

**FACTORS INFLUENCING THE REPAYMENT OF THE YOUTH
ENTERPRISE DEVELOPMENT FUND LOAN BY YOUTH GROUPS
IN SABATIA CONSTITUENCY**

BY

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DEDICATION

This project report is dedicated to my wife Ednah who has inspired and encouraged me to keep focused in order to achieve my academic potential. It is also dedicated to my son Caxton Kamadi and my mother Fenike Adisa for their understanding and perseverance during the period of my study.

ABSTRACT

Despite numerous international resolutions to provide young people with opportunities to participate in all aspects of the society and particularly decision making, Youth

development initiatives in many parts of the world continue to face obstacles at local, national and international levels. In Kenya particularly, unemployment has been on increase with the youth being the main casualties. Despite numerous policy efforts, poverty and unemployment continue to affect many Kenyans. The Youth Enterprise Development Fund was established in the year 2006 as one of the Government initiative of increasing economic opportunities and participation by Kenyan youth through enterprise development and strategic partnerships. The plan by Government to reduce unemployment among the youths through the Youth Enterprise Development Fund seems to have hit a dead wall due to low recovery of the loans. The objective of the study was to find out the factors that influence the repayment of the Youth Enterprise Development Fund loan by youth groups in Sabatia constituency, Vihiga county. These include; group dynamics, credit appraisal processes, repayment infrastructure and follow-up mechanisms as well as various loan characteristics. The study adopted a descriptive survey design where data was collected from fifty youth groups funded through Youth Enterprise Development Fund in Sabatia Constituency and two YEDEF employees in the constituency. Data was collected using questionnaires which were edited, coded and analysed using descriptive statistics facilitated by use of Statistical Package for Social Sciences. The results indicated that various loan characteristics which included among others; amount of loan awarded by YEDEF to engage in business and the time taken between application and receipt of the funds were the main cause of default. The following recommendations were made to the YEDEF Board; adequate resources and relevant training should be provided in order to enable smooth monitoring of all funded youth groups in addition to setting up a legal framework on how to handle defaulters. Finally thorough credit appraisal of youth groups before awarding them any loan should be done in order to fund only viable and sustainable projects. The results will be useful to the government and other policy makers in making decisions on appropriate measures which can be put in place in order to reduce default rate. The findings will also benefit the donor community and other stakeholders who may have an interest in funding youth development activities.

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ABBREVIATIONS AND ACRONYMS

AU	African Union
C-YES	Constituency Youth Enterprise Fund
E-YES	Easy Youth Enterprise Fund

GOK	Government of Kenya
ILO	International Labour Organization
KNBS	Kenya National Bureau of Statistics
MFIs	Micro Finance Institutions
SMEs	Small and Medium Enterprises
MOYAS	Ministry of Youth Affairs and Sports
SACCOs	Savings and Credit Cooperative Societies
WHO	World Health Organization
YEDEF	Youth Enterprise Development Fund

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

In recent years, a growing number of developing countries including Kenya have embarked on reforming and deregulating financial systems, transforming their institutions into effective intermediaries and extending viable financial services on a sustainable basis to all segments of the population. By gradually increasing the outreach of their institutions some developing countries have substantially alleviated poverty through lending, institutional strategies and financial system approaches. In the process, a new world of funding to the marginalized less privileged groups including women and youth has emerged (Omino, 2005).

The formal sector has been unwilling to provide credit to the Medium and Small Enterprises (MSE's) because the clients from this sector are largely poor, lacking securities that can be used as collateral in conventional lending. Commercial banks have therefore, for a long time perceived such business as highly risky. The loan value required by the client in this sector is low hence proportionately low revenues generated from loans. This has made commercial banks shy away from lending these groups of people. This has made the government to come with projects that aim at supporting these groups, and the Youth Enterprise Development Fund is one of these projects.

1.1.1. Definition of Youth Group

Theorists are not of one mind when it comes to defining the word ‘group’. Some stress the importance of communication between members; others highlight the key role played by mutual dependence. Still others suggest that a shared purpose or goal is what turns a mere aggregate of individuals into a bona fide group. Most, however, would agree that a group requires at least two people (Brown, 1999).

In its simplest form, a group is a number of individuals that are classed together on the basis of one or more common characteristics. The characteristics may be broad or narrow. For example, Hogg, (1992) states that a group is essentially a numerically small face-to-face collection of individuals interacting to perform a shared task or fulfill shared goals. This study focuses on specific groups: those that are defined by a common purpose, goal or task and that interact and work together for the achievement of that purpose, goal or task and, a youth group essentially defined as two or more youth with a common purpose and task or goal to achieve.

1.1.2 Loan Repayment

A loan is a type of debt which entails the redistribution of financial assets over time between lender and the borrower. Repayment is paying back the money borrowed. Most studies on group lending accept the assumption that peer pressure and group solidarity help groups to function properly and boost repayment rates in developing countries. The studies are cited in the literature review.

Besley and Coate(1995) studied the repayment game to determine under what conditions will the loan be paid back based on group interplay. They too assumed that each individual in the group makes their own investment choices and keeps their winnings, but that all group members share equally the burden of any consequent loss or default. They also assumed that the group's ability to punish loan default with social sanctions can increase repayment rates to the financial institution. Also, as the group has complete information about incoming members, it is assumed to self-select those members who will not free-ride on the group's coattails. The free-rider problem is thus transferred away from the lender by the group.

The study used the group loan repayment puzzle based on Besley and Coate's repayment game. Based on the theoretical foundation, an empirical estimation was implemented with the purpose of creating an empirical model capable of better isolating and defining the mechanisms influencing loan repayment including the relative magnitude of group dynamics, the domino effect, the matching problem, credit appraisal processes, loan characteristics, location, the level of follow up and repayment infrastructure in determining successful repayment .In numerous cases, group lending starts strong with 100 percent repayment, but after a few months or years, certain areas experience widespread default. This may be explained by an inherent "matching problem" causing certain individuals to default, followed by a domino effect of borrowers defaulting due to their loss of effective incentives. This eventually brings in the theory of contract joint liability.

1.1.3 Factors that influence loan repayments

The capability of borrowers to repay their micro-credit loans is an important issue that needs attention. Borrowers can either repay their loan or choose to default. Borrowers defaults may be voluntary or involuntary(Brehanu and Fufa,2008).According to Brehanu and Fufa(2008),involuntary defaults of borrowed funds could be caused by unexpected circumstances occurring in the borrowers business that affect their ability to repay the loan. Unexpected circumstances include lower business revenue generated, natural disasters and borrower's illness. In contrast, voluntary default is related to morally hazardous behavior of the borrower. In this category, the borrower has the ability to pay the borrowed funds but refuse to because of the low level of enforcement mechanisms used by the institution.

According to Norell(2001),the most common reasons for existence of defaults are the following: If MFIs are not serious on loan repayment,the borrowers are not willing to repay their loan;the MFI staffs are not responsible to shareholders to make profit;clients lives are often full of unpredictable crises,such as illness or death in the family;if loans are too large for the cash needs of the business,extra funds may go towards personal use;and if loans are given without proper evaluation of business.

According to Rosli(1998),those borrowers who apply for bigger loan amount and longer repayment period could have a problem in their repayment unlike those who get small amount and be improved inorder to encourage the borrower to pay back their loan.Failure to pay back their loan is divided into two different issues namely not paying back the loan at all and delayed repayment.

Greenbaum and Thakor(1995),suggests that lenders should look at the borrowers past record and economic prospects to determine whether the borrower is likely to repay or not.Besides characters of borrowers,collateral requirements,capacity and ability to repay and condition of the market should be considered before giving loans to the borrowers.The factors affecting repayment performance of MFIs can be divided into four factors namely individual/borrowers factors,firm factors,loan factors and institutional/lender factors(Greenbaum and Thakor,1995).

1.1.4 Youth Enterprise Development Fund

The Youth Enterprise Development Fund (YEDEF) was established in the year 2006 by the government as one of the flagship projects of vision 2030, under the social pillar. This was seen as a strategic move towards arresting unemployment which is virtually a youth problem. YEDEF came legally into operation on 8th December 2006. It was translated into a state corporation on 11th May 2007 through legal Notice No.63. The fund focuses on enterprise development as a key strategy that aims to increase economic opportunities for and participation by Kenyan youths in nation building. The loan targets all forms of youth owned enterprises (YEDEF guide,2009).

The objectives of YEDEF include; providing loans for on lending to youth enterprises; attract and facilitate investment in Micro, Small and Medium enterprises oriented commercial infrastructure such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises; support youth oriented Micro, Small and Medium enterprises to develop linkages with large enterprises; facilitate marketing of products and services of youth enterprises in both domestic and international markets; provide business development services to youth enterprises; and to

facilitate employment of youth in the international labour market. (YEDEF status report, 2007-2012).

Minimum conditions for accessing the Fund include; one must be a Kenyan who falls in the age bracket of 18 to 35 years and has the intention of investing the Fund in a business venture. This portion of the Fund is to ensure that all young people especially those living in remote areas not well served by Financial Intermediaries are not disadvantaged in accessing the Fund(YEDEF guide,2009). The features and access procedures include: The loan is accessible only to youth groups operating within the constituency, maximum loan amount per group is Ksh. 50,000,the loan attracts no interest but has an administration fee of 5% deductible upfront from the approved loan ,3-month grace period and full repayment within 12 months after the grace period,having a registered group which has been in existence for at least 3 months as of the date of application, the registered entity must have a bank account ,the entity must have at least 70% youth membership and 100% of its leadership in the youth bracket(YEDEF guide,2009).

Further the group prepares business proposal using the standard format provided and submits the proposal form to the Constituency Officers who eventually hands over to the Youth Enterprise Development Fund Secretariat which in turns disburses the cheques of the approved groups (YEDEF guide,2009).

The Fund disburses loans in three ways:First,The Constituency Youth Enterprise Scheme (C-YES) which is a component that finances projects of registered youth groups. The maximum amount lent through this component is Kshs. 50,000. Second,The Easy Youth

Enterprise Scheme (E-YES) which finances projects of individuals who belong to groups that have completed repayment of the C-YES loan. Individuals start with loans of Kshs. 25,000 and graduate upwards up to Kshs 100,000 after which they can access the loans through financial intermediaries. Lastly, through financial intermediaries that are in partnership with the Fund (YEDEF guide, 2009).

The government set aside Kenya shillings one billion in the 2006/07 budget to fast-track this noble and timely initiative of the fund. As at 30th September 2011, the fund had advanced loans worth Ksh. 5.2 billion to 144,000 youth enterprises. Out of this amount Ksh. 545.3 million had been advanced to 12,407 group projects while 54.2 million had been disbursed to 2,111 individual enterprises at the constituency level. Through financial intermediaries the fund had financed 129,385 group and individual enterprises to a tune of Ksh. 4.6 billion (YEDEF status report 2007-2012).

The Fund has eventually become an important source of credit to young people across the country both in urban and rural areas in Kenya. For the Youth Enterprise Development Fund to sustain viable credit initiatives, then it is incumbent upon the borrowers to be able to make regular payments as agreed in time.

1.1.5 Situation in Sabatia Constituency

Sabatia constituency has a total population of 129,678 people of which the youth are 40,199 accounting for 31 percent of the population. The unemployment rate stands at 81 per cent among the youth in the constituency (KNBS, 2009). Therefore there is need to create employment opportunities and the Youth Enterprise Development Fund is one

such way so that the youth are fully engaged in self employed activities in order to reduce crime and be self reliant.

Statistics from the Department of Youth Affairs and Sports in Sabatia constituency as at 31st May 2013 indicate that only Ksh.1.27 million of the Ksh.4.95 million of the Youth Enterprise Development Fund loan advanced to youth groups and individual youth since 2007 has been repaid so far hence putting doubt on the recovery of the remaining Ksh.3.68 million. So far the fund has advanced loans to only 52 youth groups out of 566 groups under C-YES component and 47 individual youth under E-YES.

1.2 Research problem

It is because of the unemployment problem that the Government of Kenya in 2006 established the Youth Enterprise Development Fund (YEDF). The concept was based on the premise that micro, small, and medium enterprise development initiatives are likely to have the biggest impact on job creation. However, out of the Ksh.4.95 million disbursed in Sabatia constituency since 2007, only Ksh.1.27 million had been recovered by the end of May 2013. This poor loan repayment stands at 25.7 percent. This is per the statistics from the Department of Youth Affairs and Sports in Sabatia constituency as at 31st May 2013.

Despite the fact that YEDF could be a preferred source of funding among the youths, accessing it remains a great challenge. Most youth have not been properly informed on how this fund can be accessed. Those who have access to the funds have either delayed

their repayment or failed to repay back the borrowed funds. Therefore the plan by the government to reduce unemployment among the youth through Youth Enterprise Development Fund seems to have hit a dead wall due to low recovery of the loans. In fact this poor recovery by previous beneficiaries threatens to slow down this noble government initiative. On the other hand projects managed by this funds have not been managed properly hence low repayment rates (YEDEF Status report 2007-2012).

Several studies carried out in Kenya among them; Amenya (2011), Mburu (2010), Gudda & Ngoze (2012) show that government micro credit programmes perform poorly in terms of slow payment and high default rates. The studies have not gone into analyzing the factors influencing such repayment of YEDEF loans but instead they have focused on analyzing the effectiveness and impact of such programmes on the economy. This implies that no specific study has been able to address the factors influencing repayment of YEDEF loan hence creating a gap that needs to be filled by the study in question.

The overall research problem addressed in the study is that despite the increased non-repayment of Youth Enterprise Development Fund not much has been done to analyze the factors affecting loan repayment. It is against this background that the study intends to find out the factors affecting the repayment of the Youth Enterprise Development Fund in Sabatia constituency and provide appropriate suggestions to improve the repayment rate. The study therefore sought to answer the question, What factors influence the repayment of the Youth Enterprise Development Fund loan by youth groups in Sabatia constituency?

1.3 Objective of the study

The objective of the study is to identify the factors that influence the repayment of the Youth Enterprise Development Fund loan by youth groups in Sabatia constituency, Vihiga county.

1.4 Value of the study

The findings of these study to be used by financial institutions to formulate policies and strategies that will help them enhance quick and timely recovery of funds disbursed to the youth. These findings also to be used by the Government of Kenya to set up policies and pass legislation that will guide the administration of the Fund which will enhance high repayment levels bearing in mind it's a revolving fund. The Central Bank on the other hand to be able to formulate favourable policies to guard against exploitation of the youth by financial institutions.

The findings of the study to help donors and investors to make informed choices and decisions on how well to invest their resources in the young people. They will also have a clear understanding of whether their funds are reaching the desired objectives and whether lending institutions have safeguards to reduce default. Funding for the youth is still an area not exploited and therefore research in various components in this area will help unearth unknown information which will go a long way in understanding of the youth fund. This also contributes to the existing body of knowledge and act as a source of reference materials to the scholars

1.5 Assumptions of the study

The study took into consideration the assumption that the instrument for data collection was valid and reliable in measuring the findings and the respondents gave valid information for the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the theoretical foundation of the study and the factors influencing repayment of the Youth Enterprise Development Fund loan. It also contains the conceptual framework of the study.

2.2 Theoretical Foundation of the study

The study is mainly based on the Repayment game theory. Besley and Coate (1995) set up a "repayment game" for group lending which illustrated how the formation of a group led to both positive and negative effects of repayment compared to individual loans. Of all the theoretical models, this formulation most aptly captures the opposing forces of group loan repayment and demonstrates the potential instability of group lending. Because of its ability to incorporate numerous facets of group lending, a variation of the Besley and Coate model will be used as the theoretical foundation of the empirical model for this study.

In its simplest version, the repayment game includes two homogeneous borrowers who attain a return on their project, depending on a random probability distribution. The individuals each borrow one unit of capital and must pay back the unit plus interest at the end of the period. The Individuals can encourage each other to repay by inflicting social sanctions against one another in the case of arrears. Finally, the bank can charge penalties for arrears by confiscating property or by harassing recalcitrant borrowers. This gives an illustration of the possible outcomes and payoffs of playing the repayment game.

Given their project returns, each individual decides to contribute or not to contribute. In the case that one individual pays and the other does not, the repaying member decides whether or not to repay, for both or to default. Hence it is possible to have group solidarity (helping a member who cannot/will not repay) to maintain correct repayment. Secondly, the domino effect can occur when an individual who independently would repay the loan decides to default based on the default of the other member.

The second theory to which the study is anchored on is Joint liability theory. The theory states that one of the least understood elements of group dynamics has been the actual functioning of peer pressure and group solidarity in the face of repayment problems. Under contract or joint liability theory, members of a peer lending group must have some way to ensure that the other members of the group repay their portions of the loan so that all have future access to loans. Each group devises implicit and explicit rules and norms that can diminish the risk of default, provided that repaying the loan is a utility maximizing outcome for group members (Brehanu & Fufa, 2008).

While the game theory models continue to become more complex and better able to replicate group loan processes, they still must rely on an extremely simplified view of how group lending occurs. The game outcome is a reflection of the assumptions made and the models have not been able to accurately mirror the spectrum of decisions and strategies facing different individuals. Game theory highlights different strategies used in groups as well as optimal incentives. Nevertheless, simplifying assumptions limit the ability of these models to replicate the multitude of simultaneous processes occurring

within a group loan process. Furthermore, the models have not been tested with empirical evidence

While several important contributions have been made, the study of group lending is still in its infancy. For each assertion, a counter-argument is provided in another study. Most of the literature accepts the common wisdom that group dynamics positively affect loan repayment. However, more critical studies have questioned the very foundations of the group lending programs.

2.3 Factors influencing repayment of Youth Enterprise Development Fund loan.

Westland(2007) says that default arises due to counter party's inability and/or unwillingness to meet commitments in relation to lending. It is said that people do not simply decide not to pay their loans; it is a result of some other circumstances that puts them into this situation. He cites divorce, sickness or inability to work, failed business and over commitment by high interest debts as the various situations that may put you to risk. The Credit appraisal processes adopted heavily influence the repayment behavior. Edward(1997) noted that credit analysis is based on the basic principles of lending which are character, capacity, capital, collateral and conditions. It is designed to ensure lenders take actions which facilitate repayment or reduce repayment likely problems. This information about the riskiness of the borrower makes the financial institution to take remedial actions like asking for collateral, shorter duration of payment, high interest rates and other form of payment. The success of lending out credit

depends on the methodology applied to evaluate and award the credit and therefore credit decision should be based on a thorough evaluation of the risk conditions of the lending and characteristics of the borrower (Horne,2007).

Group dynamics influences repayment in various youth groups. The key feature of group lending is joint liability. This means that all group members are treated as being in default if any one member of the group does not repay his /her loan. Therefore, each member is made responsible for repayment of loans of his or her peers(Besley and Coate,1995).

The forces that result from the interactions of group members are often referred to as group dynamics and these influence the behaviour of both individual group members and the group as a whole. Inattention to group dynamics can have a negative effect on the meeting of members' socio-emotional needs and on goal attainment and can lead to unproductive meetings and dissatisfied members. If social sanctions are not sufficiently strong, group lending may encourage default by members who would have repaid under individual lending(Toseland & Rivas, 2005). On the other hand, if social sanctions are sufficiently strong, group lending can improve repayment rates by encouraging borrowers to help each other(Besley and Coate,1995).

If loans are too large or clients are full of unpredictable crises, such as illness or death in the family then extra funds may go towards personal use and if loans are given without proper evaluation of the business. In order to achieve self sufficiency, reducing default rate is very crucial. Giving training to clients prior to the transaction of each loan and financial incentives for the credit officers can be used to lower default rates(Norell,2001).

The kind of repayment infrastructure and follow-up mechanisms or measures in place greatly influences whether the groups would repay their loans or not. Awoke(2004) reports that most of the default arose from poor management procedures, loan diversion and unwillingness to repay loans. Therefore lenders must devise various institutional mechanisms aimed at reducing the loan default.

The credit administration process involves on- site visit, regular contact as well as checking for compliance with covenants in the loan agreements. Borrowers who change their behaviours (moral covenant) and those who do not supply timely and accurate information (asymmetric information), presents the most difficult monitoring challenge (Sinkey, 1998). In addition, quick follow-up visits right after a missed payment and the formation of strong solidarity groups are also key to preventing default rate. Limiting geographic scope reduces time and money wasted travelling from the office to clients businesses. If credit officers have a specific geographical region, they can visit clients more often and it helps to develop relationships in their neighbourhoods (Norell, 2001).

Last but not least, various characteristics of the loan also influence repayment. Hume and Mosley(1996) argues that the important factors that contribute to loan repayment performance are the design features of the loan. They categorize the design features into three categories namely access methods, screening methods and incentive to repay. Murray and Boros (2002) stated that the characteristics of microfinance products include: small amounts of loans and savings, short loan terms, payment schedules featuring frequent installments, easy access to the microfinance intermediary, simple application

forms which are easy to complete, availability of repeat loans in higher amounts for clients who pay on time.

According to Derban et al. (2005), the causes of non-repayment could be grouped into three main areas: the inherent characteristics of borrowers and their businesses that make it unlikely that the loan would be repaid. Second, are the characteristics of lending institution and suitability of the loan product to the borrower, which make it unlikely that the loan would be repaid. Third, is systematic risk from the external factors such as the economic, political and business environment in which the borrower operates.

Bhatt and Tang (2002) conducted a study to investigate the determinants of loan repayments in microcredit programmes that applied the group lending approach. Bhatt and Tang looked at the borrower's socio economic variables instead of the elements of group lending for their influence on loan repayment behaviour. The borrower's socioeconomic variables included gender, educational level, household income and characteristics of the business. In their study, they found that a higher education level was significant and positively related to better repayment performance. Conversely, female borrowers, level of household income, type of business and borrower's experience had no significant effect on repayment behaviour.

Roslan and Abd Karim (2009) investigated micro credit loan repayment behavior in Malaysia. They conducted a study on micro credit loan borrowers from AgroBank which is a commercial institution specializing in loans to borrowers involved in Agricultural business. Apart from giving large scale loans, it also provides small scale loans, such as

micro credit loans, to borrowers. In their research, they found that male borrowers and borrowers who had a longer repayment duration had a high probability of defaulting. Borrowers involved in non-production oriented business activities such as in service or the support sectors who had training in their particular business and who borrowed higher loans had lower probabilities of defaulting.

Reikne (1996) assessed the factors that lead to the failure of group based lending system in urban areas and went on to the extent that he recommended an individual credit system for a better loan repayment. According to him presence of high geographical mobility, low attachment to specific neighborhoods and peer groups consisting of competitors are the factors that frustrate the solidarity of groups in urban areas, and hence group lending is more applicable to the rural environment than to urban society.

Amenya (2011), carried out a study on challenges facing YEDEF in Nyaribari Chache constituency. The study found out that despite the fact that YEDEF could be a preferred source of funding among the youths, accessing it remained a great challenge. Most youth had not been properly informed on how this fund could be accessed. Projects funded by the funds have not been properly managed and hence low repayment rates. The fund has staffing problem and hence lacks proper monitoring and capacity building. The fund has not been able to address gender imbalances and has not made significant impact in society.

Ouma (1996) carried out a research on factors influencing client appraisal in Kenyan banks. He found out that the factors could be categorized into personal, cultural, social

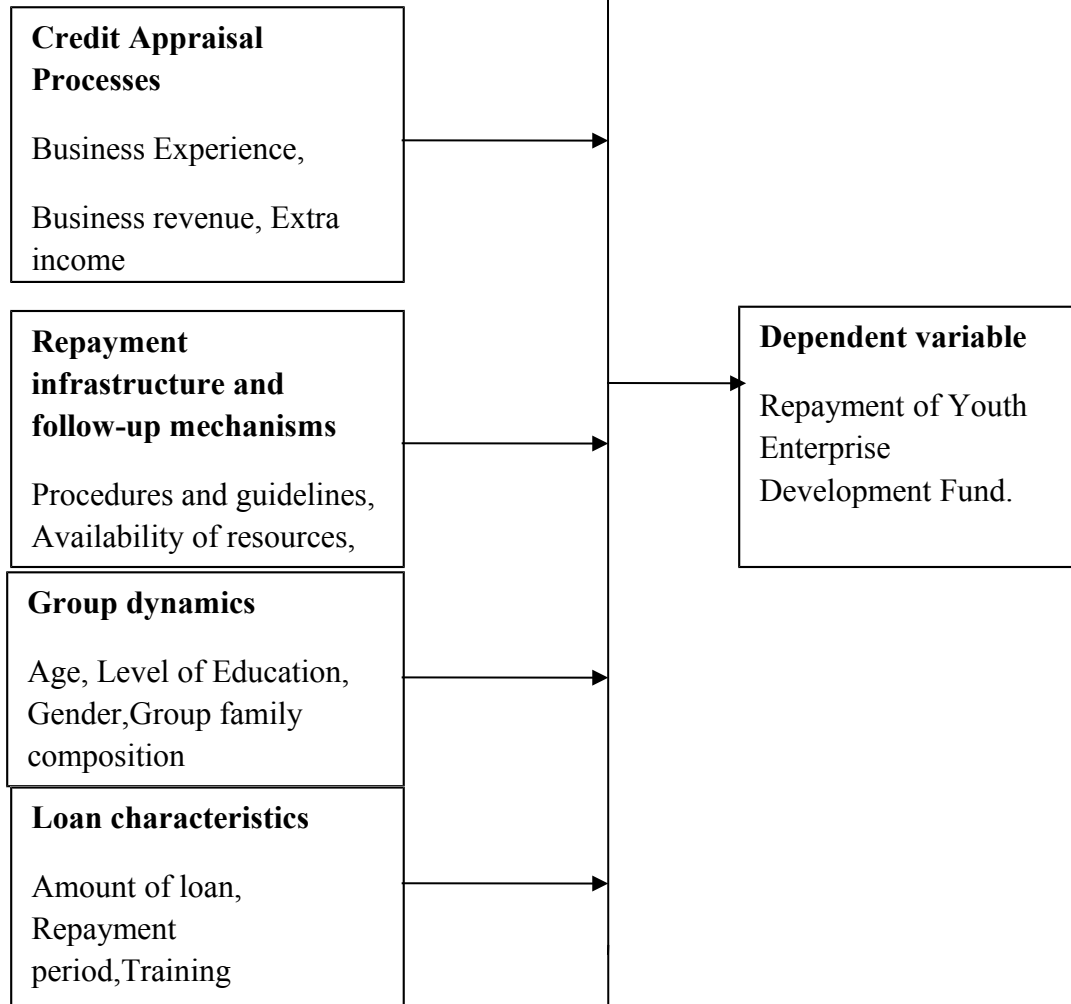
and economic factors. According to him, the psychological factor is based on a man's inner worth rather than on his tangible evidences of accomplishment. Under social factors, lifestyle is the way a person lives. This includes patterns of social relations (membership groups), consumption and entertainment. A lifestyle typically also reflects an individual's attitudes, values or worldview. Reference groups in most cases have indirect influence on a person's credibility.

2.4 Conceptual Framework of the Study

The conceptual framework gives the relationship between independent and dependent variables of the study. The research adopted the conceptual framework illustrated in figure 1. The independent variables identified were; credit appraisal processes, group dynamics, repayment infrastructure and follow-up mechanisms and characteristics of the loan. The factors were studied in order to identify their significance in the achievement of successful repayment of the Youth Enterprise Development Fund.

Fig.1 Conceptual framework

Independent Variables



(Source:own presentation)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology and design that was used to gather information in order to complete the study. It gives details about the population of the study, the research design, data collection techniques and data analysis and presentation.

3.2 Research design

Data was collected from respondents using descriptive survey which Saunders et al. (2003) defines as one which looks at intense accuracy at the phenomena of the moment and describes precisely what the researcher sees. According to Mugenda and Mugenda (2003), survey research design could be descriptive, exploratory or involving advanced statistical analysis.

Descriptive research serve a variety of research objectives including description of phenomena or characteristics associated with subject population, estimate of proportion of population that have similar characteristics associated and discovery of association among different variables. Descriptive survey design was chosen because the study was aimed at identifying the factors which affect the repayment of the Youth Enterprise Development Fund loan and it describes the state of affairs of the problem under investigation and the relationship between the variables.

3.3 Population of the study

The study targeted all the 52 youth groups registered by the Department of Gender, culture and social services in Sabatia Sub County and funded through the Youth Enterprise Development Fund in Sabatia constituency. The research targeted 52 group officials and the 2 Youth Enterprise Development Fund employees working in Sabatia Constituency. The scope of the research focused on group enterprises owned and operated by youths in various sectors of the economy.

3.4 Data collection

The research employed the use of primary collected data using questionnaires. Questionnaires were delivered and collected later since these were meant to give the respondents time to be able to respond to the questions. The respondents' contacts were obtained from the records at the Department of Youth Affairs and Sports, Sabatia constituency. Follow ups were done using phone calls to try and increase the rate of response. Because of its descriptive nature, it was more economical and these provided a safe basis for generalization. The respondents were 15 chairpersons, 21 vice chairpersons, 14 secretaries and 2 Youth Enterprise Development Fund employees who handle the day to day operations of the fund.

The research made use of two sets of questionnaires where one was administered to youth groups to solicit information about access procedures and repayment of the youth fund loan and the other one to YEDEF employees to solicit information on how they administer the loan and the effect of follow ups.

3.5 Data analysis

Quantitative and qualitative methods were used for data analysis. Data was tabulated and classified for common characteristics with responses being coded to facilitate basic statistical analysis. Descriptive statistics were used to answer the research questions and objectives in relation to the research area.

Descriptive statistics were used to analyze data collected with the aim of generalization. Quantitative approach to data analysis was also used on aspects that were quantified such as age, size of the group, family size and amount of profits and sales volumes. Qualitative data was analyzed using descriptive, narrative and thematic methods to help identify information that is relevant to the research questions and objectives. Statistical Program for Social Sciences was used to process and analyze the data which was presented using frequency tables and percentages.

3.6 Ethics and Confidentiality

In this research, respondents were informed about the nature and the purpose of the study. All the respondents information and identity was kept confidential and the information gathered was used only for the purposes of this study. The respondents also participated in the study voluntarily. A copy of the findings will be availed to any willing institution or youth group upon request.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter reports the major findings of the data which was collected using questionnaires that targeted funded youth groups and the Youth Enterprise Development Fund employees. Data was analysed separately for each set of questionnaires and results presented in the form of frequency distribution tables. Data interpretation was done in order to make inferences on the factors which influence the repayment of the Youth Enterprise Development Fund loan by youth groups in Sabatia Constituency, Vihiga County.

4.2 Response Rate

Out of the 52 respondents, 2 were YEDEF employees, 15 group chairpersons, 21 group vice chairpersons and 14 secretaries. The response rate of all the questionnaires stood at 96% with only two groups not returning the questionnaires. This high return rate was realized due to YEDEF officers who participated on voluntary basis by issuing questionnaires to groups and collected later.

4.3 Group dynamics

This sub-section will discuss the gender of respondents, the highest level of education of the respondents, the group family composition and the age of the respondents.

4.3.1 Gender of the Youth Respondents

Table 4.1 shows that the YEDEF has funded more male dominated groups than female dominated. The male dominated groups being 48 % while female 30%. Youth groups with balanced gender account for 22 %. This could be attributed to the fact that females fear joining youth groups.

Table 4.1 Distribution of Youth Respondents by Gender.

Gender	Frequency	Percentage
Mostly males	24	48
Mostly Females	15	30
Balanced gender	11	22
Total	50	100

4.3.2 Level of Education of Youths

Table 4.2 indicate that majority of the youth groups represented by 60 % of the 50 respondents were dominated by secondary school leavers followed closely by youth groups dominated by primary school leavers at 26 %.University/college graduates were at 4 % while youth groups dominated by those with technical or vocational qualifications were represented by 10 %.

Table 4.2 Youths Level of Education

Level of Education	Frequency	Percentage
Primary	13	26
Secondary	30	60
Technical/Vocational	5	10
College/University	2	4
Total	50	100

4.3.3 Group family composition of the Youth

Table 4.3 indicate that 80 % of the youth groups consisted of non-family members,8 % of the groups had few family members and 2 % of the youth groups comprised of most family members which is risky in terms of repayment and follow-up.

Table 4.3 Group family composition

Group family composition	Frequency	Percentage
Non-family members	40	80
Few family members	8	16
Most family members	2	4
Total	50	100

4.3.4 Youth Enterprise Development Fund employees distribution

Distribution of the YEDEF employees by gender indicated that Government policies are followed in the employment of government officers. This is especially in relation to promoting and developing the girl child. This is shown in Table 4.4 where the two respondents were of either gender. That is, a male and female.

Table 4.4 Gender of the YEDEF Employees.

Gender	Frequency	Percentage
Male	1	50
Female	1	50
Total	2	100

4.3.5 Age of the Youth Enterprise Development Fund Employees

The analysis of ages of these respondents showed that they were between 18-29 years as indicated in table 4.5. This indicates that they require relevant training in order to enhance proper administration of the fund since they have not had enough experience in loan administration.

Table 4.5 Age of YEDEF employees

Age	Frequency	Percentage
18-29	2	100
Total	2	100

4.3.6 Highest Level of Education of the YEDEF Employees

As pertains the level of education, the YEDEF employees have not attained university education. This implies that there is need for them to further their studies to enhance their competencies as far as loan administration is concerned. This is shown in Table 4.6.

4.6 Level of Education of YEDEF employees

Level of Education	Frequency	Percentage
Secondary	1	50
College	1	50
University	0	0
Total	2	100

4.4 Loan characteristics

The respondents were asked to comment on the time taken between application and receipt of the loan, how often they attend training on micro-credit and whether the training content enable them to improve their performance ,the amount of loan received,the repayment period and method.

4.4.1Time Taken Between Application and Receiving of Funds

Majority of the respondents represented by 72% of the 50 youth groups indicated that it took them between a period of 3 to 6 months to receive the funds from the date of application. Only 6% indicated that it took them a span of one month between application and receiving of funds. 22% of the youth groups had to wait for more than 6 months.The long duration of time taken to receive funds is likely to adversely affect majority of youth groups intending to apply for the loan for the first time hence demoralizing the youth groups who end up changing their initial business. This analysis is presented in Table 4.7.

Table 4.7 Time Taken Between Application and Receiving of Funds

Duration(months)	Frequency	Percentage
0-1	3	6
2-3	0	0
3-6	11	72
Above 6 months	36	22
Total	50	100

4.4.2 Amount of Loan Awarded by YEDEF to Engage in Business

Table 4.8 indicates that 82% received between Kshs40, 000 -50,000.Only 18% received amounts above 50,000. This indicates that the amount given to the youth groups is little bearing in mind that a group is a collection of many youth who have an interest in the funds.This shows that only 18% of the groups have been able to service their loan and that's why they have received more funds of over ksh.50,000.

Table 4.8 Amount of Loan Awarded by YEDEF to Engage in Business

Amount awarded(Ksh)	Frequency	Percentage
40001-50000	41	82
Above 50000	9	18
Total	50	100

4.4.3 YEDEF employees training on micro credit

100 % of the respondents indicated that they have attended training on micro credit with all indicating that they have attended more than three times as shown in Table 4.9. This implies that the employees are well equipped with the necessary skills specific to their job roles but what is lacking is relevant and sufficient training regarding lending and follow up.

Table 4.9 Frequency in attending training on micro credit

Training	Frequency	Percentage
More than three times	2	100
No training at all	0	0
Total	2	100

4.4.4 Effects of Training on YEDEF employees

Table 4.10 indicates that all respondents who had been trained (100%) benefited from the content of the training in terms of improvement in their performance and that's why repayment had improved of late. This implies that training is very critical hence the YEDEF management board should equip their staff with the relevant skills that will enable them be more effective in their work.

Table 4.10 Effects of Training Content on YEDEF employees

Effect	Frequency	Percentage
Yes	2	100
No	0	0
Total	2	100

4.4.5 Training on loan usage among the Youth

The respondents were asked to state whether they were trained on how to manage the loan. 92% were trained and 8% were not. This clearly shows that there are no checks and balances in loan monitoring. Therefore there is need for YEDEF to make training compulsory for all youth groups before funds are disbursed to them.

Table 4.11 Training on loan usage by the Youth

Training	Frequency	Percentage
Yes	46	92
No	4	8
Total	50	100

4.5 Repayment infrastructure and follow-up mechanisms

Respondents were asked to give their opinions about the repayment of YEDEF loan in general, comment on the availability of procedures and guidelines on lending and follow-up measures as well as availability of resources to perform YEDEF activities and how they influence the repayment of YEDEF loan by the youth groups.

4.5.1 Repayment of the YEDEF loan

Respondents were asked to comment about the repayment of the Youth Enterprise Development Fund (YEDEF) loan. 100% of the respondents indicated that the repayment of the YEDEF loan has been fairly good especially for the current disbursements as shown in Table 4.12. This may be attributed to introduction of checks and balances in loan administration. This implies that if the Government can put the necessary structures in place the progress in terms of repayment rate can be commendable.

Table 4.12 Comments on Repayment of the YEDEF loan

Comments	Frequency	Percentage
Poor	0	0
Fairly good	2	100
Total	2	100

4.5.2 Procedures and guidelines on lending and follow-up

100 % of the respondents indicated that there were no clear procedures and guidelines on lending and follow up as per Table 4.13. This clearly points out that training and awareness has not been done effectively. Hence these needs require to be addressed by YEDEF in order for all officers to be more effective in their follow-up. Clear guidelines on loan recovery ought to be in place and procedures for application and use of funds be explained to the youth.

Table 4.13 Presence of clear guidelines on lending and follow-up

Presence	Frequency
Yes	0
No	2
Total	2

4.5.3 Resources to Perform YEDEF Activities

Table 4.14 shows that the respondents were divided on whether they have adequate resources to Perform YEDEF activities that is, the capacity in terms of enough personnel to follow-up the youth groups and insufficient funds at their disposal. YEDEF management to provide adequate resources so that their officers at the constituency level are motivated to carry out frequent follow ups.

Table 4.14 Adequate Resources to Perform YEDEF Activities.

Resources	Frequency	Percentage
Yes	1	50
No	1	50
Total	2	100

4.5.4 Factors Contributing to High Default Rate in YEDEF loan

According to Table 4.15, there are various factors that contribute to high default rate among the youth groups which include; poor government policies on recovery of funds from defaulters and inadequate training before funds are given out. This implies that there should be a clear government policy on recovery and specific penalty for defaulters. In addition the youths to be equipped with the relevant skills on entrepreneurship which could go a long way in curbing the high default rate. The other key factors which were cited include lack of good political goodwill, lack of entrepreneurial skills and project diversification by youth groups.

Table 4.15 Factors contributing to high default rate in repayment of YEDEF loan according to YEDEF employees.

Factors	Frequency	Percentage
Lack of adequate training	2	100
Poor government policy on	2	100

recovery		
Lack of political goodwill	1	50
Poor project diversification	1	50
Lack of entrepreneurial skills	1	50
Poor market linkage	1	50

4.5.5 Factors to Reduce the High Default Rate in YEDEF loan according to Youth groups

The youth groups were asked to give their opinions on what can be done to reduce the high default rate in YEDEF loan. According to Table 4.16, 14.56% of the respondents felt that after funds have been applied for ,they should be disbursed quickly while 16.67% indicated that regular training be carried out to enhance business as a very key factor. Other factors mentioned included; changing from group to individual funding (8.3%),enhance market linkages(10.42%),frequent group visits(8.3%), setting up legal framework on how to handle defaulters (6.25%),long repayment period(12.5%), motivation(4.17%),introducing grants(4.17%) and political goodwill(2.08%). The government also has a role to play in creating favourable economic environment that can enhance growth of business to make repayment easier.

Table 4.16 Factors to Reduce the High Default Rate in YEDEF

Factor	Frequency	Percentage
Change to individual loan	4	8.3
Quick disbursement	7	14.56
Market linkages	5	10.42
Frequent trainings	8	16.67
Increased funding	4	8.3
Enhance M & E	4	8.3
Long repayment period	6	12.5
Poor recovery strategy	3	6.25
Introduce grants	2	4.17

Motivate good performers	2	4.17
Political goodwill	1	2.08
Total	48	100

4.6 Credit Appraisal Processes

One of the factors that affect the repayment of YEDEF loan is the various credit appraisal processes adopted to vet the youth groups who are to benefit from the fund. This may be in terms of business experience, business income and additional sources of income to the youth group.

4.6.1 Business Experience

Table 4.17 indicates that 58% of the groups funded have been in business for a period of between 1-3 years while those who have operated for less than one year stand at 16%. Those who have been in operation for more than 3 years account for 26%. This clearly shows that poor repayment could be as a result of not having adequate number of years in business hence lack of exposure to various markets for their products.

4.17 Business experience

Number of years in business	Frequency	Percentage
Less than 1 year	8	16
1-3 years	29	58
Above 3 years	13	26
Total	50	100

4.6.2 Groups weekly income

As per table 4.18, 64% of the groups had a weekly income from their proceeds ranging between ksh.1000 to ksh.3000 whereas only 6% of the youth groups manage a weekly income of above ksh.4000 leaving 30% of the groups netting ksh.1000 and below as

income. This puts the group in a difficult situation of repaying the borrowed funds from business proceeds since members contributions may not be adequate to service the loan.

Table 4.18 Weekly income

Income(Ksh)	Frequency	Percentage
Above 4000	3	6
1001-3000	32	64
Below 1000	15	30
Total	50	100

4.6.3 Other sources of income

84% of the respondents indicated that they had no external sources of income apart from raising their funds internally from members. Other respondents had accessed additional funds from NGO's(14%) and commercial banks(2%) as per Table 4.19. This implies that repayment of the loan is majorly from members contributions. This calls for youth groups to identify other forms of financing because members contribution is not a sustainable form of financing.

Table 4.19 Other sources of income

Other sources of income	Frequency	Percentage
Commercial banks	1	2
NGO's	7	14
Members contribution	42	84
Total	50	100

4.6.4 Problems Faced in Borrowing the Money

According to Table 4.20, 96% of the respondents indicated that they had problems in borrowing money while 4% did not have problems. Some of these problems include long access procedures, small amount of loans awarded, a lot of documentation required, insufficient training, group formation problems as well as slow speed of processing the

loans. This can be addressed by the management of YEDEF through making funds affordable and available in time.

Table 4.20 Problems in Borrowing Money

YES/NO	Frequency	Percentage
Yes	48	96
No	2	4
Total	50	100

4.6.5 Ranking of the Problems Faced in Borrowing Money

Table 4.21 indicates that there are four main factors that were ranked as the leading problems encountered when borrowing money. Long access procedures (38.78%) was ranked as the first main problem, followed by problems of processing the loan (14.29%), small loan offered by YEDEF (14.29%) as well as training on funds usage (12.24%). Group formation and documentation hinders borrowing.

Table 4.21 Ranking Problems in Borrowing Money

Factors	Frequency	Percentage
Access procedures	19	38.78
Security/Collateral	1	2.08
Documentation required	3	6.12
Loan size	7	14.29
Training on loan usage	6	12.24
Interest rate	1	2.08
Speed of processing the loan	7	14.29
Group formation	5	10.20
Total	49	100.0

4.6.6 Challenges in Loan Repayment

Respondents were asked whether they face any challenges in repayment of the fund. According to Table 4.22, 96% of the respondents indicated that they face challenges in

loan payment while 4% indicated no challenges. These challenges need to be addressed so as to achieve sustainability of the YEDEF loan.

Table 4.22 Challenges in Repayment of Loans

Yes/No	Frequency	Percentage
Yes	48	96
No	2	4
Total	50	100

4.6.7 Ranking challenges faced by Youth Groups in repaying the loan

The respondents were asked to rank the challenges faced by youth groups in repaying the loan. According to Table 4.23 business performance was ranked by majority (64%) as the main factor. This was followed closely by inadequate capital (60%), lack of market for the produce (58%) as well as poor proceeds (58%). Attitude of members and officials, poor economic situation and competition were also ranked by a number of respondents as key factors. This implies that for a business to be able to meet all its obligations it must be performing well.

Table 4.23 Ranking Challenges faced by youth groups in YEDEF loan repayment

Challenge	Frequency	Percentage
Attitude of members and officials	24	48
Poor proceeds	29	58
Poor economic situation	18	36
Lack of market	29	58
Competition	5	10
Inadequate capital	30	60
Business performance	31	62
Others	2	4

4.7 Discussion

The study indicated that there is a problem in the repayment of YEDEF which requires to be addressed as a matter of urgency for the fund to be sustainable. This is especially with regards disbursements of the fund without capacity building to the youth groups. It is clear from the study that group dynamics such as age, gender, education and group family composition could be influencing repayment of the YEDEF. Therefore, education could be one of the main factors influencing the repayment of YEDEF. These findings largely agree with Brehanu & Fufa that a more educated client is expected to use the loan effectively as compared to a less educated one (Brehanu & Fufa, 2008). Education increases borrowers' ability to get process and use the necessary information. In line with this, educated borrowers may develop the entrepreneurial skill and they may engage in new business.

Training is very crucial because it equips the personnel with the relevant skills and knowledge to operate their businesses professionally. The study indicated that YEDEF employees who had received training on micro credit benefited from the training content. Thus the YEDEF management needs to equip their employees with the relevant skills and knowledge that will enable them to improve on their loan repayment follow ups.

Repayment infrastructure and follow-up in place largely influence repayment of the YEDEF loan. This is clearly shown in the sense that there are no clear procedures and guidelines on follow up hence no government policy on recovery of the funds. This is in agreement with Awoke who reports that most of the default arose from poor management procedures, loan diversion and unwillingness to repay the loans (Awoke, 2004). If there is

continuous follow up and supervision made by a loan officer, the client could efficiently utilize the loan for the intended purpose. There is a possibility to remind them their obligation and motivate the borrowers for repaying the loan. Norell (2001) stated that quick follow-up and visits help to prevent default rate. Therefore, we expect a positive relationship with the dependent variable.

Various loan characteristics greatly influence the repayment of YEDEF loan. This is in agreement with Hulme and Mosley (1996) who argues that the important factors that contribute to loan repayment performance are the design features of the loan which are the access methods, screening methods and incentive to repay. Murray and Boros (2002) stated that the characteristics of microfinance products include: small amounts of loans and savings, short loan terms, payment schedules featuring frequent installments, easy access to the microfinance intermediary, simple application forms which are easy to complete, availability of repeat loans in higher amounts for clients who pay on time. From the findings, it is incumbent upon YEDEF management to shorten the period between application and receiving the fund and also increase the amount given to youth groups to enhance uptake and repayment of the loan.

The study also indicated that majority of the youth groups had no external sources of financing their business apart from members contributions. This implies that the business lacks necessary exposure to the market. Therefore it is incumbent upon the youth groups to find alternative sources of income to finance its operations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study aimed at identifying the factors influencing the repayment of the Youth Enterprise Development Fund loan by youth groups in Sabatia Constituency, Vihiga County. This chapter summarizes the research findings, conclusions drawn from the findings and the researcher's recommendations on the management of Youth Enterprise Development Fund loan.

5.2 Summary of Findings

The study examined the influence of group dynamics on the recovery of Youth Enterprise Development Fund in Sabatia constituency, Vihiga County. The researcher found that YEDEF had funded more men than females with 48% of the youth groups being male dominated while 30% were female dominated. The age of YEDEF employees averaged 18-29 which showed that they had no experience on the job and these was their first posting to perform a public job. Further, 80% of the respondents who had benefited from the loan were non family members. Majority of the youth groups (60%) indicated that they consisted of secondary school leavers.

The study further sought to investigate the extent to which repayment infrastructure and follow-up mechanisms in place influence the repayment of Youth Enterprise Development Fund loan where 100% of the respondents indicated that there are no clear procedures and guidelines on lending and follow up. In addition 50% of the respondents indicated that there are no adequate resources to perform YEDEF activities in terms of enough personnel and funds to follow-up the youth groups. 100% of the YEDEF employees indicated that the repayment of the YEDEF has been poor due to poor government policy on recovery and inadequate training given to youth groups before funds are disbursed. The youth groups on the other hand indicated that frequent trainings (16.67%) and quick disbursement of funds (14.56%) will enhance recovery of the YEDEF loan.

In addition, the study sought to assess the extent to which the various loan characteristics influence the repayment of the Youth Enterprise Development Fund loan. 82% of the respondents indicated to have received between Ksh.40, 000-ksh.50000.18% received above ksh.50,000 to expand on their business. In addition, 72% of the respondents indicated that they had problems in borrowing money including long duration taken between application and receiving of funds since it took them a period of between 3-6 months to receive the funds.100% of YEDEF employees had attended training on micro credit and this had enabled them improve on their performance.92% of the youth groups had been trained before they were given funds.

Finally, the study sought to examine how credit appraisal processes influence the repayment of the Youth Enterprise Development Fund in Sabatia constituency,Vihiga County with 84% of the respondents indicating that they have no external sources of income.Only 26% of the respondents have been in existence for more than 3 years. However 96% of the respondents were facing challenges in loan repayment. Business performance was ranked by majority of the respondents (64%) as the main factor that hinders fast repayment of YEDEF.This was followed closely by inadequate capital (60%),poor proceeds (58%) as well as lack of market for the products (58%). About 30% of the respondents indicated that they earn a weekly income of Kshs1, 000 and below with only 6% earning kshs 4,000 and above implying that the majority cannot be able to meet their obligations due to low income earnings.

5.3 Conclusions of the Study

The conclusions that were made in this study were based on the findings discussed above and the responses of the respondents. It was noted that Youth Enterprise Development Fund loan is faced with a number of challenges in its attempt to empower the youth. Some of the challenges include inadequate training to the youth groups. YEDEF employees were not trained effectively and therefore lacked relevant skills as far as micro-credit was concerned. This is an area of concern since they are charged with the responsibility of administration of the fund. For YEDEF to achieve its desired objectives the need for relevant training for its employees and youth groups needs to be given priority since the youth lack the necessary entrepreneurial skills necessary for enterprise development and growth. If this area is not addressed by the management of the YEDEF management, then the money invested by the government to empower the youth economically may be a waste.

Secondly, the respondents noted with a lot of concern that clear legal recovery procedure and legislation that punishes defaulters is lacking. These structures need to be put in place by the fund management if successful loan recovery is to be achieved. Majority of the youths felt that the amount of loan given is very little leading to poor capital formation. In addition, most respondents experienced problems in borrowing money including long duration taken between application and receiving of funds, small amount of loans awarded, group formation problems, a lot of documentation required, lack of training on loan usage, processing speed of the loan was too low as well as long access procedures. Finally, characteristics of the loan emerged as the main factor that influences the repayment of the Youth Enterprise Development Fund loan.

5.4 Recommendations

From the results of this study, the following recommendations are made to the YEDEF Board. First, Youth groups and employees should be trained on the relevant skills of micro-credit so that the youth are empowered economically and the employees can perform their duties effectively. Secondly, adequate resources in terms of additional personnel and funds should be provided in order to enable smooth monitoring of all funded youth groups. In addition, the YEDEF Board to set up a clear policy on repayment and recovery of loans from the defaulters. Finally, there should be a thorough credit appraisal of the youth groups before any loan is awarded so that only viable businesses are funded to ensure sustainability of YEDEF loan.

5.5 Limitations of the study

The research intended to collect data from 52 youth groups but only 50 of them responded and managed to fill and return the questionnaires. Respondents whose youth groups had defaulted in YEDEF loan repayment were also not willing to participate in the study and were afraid to give complete and correct information for fear of being victimised. The purpose of the study was however explained to them to gain their cooperation and participation.

5.6 Suggestions for Further Research

The study reveals many interesting areas where further research can be carried out. In particular, the following issues can be considered:

1. A study on the effect of the Youth Enterprise Development Fund on the economy.
2. A study on how credit appraisal processes influence the repayment of Youth Enterprise Development Fund loan in other constituencies.

3. A study on Youth Involvement in the administration of Youth Enterprise Development Fund in Kenya.
4. A comparative study should be carried out in other constituencies in Vihiga County.

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APPENDICES

QUESTIONNAIRE

I am an MBA (Master of Business Administration) student at the University of Nairobi currently undertaking a management research project on Factors influencing the repayment of the Youth Enterprise Development Fund. I request you to participate in this study by filling this questionnaire as honestly as possible. The information gathered will be treated with all confidentiality and will be strictly used for this purpose of this research.

Thank you and welcome.

Appendix 1: Questionnaire for collecting data from youth groups

Instructions

Please tick(✓) in the appropriate box or fill in the blank spaces provided.

Information on the youth group

1. Name of the youth group(optional).....

2. Location of the group.....

3. Your position in the group

Chairperson ☐ Vice-chairperson ☐ Secretary ☐

Assistant secretary ☐ Treasurer ☐

Others specify.....

4. When was the group established?

Less than 1 year ☐ 1-3 years ☐ Above 3 years ☐

5. Gender composition

Mostly men ☐ Mostly female ☐ Balanced gender ☐

6. Highest level of education of members

Majority completed primary school ☐ Majority completed secondary school ☐

Majority technical and vocational education ☐ Majority college/University ☐

7. How is the group family composition?

Only family members ☐

Most family members ☐

Few family members ☐

Only non family members ☐

8. Do you own a business or a project?

☐

Yes

No

9.If **YES**,in which sector of the economy?

Agriculture ☐

Commercial ☐

Construction ☐

Manufacturing ☐

Others specify.....

10.How many years has the group been in business?

Less than 1 year ☐ 1-3 years ☐ Above 3 years ☐

11.Have you ever been funded by Youth Enterprise Development Fund?

Yes ☐ No ☐

12.Total amount funded

Less than ksh.20,000 ☐ ksh.20,001- ksh.40,000 ☐

Ksh.40,001-ksh.50,000 ☐ Above ksh.50,000 ☐

13.How long did it take between application and receiving youth fund?

One week ☐ one month ☐ 3-6 months ☐ more than 6 months ☐

14.Did you offer any security for the funds disbursed to you?

Yes ☐ No ☐

15. Were you trained on loans usage?

Yes ☐ No ☐

16. Your weekly income

Below 1,000 ☐ 1,001-3000 ☐ Above 4,000 ☐

17. Did you experience any problems in borrowing youth fund?

Yes ☐ No ☐

18.If **YES**, how do you rate the following factors when borrowing money

(Tick your opinion in an appropriate box on a scale of 1-5, where:1=very high;2=high;3=undecided;4=low;5=very low)

Nos.	Factors	1	2	3	4	5
i.	Access procedures					
ii.	Security/Collateral					
iii.	Documentation required					
iv.	Loan size					
v.	Training on funds usage					
vi.	Interest rate					
vii.	Speed of processing the loan					
viii.	Group formation					

19.A part from youth fund, has the group received any other funding

Yes ☐ No ☐

20.If **YES**, state the source

Commercial bank ☐ Microfinance ☐ Members contributions ☐

SACCO's ☐ NGO's ☐

Others specify.....

21.Have you started repaying your loan?

Yes ☐ No ☐

22.If **NO**,why?

.....

22.If **YES**,how much have you repaid to date?

ksh.....

23.Do you repay the loan from business proceeds?

Yes ☐ No ☐

24.If **NO**,state the source of funds?

.....

25.Are you facing any challenges in the repayment of your loan?

Yes ☐ No ☐

26.If **YES**,please tick(√) the four main challenges faced by your group in repaying the loan.

i.	Attitude of members and officials	
ii.	Poor proceeds	
iii.	Poor economic situation	
iv.	Lack of market for your produce	
v.	Competition	
vi.	Poor follow-up procedures	
vii.	Repayment channels/method	
viii.	Lack of trust	
ix.	Location of the Financial intermediary	
x.	Shorter repayment period	
xi.	Inadequate capital	
xii.	Business performance	

Others specify.....

27. In your own opinion, suggest what can be done to reduce default rate in repayment of Youth Enterprise Development Fund.

.....

.....

.....

.....

Thank you so much for your cooperation

Appendix 2: Questionnaire for collecting data from Youth Enterprise

Development Fund employees

Instructions

Please tick(√) in the spaces or fill the blank spaces provided. You need not to write the respondent's name.

Information on YEDEF Employees

1. Gender

Male ☐

Female ☐

2. Age

18-29 years ☐ 30-39 years ☐ 40-49 years ☐

50-59 years ☐

3. Number of years in public service

1-2 years ☐ 3-4 years ☐ Above 5 years ☐

4. Number of years in the Constituency

1-2 years ☐ 3-4 years ☐ Above 5 years ☐

5. Your highest completed level of education

Primary ☐ Secondary ☐ University ☐

Others (Specify).....

6. Have you ever attended training on micro-credit?

(i) Not at all ☐

(ii) Once ☐

(iii) Twice ☐

(iv) More than three times ☐

7. Has the training enabled you to improve your performance?

Yes ☐

No ☐

8. If **YES**, how has the training helped you in lending and default follow-up?

.....

.....

.....

.....

9. Are there clear policies and guidelines on lending and effecting follow-up?

Yes ☐

No ☐

10. Are there adequate resources in term of staff and finance to the follow up?

Yes ☐

No ☐

11. If **YES**, how do you rate your follow up on defaulters?

Very oftenly ☐

Rarely ☐

oftenly ☐

12. If **NO**, how do you ensure borrowers pay?

.....

.....

13. Comment on the repayment of the Youth Enterprise Development Fund (YEDF)?

.....

.....

14. In your own opinion what are the **FOUR** main factors which contribute to the high default rate in the Youth Enterprise Development Fund.

.....

.....

.....

.....

Thank you so much for your cooperation

