FACTORS INFLUENCING ACCESS TO CREDIT AMONG ENTREPRENEURAL YOUTH: A CASE OF NAIROBI COMMERCIAL ZONE.

BY

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2010

DECLARATION PAGE

I declare that this research report is my original work and has never been presented for the award of any degree in any other university.

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DEDICATION

I dedicate this work first to my Parents Magdalene Wanja and Joseph Waruru. Thank you for instilling in me the desire to excel. It is also dedicated to all my nieces and nephews in their academic pursuits.

ACKNOWLEDGEMENT

This project report would not have taken off and its results would not have materialized without the selfless effort of my supervisors Dr. Mbwesa for her guidance and support.

I also acknowledge my parents and sisters for encouraging me to carry on throughout the period of study.

I am also heavily indebted to Mr. Peter Karuma, the credit Manager Equity Bank Tea Room branch. Special thanks go to John Kariuki who helped in administration of questionnaires, Mwaniki for his technical support and Kagotho for running errands tirelessly. Their understanding and support went a long way in making this a success.

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LIST OF ABBREVIATIONS AND ACRONYM

ASCA Accumulating Savings and Credit Association

CBD Central Business District

CBK Central Bank of Kenya

Chama Swahili for ROSCA

IEA Institute of Economic Affairs

IPAR Institute of Policy and Research

KIPPRA Kenya Institute of Public Policy Analysis

KNBS Kenya National Bureau of Statistics

KNBS Kenya National Bureau of Statistics

KPOSB Kenya Post Office Savings Bank

KSH Kenya Shilling

MFI Micro Finance Institutions

MOYA Ministry of youth affairs

MPC Monetary Policy Committee (of the Central Bank)

ROSCA Rotating

SACCO Savings and Credit Cooperative Society

MSEs Micro and Small Enterprises

UNDP United Nations Development Programme

ABSTRACT

The youth comprise a significant proportion of the Kenyan population. Due to the prevailing high rate of unemployment, self employment is one of the avenues through which the youth can earn a living and contribute towards growth of the economy. One of the ways through which youth can gainfully employ themselves is through starting and operating their own businesses. This calls for entrepreneurial skills, availability of market and capital. For the youths to raise capital either for start up businesses or expansion of existing ones they need reliable sources. They can either finance such ventures through credit or through own savings. Studies have indicated that the youth are constrained in accessing credit. This study sought to establish the causes of poor access to credit specifically by the youth who operate small businesses in the commercial zone of Nairobi city.

The study adopted a descriptive survey design. The unit of analysis was a sample of fifty-seven business operators (located in the commercial zone of Nairobi City and below 36 years of age) that was arrived at through stratified sampling technique,to which questionnaires were administered. In addition, one bank official was interviewed.

The study found that gender had no relationship with access to credit. However age, nature of business, interest rates, collateral and application procedures are significant factors that business operators consider while accessing for credit.

The study recommends that policies and national programmes that promote youth entrepreneurship by facilitating their access to finance be put in place. Of importance is a legal and regulatory framework that recognizes innovative strategies for lending to MSEs.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Youth unemployment is a serious issue the world over. The international Labour Organization in its Global employment Trends for Youth report (2010) assesses that 40% - or about 81 million- of youth were unemployed by 2009, the most ever. Access to finance is a critical factor in developing self-employment opportunities for the youth. According to the Kenya Youth Policy of 2006, developed by the Ministry of Youth Affairs, Kenyans in the age bracket 1-30 constitute 75% of the country's population forming the largest proportion of Kenya's population.

It defines the youth as persons resident in Kenya in the age bracket 15-30 years. They number about 9.1 million and account for roughly 32% of the entire population. According to the National Coordinating Agency for Population and Development Report (2008) youth in Kenya are potentially the most productive force but they remain underutilized in the economy (in both rural and urban areas) as large number of young persons is unemployed or underemployed. They are therefore unable to exploit their full potential for economic gains due the prevailing slow pace of economic growth and high levels of poverty (UNDP). According to the Central Bureau of statistics76% of Kenyan youth aged between 18 and 35 are unemployed out of which 43% are male and 57% female. They fall victim to different vices including drug abuse and crime.

Majority of them have been caught up in the prevailing high unemployment rate. In order to deal with the problem of unemployment, entrepreneurship among the youth is encouraged. This an avenue through which youth employ themselves by running small business enterprises and in the event that the business expands, the founder is likely to employ more people thereby contributing towards economic growth. Such businesses belong to the Micro and Small Enterprises (MSEs) category. In the sessional paper no. 2 of 2005, MSEs are defined as businesses in both formal and informal sectors that employ 1-50 workers. The paper notes that despite the significant role played by the sector, it experiences constraints such as poor access to markets and financial services, unfavourable policy among others.

Entrepreneurship is a channel through which youth can diversify their income and create more job related opportunities. The youth on business have a crucial role of spurring innovation, employment creation and economic growth. In order to accomplish such noble objectives, entrepreneurial youth raise finance either through debt or equity instruments. Those who opt for debt approach various providers that range from commercial banks to family and friends or family but face numerous challenges including but not limited to lack of collateral, high interest rates, stringent requirements attached to the credit.

In order to start a business, capital is a key requirement. Financing a new business or expanding an already existing one can be done by raising equity or debt. Whenever entrepreneurs opt for credit, they turn to providers of credit. These range from formal (e.g. commercial banks, MFIs and KPOSB) to informal (e.g. SACCOs, ASCAs, ROSCAs, friends and family members (Finn Access Report 2009). It is not particularly difficult to access credit but it becomes inaccessible when the borrower cannot meet the conditions set by the provider. Such conditions are: provision of collateral/security, banking and credit history, up to date book of accounts and high interest rates.

The Kenyan youth, like most youth in the world face a challenge in raising collateral/security due to the fact that at a young age, many do not own pieces of land or movable assets like motor vehicles which the providers of credit require. In addition, due to the fact that some youth may be engaging in new ventures, credit history is definitely hard to come by. It is a situation where those likely to guarantee the borrower hesitate due to the unpredictable nature of new ventures.

Unlike the formal providers of credit who have been described by some borrowers as stringent, some informal ones do not ask for so much but require commitment and discipline from the borrowers (Finn Access 2009 Report). However, it is clear that access to credit from formal or informal institutions by entrepreneurial youth remains constrained.

1.2 Statement of the problem

Kenyan youth do not have a strong asset and investment. Having come out of school, most rely on their parents and are more vulnerable since it is at that point that they seek to become independent. Those engaging in start up businesses, exhibit several characteristics such as lack of collateral with which to secure credit, inexistent credit and banking history as well as necessary revenues in order to cater for interest rates charged on loans.

Findings of FinAccess Survey commissioned by CBK and carried out by the then Steadman Group (now Synnoviate) indicates that only 24% of youth had access to credit. This study sought to investigate the disconnect between the available credit and those youth who seek it. It attempted to identify the missing link between entrepreneurial youth in downtown Nairobi who seek credit and the institutions that offer it.

1.3 Purpose of the study

This study sought to investigate the causes of limited access to finance among the entrepreneurial youth in the commercial zone of Nairobi city.

1.4 Objectives of the study

This study sought to:

1. Establish the extent to which collateral/security influences access to credit among entrepreneurial youth in the commercial zone of Nairobi City.
2. Examine the extent to which application procedures influence access to credit among entrepreneurial youth in the commercial zone of Nairobi City
3. Determine the extent to which interest rates influence access to credit among entrepreneurial youth in the commercial zone of Nairobi City.
4. Determine the extent to which entrepreneur's age and gender influence access to credit among entrepreneurial youth in the commercial zone of Nairobi City.
5. Establish the extent to which business category influences access to credit among entrepreneurial youth in the commercial zone of Nairobi City.

1.5 Research questions

The study was guided by the following questions:

1. To what extent does collateral/security influence access to credit among entrepreneurial youth in commercial zone of Nairobi city?

2. To what extent do application procedures influence access to credit among entrepreneurial youth in commercial zone of Nairobi city?
3. To what extent do interest rates influence access to credit among entrepreneurial youth in commercial zone of Nairobi city?
4. To what extent do entrepreneurs' age and gender influence access to credit among entrepreneurial youth in commercial zone of Nairobi city?
5. To what extent does business category influence access to credit among entrepreneurial youth in commercial zone of Nairobi city?

1.6 Significance of the study

It was envisioned that findings of the study would enable viable planning to enhance or encourage youth access to finance. Strategic recommendations based on the findings of the study will shape future support for financial institutions particularly at the micro financial level. Specifically, it was hoped that the findings would be of much use to stakeholders who shape monetary policy such as the monetary policy committee of the central bank, credit departments of commercial banks and MFIs as well as government officials behind the national youth fund and women fund (it targets youthful female entrepreneurs too)

Apart from the providers of credit and policy makers mentioned above, it was envisioned that the youth would be the greatest beneficiaries of findings and recommendations of this study. Entrepreneurial youth would be in a position to grasp the broad range of issues that surround their access to credit and hence approach pursuit of credit from a point of information. Once aware of the factors influencing their accessing credit, they are likely to take part in the larger debate of access to more affordable credit and shape the policy at that stage.

1.7 Delimitations of the study

The study would not consider the consequences of poor access to credit among the youth. In addition, the study only considered entrepreneurial youth in the commercial zone and not any other part of the city. Lastly, the study only considered entrepreneurial youth in the commercial zone and not any other part of the city.

1.8 Limitations of the study

One of the limitations of the study was the perspective adopted. Instead of trying to understand the youth who deal in services and goods, the study was limited to those who sell goods only, namely: electronics, clothes, car spares and mobile phones. In addition, the chosen setting of business operated in downtown stalls was seen to include certain limitations in the sense that stall-operated business was at an emerging stage. It could be argued that for future research on the topic, a setting where the market has advanced more especially as far as exposure to credit facilities is concerned will be better.

1.9 Assumptions of the study

This study assumed that:

1. The environment in Nairobi would remain conducive for business.
2. Respondents would give honest and uninfluenced responses to the questionnaire

1.10 Definition of significant terms

The following terms are defined as used in the course of the study.

Access: opportunity to gain something.

Business category: division or class of a business based on commodity that its owner trades in e.g. clothes, mobile phones, etc.

Collateral: assets ledged by a borrower to secure a loan or other credit and are subject to seizure in the event of default.

Credit: money received by a borrower after entering in a contractual agreement with a lender where the borrower agrees to repay the lender at some later date.

Entrepreneur: a person who has the possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks

Interest : a fee charged on borrowed money.

Microfinance Institutions: Organizations- private or public or both – that supply microfinance services to low income groups or people for example savings and credit societies.

Microfinance: finance that is provided to low income people or group to enable them engage in productive activities.

Nairobi commercial zone: the area next to the central business district in Nairobi City that harbours small and large scle businesses.

Youth entrepreneur: persons between the ages 18 to 35 who mobilize resources to start and run their own enterprises or small businesses.

Youth: persons resident in Kenya aged between 18 and 35 years.

1.11 Summary

In this chapter, an introductory section was detailed concerning the study. The chapter provided a background of the study, statement of the problem, purpose of study, objectives, research questions, significance, delimitation, limitations and assumptions of study as well as a list detailing definition of terminology used.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews literature related to credit as a form of financing to young entrepreneurs. Specifically the chapter presents review of literature on access to credit, characteristics of youth entrepreneurs, collateral,loan application and appraisal, interest rates, and demographics about Kenyan youth entrepreneurs. In its last section the chapter presents both theoretical and conceptual frameworks that guided the study.

2.2 Access to credit in Kenya

CBK reported that as at June 2009, there was constrained access to financial services and products to majority of Kenyans (CBK 2009). Findings of FinAccess Survey commissioned by CBK and carried out by the then Steadman Group (now Synnoviate) indicate that only 22.6% of the adult population in Kenya had access to financial services mainly through banks and KPOSB. An additional 26.8% of the same adult population was served by other formal financial institutions (SACCOs and MFIs), 17.9% by informal institutions (ASCAs, ROSCAs, groups, family and friends). 32.7% of total adult population had no access to financial services (FinAccess, 2009). The report further states that by 2009, only 41% of adults in Kenya had credit: 24.3% accessed it from informal sources while 12.2% got it from family and friends.

Concerning the youth the report indicates that only 24% had credit and mostly those in urban areas had more access than their rural counterparts. It further notes that access to financial services improved by age. 45.5% of those in 18-24 years category had no access but this dropped to 23.2% in the 25-35 years category. Akoten (2007) argued that limited or total inaccessibility to credit (which he called 'credit rationing') occurs when lenders are unwilling to provide a loan to a borrower or the amount that lenders are willing to disburse is limited even if the borrower is willing to pay higher interest rates than other borrowers of comparative risk.

Due to the credit risk posed by youth, they tend to be credit rationed which in turn results to low productivity and poor investment outcomes (Akoten 2007). All these give rise to what Akoten called the vicious cycle of credit inaccessibility

2.3 Characteristics of the youth entrepreneurs

Nagarajan (2004) noted that due to the fact that most youth in Bangladesh (a developing country such as Kenya) lack assets such as cars and land, the demand for collateral by banks bars them as well as women from accessing credit. According to him, young, low income entrepreneurs face obstacles in finding funding for the creation of new firms because of lack of collateral and credit records. He added that financial institutions generally exclude borrowers who lack at least one year of experience in their business activity.

Berger (2005) noted that family plays a significant role in developing business skills and values in youth entrepreneurs. Some parents loan their children sometimes without interest. In her study, she noted that Indian businessmen provide start up capital in the form of low interest credit, to young businessmen, that is based purely on friendship or blood relation. Her study in South Africa revealed that most African youth tended to rely on personal savings for start up capital and approach banks and other money lenders for expansion capital.

The UNDP (REOPA CST) Project Report (2008) stated that small entrepreneurship is a channel, through which the youth, a vulnerable section of the society, can diversify their incomes, create new sources of economic growth and generate additional employment. This, the report notes is particularly true in the context of prevailing economic scenario of rising costs, declining purchasing power of the general population and unprecedented level of unemployment. The labour market is unable to absorb the vast number of people joining it every year and one option the report proposes is self employment or starting up enterprises by young people.

Moutry (2008) predicted that small businesses in developing countries shall continue to struggle during the current economic downturn but at the same time stressed that youth entrepreneurship shall continue to spur new innovation and employment, since small businesses are an integral part of any country's social and economic fabric.

In Kenya, as noted in the sessional paper no. 2 of 2005, the economic survey of 2003 revealed that employment in the MSE sector totaled 5.1 million and accounted for 74.2% o total persons engaged in employment. The paper further noted that the sector contributes up to 18.4% of the country's Gross Domestic Product (GDP). The sector therefore a driver I promoting innovation and enhancing the enterprise culture which is a vital component for private sector development and industrialization.

2.4 Collateral/security

Collateral is an item that is pledged to guarantee repayment of a loan. Collateral items are generally of significant value—property and equipment are often used as collateral, for example land —but the range varies considerably, depending on the lending institution and variables in the borrower's situation (Kangangi, 2008). Collateral only comes into play when a company needs to make a secured loan. Unlike unsecured loans, in which a borrower is able to get a loan solely on the strength of its credit reputation, secured loans require borrowing companies to put up at least a portion of their assets as additional assurance that the loan will be repaid. Many start-up businesses turn to collateral-based loans to get their start.

Omari and Shaidil (1992) acknowledged that youth are much at a disadvantage as far as their ability to get credit for their businesses is concerned due to their inability to offer collateral. Khandler (1998) observed that reliance on collateral by banks often excludes many creditworthy, small scale borrowers in many countries.

The Sessional Paper no.2 of 2005 identified lack of tangible collateral as an inhibiting factor as far as growth of the MSE sector is concerned. Lack of a verifiable asset base among MSE entrepreneurs consequently, according to the paper, raises the cost of credit. The paper traced limitation on the availability of collateral to difficulties of obtaining title to land and even in cases where such a title exists, commercial banks hesitate due to their low confidence in the capacity of the prevalent legal system to allow them realize it in case of default.

2.5 Loan application and appraisal

Chen (2009) noted that loan appraisal comes after a formal application is made. Once a person applies for a specific type of loan from any bank or financial institution, then the loan application will be given to an officer who will appraise the application and give his recommendations or otherwise reasons to the sanctioning authority. In the appraisal, the officer will check the data given by the applicant, the purpose of the loan and the repaying capacity of the applicant along with the viability of the proposal and offer his remarks. Basing on the recommendations of the appraising officer, the sanctioning authority either sanctions the loan or rejects the application and forwards the sanction letter or regret letter to the applicant.

Susser (2010) added that banks currently use a credit scoring model which is statistical in nature. He added that, the system attempts to provide for quantitative measurement of the likelihood that a customer will default on a loan with respect to their current or proposed credit position with a lender. He argues that owners of business particularly those who are young are given a high probability to default (PD) rating than those who are much older, have more income and a favourable credit history.

The risks of dealing with serial defaulters have led banks to be extra cautious when carrying out appraisal of loans. This not only locks out borrowers with an ability to pay but also contributes towards high interest rates. Even though CBK has maintained a loose monetary policy stance and repeatedly goaded banks to heed calls to reduce lending rates to boost economic growth by easing access to credit, the lenders have cited the risk of default as a disincentive for lower rate (Gikunju, 2010)

On 4th March 2010 the CBK governor unveiled the first credit reference bureau: Credit Reference Bureau Africa, a move that Gikunju (2010) believes will lower the lending rates since credit records of borrowers will be available to financial institutions. By availing these records to banks and other lenders, the risk premium and information search costs that are loaded onto loans as interest charges will reduce significantly, with the resultant saving being passed on to customers in the form of lower borrowing charges.

2.6 Cost of credits: interest rates

According to the Central Bank of Kenya, at June 2009 the country's banking sector comprised of 43 commercial banks, 2 mortgage finance companies, one deposit taking microfinance (Faulu Kenya) and other non deposit taking MFIs. The bank had approved 29 business names for applicants seeking to operate as deposit taking microfinance; the first step in licensing process. In the estimation of CBK, commercial banks, MFIs, trusts, SACCOs, ASCAs, KPOSB and ROSCAs had a combined 10 million accounts.

All institutions mentioned above provide credit of one form or the other

Interest rate is the monthly effective rate that is paid on the borrowed money for the entire loan period. Interest rate is also expressed as the percentage of the borrowed sum. For example, for the borrowed amount Kshs.100, 000 if the interest rate is 6%, then the interest amount for one unit time would be Kshs.6,000. Brigo (2006) defined interest rate as the rate, which is charged or paid for the use of capital or money. Generally, the rate of interest is shown as the annual percentage of the principal amount. The interest rate is determined by dividing the interest amount by principal amount. The interest rates are sensitive to inflation and the policies taken by the Federal Reserve and central banks. He identifies determinants of interest rates as: opportunity cost, inflation, default and time length.

The opportunity cost gives the second best alternative and covers any other use where the money can be put. The inflation plays a major role in determining the inflation rate. The lenders would want to recover the increased cost of money due to inflation. As the future inflation is never known, the lenders generally take up three steps to cope with the situation. They either charge x% interest plus inflation rate or decide on the expected rate of inflation or allow the rate of interest to be changed periodically (Sidney and Richard, 1996). The lenders are exposed to risk of default as there is always a chance that the borrower may become bankrupt or abscond or even default otherwise on the loan. Hence, as Sidney &Richard noted, the rate of interest varies for that of the secured and un-secured loans. The secured loans are given away at lower interest rates for the collateral pledged.

If the rate of interest is same as the inflation rate, then the lender will be left with the same purchasing power in future. The time length of the loan also plays an important part in determining the interest rate. The loans with shorter terms are exposed to less inflation and less risk of default as it is always easier to predict the near future. Hence less interest rate is charged on the loans with short repayment period.

In Kenya, CBK plays a significant role in regulation of interest rates. The Monetary Policy Committee (MPC) of the Central Bank lowers interbank lending rates and

CBK rates in order for the banks to follow suit (CBK 2009 Report). According to the report, bank lending was affected by the tightness in the international credit markets where banks were not lending to each other and local interbank rates trended upwards in November 2008. The report further states that MPC has been lowering CBK rate (the rate at which CBK lends to commercial banks) from 8.5% in December 2008 to 8% in April 2009. In January 2010 it was at 7.4% (CBK, 2009). In addition, in 2008/9 interbank rates fell from 8.1% in July 2008 to 3.1% in June 2009. Despite all these the average lending rates increased in the fiscal year 2008/2009 from 13.9% in July 2008 to 15.1% in June 2009 which CBK attributed to perceived riskiness of borrowers by particularly by commercial banks.

2.7 Age and gender of Kenyan youth entrepreneurs

Youth unemployment in Kenya is a serious issue and a key concern of the government. Access to finance is a critical factor in developing self employment opportunities for youth. Data from the Ministry of Youth Affairs (MOYA) indicates that Kenyans in the age bracket 1-30 constitute 75% of the country's population forming the largest proportion of Kenya's population (Kenya Youth Policy 2008)

The ministry defines the youth as persons resident in Kenya in the age bracket 15-30 years (Kenya Youth Policy 2008) but this study will be interested in youth that are in the 18-35 age bracket. They number about 9.1 million and account for roughly 32% of the entire population. (Kenya Youth Policy, 2008). Majority of them have been caught up in the prevailing high unemployment rate.

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Kangangi (2008) acknowledges that the youth face considerable hardships in accessing finance. While some youth are outside the radar of financial institutions, some reach the institutions but their ability to access credit is comprised by factors such as lack of collateral to secure such loans. He adds that lack of credit impacts negatively on the acquisition of necessary equipment and other resources that are crucial for development of an enterprise.

However tough the prevailing environment might seem, the Institute of Economic Affairs Youth Survey (2003) indicated that by then, majority of Kenyan youth were positive about the future of Kenya and saw themselves (64.2%) and their families (64.3%) living in Kenya in 2027. According to the same report, 48.6% of the youth indicated that they wanted a productive and prosperous economy with healthy, educated and innovative people.

2.8 Theoretical framework

Jean Baptiste Say recognized the need for capital in entrepreneurship (Humberto 1989). Economists have long been aware of the basic economic function of credit and have explained the role of credit or finance in the market with the help of different finance theories. The concept of finance theory involves studying various ways by which businesses and individuals raise money.

2.8.1 Rational economic theory

Green (2002) argued that Rational Choice Theory is used to understand the social and economic behaviors of the individuals. It is used in a number of academic subjects like Microeconomics, Political Science, Sociology and many more. The application of the term rationality varies with the subject. Many other economic theories are concerned about the mechanism of the market that enables the production and distribution of goods. But the Rational Choice Theory is extensively used in applying the same principles that are used by other economic theories to understand interactions that include resources like prestige, time and many more. In his contribution, Kreps (1990) observed that human beings are prompted by their own goals and preferences. Human actions are regulated primarily by the information regarding the conditions under which a particular individual is going to work and would try to achieve his or her goal. It is almost impossible for the human beings to get whatever they desire for. Choice of goals along with the selection of a proper method to reach the previously set target is very important in the domain of Rational Choice Theory.

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A consideration of entrepreneurship would not be complete without the mention of Joseph Schumpeter, who brought to the limelight the role of the entrepreneur as the focal force in economic growth. This is therefore the theory that is central to this study.

According to Schumpeter's model, development in capitalism hinges on three things: the entrepreneur, innovation and credit (McCraw, 1992). Schumpeter envisioned the entrepreneur as being a pioneer in breaking new grounds by being innovative and facing challenges. His theory postulates that in his ambition to conquer the competitive market world, the entrepreneur needs credit from the bank since it is availability of credit that gives the entrepreneur the freedom to take risks of investments connected to innovation.

Innovation as per his theory takes five forms: Production of new goods or new quality of a good, coming up with new methods of production, finding new markets, locating a new source of supply and reorganization of the industry. (McCraw, 1992)

Therefore, Schumpeter argued that growth takes place because the entrepreneur, who with the help of bank credit invests in innovative activities. In his discussion of Schumpeter's theory, Birch (1999) noted that innovation leads to output increase in the industry where it is introduced. This in turn attracts more entrepreneurs in the industry. However, he noted that innovation and expansion of output do not remain in the industry where they are introduced but contribute to the adoption of innovation in other industries too, thus resulting in the increase of output production. Ultimately, innovation spreads to many industries as a result of the role of entrepreneur's investment (Birch, 1999).

2.9 Conceptual framework

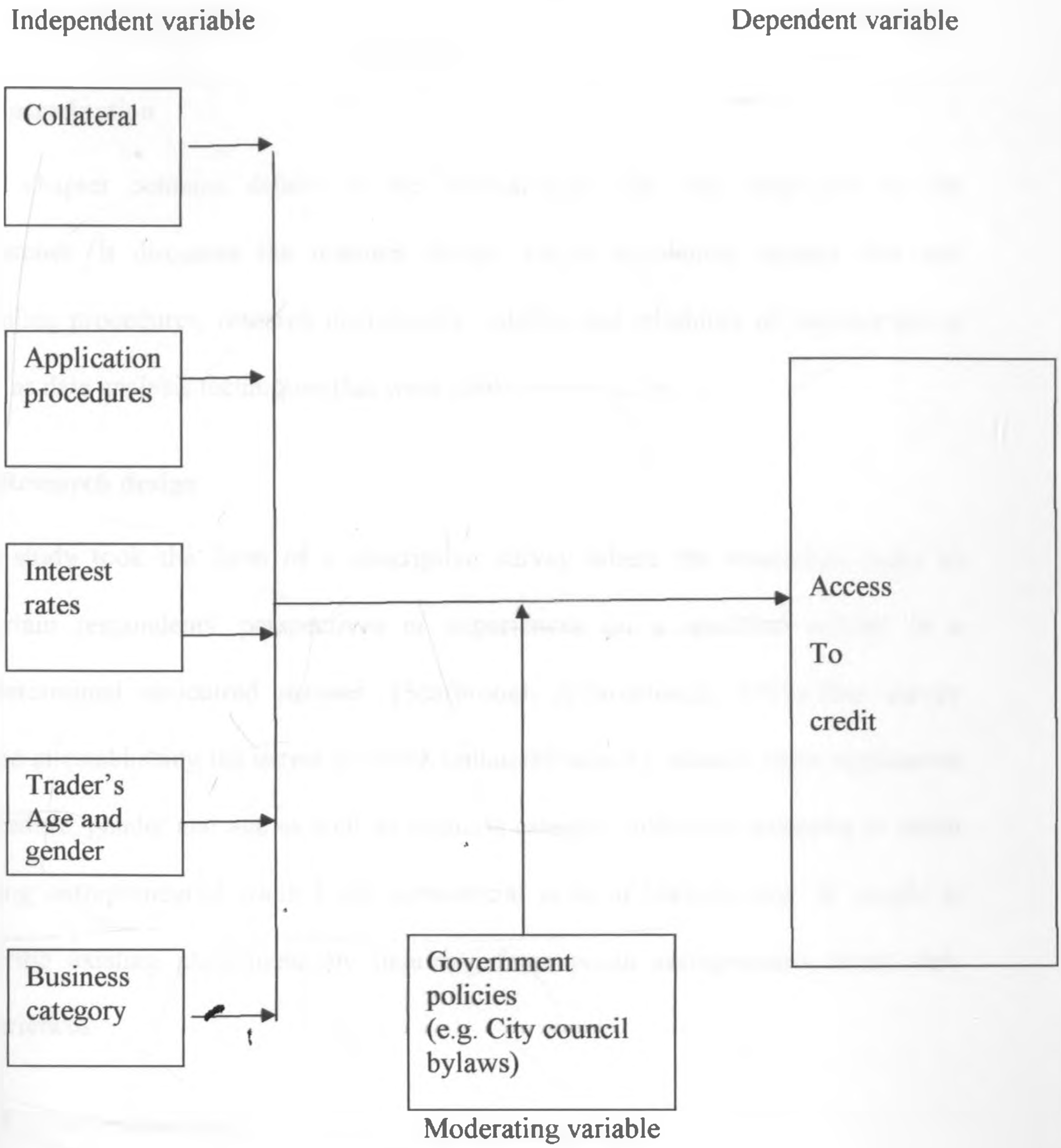

Figure 1 Schematic diagram showing the conceptual framework

Key

Access to credit is influenced by collateral, interest rates, application procedures and entrepreneur's age and gender as well as business category. Government policies may affect the relationship between dependent and independent variables.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter contains details of the methodology that was employed by the researcher. It discusses the research design, target population, sample size and sampling procedures, research instruments, validity and reliability of instruments as well as data analysis techniques that were used.

3.2 Research design

The study took the form of a descriptive survey where the researcher seeks to ascertain respondents' perspectives or experiences on a specified subject in a predetermined structured manner. (Scarbrough &Tarenbaum, 1998).This survey aimed at establishing the extent to which collateral/security, interest rates, application procedure, gender and age as well as business category influence accessing to credit among entrepreneurial youth I the commercial zone of Nairobi city.. It sought to describe existing phenomena by inquiring from youth entrepreneurs about their experiences.

3.3 Target population

An ideal population would have been all the youth in Nairobi province who operate small businesses. However, due to logistical and other factors the justifiable population for this study was all youth in the northern commercial zone of Nairobi City, who operated small businesses such as food stalls, clothes stalls and mobile phone stalls among others. In the reconnaissance study, the researcher conducted a census of youth operated businesses and found out that the following ten streets/roads had a total of 1732 youth operated small businesses. These, together with one bank official, formed the population of this study. The 1732 traders were distributed as follows: Luthuli (121), River Road(434), Latema(94), Dubois(87), Taveta (82), Accra (102), Mfangano (352) and Kirinyaga (261), Ronald Ngara (102) and Gaberone (97) as shown below.

Table 3.3 distribution of traders

Street	No. of traders
Luthuli	121
River Road	434
Latema	94
Dubois	87
Taveta	82
Accra	102
Mfangano	352
Kirinyaga	261
Ronald Ngala	102
Gaberone	97

3.4 Sample size and sampling procedures

This study was interested in all youth who operate small businesses in the commercial zone of Nairobi city. For this study, stratified random sampling was used. In this method certain sub groups or strata are selected for the sample in the same proportion as they exist in the population (Mugenda and Mugenda, 1999). Its main advantage is that it increases representativeness especially when the sample is not very large. It was appropriate for the study as it ensured that key characteristics of individuals (nature of business) in the population were included in the same proportion in the sample (Mugenda and Mugenda, 1999). For this study, all streets were clustered according to business categories out of which Taveta, Accra, Luthuli and Kirinyaga streets were picked randomly. The following stratum was used to generate the sample size of 10% appropriate for surveys in social studies (Scarbrough &Tarenbaum, 1998).

Table 3.4 The strata used to collect data in this study

Street	**Total population**	**% of population (x/566*100)**	**Sample of 10% (57)**
Luthuli (electronics)	121	21	12
Kirinyaga (car spares)	261	46	26
Accra (mobile phones)	102	18	10
Taveta (clothes)	82	15	9
Total	**566**	**100**	**57**

3.5 Research instruments

Questionnaire items were administered to the youth while an oral interview schedule was employed for the bank manager.

The study used questionnaires bearing both close ended and open-ended questions. Close-ended questions yielded consistent responses that allowed easy tabulation of results while open-ended questions elicited various responses thus did not confine respondents. The questionnaires were administered directly to respondents who, upon filling returned them to the administrator. Items on the questionnaires included multiple choices, true/false and short answer questions and those that were interpretive.

3.6 Validity and reliability of instruments

3.61 Reliability

Reliability refers to the consistency of the scores obtained from one administration of an instrument to another while validity refers to the appropriateness and usefulness of the inferences a researcher makes (Scarbrough &Tarenbaum, 1998). Data was tested for reliability using equivalent forms method. Here, two different but equivalent forms of an instrument are administered to the same group of individuals during the same period (Scarbrough &Tarenbaum, 1998). A large set of questions that addressed the same construct were prepared and then divided into two sets. Both instruments were administered to the same sample of people. Parallel forms thus constructed, were used independent of each other and considered equivalent measures. This method was appropriate, as it did not require administration of tests twice. It enabled the researcher to establish reliability of questionnaire items

3.62 Validity

To mitigate against threats to internal validity, specific measures were observed.

First, to eliminate the threat of instrument decay, the questionnaires were piloted to a select sample. Te one that was piloted was similar to the final one in terms of its intent to capture all parameters. This enabled the researcher to fine tune questions in order to elicit findings that would be beneficial to the study. To eliminate the location threat, no respondent was given a questionnaire near a financial institution as he or she might have been denied a loan for instance, which could affect the response.

3.7 Data analysis techniques

The data was first checked for accuracy and completeness of recording of the responses. It was then coded and checked for errors and omissions and then entered into a database. Once all the data was entered, the researcher verified the database for accuracy and completeness of the entries. .

Both qualitative and quantitative methods of data analysis were used. Quantitative approach provided numerical data, which called for descriptive statistics. Measures of central tendency and percentage distribution were put to use. Data gathered was displayed in the form of tables. In addition, qualitative analysis of data enabled a deeper and exhaustive explanation of research findings.

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CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATTION

4.1 Introduction

This chapter presents analysis of data, which was done based on the five independent variables the study was interested in. First, the data response rate is presented, after which data on influence of collateral, application procedures, interest rates, entrepreneur's age and gender as well as business category respectively, has been analyzed in details.

4.2 Response Return rate

All questionnaires administered in the study were returned. However, 4% of respondents did not answer the question which sought their views on what financial institutions could do to improve access to finance by youth entrepreneurs.

4.3 Collateral

The first objective of this study was to establish the extent to which collateral influenced access to credit among entrepreneurial youth in the commercial zone of Nairobi city. First of all the study sought to establish the proportion of traders who had ever applied credit from mainstream financial institutions (banks and MFIs). The study established that out of those who had applied (28.1%), 12.3% were successful while 86% were not as shown in the following table.

Table 4.31: Successful and unsuccessful applicants to loans

Rate of success	Frequency	Percent
Successful	7	12.3
Not successful	50	87.7
Total	57	100.0

The study also sought to establish the source of capital for respondents while starting up businesses. None of the respondents had sought startup capital from banks and MFIs, 7% sought it from shylocks/moneylenders/chamas, 1.8% from youth/women funds while 89% raised from own savings or from friends and family as shown in the table below.

Table 4.32: Preference for capital sources

Source of capital	Frequency	Percentage
Shylock/Money lenders/Chama	4	7.0
Banks/MFIs	0	0
Youth fund/Women fund	1	1.8
Family/Friends/Own savings	52	89.5
Total	57	100.0

Respondents were also required to rate different sources of credit in terms of severity, as far as requirement for collateral was concerned. 1 was the lowest rating while 5 was the highest.

On account of loan applicants losing their property, moneylenders were given the highest severity rating at 4.37 while family and friends had the least at 1.12. Meanwhile moneylenders scored an average of 4.3, government funds 2.81 and chamas 1.96.

On the rating of different sources of credit on the basis of requirement for security (collateral) banks/MFIs had an average rating of 4.39, moneylenders/shylocks 4.3, government.2.58, merry go round/chama 1.96 and friends/family 1.12 as shown in table below.

Table 4.33: Rating of different sources of credit based on various aspects on a scale of 1-5

Aspect	Bank/ MFI	Chama /merry go round	Government funds	Money lenders/ Shylocks	Friends/ family
chance of losing my property is high	3.96	2.72	2.58	4.37	1.28
Security is required (log book, title deed etc)	4.39	1.96	2.58	4.30	1.12

In addition, to the question of what financial institution could do to improve access to credit by young business operators, 24 respondents (42%) advised the institutions to consider doing away with requirements for collateral, especially for start up businesses. The ratings indicate that respondents perceived the chance of losing property (used as collateral) as highest when dealing with shylocks and moneylenders (4.37) and lowest when sourcing credit from friends (1.28) as shown above.

Thus, most respondents associated banks/MFI with a high requirement for collateral while they regarded friends and family as a source of credit with the least requirement for the same. Collateral is a significant factor as far as access to credit by youth entrepreneurs is concerned. It explains why most relied on friends and family to raise startup capital for their businesses since that did not require collateral.

4.4 Application procedure

The second objective of the study was to examine the extent to which application procedures influenced access to credit among entrepreneurial youth in the commercial zone of Nairobi city.

Respondents rated different sources of credit on a severity scale of 1 to 5 concerning complication and length of application procedure. In the scale, 1 represented the lowest rating while 5 represented the highest rating. on account of loan procedure taking long, government funds, banks/MFIs, chamas/ merry go rounds, moneylenders/shylocks and friends/family received 4.11, 3.96, 2.72, 2.35 and 1.68 ratings respectively. Closely connected to that was the issue of complication of application procedure where moneylenders/shylocks, banks/MFIs, government funds, chamas/ merry go rounds and friends /family scored 4.46, 4.05, 2.53, 2.32 and 1.18 respectively as shown below.

Table 4.41 Rating of different sources of credit based on various aspects on a scale of 1-5

Aspect	Bank/ MFI	Chama /merry go round	Government funds	Money lenders/ Shylocks	Friends/ Family
loan processing takes long	3.96	2.72	4.11	2.35	1.68
Application procedure is complicated	4.05	2.32	2.53	4.46	1.18

Thus, the youth felt that government funds took the longest time to process while credit from friends and family took the least. This indicates that on the aspect of application procedures most respondents felt that credit from friends and family took less time to process while that from government and banks took longer probably due to rigorous procedures the applicants had to go through. This could probably explain why majority of respondents shunned banks/ MFIs and government when sourcing for credit due to their association with complexity of application and length of time appraisal of credit took.

From the interview with an official from Equity bank, the study revealed that while lending to youths who own and operate businesses the bank did not ask for collateral such as title deeds and car logbooks. This could probably be in realization of the fact that the youth did not own much that they could have provided as collateral.

The study found out that the bank considered the viability of the business instead of collateral. In this respect, the study noted that business ventures or start up businesses did not attract lending and instead loans were geared towards existing businesses.

For a loan to be awarded, it was found that a business must have been duly registered with the relevant authorities. In the case of Nairobi, the City Council of Nairobi must have licensed the business. In addition, the owner must have demonstrated to the appraising officer that it was profitable.

4.5 Interest rates

The third objective of the study was to determine the extent to which interest rates influenced access to credit among entrepreneurial youth in the commercial zone of Nairobi city. To establish this, respondents were required to rate different sources of credit on the scale of one to five as explained in the section on application procedures above. As shown in the table below, respondents felt that credit from shylocks/moneylenders and banks and MFIs attracted the highest interest rates at 4.46 and 4.05 rating respectively while government funds, chamas and friends/family were rated at 2.53, 2.32, and 1.18 respectively.

Table 4.51: Rating of interest charged by different source of capital, on a scale of 1-5

Aspect	Bank/ MFI	Chama /merry go round	Government funds	Money lenders/ Shylocks	Friends/ Family
Interest charged is high	4.05	2.32	2.53	4.46	1.18

Thus most business owners perceived moneylenders/shylocks and banks/ MFIs as sources of credit with a high interest charged while chamas, friends and government funds were more favourable. In addition, to the question of what financial institutions could do to improve access to credit by young business operators, 30 respondents out of 57 (52.6%) urged financial institutions to lower interest rates. Thus more than half of the respondents considered high interest rates as a barrier as far a accessing credit was concerned.

4.6 Gender and age of business operators

The fourth objective of the study was to determine the extent to which entrepreneur's age and gender influenced access to credit among entrepreneurial youth in the commercial zone of Nairobi city.. Respondents were asked to indicate their gender and age .

4.61 Age

The study roughly presented three age brackets from which the respondents were supposed to choose (18-24, 25-30, and 31-35 years). 11 business operators (representing 19.2%) were in the 18-24 age category, 26 (representing 45.6%) were in the 25-30 years category while 20 (representing 35.1%) were in the 31-35 years category. Most of the operators therefore were in the 25-30 years category a shown in the table below.

Table 4.611: Age categories of the respondents

Age category	Frequency	Percentage
18-24	11	19.2
25-30	26	45.6
31-35	20	35.1
Total	57	100.0

22% of the female were in the 18-24 age group, 50% in the 25-30 age group and 28% in the 31-35 age group. On the other hand, 15% of the male interviewees were in the 18-24 age group, 44% in the 25-30 age group and 38% in the 31-35 age group. This s shown in the table below

Table 4.612: Age and gender composition of the interviewees in this study

	Females		Gender		Total
Age bracket	percentage	frequency	percentage	frequency	
18-24	22%	4	15%	6	10
25-30	50%	9	44%	17	26
31-35	28%	5	38%	16	21
		18		39	57

For both men and women, 70% of those aged between 25-30 preferred own savings to credit while 30% opted for credit, 74% of those aged between 25-30 preferred own savings while 26 % opted for credit and for those in the 31-35 age bracket, 65% preferred own savings while 35% opted for credit as displayed in the table below.

Table 4.613: Preference for loans or savings across all age brackets

Age bracket	Own savings		Loan		Total(f)
	percentage	frequency	Percentage	frequency	
18-24	70%	7	30%	3	10
25-30	74%	20	26%	7	27
31-35	65%	13	35%	7	20
	70.2%	40	29.8%	17	57

Thus, most traders opted for own savings compared to credit for expansion of their businesses across all age brackets. In addition, the trends did not indicate any increase in preference for credit with increase with age or vice versa, which indicates that age was not a significant factor as far as access to credit was concerned.

4.62 Gender

Female business operators among the sample of 57 were 18 (32%) while male operators were 39 (68%) as shown in the tables below.

Table 4.62: The gender of the respondents

Gender	Frequency	Percent
Female	18	31.6
Male	39	68.4
Total	57	100.0

To the question of which source of funds that respondents preferred for expansion of businesses, irrespective of age, 72.2% and 27% of females preferred own savings and loans respectively while 69.2% and 30.8 % of males opted for own savings and loans respectively as indicated below.

Table 4.622: Preference for loans or savings across gender

Gender	Own savings		Loan		Total(f)
	percentage	frequency	percentage	Frequency	
Female	72.2%	13	27.2%	5	18
Male	69.2%	27	30.8%	12	39
Total		40		17	57

To the question of which source of finance for expansion the respondents would have gone for, 75% of females between ages 18 and 24 claimed they would go for own savings and 25% opted for a loan. Among the 25-30 age group (females) 78% went for own savings while 22% went for loans. For the last category of those aged between 31 and 35, 60% went for own savings while 40% went for loans as indicated in the table shown below.

Table 4.623: Preference for loans or personal savings as a function of age and gender

Age bracket	Own savings				Loan				Total
	Male	(f)	Female	(f)	Male	(f)	Female	(f)	
18-24	67%	4	75%	3	33%	2	25%	1	10
25-30	76%	13	78%	7	24%	4	32%	2	26
31-35	67%	10	60%	3	33%	6	40%	2	21
Total		27		13		12		5	57

Thus, generally more females across all age categories preferred own savings to loans for expansion of the business. There was however no progressive preference for loans with increase in age among the females.

For the males 67% and 33% of those between 18 and 24 years of age preferred own savings and loans respectively. 76% and 24% of those aged between 25 and 30 preferred own savings and loans respectively. Lastly 67% and 33% of those between 31 and 35 preferred own savings and loans respectively.

Across all age groups, 72% and 28% of females preferred own savings and loans respectively while 71% and 29% of males preferred own savings and loans respectively.

In addition, the interview with an official from equity bank revealed that lending was not based on gender . The bank did not discriminate against any borrower based on gender. Interview discussions also revealed that generally females had a more favorable credit history than their male counterparts because they serviced loans more effectively than men. For that, they were likely to attract more lending. However, this should not be construed to mean that the bank turned men away. It was confirmed that even male youths had been provided with loans. For both male and female business owners, the bank had a credit facility for groups. Youth who formed groups could access business loans. A group could have been registered under the department of Culture and Social Services or the Registrar of Societies. In addition, youth who formed an incorporated limited company also attracted business loans from the bank.

The bank official added that when lending to the youth, the bank did not consider the age of a youth applicant provided one had attained the minimum age of eighteen. An increase in age did not predispose a youth to more credit from the bank. It all depended on the profitability of the business under operation.

4.7 Business category

The last objective of the study was to establish the extent to which business category influenced access to credit among entrepreneurial youth in the commercial zone of Nairobi city. The study was interested in the business categories that respondents belonged to and therefore sought information from those who dealt in mobile phones, motor vehicle spares, electronic items and clothes. Out of a sample of 57, 10 (17.5%) dealt in mobile phones, 26 (4.6%) in motor vehicle spares, 12 (21.1%) in electronics while 9 (15.8%) dealt in imported clothes as shown in the table below.

Table 4.71: Classification of business enterprises based on business categories

Commodity	Frequency	Percenttage
Mobile phones	10	17.5
Motor vehicle spares	26	45.6
Electronics	12	21.1
Clothes	9	15.8
Total	57	100.0

In order to assess the influence mentioned above, respondents were drawn from four business categories namely: business operators dealing in mobile phones, clothes, motor vehicle spares and electronics. The study first established the rating for sources of credit in terms of preference. Respondents were required to register their preference for different sources of credit on a scale of 1 to 5 (1 for least preferred and 5 for most preferred)

Across the board, business operators, dealing in all commodities had a high appetite for credit from friends and family. All those dealing in clothes and electronics preferred friends and family for initial capital. Among those, dealing in mobile phones 10% had preferred capital from banks, 10% from government funds while 80% preferred friends and family. Among the dealers in motor vehicle spares, only 4% preferred moneylenders while 96% opted for friends and family as shown below.

Table **4.7-12: Preference for different sources of credit**

Commodities	Friends/ Family		Banks/ MFI		Government funds		Moneylenders /shylocks		Chama		total
	%	(f)	%	(f)	%	(f)	%	(f)	%	(f)	
phones	80%	8	10%	1	10%	1	0%	0	0%	0	10
car spares	96%	25	0%	0	0%	0	4%	1	0%	0	26
Electronics	100%	12	0%	0	0%	0	0%	0	0%	0	12
Clothes	100%	9	0%	0	0%	0	0%	0	0%	0	9
Total		54		1		1		1			57

Thus, save for minority dealing in mobile phones and motor veicle spares who indicated some preference for banks/ MFIs, government funds and money lenders, majority of all traders opted for friends and family. Given that credit from friends/family was associated with low interest rates, less complicated application procedure and less chance of losing property (collateral), it is understandable that most respondents opted for it.

When asked about where they would source for funds for expansion of their businesses, 70% of those dealing in mobile phones preferred own savings while 30% preferred taking loans. 73% of those dealing with vehicle spares preferred own savings while 27% who preferred taking loans. 75% of the electronics dealers preferred own savings while 25% opted for credit. Lastly, 67% of those dealing in clothes preferred own savings while 33% opted for credit as shown below.

Table 4.73: Nature of business as a determinant for loans or saving as a source of finance in business expansion among business operators

Commodities	Own savings		Loan		Total
	%	(f)	%	(f)	
Mobile phones	70%	7	30%	3	10
Motor vehicle spares	73%	19	27%	7	26
Electronics	75%	8	25%	3	12
Clothes	67%	6	33%	4	9
Total		40		17	57

Thus, irrespective of nature of business, most traders preferred own savings to credit for expansion of business.

The official from Equity bank pointed out that the bank did not discriminate against businesses in any industry: it all depended on the prospects of generating revenue.

In short, each business was appraised on the basis of its profitability and not depending on the type of goods and services the trader engaged in

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents discussions of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations there-to. These discussions and conclusions are based on the study's objectives, which were to establish the extent to which lack of collateral/security, application procedures and high interest rates bar entrepreneurial youth from accessing credit, investigate the relationship between age and gender of youth entrepreneurs and nature of business and access to credit. The chapter also discusses area for further research given the limitations of the study. This chapter is thus, structured into summary of findings, discussions, conclusions, recommendations and areas for further research.

5.2. Summary of findings

The study established that collateral was a significant factor as far as accessing credit by youth entrepreneurs was concerned. High interest rates as well as complication and length of application procedures were also significant factors. The study found out that high interest rates complicated and long application procedure coupled with lack of collateral were causes of limited access to credit by entrepreneurial youth.

However, the study established that age, gender and category of business were not related to access to credit by entrepreneurial youth and did not bar them from accessing credit in any significant way.

5.3. Discussions

The study established that banks /MFIs and moneylenders were perceived to have strict requirements for collateral while friends and family as well as chamas were favourably perceived. On that account, requirement for collateral was therefore established to be a barrier towards access to credit.

On the issue of application procedures, the study established that friends and family were rated as having less complicated procedures while government funds and banks/MFIs were perceived to have more complicated and lengthy application processes. Like collateral, the level of complication and length of application procedures was a barrier too.

Moneylenders, banks and MFIs were perceived to charge higher interest rates than family members, friends and chamas. Consequently, sources of credit associated with high interest rates were shunned while those associated with low interest rates were embraced. Therefore, high interest rates also barred entrepreneural youth from accessing credit.

On the relationship between gender and access to credit, the study established that gender was not a significant factor as far as access to credit was concerned. Preference for loans was almost equal between males and females and was generally low.

On the relationship between age and access to credit, youths in different age categories indicated variant appetite for credit. For both females and males the 18-24 and 31-35 categories had a higher preference for credit than the 25-30 category. Increase in age did not translate to higher preference for credit though.

Concerning nature of business loan, on average appetite for credit from banks and government funds was slightly higher in traders dealing in mobile phones followed by those dealing in vehicle spares. Those dealing in clothes and electronics had no preference for loans from banks and government funds. Generally, though, nature of business did not appear to be a significant factor and therefore was not a cause for limited access to credit by entrepreneurial youth. Preference for friends and family overrode all other sources across the four business categories.

The interview with Equity bank official revealed that products for youth business operators were in place and females were more exposed to them than males owing purely on their repayment record but not gender. The study also established that equity bank did not discriminate against borrowers on the basis of age, or nature of business.

5.4. Conclusions

Based on the discussions presented above, the study concludes that gender was not related to access to credit. In addition, age did not seems to be a significant factor though Banks MFIs and moneylenders were associated with high interest rates. Business operators went for sources that were perceived to charge less interest and shunned those that were perceived to charge less interest on loans. Therefore, the study concluded that interest rates were a significant factor in deciding where to source for credit by business operators.

In addition to interest rates collateral was a significant factor. Sources associated with requirement for collateral were not rated as favourably as those that were perceived to have less demand for collateral.

The study concludes that nature of business has no significant relationship with access to credit. Although traders who dealt in vehicle spares and mobile phones had a slight appetite for credit particularly from mainstream financial institutions than those who dealt in clothes and electronics, high preference for family and friends across the board indicates that nature of business is not a barrier. Thus, accessibility to credit is not related to the type of business.

5.5. Recommendations

Based on the findings the study recommends that banks and MFIs consider coming up with tailor made products particularly for small business operators. In addition, the study recommends that banks and MFIs consider popularizing their products in order to counter the notion among business operators that loans are for bigger or more established businesses hence their overwhelming reliance on soft loans from friends and family and own savings for starting or expanding businesses.

The study also recommends popularization of alternative funds such as the youth enterprise fund in order to improve perception especially among business operators in the 18-24 age category. The government should consider simplifying application procedure for youth funds or create awareness of the procedures and time taken to secure a loan in order to encourage more youth to take up the funds.

The study also recommends formal recognition at policy level of ROSCAs (chamas) as it seems they contribute significantly to development of businesses. Members of ROSCAs could guarantee each other while accessing loans from mainstream financial institutions. In so doing the trust that members of ROSCAs have on each other coupled with willing financial institutions could greatly improve access to credit.

The study was in agreement with recommendations detailed in the sessional paper no. 2 of 2005 particularly those aimed at the policy level. First, there needs to be a structured institutional mechanism to facilitate the flow of financial resources from formal financial sector through MFIs to MSEs. The study acknowledges that the government put in place the Micro and Small Enterprises Development Act in 2006 but still recommends that the government encourages financial policies that are supportive of small borrowers especially those that are constrained in terms of asset base and collateral. In line with this recommendation is the facilitation by the government of providers of venture capital to MSE businesses particularly those run by youth. This could be in the form of a Micro Finance Trust Fund (LIKE THE Youth Fund) from which MFIs can borrow for on lending to MSEs at affordable interest rates. Lastly, the study recommends that the CBK incorporates fully microfinance and ROSCAs in to the country's financial system and synchronises operations of MFIs with those of mainstream financial institutions in order to boost their capacity to serve the credit constrained section of entrepreneurs, namely the youth.

5.6. Suggestions for further research

The researcher recommends that further research be carried out on the consequences of limited access to credit among young entrepreneurs. This will present a holistic picture as far as access to credit among entrepreneurial youth is concerned.

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Appendices

1.0. Questionnaire

Dear Sir/Madam,
This study is aimed at determining causes of limited access to credit/loans among operators of small businesses in Nairobi city.
Findings from this study will help me complete project work for my degree in Project Planning and Management.
It can be used by stakeholders that share the vision of empowering the youth through provision of credit.
Please provide the information.

Background information

1. Gender (tick): Male [ ] Female [ ]

(For the following questions put the right code in the box)

2. What is your age bracket? [ ]

1= 18-24 **2**= 25-30 **3**= 31-35

3. What do you deal in? [ ]

1=mobile phones **2**=motor vehicle spares **3**=electronics **4**=clothes

others (specify)

....

....

....

4. Which of the following acted as a source of initial capital that you used to start your business? (please tick one)

[ ]

Mainstream financial institutions e.g. banks

Shylock/money lenders/chama

Youth fund/women fund

Family/friend/own savings

Other source (specify) ....

5. Have you ever applied for a business loan from a mainstream financial institution?

Yes No

6. Did you get the loan?

Yes no

7. If your answer for question 5 is yes, provide details in the following table.

what was the requirement	yes/no	The one(s) you provided (tick)	One(s) you didn't have (tick)
Bank statement			
Guarantor			
Business plan/ proposal			
Books of accounts			
Security eg title deed etc			

8. Please state any other condition(s) or item(s) demanded that is not included above.

....

....

9. Did you incur any other cost when trying to access the loan (eg transport to bank, proposal development etc)?

Yes ☐ No ☐

If yes, please specify……………………………………………………………………………

……………………………………………………………………………

10. If you were to finance expansion of your business which source of funds would you go for?

Own savings ☐ Loans ☐

11. Which financial service is easier for you to get from financial institutions?

Savings ☐ Credit ☐

12. If you were to get a loan from the following sources, how would you rate them in terms of preference?

(Use **1-5** as a rating scale. Refer to the following key)

[**5** for most preferred and **1** for least preferred]

Banks/Microfinance institution e.g. KWFT & Faulu Kenya ☐

Chama/merry go round ☐

Money lenders/ shylocks ☐

Friends and family ☐

Government funds ☐

13. In the following table, rate the aspects on a scale of 1 to 5.

[Use **1** for lowest and **5** for highest rating]

	Bank/ MFI	Chama /merry go round	Government funds	Money lenders/ shylocks	Friends/ family
loan processing takes long					
chance of losing my property is high					
Interest charged is high					
Security is required (log book, title deed etc)					
Application procedure is complicated					

14. What can financial institutions do in your opinion to improve access to credit by young business operators?

....

....

....

....

....

Thank you for getting time to complete this survey. Your participation is highly appreciated. If you would like to get the findings of this study, please leave your business contacts address.

Email address: ....

Postal address: ....

THANK YOU VERY MUCH!

2.0 Interview schedule for a bank official

1. How would you rate access to credit by youth operating small businesses in the city as excellent, good, fair or poor?
2. In your opinion does access to credit among the youth decrease or increase with increase in age?
3. From your experience who between male and female youth apply for more loans?
4. What are the factors that you strongly consider before giving young small business operators loans?
5. What advice would you give this category of customers in order to improve their access to credit?