenya, not just to have meaningful engagement, but also to make young people to be employers as opposed to employees looking for jobs. Ratemo (2014) points out that youth enterprise development fund is a tool for both social and economic transformation made available by the government to help young people afford capital for their business without the rigidities and inflexibilities that come by mainstream financial institutions such as banks or micro financial institutions. In a nutshell, youth enterprise development fund is an organization by the government that lends financial resources to young people with flexible terms of the loan that the youth can afford (Sikenyi, 2017).

According to Nganga (2013), poor loan repayment in Kisumu County is attributable to borrower characteristics such as age. Age as a borrower characteristic means that older borrowers are more likely to repay loan given that they have experience and may not involve themselves in risky ventures. On the other hand, Onduso (2013) contends that poor loan repayment may be as a result of political tension within the county especially during the electioneering period where property get destroyed and businesses get

destroyed making it difficult for the repayment plan. Ratemo (2014) asserts that poor loan repayment is as a result of inadequate business skills. Business skills are essential to business development and hence determinant of loan repayment. It follows that lack of adequate skills have the opposite consequence (Ratemo, 2014).

According to Sikenyi (2017), the repayment rate of the youth enterprise development fund in Kisumu County is below 30% which shows poor repayment rate. Yet, the unemployment rate in the County stands at 55% taking into consideration those who are underemployed and those who are not employed (KNBS, 2013). There is a disconnect between the fact there is government funds for youth to develop their business and high levels of unemployment, yet no study has focused on determinants of loan repayment of youth enterprise development fund with three main variables namely business skills, external characteristics as well as borrower characteristics.

## **1.2 Research Problem**

Although a number of variables can be said to determine loan repayment, the context and the type of variable differs from organization to organization and hence, it might be difficult to take a group of variables in a banking sector for example to measure nonprofit establishment (Jute, 2018). However, it is not just the context that makes determinants of loan repayment non conclusive. As Salifu et. al (2018) explains, the scope of the determinants of loan repayment is also not conclusive. For instance, determinants of loan repayment in developed countries differs to some degree with the determinants of loan repayment in developing countries given that developed countries have higher literacy levels, advance technology and different ways of dealing with loan repayments in

general. The scope in terms of the type and number of variables in a study also differs with other studies and so they cannot be taken to represent other studies in different part of the world (Salifu et. al, 2018).

Youth development fund in Kisumu County has not been able to reach as many youths as necessary and the amount of money disbursed to the youth are also limited so much as that young people are unable to use the amount of money to support their business in a more meaningful way. Goodluck and Neema (2016) points out that low disbursement of loans from nonprofit organizations is as a result of poor repayment of the earlier funds disbursed. On the other hand, the reduced frequency of disbursement of the loan from the youth enterprise development fund threatens the sustainability of the loan Toft (2008) explains that unsustainable lending organization is a result of poor performing repayment just like organization with reduced frequency of activities. The number of the youths in Kisumu County has also been dwindling, sometimes the youths that apply for the loan do not get the facility largely because of repayment issues of the enterprise which according to Auronen (2013) demonstrates intermittent or low repayment. Angaine and Waari (2014) points out that business location undermines repayment given that businesses in remote locations are more likely to experience reduced customer traffic and such an issue also affect businesses in Kisumu County given that some of them are located outside the city into the rural areas. Toft (2008) further explains that terms of loan also play a role in loan repayment, In Kisumu County young people are subjected to penalties after default which encourages poor repayment habits especially after repayment.

According to a study conducted by Dobbie and Song (2015), the aim was to investigate determinants of loan modification and repayment in the United States of America. On the



other hand, Bramel (2016) conducted an empirical study to determine the influence of technology and repayment of loan facility in Nigeria. Kibosia (2009) conducted an empirical study to investigate determinants and loan default in Kenya. Mukon (2015) who also conducted a study in Kenya sought to examine the determinants and repayment of loan facility in Kenya. The study conducted by Nganga (2010) was aimed at establishing how group lending contributed to repayment of loan facility in Nairobi Kenya. In the County of Kisumu, Kimutai (2012) sought to determine how credit lending contribute to performance. The studies, however, did not focus on determinants of loan repayment of youth enterprise development fund regarding business skills, external factors, as well as borrower characteristics. What are the determinants of youths' enterprise development fund loan repayment in Kisumu County?

### **1.3 Objective of the Study**

The objective of the study was to establish the determinants of youths' enterprise development fund loan repayment in Kisumu County

### **1.4 Value of the Study**

The current study could play three key roles. The first one could be management practice. The outcome of the study could be used by the youth enterprise fund management to realize the parameters that contribute to loan repayment and those that do not contribute to loan repayment and adjust their management accordingly. The parameters in the current study are business skills, external factors, borrower characteristics, business location, as well as repayment terms. Therefore, the results of the study could yield the extent to which such parameters contribute, or otherwise, to loan repayment and hence

continuous operation and so the management can inculcate such parameters in their lending decisions to ensure loan repayment.

The second value of the study is that of building the theories used in the study. Information asymmetry theory presumes that there is loan default because of lack of information as well as high expense expended in looking for information. The findings of the current study could thus enhance the theory either by confirming the assumptions or corroborating the assumption of the theory further. The other theory used in the study is information sharing theory which assumes that lending organizations can predict loan repayment because of information shared from the third parties such as credit bureaus. Based on the study findings, the findings could support the theory or provide more information to build it further.

The last value proposition that the current study could put forth is policy formulation. The study could be used by the management of youth enterprise development fund to formulate policies to underpin loan repayment and lending within the youth enterprise development fund. Research and policy are closely linked and therefore the result of the current research could help formulated policy not just at the county level, but also at the national level, which policies could help the organization to be sustainable and help more deserving youth in Kisumu County and elsewhere in the country.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The contents of the literature review section can be summed up into four sub-themes namely: theories grounding the study, the study parameters, the empirical evidence as well as the gaps that the study intends to fill.

### **2.2 Theories Grounding the Study**

The study utilizes information sharing theory as well as information asymmetry theory to provide a theoretical basis for the study. Both information asymmetry theory and information sharing theory are closely related to determinants of loan repayment among lending organizations in the sense that lending financial resources require information from which the lending decision is made and hence the choice of the theories.

#### **2.2.1 Information Sharing Theory**

Although the founders of information sharing theory is unclear Zaheer and Trkman (2017) points out that information sharing theory relies heavily on the quality of information provided for purposes of decision making by the institutions, individuals, and organizations whose decisions largely depends on the quality of available information. Information sharing theory further posits that objective decision is not antecedent to trust but is based on factual data obtained not just from reliable sources but also from sources that makes the use of the information obtained appropriate for the reasons for which the information should be used and to achieve the results that they should achieve. This has

made information theory to be used on a wide range of areas such as supply chain for purposes of finding quality information from suppliers, banking in which the use of quality information is for purposes of lending, nonprofit making lending organization, in which the use of quality of information is to ensure repayment of loan facilities and thus maintenance of the lending organization among many other uses and sectors of information sharing theory (Zaheer and Tirkman, 2017)

The merit of information sharing theory in the current study is its relevance in the sense of obtaining information for purposes of lending to ensure loan repayment and hence betterment of the lending organization. As Pilerot and Limberg (2011) postulates, information sharing theory assumes that quality information is the core element of decision making. Therefore, the current study which is about determinants of loan repayment adapts the theory to explain the phenomenon of investigation. Betterment of the lending organization therefore means that the information obtained by the lender is of quality and therefore the lender is able to repay the loan, of which the net effect is that lenders are able to repay the loan facility and hence continuous operation.

### **2.2.2 Information Asymmetry Theory**

Information asymmetry theory can also be adapted in the current study. According to Auronen (2003) information asymmetry theory was developed three Nobelists namely, Stiglitz George, Akerlof George, and Spence Michael in the early 1970s in the field of economics to explain the asymmetric or imperfect information in market institutions and which leads buyers and sellers to make the decisions that they do. For example, the reason why one individual may buy a secondhand car from a car dealer while another

individual buys a new car from a car manufacture is because of imperfect information or information asymmetry of the depth of quality at play. Although a used car may be way cheaper, the quality implications of using such a vehicle may be way dire compared to a new automobile. Such decisions among many other decisions in the market institution happen majorly because of lack of dependable information. Information asymmetry theory has been used beyond economics into lending organizations such as banks and other nonprofit lenders in making lending decisions.

The point at which information asymmetry theory finds relevance in the current study is that it presupposes adverse selection. According to Fazzari and Variato (1994), information asymmetry theory presumes that bad decisions are made based on adverse selection which is basically arriving at a decision on the basis of imperfect information. In determinants of loan repayment in a lending organization, adverse selection applies more regularly in the sense that loan beneficiaries do not pay back the loan facility even though the lending organizations have information about the borrower. It is therefore based on imperfect information or information asymmetry that lending organizations make their decisions. Consequently, borrowers do not repay the loan facility according to the agreement and terms of the loan. What follows is that loan is not repaid, and the continuous operation of the lending organization is not guaranteed under such circumstances. Fazzari and Variato (1994) further point out that another angle of information asymmetry theory is that lending organization can ration loan facility so that instead of providing loan facilities to the beneficiaries, the loans are not given at all in fear that the loan may not be repaid purely on the basis of imperfect information that leads to poor decisions.

## **2.3 Empirical Evidence on Determinants of Loan Repayment**

Parameters of loan repayment are those aspects of loan repayment that makes it possible for the lending organization to do well. Such parameters are several but the researcher chooses the parameters to be tested depending on the information available and the gaps in literature to be mitigated by the study. The current study looks at three parameters which are business skills, external factors as well as borrower characteristics.

Although human beings pose innate abilities according to Karlan and Valdivia (2013) higher cognition in terms of business skills is still necessary if not important for entrepreneurs to take full advantage of returns. Business skill as Karlan and Valdivia (2013) further points out are the skill sets such as budgeting or salesmanship inherent in businesspeople that enable their business to do well and hence repay the loan facility to the lender. Other than business skills, there are also external factors that affect business environment and affect the continuous operation of the lender. According to Onduso (2013), external factors such as technological changes and labor movements impacts the business environment, the likes of which it becomes untrainable for business to gain competitive advantage and hence it becomes an uphill task to repay the loan facility. The consequence is that continuous operation of the lender goes down to some degree. Ngang (2013) also asserts that borrower characteristics also contribute to continuous operation of the lender in the sense that a married borrower is said to more responsible compared to unmarried borrower which also reflects on loan repayment and hence continuous operation of the lending organization. Business location also finds merit as a determinant of loan repayment. For example, Angaine and Waari (2014) asserts that business located

near the lender are more likely to repay their loans because of proximity. Similarly, World Bank (2013) asserts that terms of loan that favor the borrower contributes to repayment more than the terms that do not favor the borrower.

Business location also informs loan repayment in many respects. Angaine and Waari (2014) sought to establish what exactly determine loan repayment. The researchers used 39 respondents using census of microfinance institutions. The researchers also utilized descriptive and inferential statistics to compute their findings. The results indicated that business location factor contributed to loan repayment among borrowers of microfinance organizations. However, business location depends on various location characteristics such as urban or rural, but which may contribute or not contribute to loan repayment. Other studies have been conducted on the same subject such as the study by Nguta and Huka (2013) who utilized a sample of 400 randomly sampled respondents, and which utilized inferential statistics to analyze data. The study lent credence to the study by Angaine and Waari (2014) having established that business location had a significant positive correlation with loan repayment. Just like urban and peri-urban, business location also has to do with whether the business is close to the lender or far from the lender. Fortunately, the location of the business in terms of the distance has also been investigated empirically. On a bid to establish the determinants of loan repayment, the study by Muturi (2016) was at variance with other studies. The study used a sample of 146 and a multiple regression to analyze data. The study established that business location did not contribute to loan repayment.

Terms of loan repayment has also been studied by various scholars as a determinant of loan repayment. Using a sample size of 78 and inferential study, Egboro (2015)

established that terms of loan repayment such as flexible schedules contributed to loan repayment among young borrowers. In conformity to the study by Egboro (2015). The study by Mungai, et al (2014) also established that terms of loan repayment played a significant role in the repayment of the loan advanced to the borrowers. Another study which was in conformity to the study by Egboro (2015) and Mungai et.al (2014) was conducted by Goodluck and Neema (2016) and which also established that terms of loan contribute to loan repayment. However, other studies are at variance, for example, the study by Makorere (2014) established that terms of loan do not contribute to loan repayment. The study by Makorere (2014) found much support by a study conducted by Janaki (2016) who also established that terms of loan did not contribute to loan repayment.

According to a study conducted by Surin and Wahab (2013), the study used as sample size of 226 to establish whether networking skills contribute to continuous operation. The study regression results showed that networking skills had no significant relationship with continuous operation. The study by Surin and Wahab (2013) found much support from the study conducted by Mutua (2015) and whose participants were selected using simple random sampling technique and which revealed that there was no significant relationship between bookkeeping and continuous operation. The study of Onduso (2013) was however at variance. With only 18 participants and using cross-sectional study design, the study established that there was a significant positive relationship between budgeting skills and continuous operation. Further, the sample size of Bashir, Ahmed and Kitchen (2010) was 114. Their study sought to investigate the relationship between salesmanship and performance. The results revealed that salesmanship had a significant



positive relationship with performance. Cash management skills and its contribution to performance has also been empirically tested. According to a study conducted by Janaki (2016) and using 20 companies in a descriptive study and a secondary data, the study established that cash management skills has a significance positive relationship with performance.

A study conducted by World Bank (2013) was meant to investigate industry competition and performance and the results showed that industry competition had a significant positive relationship with performance. Using a sample size of 90 respondents in a case study design, Bramel (2016) established that technological changes had a significant positive relationship with performance. Other than technological advancements, labor organizations have also affected organizations and hence has been empirically tested. Using nonprofit making organizations and with a sample size of 80,000 borrowers as a sample, Dobbie and Song (2015) established that labor movements had no significant relationship with performance. Another study whose results were analyzed using multiple regression and was conducted by Egboro (2015) established that customer changing preferences had insignificant relationship with performance. To investigate political tension and performance among business owners, Toft (2008) conducted an empirical study and established that political risks had insignificant relationship with performance.

Using convenience sampling method to select 100 respondents in Tanzania, a study by Makorere (2014) revealed that the relationship between marital borrowers and loan repayment was significantly positive. In a descriptive study within microfinance sector, Nganga (2010) established that gender and loan repayment were significantly correlated. In a different study and using a sample of 307 in a cluster random sampling in Muranga

County in Kenya, Mungai, Maingi and Muathe (2014) also used a descriptive survey and established that loan diversion behavior significantly affected loan repayment. Another study by Karlan and Valadiviva (2011) used purposive sampling in a survey design together with a questionnaire to collect primary data. Using both quantitative and qualitative techniques, the study established insignificant relationship between business training and loan repayment. Another descriptive in a case study design, Goodluck and Neema (2016) also used a sample of 835 and established that property ownership increase chances of loan repayment significantly.

## **2.4 Summary of Literature and Study Gaps**

The different study designs adopted by the empirical studies addressed in the studies reviewed makes it difficult for wider generalization in every situation and context. For instance, case studies differ from experimental studies just like quantitative studies differs from qualitative studies. Although all of them are plausible, they cannot be generalized and assumed to fit one context or situation or scope. The reviewed studies have also not addressed five variables collectively namely: business skills, external factors, borrower characteristics, business location, as well as repayment terms within the framework of determinants of youths' enterprise development fund loan repayment within Kisumu County. It follows that determinants of youth's enterprise development fund loan repayment in Kisumu County in line with the stated variables is not known, a situation that creates a gap in knowledge hence the current study.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This segment addressed introduction, research design that was used as well as sampling methodology. Data analysis as well as data collection procedures was also taken care of in the section.

### **3.2 Research Design**

Cross-section study design was used in the current study. Dillman (2000) points out that the merits of cross-section study design are found on specificity of time in which respondents are engaged and thus reduces chances of abnormal variances on responses. In the current study, the suitability of cross-sectional study design was found in the fact that data was solicited at a specific period making it possible for the study to accomplish its objective.

### **3.3 Population**

The population of the study were 7 sub-counties from where one member was picked to constitute study population totaling to 7 members from each county. The justification of the population was that the committee members participates very closely in awarding loan facilities and training of the youth and hence has information that lead to reliable generalization of the study.

### **3.4 Data Collection**

The study used both primary and secondary data. Structured and open-ended questionnaires were applied in the current study to collect primary data. Dillman (2000) asserts that questionnaires are not just economical to use but also takes a short time to dispense and thereby saving time in the research process. The questions in the questionnaire were aimed to address the variables in the study which ultimately enabled the study to draw generalization. Secondary data were sourced from published materials and documents of various formats.

### **3.5 Data Analysis**

In the current study, descriptive analysis was used in which case the variables were analyzed using mean and standard deviation in a 5-point likert scale. The demographic characteristics were analyzed using frequencies and percentages. The findings were illustrated in figures and tables. Mean and standard deviation was also used to compute the primary data in line with study variables. According to Meller (2001), mean and standard deviation analysis enables the researcher to test the dimensions of the study parameters and establish their extent for purposes of generalization. The current study presented the dimensions of the parameters in a questionnaire format for purposes of soliciting response to achieve the objective of the study. According to Kothari (2004) mean and standard deviation analysis also enables the researcher to further describe secondary material in line with study parameters to draw generalization.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND**

### **DISCUSSIONS**

#### **4.1 Introduction**

The major variables that the research has analyzed in this penultimate part of the study were: business skills, external factors, borrower characteristics, business location, and terms of loan repayment. The results have been presented and discussed in detail. Demographic parameters have also been addressed. The study had a sample of 7 respondents who answered the questions in the questionnaire. All the distributed questionnaires (100%) were collected and with such high return rate, the rest of the intervention had to proceed.

#### **4.2 Demographic Parameters**

Parameters of the participant demography was part of the questionnaire and included age of participants, their gender as well as their educational extent. The results were presented in Frequency and percentage Tables as well as in pie charts and graphs.

##### **4.2.1 Division by Age**

To ensure reliable answers from the study participants, their age was important to establish. Older participants for example are more likely to provide more reliable answers that helps to affirm the quality of data more than young novices and which is why there was a concern to the researcher. The results demonstrated that the minority (14%) of responders were 21-30 years old while the majority (57%) were 41-50 years old. Another

group (29%) belonged to 31-40 years old. Table 1.1 Demonstrate the results just as shown below:

Table 1.1 Division by Age

<b>Division by age</b>	<b>Frequency</b>	<b>Percentage</b>
31-40	2	29%
21-30	1	14%
41-50	4	57%
<b>Total</b>	<b>7</b>	<b>100</b>

#### **4.2.2 Division by Gender**

The greater benefit of gender is to ensure that data from responders were not collected from one gender leaving the other genders out. Therefore, gender of responders ensure that the answers are reliable in the sense that the answers were gotten from all the gender representation in the study area. The research results demonstrated that there was not any other gender apart from female and male. The female responders were only 29% while the greater number of responders (71%) were of male division. Table 1.2 Demonstrate the results just as shown below

**Table 1.2 Division by Gender**

<b>Gender division</b>	<b>Frequency</b>	<b>Percentage</b>
Other gender	0	0%
Female	2	29%
Male	5	71%
Total	7	100

#### **4.2.3 Division by education Extent**

Extent of education of responders also helped the researcher in guaranteeing the quality of answers given by the responders and ultimately, quality of generalization that could be relied upon. Such is because responders with formal education are at a better place to read and internalize and then provide responses that are well thought out for the study. According to Table 1.3, 43% of responders had tertiary education extent while no responder (0%) had secondary as their extent of educational achievement. University extent had the greater extent (57%) of achievement in education.

**Table 1.3 Division by Education Extent**

<b>Extent of education</b>	<b>Frequency</b>	<b>Percentage</b>
Tertiary level	3	43%
University level	4	57%
Secondary level	0	0%
<b>Total</b>	<b>7</b>	<b>100%</b>

### 4.3 Analysis of Study Variables

The research variables were mainly five in number. They were business skills, borrower characteristics, business location, as well as terms of loan repayment.

#### 4.3.1 Business Skills

The following mean and standard deviation were obtained for the corresponding dimensions of business skills as illustrated in Table 1.4. Networking skills contribute to loan repayment 3.04 and 0.311, book keeping skills contribute to loan repayment 3.02 and 0.771, budgeting skills contribute to loan repayment 3.72 and 0.802, salesmanship skills contribute to loan repayment 3.25 and 0.501, cash management skills contribute to loan repayment 4.22 and 0.201 in the same Table. Overall results were 3.450 and 0.517 for mean and standard deviation.

**Table 1.4 Business Skills**

Item for response	N	Min	Max	Mean	Std. Deviation
Networking skills contribute to loan repayment	7	1	5	3.04	.311
Bookkeeping skills contribute to loan repayment	7	1	5	3.02	.771
Budgeting skills contribute to loan repayment	7	1	5	3.72	.802
Salesmanship skills contribute to loan repayment	7	1	5	3.25	.501



Cash management skills contribute to loan repayment	7	1	5	4.22	.201
<b>Overall</b>				3.450	.517

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Source: Results of the study (2020)

### 4.3.2 External Factors

Regarding external factors, a set of mean and standard deviation were obtained on a given dimensions as the results of the study and which is shown in Table 1.5 below. Industry competition contribute to loan repayment 1.88 and 0.304, technological advancement contribute to loan repayment 2.11 and 0.921, labor organizations contribute to loan repayment 1.35 and 0.872, changing consumer preferences contribute to loan repayment 1.09 and 0.249, political tension contribute to loan repayment 1.86 and 0.333 while the overall were 1.058 and 0.536 representing mean and standard deviation in the same Table.

**Table 1.5 External Factors**

Item for response	N	Min	Max	Mean	Std. Deviation
Industry competition contribute to loan repayment	7	1	5	1.88	.304
Technological advancement contributes to loan repayment	7	1	5	2.11	.921
Labor organizations contribute to loan repayment	7	1	5	1.35	.872

Changing consumer preferences contribute to loan repayment	7	1	5	1.09	.249
Political tension contributes to loan repayment	7	1	5	1.86	.333
<b>Overall</b>				1.058	.536

---

Source: Results of the study (2020)

### 4.3.3 Borrower Characteristics

Borrower characteristics dimensions were also measured by the study and the results representing mean and standard deviation were as demonstrated in Table 1.6 as shown. Married individuals repay their loans more compared to unmarried individuals 3.29 and 0.111, women repay their loan more readily than men 2.24 and 0.901, loan diversification contribute to repayment 2.13 and 0.840, business training contribute to loan repayment 4.89 and 0.205, property ownership contribute to loan repayment 4.32 and 0.304 while 3.774 and 0.472 were results for the overall mean and standard deviation.

**Table 1.6 Borrower Characteristics**

Item for response	N	Min	Max	Mean	Std. Deviation
Married individuals repay their loans more compared to unmarried individuals	7	1	5	3.29	.111
Women pay their loan more readily than men	7	1	5	2.24	.901
Loan diversification contribute to loan repayment	7	1	5	2.13	.840
Business training contribute to loan repayment	7	1	5	4.89	.205
Property ownership contribute to loan repayment	7	1	5	4.32	.304
<b>Overall</b>				3.374	.472

Source: Results of the study (2020)

#### **4.3.4 Business Location**

Dimensions for business location were also part of the mix of the variables of the study. As demonstrated in Table 1.7, the results were as per mean and standard deviation. Individuals in remote location are more likely to repay their loans 2.10 and 0.339, individuals in urban areas are more likely to repay their loans 0.82 and 0.901, individuals in semi-urban areas are more likely to repay their loans 2.19 and 0.418, individuals closer to the lender are more likely to repay their loans, 3.67 and 0.132, individuals located far

from the lender are more likely to repay their loans 3.31 and 0.331 with overall results being 2.640 and 0.420 in the same Table.

**Table 1.7 Business Location**

Item for response	N	Min	Max	Mean	Std. Deviation
Individuals in remote location are more likely to repay their loans	7	1	5	2.10	.339
Individuals in urban areas are more likely to repay their loans	7	1	5	3.82	.901
Individuals in semi-urban areas are more likely to repay their loans	7	1	5	2.19	.418
Individuals who are closer to the lender are more likely to repay their loans	7	1	5	3.67	.132
Individuals located far from the lender are more likely to repay their loans	7	1	5	3.31	.331
<b>Overall</b>				2.640	.420

Source: Results of the study (2020)

#### **4.3.5 Terms of Loan Repayment.**

Terms of loan repayment was also treated by the researcher and the results were as demonstrated in Table 1.8 as per mean and standard deviation. Flexible schedules make it possible for loan repayment 4.12 and 0.137, high penalty on defaults make it easy for loan repayment 3.49 and 0.129, loan size given to the borrower makes it possible to repay loan 3.81 and 0.278, grace period given to borrowers encourage loan repayment 3.25 and

0.102, high interest rate of loans encourage loan repayment 3.79 and 0.128 with 3.692 and 0.155 being the overall mean and standard deviation.

**Table 1.8 Terms of loan Repayment**

Item for response	N	Min	Max	Mean	Std. Deviation
Flexible schedules make it possible to repay loans	7	1	5	4.12	.137
High penalties on default makes it easy for repayment of loan	7	1	5	3.49	.129
Loan size given to the borrower makes it possible to repay loan	7	1	5	3.81	.278
Grace period given to borrowers encourage repayment	7	1	5	3.25	.102
High interest rate of loans encourages loan repayment.	7	1	5	3.79	.128
<b>Overall mean and Standard deviation</b>				3.692	.155

Source: Results of the study (2020)

#### **4.4 Discussions**

The extent to which business skills is a determinant of loan repayment was found to be high and the responders were consistent with their answers with 3.450 and 0.517 as overall mean and standard deviation respectively. Business skills provide a business owner with enhance capacity to understand business dynamics much better compared to business owners without such skills. For example, networking skills enables business

owners to get to know other people outside their businesses and fields who could be potential customers or investors. Bookkeeping skills enable business owners to be careful with how and on what items they spend their money and keep a budget. This can eliminate unnecessary expenditure and hence leaves the business owner with adequate cash flow for the business. On the other hand, budgeting skills allows business owners to quantify or to categories their assets and liabilities so they can know whether their enterprises are solvent or not and which also helps them to plan for the most suitable strategy to increase asset while reducing liability as much as possible. Salesmanship skills enables business owners to acquire more customers for their businesses particularly in small businesses that cannot afford advertising in the conventional media which in turn increases revenue. Cash management skills helps business owners on how to spend the cash at hand so that cash flow is not interrupted and hence steady business operations. All such skills when employed in a business contribute to business success and hence loan repayment becomes the net effect. The current study find support from the study conducted by Surin and Wahab (2013) who also established that business skills is a significant cant factor in ensuring business success. The study also builds the information asymmetry theory which states that financial resources can be obtained based on available information. If the information supports loan repayment, the better.

External factors were yet another study variable which was investigated by the study. According to the findings, external factors was found to be low with consistent responses with 1.058 and 0.536 representing mean and standard deviation. External business factors such as industry competition can diminish market share and hence minimum profits for the business owner. Technological advancement can also be an industry disruptor and

therefore business owners with old technology may find it difficult to adjust. On the same breadth, labor organizations may demand for more wages adding to the trouble of business owners since they don't maximize profits. Consumer preferences also change with time and that means that consumers may no longer desire the products or services from a business owner with a major dent on the profit. Political tension in a highly political volatile environments also disrupts smooth business operations and hence minimum profits. All such factors are more likely to contribute to loan default or poor loan repayment. The study by World Bank (2013) contradicts the current study having found out that industry competition significantly affected business performance. Such contradiction can be explained by difference in location of the study. Different businesses respond differently to external factors that threaten business existence. The study however contributes to the building of information sharing theory in the sense that when lenders get the information about the external factors that impact businesses unfavorably through third party sources, the disbursement of loans are more likely to be guided appropriately.

Another prominent variable was borrower characteristics. The study results showed that borrower characteristics was a determinant of loan repayment and highly so with 3.374 and 0.472 for overall mean and standard deviation respectively. Borrower characteristics such as marital status is more likely to favor loan repayment. Such is because married individuals most likely spend less money than marries individuals. Their expenditure may include eating out in the restaurant, going to parties with fiends, hiring domestic workers which take more money than if they were married. Gender also contribute to loan repayment. in particular women pay their loan promptly than men because women are

more conservative and also are the first care givers for children hence they may not involve themselves on activities that may make loan repayment difficult for purposes of their children while men may take risks that may negatively affect loan repayment such as gambling. Loan diversion also affect loan repayment. If the diverted loan is used to do another business that makes more profit, then it contributes to loan repayment, but if the diverted money is used to do something that does not help business then the opposite becomes the case. Business training is an important factor in loan repayment given that the more the skills a business owner has, the better the performance of her business and hence loan repayment becomes easier undertaking. Property ownership contribute to loan repayment because the business owner is unwilling to lose property and is more likely to work hard to repay the loan and get back the property which was provided as security for the loan. The study conforms to the findings of Karlan and Valadivina (2011) who also showed in their study that borrower characteristics are significant for business performance. Further, the study supports information asymmetry theory in the sense that the information about borrower characteristics can reach the lender as such information can be used to enable the lender to advance the loan that can lead to repayment.

Business location was another of the variables under investigation. The results revealed that business location was moderate, with an overall mean of 2.640 and 0.420 as standard deviation, as a determinant of loan repayment. The location of business affect loan repayment in many ways. For example, businesses which are in remote locations may not experience lots of human traffic and if the products are consumer products that require high human traffic, then the business may not perform well hampering loan repayment. Also, in urban areas where the human traffic is more likely to be high and information is



readily available, business is more likely to do well making loan repayment possible. In semi-urban environment, business can do well or not depending with the type of business and the type of clientele and the availability of such customers. However, the businesses that are closer to the lender are more likely to repay the loan since the lender can see the business and understand the operation. It also helps the lender to see and understand the business environment of the business which informs the lending decisions and hence loan repayment. On the contrary, if the business is located far away from the lender, the lender may not have information enough to base the lending decisions which may hamper loan repayment. the study is contradicting the study conducted by Angaine and Waari (2014) which noted that business location does not affect business performance and hence loan repayment in a significant way. But the study supports information asymmetry theory in the sense that the information regarding the location of the business can be a basis for advancing loan by lenders.

Another variable under study was terms of loan repayment which high, 3.692 and 0.155 for mean and standard deviation overall factors, as determinants of loan repayment. While good terms of loan repayment can encourage loan repayment, stringent terms of loan repayment can do the opposite. Flexible repayment terms encourage loan repayment because customers get the opportunity to prepare and pay the loan compared to when the repayment is not flexible. High penalties upon default can also encourage loan repayment in the sense that borrowers may not be ready or interested to pay high penalties for the loan advanced hence the advanced loan may be repaid in time. On the other hand, loan size also encourages loan repayment because a huge amount of loan given to a borrower especially when the borrower has no equivalent revenue, the repayment of such a loan

becomes difficult than when the loan is small and manageable. Grace period encourages loan repayment because the business owner can do business and save money during the grace period and begin to pay the loan immediately at the end of the expiry of grace period. High interest rate also encourages loan repayment because borrowers may not want to be charged high interest as they delay the repayment. The study findings conform to the findings of Egboro (2015) who established that terms of loan repayment have a significant association with loan repayment. The findings also support information sharing theory because the terms that encourage loan repayment can be shared across to other lending organizations so as to know the terms that has worked elsewhere, hence helping them to get back the money advanced to borrowers on the terms agreed upon.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS**

### **AND RECOMMENDATIONS**

#### **5.1 Introduction**

Chapter five addresses summary in accordance with the study and the conclusions thereof. It also addresses recommendations from the study results. At the end, it presents the limiting factors encountered during the study.

#### **5.2 Summary of Findings**

The results of the study have made several findings and this sub-section presents the summary of such findings. Business skills for example was found to be high (mean 3.450, standard deviation 0.517) as determinants of loan repayment within the youth enterprise development fund. External factors were found to be low (mean 1.058, and standard deviation 0.336) as determinants of loan repayment. In the same breadth borrower characteristics was found to be high (mean 3.374, and standard deviation 0.472) as a determinant of loan repayment with the youth enterprise development fund in Kisumu County. Business location was found to be moderate (mean 2.640 and standard deviation 0.420) as determinants of loan repayment within youth enterprise development fund in Kisumu County. Terms of loan repayment was found to be was found to be high (mean 3.692 and standard deviation 0.115) as determinant of loan repayment within Kisumu County)

### **5.3 Conclusions**

The overarching objective of the study was to establish the determinants of youths' enterprise development fund loan repayment in Kisumu County. In line with the study findings, the study concludes that business skills, borrower characteristics and terms of loan repayment highly determines loan repayment. Therefore, the three variables play a role in loan repayment.

The study also concludes that external business factors and business location has moderate to low determination of loan repayment. Therefore, the two variables namely, external business factors and business location do not play a crucial role as determinants of youths' enterprise fund loan repayment in Kisumu County.

### **5.4 Recommendations**

Following the findings and conclusions, the study has made recommendations. Regarding management practice, the study recommends that lending organizations such as youth enterprise development funds should put more efforts on business skills, borrower characteristics and terms of loan repayment to ensure that loans are fully repaid. Little or no efforts should be expended on external factors and business location.

The study also makes recommendations on the theories of the study. The study employed information asymmetry theory as well as information sharing theory. Information asymmetry theory assumes that loan default is occasioned by lack of proper information. The study recommends that this theory should be enhanced because there are some factors that are not necessarily information related but which also cause loan default such

as location of the business. Information sharing theory assumes that organizations can leverage on information from third parties to leverage to predict loan repayment. The study recommend that this theory should be used more often because information from third parties leads to prediction of loan repayment to a larger extent.

The study also makes recommendation on policy formulation. The study recommends that the government should make policies that emphasizes business skills, borrower characteristics, as well as terms of loan repayment to ensure that youth enterprises development fund loans are not only paid back in good time but also employment is created with the loan facilities advanced to the youth.

## **5.5 Limitations**

The limitations of the study were mainly difficulty to find responders with some of them postponing the meeting for data collection. However, the researcher was patient enough to ensure that all the questionnaires were collected before data analysis began. Some responders were also worried about the study confidentiality, the researcher assured them that the study was only for purposes of academics and that their names would not be included anywhere in the study. There after the data collection proceeded uninterrupted. Another fundamental limitation is based on the study design used. The study used cross-sectional study which only allows researchers to conduct studies within a specific period in time and hence the researcher may not know if the change or generalization is based on generational cohort or not yet there are other designs that could apply such as longitudinal design. However, the researcher acknowledged that cross-sectional study

design is scientific enough and whose generalization has valid implication within the scope of the study and beyond.

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## APPENDIX I: QUESTIONNAIRE

*While every effort could be put in place to disassociate your name and the responses you provide, you are requested not to write your name anywhere in the questionnaire for purposes of your privacy. There is no risk associated with your participation on the study and you also have a right to participate or not with or without reason. Therefore, answer the questions that follow as honest as possible. The responses could only be used for academic purposes.*

### SECTION A: DEMOGRAPHIC INFORMATION

1. What age bracket do you belong?

Belo 20 years	
21-30 years	
31-40 years	
41 – 50 years	
Above 51 years	

2. What is your gender preference?

Male	
Female	
Other	

3. What is your level of education?

Secondary school level	
Tertiary level	
University level	

**SECTION B: EXTENT OF BUSINESS SKILLS**

(To what extent do you agree with the following information?)

Statement for response	Agree to a great extent (5)	Agree to a moderate extent (4)	Neutral (3)	Disagree to a moderate extent (2)	Disagree to a great extent (1)
Networking skills impact business favorably thereby contributing to loan repayment					
Bookkeeping skills impact business favorably thereby contributing to loan repayment					
Budgeting skills impact business favorably thereby contributing to loan repayment					
Salesmanship skills impact business favorably thereby contributing to loan repayment					
Cash management skills impact business favorably thereby contributing to loan repayment					

Others (specify).....  
 .....  
 .....

**SECTION B: EXTENT OF EXTERNAL FACTORS**

(To what extent do you agree with the following information?)

Statement for response	Agree to a great extent (5)	Agree to a moderate extent (4)	Neutral (3)	Disagree to a moderate extent (2)	Disagree to a great extent (1)
Industry competition impact business favorably thereby contributing to loan repayment					
Technological advancement impact business favorably thereby contributing to loan repayment					
Labor organizations impact business favorably thereby contributing to loan repayment					
Changing consumer preferences impact business favorably thereby contributing to loan repayment					
Political tension impact business favorably thereby contributing to loan repayment					

Others (specify).....  
 .....

**SECTION B: EXTENT OF BORROWER CHARACTERISTICS**

(To what extent do you agree with the following information?)

Statement for response	Agree to a great extent (5)	Agree to a moderate extent (4)	Neutral (3)	Disagree to a moderate extent (2)	Disagree to a great extent (1)
Married individuals are more responsible hence more likely to repay loan facility					
Women are more likely to repay their loan than men					
Individuals who divert their loan facilities are more likely to repay their loans than those who do not					
Individuals who have gone through business training are more likely to repay their loans than those without the same.					
Individuals with property are more likely to repay their loans compared to those without					

Others (specify).....  
 .....  
 .....

**SECTION B: EXTENT OF BUSINESS LOCATION**

(To what extent do you agree with the following information?)

Statement for response	Agree to a great extent (5)	Agree to a moderate extent (4)	Neutral (3)	Disagree to a moderate extent (2)	Disagree to a great extent (1)
Individuals who are in the remote location are more likely to repay their loans in time					
Individuals who are in urban areas are more likely to repay their loans					
Individuals located within semi-urban locations are more likely to repay their loans					
Individuals who are located closer to the lender are more likely to repay their loans					
Individuals who are located far from the lender are more likely to repay their loan					

Others (specify).....  
 .....  
 .....



**SECTION B: EXTENT OF TERMS OF LOAN REPAYMENT**

(To what extent do you agree with the following information?)

Statement for response	Agree to a great extent (5)	Agree to a moderate extent (4)	Neutral (3)	Disagree to a moderate extent (2)	Disagree to a great extent (1)
Flexible schedules make it possible for loan repayment					
High penalties on default makes it possible for loan repayment					
The size of loan given contributes to possibility of repayment					
Grace period given before the actual loan repayment makes it possible for loan repayment					
High interest rate of the loan makes it possible for the loan facility to be repaid.					

Others (specify).....  
 .....  
 .....