THE ROLE OF FINANCIAL INTERMEDIARIES IN ADMINISTERING YOUTH FUND: A CASE STUDY OF EQUITY BANK IN THIKA SUB COUNTY

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DECLARATION

I, Stephen Kanyuira Kiguta, declare that this research paper is my original work and has not been presented for examination in any other university.

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SUPERVISOR'S APPROVAL

This Research project has been submitted for examination with my approval as the university supervisor.

Signed ……………………………… Date …………………………

DR. S. M NYANDEMO

Signed ……………………………… Date …………………………

DR. P. O MACHYO

DEDICATION

I dedicate this research project to my loving wife and daughter for their unending support

ACKNOWLEDGEMENT

I am indebted to many individual for their support and contributions towards the successful and timely completion of this research work. And above all else, my Heavenly Father for immeasurable gift of life, good health and courage.

My first and deep appreciation goes to my supervisors, Dr. Nyandemo and Dr. Machyo, for their professional support, guidance, encouragement and commitment. Their wise counsel, patience and innumerable suggestions made it possible for me to complete the work in good time.

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ABSTRACT

The quantity of youth fund is not the impediment to high potential of its effectiveness on job creation to the youth. The issue is the information asymmetry that makes the Financial Intermediaries (FI) apply strategies to the market that signal on prime loaners like collateral which many youth do not own, hence the youth perceives as difficult requirements. The study sort to determine the role of financial intermediaries in the management of the Youth Enterprise Development Fund (YEDF). This study has brought out the role in enhancing outreach and also minimizing depletion of the fund by reducing loss through default. The study was carried out in Kiambu County, Thika Sub County, where stratified random sampling of 59 groups under the (YEDF) was selected. Data collection involved both secondary data from the bank and primary data through questionnaire administered to the group. Data analysis involved multiple regression analysis. The study found that the youth groups had a high loan portfolio and had existed for an average of 60 months. The youth groups were composed of both youths and older persons with some lacking youths though they received youth funds. Hence a need to correct this by a plan to graduate all the youths above 35 years of age out of access to youth fund to bank loans with a moderate interest above the youth fund interest but below the market for some duration to minimize shock. The youth groups also had balanced gender mix. However, some were composed of entirely either gender. The bank has an enhanced stability of the groups by creating a strong bond and collective individual responsibility by not only funding individual businesses but joint group projects like purchase of group land parcels and ensuring group attendance discipline. Youth fund empowered many youths within the groups sampled. The study established good linearity between cash cover/savings, average loan size and loan portfolio in arrears, and loan portfolio of group.

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LIST OF ABBREVIATIONS

KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS -	Kenya National Bureau of Statistics
KES -	Kenya Shillings
YEDF -	Youth Enterprise Development Fund (2006).
MSMEs	Micro Small and Medium Enterprises
FI -	Financial Intermediaries
MFIs -	Micro Financial Institutions
C-YES-	Constituency Youth Enterprise Scheme

CHAPTER ONE

INTRODUCTION

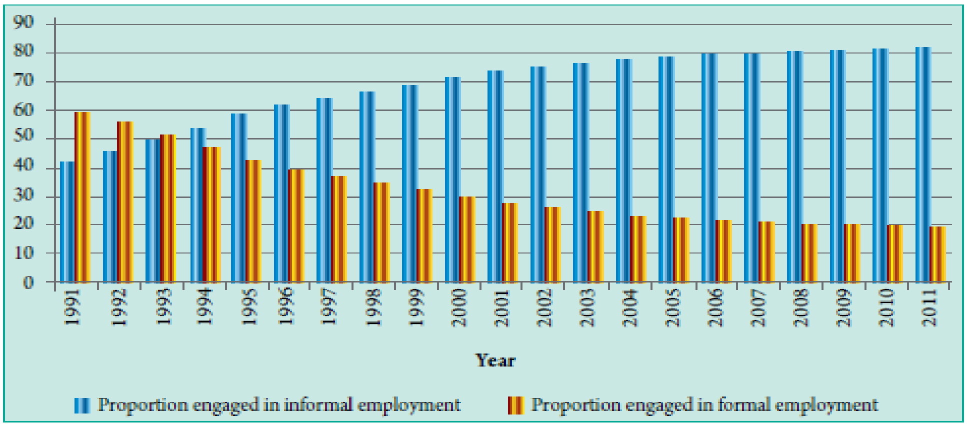
Revolt by citizens against a government due to youth unemployment has been a scene in the globe. Unemployment is one of the major macroeconomic issues that any government aims to tackle for its effects on the level of poverty. Over the last five years, we have seen the unemployment bring down a nation's government. For instance, in Tunisia a revolt started in 17th December 2010 culminated to ousting of the president in 15th January 2011 one of the major issue being high unemployment (Shahshahani and Mullin, 2012; Eltantawy and Wiest, 2011). There was a similar revolt against the government in Egypt due to several issues, among them, unemployment and largely on the youth. It behooves any government worth its mandate, to put mechanism that aim at reducing the level of unemployment and especially the youth unemployment.

In Kenya, majority of the youth are characterized by high levels of unemployment. The youth in this light means persons aged between 18 and 35 years. This is as a result of failure of the economy to generate enough jobs, previous high rate of population growth rate, lack of desired skills and training coupled with job mismatch aggravated by information asymmetry in the labour market, and inability of the youth to raise capital to start the businesses have worked negatively in getting the youth engage in productive employment. Many of the business environments in Kenya is largely composed of Micro Small and Medium Enterprises (MSMEs) that account for approximately 75% of the nation's employment force and contributing an estimated 18 per cent of GDP. Lack of human resource development in this segment of the economy and additionally inadequate technical and entrepreneurial skills puts the life and future development of these MSMEs at a disadvantage hence the need to support human resource development in those sectors and funding to aid in capital formation so as to give them competitiveness (Sessional paper No. 10 of 2012 Kenya Vision 2030).

The target on MSME is broadly because of their economic contribution to the economy. This can be traced back to the period from 1990 to 2005 where they accounted for 87% of new jobs created and 77% of all the labour force employed in the country (Kenya Economic Report, 2009). Despite the huge potential of the MSME in the country, the category faces array of challenges in their establishment, thus limiting their growth to maturity in order to form stable and sustainable businesses that create a quantifiable number of employment for the youths. Since many of these ventures in the MSME are undertaken by the youth, the youth development ends up being slower and causing a wide social economic gap with the other working citizens.

Statistics show that the number of persons engaging in the informal sector of MSME has been increasing over the years as seen from the graphical representation below.

Figure 1: Employment in the informal and formal sectors in Kenya



Source: Kenya National Bureau of Statistics (Various), Economic Survey

According to the Kenya Economic Report (2013), high youth unemployment is one major thorn facing the labour market in Kenya which has led to decline in economic growth. This can be addressed by providing avenues for youth productive employment, in order to accelerate economic growth. The current youth crisis is as a result of previous years where the country experienced higher population growth rate and no equivalent tempo in job creation. The rate of unemployment among the youth was double that of the national unemployment which was at 12.7% as revealed in the Economic Survey figure (KNBS, 2008). This implies that unemployment is a youth phenomenon.

It is in this line that Kenya applied a macroeconomic policy intervention aimed at boosting the Micro Small and Medium Enterprises (MSME) by creating an avenue that enhances access of funds to young people, while giving entrepreneurial training to all with an aim of stimulating youth employment (Sessional paper No. 2 of 2005 on Development of Micro and Small for wealth and employment creation). In 2006, Kenya expanded the money supply and applied selective credit, by creating a revolving fund that was to be accessed by the youth as a way of improving their livelihood. The fund was called the youth enterprise development fund (YEDF) targeting youth enterprises.

1.1.1 The Youth Enterprise Fund

The YEDF was conceptualized by the government of Kenya (GOK) in 2006. It was officially launched in February 2007, with an aim of taming the high rate of youth unemployment. The fund targeted all types of entities owned by the youth namely the sole proprietor, companies, cooperatives and groups.

The government identified various agencies through which it would channel the funds to the youth, which were mainly the Financial Intermediaries and Constituency Youth Enterprise Scheme. It started by allocating one billion. Business training was to be part of the package in administration of the funds to boost the youth entrepreneurial skills and expose them to business startup opportunities.

The main purpose of the fund includes: providing a pool of money to the contact agents, the FI and Constituency Youth Enterprise Scheme, for disbursement to youth enterprises; tap and develop MSMEs owned by the youth to maturity that can employ more people hence link them to large scale enterprises; support marketing of goods and services produced by the youth domestically and externally; and, promote international job linkages to the youth.

The initial one billion was divided into three purposed allocations: Constituency Youth Enterprise schemes were allocated Kshs. 210 million meaning 1 million per constituency; the FI channel took the biggest share where Kshs. 690 million was allocated to identify and lend to youth-owned undertakings; and, for linkages to markets and promotion of international labour, Kshs. 100 million was set aside and even to cater for administration expenses. Over the years the government has continued to expand the kitty as per the table below.

Table 1.1: Yearly Financial Allocation by Government

FINANCIAL ALLOCATION BY TREASURY

NO.	FINANCIAL YEAR	AMOUNT
1.	2006/2007	1,000,000,000
2.	2007/2008	725,000,000
3.	2008/2009	499,914,170
4.	2009/2010	540,750,000
5.	2010/2011	550,000,000
6.	2011/2012	412,500,000
7.	2012/2013	399,500,000
8.	2013/2014	297,789,832
	TOTAL	**4,425,454,002**

Source: *YEDF Status Report, 2013.*

1.1.2 The Constituency Youth Enterprise Scheme(C-YES)

The C-YES fund is managed by constituency committees. It is a loan advancement that does not attract any interest but has a deduction of 5% management fee payable upfront. The first loan amount of Ksh. 50,000 is given to youth groups and has a grace period of three months. Upon repayment of the first loan, the group qualifies Ksh. 100,000 and they decide on which members they are to give mostly four in number. The group continues to enjoy double allocation every time they repay the loan in full until such a time they graduate to self-sustaining groups. The maximum is usually Ksh. 400,000.

C-YES Loan Procedure is: the group collects and submits completed business proposal forms to the divisional Youth Officer; the Divisional YEDF Committee screen and assess the proposals placed by the group in line with the policies and procedures provided; the Divisional YEDF Committee then forwards with recommendations the proposals to the District YEDF Committee; the District YEDF Committee does a further appraisal confirming the recommendation and approves the proposals; and, the District YEDF Committee forwards details of groups to be funded to the Fund Headquarters for issuance of the cheque.

The group should meet the following: must be registered with the Department of Social Services or the registrar of societies and hence have a group certificate at least three (3) months before making an application of a loan; the group should be operating within the division of application; the aim of the group is well stated which is to carry out business activities; have a group bank account; the group must be vetted as existing and known by the Divisional Youth Officer; seventy percent (70%) of the members must be aged 18-35 years; and, all the leadership positions of the youth group are 100% youth. A member outside the just stated age group cannot take leadership of the youth group.

1.1.3 Financial Intermediaries Channel

The Financial Intermediaries here include banks, non-governmental Organizations (NGOs), Savings and Credit Cooperatives (SACCOs), and Micro Finance Institutions (MFIs). The access of funds is usually directly either as individuals or as organized entities such as groups, cooperatives, companies all being youth enterprises. The FI comprised of Micro Finance Institutions (MFIs), Savings and credit Cooperatives (SACCOs), Non-Governmental organizations and were 27 FIs in total but have now increased to 36 (Youth enterprise fund website).

Loans disbursed through the financial intermediaries channel: targets all forms of youth owned enterprises whether individual, companies, groups, cooperatives or otherwise: is accessible to any youth owned enterprise operating within the district; the loan is managed by Financial Intermediaries; the loan attracts interest rate of 8% per annum; is very flexible (soft), if any, collateral required; the amount is dependent on the nature of business proposed and the lending terms of the Financial Intermediary. Thus, financial Intermediary now seeks approval for loan amount exceeding Ksh 1,000,000.

Financial Intermediaries Application Procedure include: applicant must be Kenyan youth aged 18 to 35 years; application must for either starting or expanding business; applicant must have identification details such as business registration certificates or personal identification papers such as National Identity Card or passport; applicant must have a bank account in the preferred Financial Intermediary; applicant collects loan application form from Preferred Financial Intermediary; submit the loan application form or self-prepared business proposal to the preferred Financial Intermediary; preferred Financial Intermediary carries out the assessment of the proposed business to establish financial viability and other relevant technical matters; attendance of training programme, if required; verification by the District Youth Officer when sought for by Financial Intermediary; and, the repayment period and amount is as agreed with the Financial Intermediary.

Appendix III shows the amount of funds disbursed in the forty seven (47) counties since YEDF was launched, (Youth Enterprise Fund Status Report, 2013). The table shows the funds disbursed per county. It reveals that most of the funds were given to the youth through the financial intermediaries (FI). The total funds through the C-YES are Ksh 1,281,049,195 **w**hile the total funds by FI are Ksh 8,025,336,324. The enterprises funded are 230,836 by FI while the C-YES has funded to 29,717. Looking at the area under research, Kiambu County has the FI lending 554.2 million shilling to 12,685 enterprises while the C-YES has lend 70.7 million to 1,368 enterprises. This is approximately a tenth of the funds reaching out through the financial intermediaries. The level of youth unemployment in the County can be contained and gradually reduced over time through the financial intermediaries' channel. This is why the FI cannot be overlooked and is a formidable player in job creation by empowerment through youth fund.

In Gatundu, one of the sub-counties of Kiambu, among the banks that provide the YEDF, Equity Bank accounts for 40% of the frequency in youth fund borrowing hence high outreach as seen in

Table 1.2: Banks providing YEDF in Gatundu Sub-County in Kiambu County in Year 2013.

Name of Bank	Frequency	Percentage
Family	5	20
Faulu	8	30
Cooperative	2	10
Equity	10	40
Total	25	100

Source: *International Journal of Education and Research Vol. 1 No. 5 May 2013 by* Kanyari and Prof. Namusonge, 2013.

The table above shows which financial institution is frequently used for YEDF access. There is need to increase the number of financial intermediaries for the YEDF to be highly effective (Odera et al. 2013). This explains why there was a need to establish the role played by financial intermediaries and precisely Equity bank that has the higher frequency.

1.2 Problem Statement

There is still high rate of youth unemployment which stands at 24% with 80% being persons below 35 years. The youth aged 15-35 years take a share of about 37 per cent of the population. Likewise, unemployment trend takes the same direction where by unemployment rate among the youth is higher than the national unemployment with youths aged 20-24 accounting for 24 percent relative to an overall unemployment of 12.7 per cent in 2005/06 (Kenya National Bureau of Statistics, 2008). In recent years, unemployment is now estimated at 8.6 per cent of the productive age population in 2009, an improvement from 12.7 per cent in 2005/06 while the unemployment rates for the youths aged 15-24 and 15-35 years were 14.2 per cent and 10.4 percent, respectively, in 2009, meaning the government interventions in job creation is bearing fruits (Kenya economic report, 2013). Some of the interventions targeting youth is the Youth Enterprise Development Fund.

The quantity of youth fund is not the impediment to high potential of its effectiveness on job creation to the youth. The issue is the information asymmetry that makes the Financial Intermediaries (FI) apply strategies to the market that signal on prime loaners like collateral which many youth do not own, hence the youth perceives as difficult requirements. This signaling means lesser lives transformed by creating employment as the FI employ methodologies in administration of the funds which turn out to be an impediment to access of funds. Due to risks involved, many lenders given the government funds may find it worthy while diverting from the intended target population and lend to the already existing and wealthy lot who can access bank loans and have collaterals, thus substituting facilities for it is an easy way of raising cheap funds. This fails the funds intended purpose of reducing unemployment among the youth.

Financial intermediaries have mastered the art of lending and portfolio management. They have articulated the right skills and mechanisms in screening viable enterprises thus having a good fund management system. On the other hand, the government has been on social capital when giving out loans. This makes the society feel not obligated to pay as they perceive the loan as their tax money being given back to them hence the sustainability of the fund in the long run is grim as a revolving kitty on the side of the government. The financial intermediaries ensure a sense of responsibility to the loanee on repayment. In addition, the financial intermediaries have timely avenues of sourcing funds to add to the kitty as opposed to the government that has to wait for budget allocation to expand. It is also an impediment where by the loan administered by the C-YES at first is Ksh 50,000 to be shared among the members of a group which may not be adequate to start a viable business.

The government of Kenya has continued to channel money through the financial intermediaries (FI) but there has been little done to analyze the relevance and applicability of the practices employed. The study therefore concerned itself with an in-depth analysis and audit of one of the FI, Equity bank, to investigate and determine the role played by financial intermediaries in administration of Youth Enterprise Development Fund. The objective was achieved through conducting interviews on the loan officers, collection of data for analysis in all the Equity branches on selected sample statistic in the county and looking at the practices that have been developed over time and how it has affected the growth of the individual.

1.3 Research Objective

1.3.1 General Objective

Primary objective was to investigate and determine the role played by financial intermediaries in administration of Youth Enterprise Development Fund.

1.3.2 Specific Objectives:

i. To establish and investigate the motivational factors and procedures that lead to high outreach of funds by Equity Bank.

ii. To establish the default rate of the YEDF and the ways of dealing with defaults in Equity bank.

iii. Give policy recommendation on best practices and strategies that increase high outreach of funds to the unemployed youth with minimal loss, that is risk modeling.

1.4 Research Questions

i. What were the motivational factors that led to high outreach of funds through Equity Bank?

ii. What practices Equity Bank employed in administering the youth fund?

iii. What was the total outstanding loan that was in arrears or late in payment as a percentage of total funds lend out by Equity bank?

iv. What mechanisms did Equity bank employ to counter default?

v. Which is the optimal strategy mix?

1.5 Scope of Study

The study was to determine the practices and motivational factors that have led to high outreach of funds through Equity Bank in Thika Sub county which is within Kiambu County .

1.6 Significance of the Study

The study was important in helping unearth the relevance of the pieces of policies under which the fund rides on as stipulated to operate in financial intermediaries and by extension, which operational policies promoted wider outreach and which policies curtailed the outreach when exercising funding. This research was therefore to help policy makers review the policies governing the YEDF in a way it would enhance outreach to many youths.

The study was to add to the existing knowledge on the youth fund and the role played by the financial institutions and hence avail blocks on which scholars and other researches can borrow or build on hence expand to existing literature.

The study was able to get data on the infiltration of the fund from the bank which had not been out for analysis.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews both theoretical and empirical literature on the financial intermediaries and the role they play towards the Youth Enterprise Development Fund. It discusses YEDF as a way of curbing youth unemployment which is a thorny issue in many countries compelling governments to design and implement labour enhancement programmes to curtail and reduce youth unemployment level. The chapter will therefore bring together previous and relevant research done relating to financial intermediaries that influence the administration of the YEDF as well as identify gaps.

2.2 Theoretical Framework

This sub section reviews some of the theories that try to explain how the level of unemployment is influenced in an economy and how interventions work.

2.2.1 Monetary Theory

Monetarists believe that authorities use monetary theory while undertaking their operations. They concentrate more on monetary policy which refers to Central Banks use of control of money supply and interest rates to achieve macroeconomic objectives such as price stability, full employment and stable economic growth (Friedman, 1970). This policy targets unemployment in recession or when the economy is below full employment. The government increases the quantity of money in the economy by reducing the interest rates which stimulates borrowing through the financial intermediaries hence expanding businesses. This leads to increased employment opportunities resulting from more ventures being started or expanded. The financial intermediary is one channel used by the monetary authorities to influence economic variables through money and interest. YEDF was an expansionary monetary policy by the government where money was pumped into the economy though it had a training aspect to boost the effects of the fund through entrepreneurship.

2.2.2 Keynesian Theory

The theories forming the basis of Keynesian economics were developed by the British economist John Maynard Keynes (1936) after the Great Depression. Keynes said that the effects of the great depression which included among others prolonged unemployment could be solved by stimulating the economy by inducement to invest through two ways. First, a reduction in interest rates uses the monetary policy and secondly, Government investment or government spending which is fiscal policy. Reducing the interest rate at which the central bank lends money to commercial banks, the government implies that the commercial banks should also reduce the lending rate for their customers to encourage borrowing. Investment by government in infrastructure injects income into the economy by creating business opportunity, employment and demand and reversing the effects in the economy.

Keynesian economics puts a rejoinder and says no one mechanism moves output and employment towards full employment levels. Keynesian economists often argue that private sector decisions sometimes lead to inefficient macroeconomic outcomes which require active policy responses by the public sector. Keynesians believe that the government has a role in influencing employment.

Monetary theory brings with it money transmission mechanism. The effectiveness of the monetary policy depends on the effectiveness of the channels to produce a positive difference. YEDF intention was to influence the rate of employment. The effect seen in the market is where the entrepreneur makes a decision to expand capacity by borrowing hence hire more workforces or start business in the case of the youths utilizing the YEDF. We briefly look at the theories surrounding the monetary transmission.

2.2.3 Theories of Monetary Transmission

The theories of monetary transmission that concern the study were two. These were the money view and the circuitism or lending view.

The IS – LM / Money View Theory

This is by Bernanke and Gertler, (1989, 1990) which holds that reducing the amount of money outside increases the real rate of return and hence the higher rate of return means a higher interest rate. This reduces investment since very few ventures have a higher rate of return that can borrow at that high interest rate. There is actually no market imperfections but implies that the least productive projects do not enjoy funding. The focus is on high powered money. This theory is however difficult in measuring economically significant responses of either fixed or inventory investment to changes in interest rates due to policy changes. This is in line with Mackinnon theory of interest which looks at the interest rate as a rate of return by the lender or owner of money.

The effect is more evident on the credit channel whereby when the interest rate rises, the banks reduce lending as they invest in bonds instead of to borrowers where they incur cost of credit appraisal evaluation and portfolio management surveillance. This reduces investment as firms cannot borrow at the offered high interest rate consequently cutting down on production and employment (Horngren, 1995). In this case, the government of Kenya decided to fix the interest rate for money lend by financial intermediaries such that the lending to investors is not dictated by the interest rates.

Circuitism or The Lending View

Circuitism was developed by French and Italian economists after World War II and was presented by Augusto Graziani in 1989. Circuitism implies credit money is created by a loan being extended. The loan may not necessarily be backed by any central bank money. Money is created from the credit. When the loan is repaid together with interest, the credit money of the loan is destroyed, but reserves equal to the interest is created which is viewed as the profit from the loan. Elsewhere it is called the bank lending view, Bernanke and Blinder (1988) holds that an independent effect of monetary policy operates through the assets side of banks' balance sheets. The fall in bank reserves that follows after a monetary contraction directly affects banks' ability to extend credit and the supply of loan falls.

On the side of the financial accelerator, it looks at impact of policy on the borrower's balance sheet. The main disparity with money view is that it looks at the impact of changes in the real interest rates. There are market imperfections due to information asymmetry. Firms can misrepresent the riskiness of potential project hence lenders raise the premium when making a loan. So the interest is a risk factor. This built the root of the study for this brought a need to carry out credit risk modeling on the YEDF.

Both theories have the effect where M↑ represents an expansionary monetary policy which leads to a decrease in the real interest rate (i_r↓), which in turn lowers the cost of capital. This causes a rise in investment spending and consumer durable expenditure I↑, thereby leading to a rise in aggregate demand and an increase in output Y↑. For output to increase, employment must go up.

Milton Friedman (1970) states that in fact money supply (M) did fall in great depression. Friedman says this was the cause, Very low riskless interest rates. The study developed from Friedman's Quantity Theory of Money with an intention of developing the relationship between money supply and income which consequently affects investment and ultimately employment.

Friedman Quantity Theory of Money.

MV(r) = PY.

M is the total amount of money in circulation.

V is the transactions velocity of money.

P is a price index.

Y is an index of the real value of final expenditures or in short income.

Money supply goes hand in hand with. Increasing the quantity of money brings in an evil of rising inflation. The Phillip's curve brings the relationship between inflation and unemployment. This is because there is more money in the economy without a relative increase in productivity due to the expansionary monetary policy. This pushes the prices of goods up and the purchasing power goes down. The workers hence insist that their wages increase at the same rate to prevent the erosion of their purchasing power. The resulting increase in demand encourages firms to raise their prices faster than workers had anticipated. With higher revenues, firms are willing to employ more workers at the old wage rates and even to raise those rates somewhat. For a short time, workers suffer from what economists call money illusion: they see that their money wages have risen and willingly supply more labor. Thus, the unemployment rate falls. They do not realize right away that their purchasing power has fallen because prices have risen more rapidly than they expected. But, over time, as workers come to anticipate higher rates of price inflation, they supply less labor and insist on increases in wages that keep up with inflation. The real wage is restored to its old level, and the unemployment rate returns to the natural rate. But the price inflation and wage inflation brought on by expansionary policies continue at the new, higher rates. The government thus tried to some extent look at this issue by making it that the money is for expansion of enterprises and investment by young people. Money increase aiming at increasing employment by a production stimuli.

Theories of Entrepreneurship and Their Critic

The YEDF carried with it training to promote entrepreneurship. There are several theories that have tried to explain on entrepreneurship and what influences entrepreneurship. This is because the fund looks at boosting MSMEs through entrepreneurship.

Trait Theory

This theory holds that entrepreneurs are not made but are born (Cohen, 1980). Entrepreneurs bear certain unique characteristics like, restlessness, independence, being loners and exude great self-confidence. If we would go by this, it implies that there is no intervention that can work to stimulate one to get to entrepreneurship.

Knowledge Spill Over Theory

It spells out that entrepreneurship crops from an expanded economic knowledge and secondly the knowledge expansion has given rise to untapped opportunities available for exploitation. The knowledge emanate from research and technological advancement. If the individuals involved in above two utilize all the new knowledge, then there would be no room for entrepreneur for there is now spilled over knowledge to be tapped by others. This theory differs from the one above as it does not leave entrepreneur to be dictated by nature irrespective of whether one is born or not born an entrepreneur.

Schumpeter Mark I

This theory view from the reverse of knowledge spill over. It stipulates that entrepreneurs with wild ideas are the agents of innovation and technological advancement that change an economy.

These individuals influence the way an economy operates. But an advancement of Mark 1 which is Mark II tries to point to the main players and points that these individuals or entrepreneurs are big companies endowed with resources and capital that help them invest in research and development. This theory therefore agrees with knowledge spill over on innovation and technological advancement to some point.

Motivation Need for Achievement

This is the need to achieve or get successful. The more the responsibilities the high the likelihood of get into entrepreneurship. This moves away from innovation and technology and lays it on the individual rationality to meet some pressing needs.

2.3 Empirical Literature

The role of Financial Intermediaries in administration of the youth enterprise development fund is a point worthy review. Financial intermediaries play a crucial role in the business arena where they offer training to businesses, mobilization of deposits and allocating them to viable sectors through credit as well as screening of borrowers.

Financial Intermediaries and the monetary role

Adan (2013) in his study on influence of youth enterprise development fund in livelihoods of youths in Mandera East District, used both quantitative and qualitative data analysis found out that majority of the youths in Mandera have not benefited from the fund. He recommended that more financial institutions that are involved in loaning youth fund be introduced in the region and the amount of loans be increased as well as awareness of the fund to be increased.

Financial intermediaries also play a vital role not only in lending of funds but in screening while administering the funds. But there has been new challenges where by many wanted to access the fund but the failure rate of new businesses is high. Three out of five MSME fail in less than an year; few months (KNBS, 2007) while little mature to form medium sized firms that can create a considerable amount of employment through hiring attributable to expansion and growth of the MSMEs. This raises a concern on the intended full impact of the YEDF.

Mundia (1978) studied on informal credit in Mathira division in Nyeri District to assess credit accessibility among the Kenyan population and whether informal credit was contributing to economic growth and development in rural areas. He used descriptive regression analysis and percentages to explain the results. He found out that demand for steady income level and collateralizable assets by formal institution were hindering access to credit by the poor.

The YEDF is inadequate to meet all the demand of the businesses and therefore a good fund management is required to unsure the loans disbursed are repaid to give chances to other to have the fund later, Odera et al (2013). In their study in Siaya that sought to know the effect of the youth enterprise development fund on youth enterprises in Kenya, they checked on several variables such as average amount of loan disbursed, revolved repayment, number of successful applicants and used linear regression analysis to analyze the level of explanation. The study indicated that the YEDF had no significant effect on enterprises and recommended that the number of financial intermediaries be expanded. The study revealed a poor performance that affected the financial intermediaries with repayment rate of less than fifty (50%) percent and with their limited sources of funding , this eroded their monetary base hence the lending institutions asked for securities while further leaning towards funding already existing and stable businesses.

So how has this problem been addressed so that the fund does its intended purpose and how has it changed the operation and behavior of the agencies? The study carried out looked into the interplay of the various variables to determine the best practices that have been used by Equity bank to ensure maintenance of a revolved funding. It further established the default rate of the youth fund hence the portfolio at risk at Equity Bank on YEDF and how Equity bank deals with Default of loans.

A research done on factors that influence the Kenyan youth entrepreneurs towards the YEDF in Gatundu by Namusonge and Kanyari (2013), found out that the training had a positive difference in the development and growth of the MSMEs and therefore recommended the youth programme should put more investment into public business training, and have alternative avenues to train business people as well as educating them. They further advocated for localized approaches to business trainings.

Mwangi and Shem (2012) studied accessibility of credit in Kenya. They used bivariate probit model to analyze the access of informal credit. They argued that accessibility to credit was a constraint in Kenya especially for poor urban and rural households since they lack collaterals. They studied various variables such as social capital as a determinant of accessing credit in Kenya, gender, age, education and marital status. Their findings was that sixty percent of the sample size did not have access to credit and women stood a higher chance of accessing loans in informal sector as compared to men.

The research did further analyze the various channels of fund administration, where they used graphs, tables and charts and found that most of the YEDF loanees have accessed it through the intermediaries. A further insight into the intermediaries' where the frequency table was used for analysis showed that Equity bank was more preferred. The analysis did not give why one financial intermediary was more preferred bearing in mind that the product has same features across all the institution and charging same interest. The proposed study tried to investigate the motivational factors that have led to high outreach of funds through Equity Bank and come up with a mix that has best worked for the bank hence giving it a competitive edge. It used quantitative methods to analyze various variables and how much they explain the preference and ultimately outreach.

Training Role

The YEDF carried an aspect of training. But according to Omondi (2013) in his study, Youth Enterprise inhibiting factors and opportunities, he found out that education and vocational training have no positive correlation between an individual's decisions to pursue business activities. He argued that though the training offered seems to play a vital role, it may however not be positive in giving solutions to entrepreneurship in youth development. Increased human capital significantly deterred entrepreneurship. Kenya Economic Report (2013) reveals that the unemployment among the youth is also attributed to queuing for better jobs and skills mismatch among the graduates. Training should be done before youth entry into labour market to motivate self-employment. Secondly, the training to be done to business operators to better their qualification and loans lend based on character of the borrower and abilities. Character is subjective and cannot be identified explicitly. The study looked at the aspect of screening by the intermediary to get how they maximize contact as they minimize risk.

Overview of Literature and Gaps Identified

The literature brings out in general the extent to which the fund infiltrates to the youth, looking at whether the youth has benefited from the fund. It has revealed that in aggregate terms, the benefits of the funds have been very low since the fund has not had a considerable outreach. The literature has worked to bring to the knowledge the factors that seem to dictate what we see as low or moderate use of the fund. Many of the studies have ultimately recommended more use of financial intermediaries. This recommendation is based on what the market seems to prefer from the descriptive analysis done by the studies. This may however not be the best choice since it may be the only option for the market. The studies need to have gone further to dissect the financial intermediaries' playfield. That is, analyze what works for or against the funds in the intermediaries before embracing and recommending the channel. None of the studies has tried to look at the channels pros cons and how they work for or against the optimum utilization of funds and its management but the recommendation is based on what the market seem to signal as the preferred channel of fund administration.

The study carried out delved into the playfield of one of the financier to give an eye opener on how Equity Bank as an intermediary administers the funds. It reviewed the practices that are employed by the bank which has worked for the intermediary in ensuring it has maximum outreach to the youth and good fund management. With this, the study made sound recommendation on policies best suited to work in an intermediary and which may be replicated by policy makers.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This study presents research design used in investigating the role played by financial intermediaries in administration of Youth Enterprise Development Fund. It spells out the research design, target population, sampling procedure, model specification and data analysis techniques.

3.2 Research Design

Parahoo (1997) describes a research design as a plan that describes how, when and where data are to be collected and analyzed. A descriptive survey was used to achieve research objectives. The survey was done to obtain information from the YEDF relationship officers as well as interviews from the groups. Secondary data for analysis was also taken from the bank sources to supplement the data collected during interviews from the groups.

3.3 Target Population

The study covered Equity bank branches in Thika Sub-County that has approximately 2,074 individuals who have formed youth groups.

3.4 Sampling Frame

The number of groups was 104 in Thika Sub-County and 4 relationship officers. This was determined by the number of groups under supervision and funding by the officers by the year 2014. The average membership was 17 per youth group totaling to 2,074 individuals in the Sub County.

Sampling Design and Size

The study used stratified random sampling. Two strata was formed based on number of branches within Thika Sub County. The sample size was 59 groups which represented 56% of total population and the 5 relationship officers.

Sample Size Choice:

Sample size determination "n" was derived by the formulae below by Stamatis D. H (2012).

$$n = [(z^2 * p * q) + ME^2] / [ME^2 + z^2 * p * q / N]$$

Where:

Z = Z value and in our case is 1.96 for 95% confidence level.

p = percentage picking a choice, expressed as decimal which the choice is 90% or 0.9.

ME = Margin of error / confidence interval, expressed as decimal and we desire 0.05 = ±5.

n= [1.96 x 1.96 x 0.9 x 0.1+0.05 x 0.05] / [0.05 x 0.05+ 1.96 x 1.96 x 0.9 x 0.1/104]

n = 58.79 approximately 59 groups.

Proportionate stratification Random Samples Method

The precision and cost of a stratified sample that elements are allocated to strata for Thika 1 and Thika 2. The sample size of each stratum is proportionate to the population size of the stratum, Sarndal, Carl-Erik; et al. (2003). Determined by the following equation:

$$n_h = (N_h / N) * n$$

where

n_h is the sample size for stratum *h*,

N_h is the population size for stratum *h*,

N is total population size,

n is total sample size.

Thika 1 $n_1 = (^{50}/_{104}) \times 59 = 28$ groups.

Thika 2 $n_2 = (^{54}/_{104}) \times 59 = 31$ groups

MODEL SPECIFICATION.

The study used Quantity Theory of Money as developed by Friedman. It modified the theory to fit its context. The theory states that

$MV(r) = PY$. ………………………………………. (Eq. 1)

Where

M is the total amount of money in circulation.

V is the transactions velocity of money.

P is a price index.

Y is an index of the real value of final expenditures/income.

r is interest rate

The government tried to relatively manage the inflation while increasing employment by the expansionary monetary policy; by making it that the money was for expansion of enterprises and investment by young people. Money increase aiming at increasing employment by a production stimuli.

M intended to increase the investment (I).

Assumptions

M is the total money supply measured in loan portfolios.

All M goes to investment only and not consumption I.

The r is a low risk interest rate and is fixed hence does not affect demand.

The equitation is thus MV = f (PY)

V is assumed constant.

P which is general price level is constant.

The collapsed equation is thus M = f(Y)

Where M is the quantity of government YEDF equal to the loan portfolios with the youth.

All money invested is sourced from the YEDF and no savings or other funds.

Model 1 modification.

To increase income Y, investment (I) must expand, Therefore Y = f(I)

So the model looked at the I, which is the money borrowed from youth fund and the factors that influence borrowing or access to the youth fund.

$I = f(X_1, X_2, X_3, X_4, X_5, X_6)$

Loan Portfolio of group (I) = f { Duration of group existence X_1 , average loan size X_2 , Group composition young to old X_3 , Gender mix X_4 , Cash cover/ savings X_5 , Number of empowered youths X_6 }

Variable Description

Variable	**Measure**	**Expected sign**
Duration of group existence X_1	Months	+ve. Number of month's group members have stayed together since their group registration. Adan (2013)
average loan size X_2	shillings	+ve. An increase in the average amount of loan disbursed would increase the total number of beneficiaries. (Odera et al (2013).
Group composition X_3	Percentage of old to young	-ve. Access to credit at older age is higher. The same age bracket has been investing much in enterprises to assist in take care of the members at old age. Expected sign is therefore positive

		since. Gatundu by Namusonge and Kanyari (2013),
Gender mix X_4	Percentage Male/female	-ve. Mwangi and Shem (2012) in their study showed that women get to have more access to credit than men. This means that a higher percentage of a group with men to women would get a lower credit access. Higher chance of women accessing loans compared to men gives the negative sign.
Cash cover/savings X_5	shillings	-ve High value of collateral reduces the chance of accessing credit for the poor. The collateral is used a signal on ability to repay the loan due to information asymmetry. This is an inhibitor to access. The expected sign is negative. Mundia, (1978), and (Kenya economic report, 2013).
Number of empowered youths X_6	Number of persons	+ve. A group with many members has more access to credit hence a positive sign. A change in the total number of applicants and successful applicants of YEDF loan by 63 and 58 would lead to an increase of 67 and 46 respectively in the total number of beneficiaries. Namusonge and Kanyari (2013), (Odera et al (2013).

Data Collection and Analysis

The study used both primary and secondary data. The primary data involved questionnaires administered to the youth groups while the secondary data was mined from the records from the relationship officers' credit of the financial institution. The data was transformed to numerate for analysis to make inferences.

Estimation Techniques

The study used Ordinary Least Squares (OLS). The coefficients' of significantly tested variables was subjected to derive a policy mix of best practices that maximize outreach while minimizing fund loss or depletion.

Tests of Significance and Normality

For the significance of coefficients, a t-statistics test to establish whether the estimated parameters are significantly different from zero was done.

White's test was carried out to check for heteroschedasticity and also check for multicollinearity to ensure the estimators are BLUE (Best Linear Unbiased Estimators).

Limitations

The success rate of the study may have been limited due to time constraint and funds for it required travelling and camping at the various branches of Equity in the county which may undermine achievement of the research objective.

CHAPTER FOUR

DATA FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the result of the analysis of data collected through questionnaires on youths that had benefitted from youth fund through equity bank. The aim of the study was to establish the role of financial intermediaries in administering youth fund. The data was analyzed using quantitative analysis based on meanings and implications emanating from respondents information and documented data. Specifically, it starts with the analysis of the background information of the respondent and their organization then proceeds to interpret results.

4.2 Descriptive Analysis

Table 4.2 gives the summary statistics of the main variables that have been included in the model including: minimum, maximum, mean, standard deviation, skewness, and kurtosis. Mean is used to locate the center of the relative frequency distribution. Additionally, standard deviation gives the spread or dispersion in a series, whereas skewness is a measure of negative or positive symmetry of a distribution of a series around its mean, and kurtosis is the peakedness of the distribution.

Table 4.3: Descriptive Statistics

Statistics	Loan Portfolio of Group	Duration of Group Existence	Average Loan Size	Group Composition Young to Old	Gender Mix	Cash Cover/Savings	Number of Empowered Youths	Loan Portfolio in Arrears
N	59	59	59	59	59	59	59	59
Mean	982290.2	60.1	92830.7	0.7	0.7	692926.5	13.6	6946.3
Std. Deviation	830829.3	28.4	55851.3	0.2	0.2	454927.0	4.6	21318.9
Skewness	2.682	.423	2.162	-.446	-.561	1.216	.035	4.053
Std. Error of Skewness	.311	.311	.311	.311	.311	.311	.311	.311
Kurtosis	10.883	-.336	5.656	-.748	.354	1.316	-.412	15.595
Std. Error of Kurtosis	.613	.613	.613	.613	.613	.613	.613	.613
Minimum	78677.0	13.0	29778.0	0.3	0.0	124525.0	5.0	0.0
Maximum	5225234.0	137.0	329524.0	1.0	1.0	2107858.0	25.0	106981.0
1st Quartile	471354.0	39.0	64688.0	0.5	0.5	374188.0	10.0	0.0
2nd Quartile	749672.0	54.0	77583.0	0.7	0.7	573590.0	14.0	293.0
3rd Quartile	1302260.0	79.0	100385.0	0.8	0.9	971396.0	17.0	3536.0

The results showed that loan portfolio of group had a mean of Ksh982,290.2 with a minimum of Ksh78,677.0, a maximum of Ksh5,225,234, skewness 2.682 and kurtosis of 10.883. Comparatively, duration of group existence had a mean of 60.1, minimum of 13.0, maximum of 137.0, skewness of 0.423 and kurtosis of -0.336. Group composition young to old had a mean of 0.7, minimum of 0.3, maximum of 1.0, skewness of -.446 and kurtosis of -.748. Number of empowered youths had a mean of 13.6, minimum of 5.0, maximum of 25.0, skewness of 0.035 and kurtosis of -.412. However, loan in arreas had a mean of Ksh6,946.3 with a maximum value of Ksh10,6981.0. However, some groups had zero arrears and 75% of the youths had arrears of at most 3,536.0.

Analysis of skewness shows that loan portfolio of group; average loan size, cash cover/savings, and loan portfolio in arrears are asymmetrical to the right around its mean. Additionally, loan portfolio of group and loan portfolio in arrears is highly peaked compared to other regressors.

4.3 Multicollinearity Test

Variance Inflation Factors (VIF) was used to test the multicollinearity among the independent variables. Table 4.4 shows that there is low collinearity amongst the independent variables as the VIF values were below the critical value of 10: duration of group existence (1.349), average loan size (2.256), group composition young to old (2.146), gender mix (1.189), cash cover/savings (2.288), number of empowered youths (2.135), and loan portfolio in arrears (1.473). As stated by Studenmund (2006), the variance (the square of the estimate's standard deviation) of an estimated regression coefficient is increased because of collinearity. Thus, the study had no need of correcting the regression model of autocorrelation and collinearity problems.

Table 4.4: Multicollinearity Test

Variable	**VIF**
Duration of group existence	1.349
average loan size	2.256
Group composition young to old	2.146
Gender mix	1.189
Cash cover/savings	2.288
Number of empowered youths	2.135
Loan portfolio in arrears	1.473

Figure 4.2 shows the Quartile-Quartile plot that test for normality. Generally, the plots do not deviate from the regression line which shows that the variables are normally

distributed (Makkonen, Pajari andTikanmäki, 2013). The graph shows a highly inclining trend between loan portfolio of the group and its predicted values.

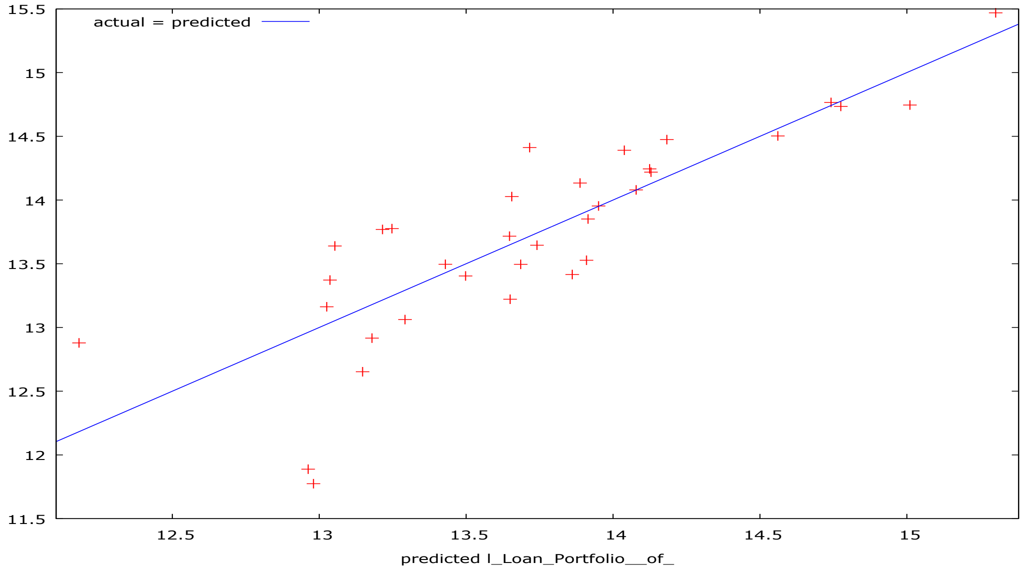


Figure 4.2: Normality Test - Q-Q Plot

4.5 Correlation Analysis

Though the descriptive analysis on which equation yielded better results and highlighted possible problems to encounter in the inferential analysis, there was need to enhance statistic with a more insightful quantitative analysis such as the correlation matrix. Correlation matrix is an important indicator of a linear association of the explanatory variables and helped in determining the strengths of association in the model, that is, which variable best explained the relationship variables of interest. It also helped in deciding which variable(s) to drop from the equation.

Table 4.5: Correlation Matrix

Loan Portfolio of group	Duration of group existence	average loan size	Group composition young to old	Gender mix	Cash cover/savings	Number of empowered youths	Loan portfolio in arrears	
1	0.225	0.7921	-0.136	0.0171	0.842	-0.045	0.5484	Loan Portfolio of Group
	1	0.4219	-0.307	-0.092	0.2539	-0.356	0.0498	Duration of group existence
		1	-0.206	-0.044	0.6264	-0.251	0.4391	Average Loan Size
			1	0.3111	-0.131	0.7276	-0.050	Group Composition Young To Old
				1	0.0452	0.2091	-0.0806	Gender Mix
					1	-0.057	0.3033	Cash Cover/Savings
						1	0.0859	Number Of Empowered Youths
							1	Loan Portfolio In Arrears

From the Table 4.5, it can be deduced that there was a positive correlation between loan portfolios of group: duration of group existence (0.225), average loan size (0.7921), gender mix (0.0171), cash cover/savings (0.842) and loan portfolio in arrears (0.5484). Group composition young to old had negative relationship give R value of -0.136. However, it is only cash cover/savings, average loan size and loan portfolio in arrears that had a good correlation with loan Portfolio of group.

4.4 Regression Analysis

The study ran a regression analysis to determine the joint effect of the independent variables on loan portfolio of group. Regression analysis was used to determine the line of best fit for the model through minimising the sum of squares of the distances from the points to the line of best fit. Through this method, the analysis assumed association between the dependent variable and the independent variables.

Table 4.6: Regression Results

	Coefficient	**Std. Error**	**t-ratio**	**p-value**
const	-4.01868	2.54862	-2.5768	0.01269**
Duration Of Group Existence	-0.00485616	0.00433215	-2.1210	0.04725**
Average Loan Size	0.668817	0.300887	2.2228	0.03513**
Group Composition Young To Old	-0.887053	0.688527	-2.2883	0.02089**
Gender_Mix	0.382976	0.514684	1.7441	0.06349
Cash Cover Savings	0.770408	0.221764	3.4740	0.00181***
Number Of Empowered Youths	0.0245326	0.0263021	2.9327	0.00359***
Loan Portfolio In Arrears	0.00304282	0.0518041	2.0587	0.05361

Mean dependent var	13.72987	S.D. dependent var	0.786727
Sum squared resid	6.134634	S.E. of regression	0.485744
R-squared	0.699651	Adjusted R-squared	0.618787
F(7, 26)	8.652266	P-value(F)	0.000018
Log-likelihood	-19.13294	Akaike criterion	54.26588
Schwarz criterion	66.47676	Hannan-Quinn	58.43014

From the table above, the following regression equation was established:

Loan Portfolio of Group = -4.019 - 0.0049* Duration of Group Existence + 0.669*Average Loan Size - 0.887* Group Composition Young To Old + 0.3829*Gender Mix + 0.7704*Cash Cover Savings + 0.02453*Number Of Empowered Youths + 0.00304*Loan Portfolio In Arrears

From the model, when other factors (duration of group existence, average loan size, group composition young to old, gender mix, cash cover savings, number of empowered youths, and loan portfolio in arrears) are at zero, the loan portfolio of group will be -4.019. Holding other factors (average loan size, group composition young to old, gender mix, cash cover savings, number of empowered youths, and loan portfolio in arrears) constant, a unit increase in duration of group existence would lead to 0.0048 decreases in loan portfolio of group.

Additionally, holding other factors constant, average loan size, gender mix, cash cover savings, number of empowered youths, and loan portfolio in arrears had a positive effect on loan portfolio of group given coefficients of 0.669, 0.382, 0.7704, 0.0245 and 0.0030, respectively. However, group composition young to old had a negative relationship with loan portfolio of group with a factor -0.887. Appendix II, presenting White test for heteroskedasticity establsihed an LM value of 18.5758 at p = 0.18179. This signifies lack of heteroskedasticity. Chow test showed lack of structural break given an F-value of 0.830816 at 0.5872

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussion of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations there-to. This chapter will thus be structured into conclusion, recommendations and areas for further research.

5.2 Conclusions

The study found that financial intermediaries have played a big role in administration of youth Fund. The youth fund administered by Equity Bank has been a success owing to the impressive repayment and disbursement, there was still a challenge of loan arrears facing it though marginally small. However, the bank has tried to reduce the rate of default by ensuring all group members go through training for a minimum of six to eight lessons spread in six weeks. The bank has also enhanced stability of the groups by creating a strong bond and collective individual responsibility by encouraging and funding group projects like purchase of joint group land parcels and businesses in addition to the routine individual funding for own growth. Discipline to group attendance is put at 90% and is strictly followed with exits by expulsion to relaxed members.

The study concludes that increasing awareness of youth fund, its objectives and loan features among the youths will have an effect on the growth of small enterprises. This would results as more youths will apply for the loans and also utilize the loans prudently in order to repay. As pointed out by Amenya *et al* (2011) most of the youth are not properly informed about the loans which make it a challenge in accessing. There is need to provide the youth with adequate information on youth fund objectives and loan features. The study also concludes that reducing the youth problems in the sub-county will have an effect on growth of enterprises in that more youths will involve themselves in gainful activities. Reducing the challenges in implementation of youth fund in the sub-county will also have an effect on growth of enterprises.

5.3 Recommendations.

There were problems of the youth groups being composed of people who were beyond the youth limit. This greatly negates the objects of the youth fund as the target groups who are youths did not receive the funds. There is therefore, the need to correct this by a plan to graduate all the youths above 35 years of age out of access to youth fund to bank loans with a moderate interest above the youth fund interest but below the market for some duration to minimize shock. The youths, for instance, need to be sensitized on youth group formation which involves age evaluation and registration in order to benefit more from the fund. This has limited the fund to young people who have other sources of income.

Besides, the problem of the people beyond the youth bracket benefitting from the fund, there was the problem of loan running into areas. Policy-makers should pay attention in creating forums with other key stakeholders to discuss the issue of loan non-repayment. The following actors could be involved in addressing these challenges: Faith-Based Organizations (FBOs), Community Based Organizations (CBOs), and Non-Governmental Organizations (NGOs), private sector, banks and other financial institutions. Further, the government and other stakeholders should enhance youth entrepreneurship opportunities through improved access to financing for youth-led employment initiatives and implementing policy reforms that help to widen opportunities for youths to access finances.

The study establishes that lack of adequate repayment structures and lack of repayment avenues was a problem. To improve on the viability of the youth enterprises, there was need for the Government to aggressively market the youth products, engage the youth entrepreneurship training before and after obtaining the loans and to provide necessary market information to the youth so as to gain competitive advantage in their areas of operation. The Youth Fund officers had not provided adequate guidance on Youth Fund activities to the youth and there was lack of follow-up on loan beneficiaries (Amenya et al., 2011).

5.4 Areas for Further Studies

The study suggests that future studies should be done on determinants of success of youth small medium enterprises in Kenya. This is especially so given that a number of youth groups had not repaid part of the loans whose payment thereof is predicated on good business performance. Additional studies that can also focus on how youth fund has contributed to youth employment. Further research should be conducted on the variables in study in other settings in order to draw conclusive results.

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APPENDICES

Appendix 1: Questionnaire

INTRODUCTION:

This questionnaire is administered by or on behalf of Stephen K. Kiguta, MA student in the School of Economics, University of Nairobi. The data collected is meant for research purpose only and will be treated with confidentiality.

PART 1: GENERAL INFORMATION

Date of interview:
Day………………Month………………………Year………………….

Interviewed by………………………………………………………

Questionnaire No: ………………………………

Sub County………………………………………………………………

PART 2: GROUP AND RESPONDENT PARTICULARS

1. Name of respondent……………………………………….…
2. Position of the respondent (*Tick where appropriate)*

a)	Group Chairperson	
b)	Group Secretary	
c)	Group Treasurer	
d)	Bank Credit officer	

If Bank Credit officer move to part Five

3. Group name…………………………………………………...
4. Group location…………………………………………………
5. Date of group registration…………………………………….

6. Group membership

	Above 35 years	35 and below
Male		
Female		
Total		

7. Average education level of the group

Primary ( ) Secondary ( ) Tertiary ( ) *Tick where appropriate*

PART 3: GROUP ACTIVITIES

8. Has the group been trained on entrepreneurship? Yes ( ) No ( )

If yes, indicate when and on what topics...
…………………………………………………………………………………………

9. Give three main activities/ enterprises of the group and their income.

S/No	Main type of enterprises	When was the enterprise started	Income (Kshs in year 2013)
a)			
b)			
c)			

PART 4: INCOME

10. Does the group have other sources of income other than from enterprises? Yes ( ) No ( )

If yes indicate the sources

a)……………………………………………
b)……………………………………………
c)……………………………………………d)……………………………………………
…
e)…………………………………………....f)……………………………………………

PART 5: CREDIT ACCESS

11. **From the list below, indicate where the group access credit (source of credit) which helps in financing group activities.** *Tick appropriately*

a) Bank ( ) b) C- YES ( ) (Specify)…………………………………

12. **What were the necessary requirements of accessing credit by the group?**

Source of Credit	**Requirements**
Bank	
C- YES	

13. From above answer, indicate the outstanding amounts in table below.

Total group savings	**Total group loan**	**Outstanding Amount in default**	**What actions has the group taken to deal with defaulters**	**What actions has the bank taken to deal with defaulters**

14. The following facts relate to bank loan. Please indicate whether you agree or not by ticking appropriately. Use the scale provided below.

Strongly agree 5
Agree 4
Moderate 3
Disagree 2
Neutral 1

	5	**4**	**3**	**2**	**1**
It is difficult to access to loan					
Bank loan is costly					
Loan given is not sufficient					
There is high default rate of bank loan					

15. What can be done to improve access to loans for the youth?
____
____
____

Thank you for your time.

Appendix II: Regression Results

Dependent variable: l_Loan_Portfolio__of_group

	Coefficient	*Std. Error*	*t-ratio*	*p-value*
const	-4.01868	2.54862	-2.5768	0.01269**
Duration_of_group_existence	-0.00485616	0.00433215	-2.1210	0.04725**
l_average_loan_size	0.668817	0.300887	2.2228	0.03513**
Group_composition_young_to_old	-0.887053	0.688527	-2.2883	0.02089**
Gender_mix	0.382976	0.514684	1.7441	0.06349
l_Cash_cover_savings	0.770408	0.221764	3.4740	0.00181***
Number_of_empowered_youths	0.0245326	0.0263021	2.9327	0.00359***
l_Loan_portfolio_in_arrears	0.00304282	0.0518041	2.0587	0.05361

Mean dependent var	13.72987	S.D. dependent var	0.786727
Sum squared resid	6.134634	S.E. of regression	0.485744
R-squared	0.699651	Adjusted R-squared	0.618787
F(7, 26)	8.652266	P-value(F)	0.000018
Log-likelihood	-19.13294	Akaike criterion	54.26588
Schwarz criterion	66.47676	Hannan-Quinn	58.43014

White's test for heteroskedasticity -
Null hypothesis: heteroskedasticity not present
Test statistic: LM = 18.5758
with p-value = P(Chi-square(14) > 18.5758) = 0.181798

Chow test for structural break at observation 30 -
Null hypothesis: no structural break
Test statistic: F(8, 18) = 0.830816
with p-value = P(F(8, 18) > 0.830816) = 0.587279

Test for normality of residual -
Null hypothesis: error is normally distributed
Test statistic: Chi-square(2) = 4.4055
with p-value = 0.110499

RESET test for specification -
Null hypothesis: specification is adequate
Test statistic: F(2, 24) = 1.01267
with p-value = P(F(2, 24) > 1.01267) = 0.378248

Appendix II: Sample Frame

THIKA 1 - Sample Frame

	NAME OF GROUP		
1	GACHEGE JITEGEMEE YOUTH	26	BARAKA YOUTH
2	SUPER SAVER YOUTH	27	NYACABA KWIAKA
3	Mitero Jijenge Youth Group	28	NYACABA VISION
4	MWIHOKO VISION	29	Munyu Baraka
5	MWIHOTI YOUTH	30	VISIONS YOUTH
6	Sinai Youth Group	31	Karera y.g
7	People With a Vision y.g	32	Muirini Eden w.g
8	THIKA RAFIKI	33	Springs Of Hope
9	Mumaathi	34	Explorers Youth Group
10	VUMILIA SHG	35	Gimoba s.h.g
11	Umoja ni Nguvu	36	KIHUMBUINI CENTRAL SELF
12	KAMONI YOUTH	37	Ngelelya
13	JIKAZE YOUTH	38	CHANIA YOUTH
14	MTANDAO YOUTH GRP	39	Young Diplomats y.g
15	GATHANJI YOUNG ADULTS	40	PILOT SISTERS
16	MWANGAZA YOUTH	41	JUJA WIYUMIRIRIE
17	MORNING GLORY SHG	42	Workfinishers Youth
18	MAGEGANIA YOUTH	43	DREAMERS YOUTH
19	Young Investors y.g	44	Kamunyaka Utwari
20	Elshaddai Youth	45	KIRWARA UPENDO
21	GACHORORO UNITY YOUTH	46	GACHEGE BRITGT SHG
22	Salon owners y.g	47	GRATITUDE COMMUNITY YOUTH
23	RUIRU DESTINY	48	Jungo Self Help Group
24	Gatundu North Youth	49	NEW HORIZON YOUTH
25	Pivot Youth Group	50	JUNCTION YOUTH

THIKA 2 - Sample Frame

	Name Of Group		
1	Jogoo Mothers	28	Mwerekeo
2	Joshiga	29	Ititu Dairy
3	Tumaini Njema	30	Ebenezer
4	Msingi Mwema	31	Blues Tujekaze Shg
5	Jamhuri Youth	32	Bravo
6	Serious	33	Athena
7	Shalom	34	Makombora
8	Aim Higher	35	Jepaza
9	Wataalam	36	Muthaiga Blessed Shg
10	Single Voice	37	Kiganjo Shinning
11	Mirror Youth Group	38	Gathima
12	Makongeni Dynamics	39	Bright Future
13	Good Hope	40	Young Gakoe
14	Juja Quary	41	New Vision Investors Shg
15	Wounderful	42	Paseco
16	Jasho	43	Digital S.H.G
17	Gachororo Double	44	Barigitu Youth
18	Pamoja Super 16	45	Kamwangi Youth
19	Pamoja Victory Stars	46	Mwangaza
20	Indethi Youth Group	47	Mbese Youth Group
21	Gatura Umoja	48	Kiganjo Stage S.H.G
22	Gatura Victory	49	New Mbese
23	Shujaa	50	Happy Friends
24	Ceema Uugi	51	Thika Mukiriti
25	Big Vision	52	Thika Destiny
26	Agwimi Social Welfare Grp	53	Uzima Group
27	Mavuno PK SHG	54	Bora Bidii

Appendix III: YEDF Disbursement by County Since 2007

	County	C-YES, E-YES, Agri Vijana, Angua Chicks & Vuka		Financial Intermediaries		Total No. Of Beneficiaries	Total Disbursement
		Beneficiaries	Amount	Beneficiaries	Amount		
1	Nairobi	1,526	88,922,623.50	33,712	1,713,818,944.	35238	1,802,741,567.50
2	Mombasa	645	29,025,000.00	6,350	318,583,130.00	6995	347,608,130.00
3	Kwale	355	18,587,057.00	2,182	74,790,525.00	2537	93,377,582.00
4	Kilifi	431	14,499,500.00	4,758	146,371,715.00	5189	160,871,215.00
5	Tana River	182	8,049,270.00	435	8,260,400.00	617	16,309,670.00
6	Lamu	146	5,785,000.00	897	15,455,000.00	1043	21,240,000.00
7	Taita Taveta	376	15,123,830.00	2,849	40,095,400.00	3225	55,219,230.00
8	Garissa	206	9,445,000.00	1,567	52,769,129.00	1773	62,214,129.00
9	Wajir	390	14,275,000.00	214	9,875,852.00	604	24,150,852.00
10	Mandera	413	14,677,500.00			413	14,677,500.00
11	Marsabit	252	10,800,000.00	406	10,276,145.00	658	21,076,145.00
12	Isiolo	229	6,225,000.00	1,541	38,032,360.00	1770	44,257,360.00
13	Meru	1,135	61,959,617.00	17,040	498,604,122.00	18175	560,563,739.00
14	Tharaka Nithi	393	15,611,874.00	2,948	142,969,800.00	3341	158,581,674.00
15	Embu	653	23,860,723.00	10,207	222,165,969.00	10860	246,026,692.00
16	Kitui	1,082	41,273,342.00	2,674	69,410,030.00	3756	110,683,372.00
17	Machakos	1,082	41,273,342.00	4,933	112,479,913.00	5700	144,998,044.00
18	Makueni	767	32,518,131.00	1,163	32,463,435.00	1920	65,243,375.00
19	Nyandarua	576	23,057,270.00	4,822	153,969,317.00	5398	177,026,587.00
20	Nyeri	693	37,177,950.00	8,341	385,334,487.00	9034	422,512,437.00
21	Kirinyaga	632	24,775,018.00	5,927	202,907,500.00	6559	227,682,518.00
22	Murang'a	723	27,905,121.00	8,327	297,447,410.00	9050	325,352,531.00
23	Kiambu	1,368	70,692,860.00	12,685	554,150,547.00	14053	624,843,407.00
24	Turkana	356	14,675,000.00	778.00	30,559,730.00	1134	45,234,730.00

25	West Pokot	230	10,075,050.00	638	29,084,500.00	868	39,159,550.00
26	Samburu	157	6,610,000.00	242	3,015,700.00	399	9,625,700.00
27	Trans Nzoia	484	17,379,314.00	2,577	114,908,955.00	3061	132,288,269.00
28	Uasin Gishu	525	27,663,186.00	5,835	298,505,578.00	6360	326,168,764.00
29	Elgeyo/ Marakwet	585	22,532,888.00	594	10,647,858.00	1179	33,180,746.00
30	Nandi	524	21,260,166.00	4,110	149,544,690.00	4634	170,804,856.00
31	Baringo	502	21,391,880.00	1,849	33,479,500.00	2351	54,871,380.00
32	Laikipia	206	8,575,000.00	3,215	86,727,900.00	3421	95,302,900.00
33	Nakuru	930	43,904,343.00	15,217	610,166,043.00	16147	654,070,386.00
34	Narok	802	46,958,966.00	1,054	42,763,065.00	1856	89,722,031.00
35	Kajiado	499	22,225,840.00	2,230	87,944,166.00	2729	110,170,006.00
36	Kericho	781	25,943,748.00	9,809	257,837,633.00	10590	283,781,381.00
37	Bomet	926	31,665,904.00	650	13,353,948.00	1576	45,019,852.00
38	Kakamega.	1,731	65,994,590.00	4,912	162,360,420.00	6643	228,355,010.00
39	Vihiga	672	28,425,960.00	1,597	63,907,760.00	2269	92,333,720.00
40	Bung'oma	1,020	36,461,745.00	10,005	109,069,511.00	11025	145,531,256.00
41	Busia	599	27,108,560.00	10,002	62,957,032.00	10601	90,065,592.00
42	Siaya	581	21,392,198.00	3,700	130,411,326.00	4281	151,803,524.00
43	Kisumu	893	39,884,362.00	3,239	148,448,771.00	4132	188,333,133.00
44	Homa Bay	664	23,757,870.00	5,684	114,853,367.00	6348	138,611,237.00
45	Migori	741	34,558,300.00	773	26,162,975.00	1514	60,721,275.00
46	Kisii	974	33,405,949.40	5,879	264,971,041.00	6853	298,376,990.40
47	Nyamira	405	22,171,750.00	2,269.00	73,423,725.00	2674	95,595,475.00
	Total	30,042	1,289,542,597.90	230,836.00	8,025,336,324	260,553.00	9,306,385,519.90

Source: Youth Enterprise Fund Status Report, 2013

Appendix IV: Group Distribution Data

THIKA 2

Random Group No.	Group Name	Loan Portfolio of group	Duration of group existence	average loan size	Group composition young to old	Gender mix male /female	Cash cover/savings	Number of empowered youths	Loan portfolio in arrears
45	Kamwangi youth	662,753	99	84,000	0.50	0.75	638,771	10	6,874
19	PAMOJA VICTORY S.	637,612	53	70,357	0.82	1.00	431,897	14	0
46	MWANGAZA	767,566	45	94,091	0.76	0.96	573,590	19	0
47	Mbese youth group	145,532	75	63,636	0.50	0.52	378,417	11	6,075
42	PASECO	637,025	32	64,688	0.71	0.75	401,710	17	0
37	KIGANJO STARS	838,702	54	82,938	0.80	0.73	365,171	12	5,613
22	GATURA VICTORY	1,535,748	39	77,500	0.45	0.45	1,056,237	13	3,048
32	BRAVO	471,354	20	50,188	0.89	1.00	280,480	17	0
15	WOUNDERFUL	1,777,175	55	148,889	0.72	0.24	897,724	13	14,140
17	Gachororo Double	1,323,366	87	137,500	0.63	0.74	999,525	12	0
23	SHUJAA	237,547	32	33,000	0.89	0.94	155,400	16	0
30	EBENEZER	78,677	14	29,778	0.88	0.59	124,525	15	0
54	BORA BIDII	749,672	81	107,214	0.50	0.86	823,335	7	3,536
5	Jamhuri Youth	1,025,740	96	208,889	0.67	0.87	1,063,158	10	0
6	SERIOUS	201,718	13	32,000	0.89	1.00	127,200	16	0
9	WATAALAM	557,763	90	107,500	0.45	0.00	451,637	5	0
36	MUTHAIGA BLESSED S.	954,876	33	74,526	0.83	0.50	387,542	20	90,654
34	MAKOMBORA	386,583	14	34,375	0.88	0.40	230,400	22	0
7	SHALOM	1,147,800	90	116,667	0.67	0.63	866,642	16	16,792

8	AIM HIGHER	1,302,260	52	95,455	0.74	0.89	991,466	14	87
53	UZIMA GROUP	406,979	39	82,000	0.57	0.64	361,882	8	2,978
21	GATURA UMOJA	2,507,670	74	184,944	0.44	0.62	1,379,630	11	106,981
52	THIKA DESTINY	641,706	51	64,733	0.31	0.38	374,188	5	429
29	ITITU DAIRY	905,659	49	100,385	0.35	0.72	482,877	6	15
51	Thika mukiriti	1,423,367	99	251,714	0.77	0.62	737,533	10	0
3	TUMAINI NJEMA	1,944,091	102	221,923	0.57	0.64	971,396	8	0
43	DIGITAL S.H.G	1,932,330	54	78,143	0.93	0.90	1,673,619	14	6,133
44	Barigitu youth	648,233	72	94,667	0.35	0.53	739,672	6	0
18	PAMOJA SUPER 16	474,002	44	77,583	0.76	0.76	292,659	13	0
24	CEEMA UUGI	452,513	45	53,846	0.44	0.17	298,399	7	0
33	ATHENA	391,391	53	35,235	0.86	1.00	164,907	19	0

THIKA 1

Random Group No.	Group Name	Loan Portfolio of group	Duration of group existence	average loan size	Group composition young to old	Gender mix	Cash cover/savings	Number of empowered youths	Loan portfolio in arrears
31	Karera y.g	1,004,777	35	77,963	0.61	0.64	779,089	17	0
1	GACHEGE JITEGEMEE Y.	1,496,651	57	69,324	0.77	0.73	1,459,685	17	3,177
12	KAMONI YOUTH	670,321	23	63,571	0.95	0.76	1,018,847	19	905
13	JIKAZE YOUTH	552,155	43	86,000	0.53	0.58	601,413	10	5,124
19	Young Investors y.g	843,511	58	74,762	0.61	0.56	578,679	25	6,150
34	Explorers Youth Group	1,988,473	71	155,435	0.28	0.52	1,195,052	7	5,212
21	Gachoror Unity Youth	1,235,645	79	79,364	0.89	0.50	1,041,409	17	1,689
5	MWIHOTI YOUTH	1,036,261	64	80,476	0.42	0.89	835,674	8	485
20	Elshaddai Youth	599,802	114	71,818	0.54	0.92	224,572	7	0

22	Salon owners y.g	520,512	100	80,000	0.56	0.50	441,464	10	1,172
18	MAGEGANIA YOUTH	5,225,234	79	329,524	0.73	0.73	1,920,478	16	92,389
50	Junction Youth	726,356	60	72,250	0.68	0.36	671,686	15	293
39	Young Diplomats SHG	2,534,549	51	143,621	0.57	0.82	2,107,858	12	245
41	JUJA WIYUMIRIRIE	453,826	99	73,750	0.83	0.41	453,419	19	0
10	VUMILIA SHG	312,609	25	73,636	0.83	0.44	415,154	15	7,473
4	Mwihoko Vision	392,067	18	35,588	0.62	0.57	169,900	13	69
7	People with a Vision	1,815,063	64	69,583	0.72	0.53	1,055,981	13	1,209
48	Jungo Self Help Group	726,031	46	63,250	0.77	0.93	613,932	23	3,490
24	Gatundu North Youth	960,988	102	68,095	0.42	0.58	543,744	11	12,620
47	Gratitude Youth	2,586,098	79	175,571	0.71	0.60	1,763,861	15	1,789
6	Sinai Youth Group	129,855	56	68,125	0.89	0.28	479,354	17	951
2	Super Saver	1,374,099	60	78,333	0.70	0.68	842,591	20	333
43	DREAMERS YOUTH	126,700	54	52,500	0.89	0.88	282,669	16	0
16	MWANGAZA YOUTH	751,828	29	105,000	0.72	0.72	469,212	18	0
30	Visions SHG	783,674	30	58,158	0.70	0.70	414,890	14	0
3	Jijenge Youth	989,732	51	95,789	0.80	0.85	548,687	16	0
38	Chania Youth Group	470,807	107	45,160	0.65	0.75	956,982	13	1,702
26	Baraka Youth	480,090	137	72,000	0.84	0.68	274,793	16	0