INSTITUTIONAL FACTORS INFLUENCING ACCESS TO CREDIT BY YOUTH-OWNED MICRO AND SMALL ENTERPRISES IN KENYA: THE CASE OF EMBAKASI SOUTH CONSTITUENCY

BY

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DECLARATION BY CANDIDATE

I declare that this is my work and have not been submitted in any other University for a degree award. This work contains no section copied in whole or part from any other sources unless explicitly identified in quotation marks and with detailed, complete and accurate referencing.

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DEDICATION

To my late father Mr. Daniel Mecha whose last words were a prayer to God to guide us through our educational journey. Dad, though forever gone, your prayers were fully answered. We are proud of you.

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ABSTRACT

Most youth in Kenya when faced with unemployment challenges tend to run small businesses for economic necessity. However, these youth lack financial capital, which is difficult to access from formal lending institutions due to lack of sufficient collateral. The Government of Kenya recognized this predicament among youth and initiated the Youth Enterprise Development Fund (YEDF) in 2006 to provide fiscal support through flexible and affordable loans. Although this program is considered a success, most youth have been able to access the funds.

This paper investigated the institutional factors influencing access to credit by youth-owned enterprises in Embakasi South Constituency, with a particular focus on the YEDF. The Specific research objectives are to ;- determine whether social status of group members influence access to YEDF; find out how loan regulatory procedures and conditions influence access to YEDF; and establish whether the constituency political and youth leadership influences access to YEDF.

The study targeted youth groups who owned macro and small enterprises in Embakasi South Constituency, and specifically those who had applied for YEDF loans and were either successful or unsuccessful. Descriptive research design was used to carry out this study. The study used simple random sampling method to select group applicants and respondents. Purposive sampling method was used to select key informants from the YEDF offices, financial intermediaries, civil society organizations, local political leaders and development agencies in the Constituency. Data was collected using face-to-face interviews, with respondents using self-administered questionnaires. Field data were coded, entered into SPSS, Microsoft Excel, Word tables and analyzed using both qualitative and quantitative methods.

The study found that, youth who stayed for longer as a group were more likely to apply and get YEDF loans than those who formed groups to apply for the loan, Education level among group members was not a factor that influenced access to YEDF; Moreover, groups that failed to apply or get YEDF funds due to lack of awareness of the set requirements, and the local political leadership did not influence access to YEDF as the fund is managed as an independent State Corporation. However, youth group leadership influenced access to YEDF. Gender discrimination during group formation was also a factor that influenced access to YEDF. The YEDF loan conditions and regulatory procedures, such as, long time to respond and disburse funds, developing business plans, and bureaucracy also posed a challenge to youth applicants.

The study concluded that attributes of social institutions such as gender and age influenced access to YEDF, although education level was not a major factor, Economic institutions such as loan contractual conditions and regulations were major factors that influenced access to YEDF loans. The study finally concluded that political institutions such as youth leadership, to some extent, influenced access to YEDF loans. The study recommended for further decentralization of YEDF offices for easy access, holding of sensitization forums to create more awareness of the fund among youth, establishing mentorship programs to support successful youth applicants on business management, and conducting independent audits to ensure the money is allocated accordingly and how is invested by youth groups accordingly. The study also recommends for further investigation as to why there is less female youth uptake of the Youth Enterprise Development Fund.

LIST OF ABBREVIATIONS AND ACRONYMS

ERS	Economic Recovery Strategy
GDP	Gross Domestic Product
GOK	Government of Kenya
IEA	Institute of Economic Affaires
ILO	International Labour Organisation
KUSCO	Kenya Union of Savings and Credit Co-operative
KWFT	Kenya Women Finance Trust
MFI	Micro Finance Institution
MOYAS	Ministry of Youth Affairs and Sports
MSEs	Micro and Small Enterprises
NGEC	National Gender and Equality Commission
NGO	Non- Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
SACCOs	Savings and Credit Co-operatives
SMEP	Small and Micro-Enterprise Program
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural organisation
UNFPA	United Nations Population Fund
WEDF	Women Enterprise Development Fund
YAGPO	Youth Access to Government Procurement Opportunities
YEDF	Youth Enterprise Development Fund
YESA	Youth Employment Scheme Abroad

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CHAPTER ONE

1.1 Introduction

The focus of this study was to establish the institutional factors influencing access to credit by youth-owned enterprises in Kenya with a specific focus on Embakasi South Constituency. This section gives an account of the background of the study, a statement of the problem, objectives and research questions. It gives a brief explanation of the situation of youth issues in Kenya and other developing countries. Rationale for the focus of the study is also given in the statement of the problem. It then gives a brief explanation of the scope of the study by mentioning why other factors had to be controlled, and the limitations that the researcher faced in the field and which may have impacted on the outcome of the study but were not taken into account. The section ends with a brief explanation of the significance of the study to those parties concerned with issues of youth-owned enterprises.

1.2 Background of the Study

Kenya has been described as a youthful nation because a large number of the country's population are youth. The Kenya National Bureau of Statistics (KNBS) reports that 32% (summing up to 13million) of Kenya's population are youth. The Institute of Economic Affairs (IEA) in Kenya reports that the youthful population is yet to increase because current statistics from UNFPA indicate that children between 0-14 years make 43% of Kenya's total population. The Institute of Economic Affairs (IEA, 2010) in Kenya further explains that "as the 0-14 age group matures into teenage-hood and young adulthood, and more women continue to give birth in later years than before, space their children more or give birth to fewer children, the bulge will shift to the 15-34 year olds, meaning that Kenya will transition from a 'child-rich' phase/child bulge to a 'young adult' /youthful or youth bulge population."

Migration and urbanization have been two main causes of population changes in the urban and rural areas in Kenya. Urban population has consistently been on the rise in the past three decades (IEA, 2010). The majority of young people, mostly aged 21- 29 years migrate to urban centres with the motivation of finding employment. Unemployment has been reported to be a major challenge for youth. The UN-HABITAT (2009) reports that 75% of the employable youth are not active in the job market due to lack of employment opportunities. The effect of youth bulge is evident in the rapid growth rate in the working-age population and unemployment, which prolongs dependency on parents, diminishes self esteem, fuels frustrations, and also increases the likelihood of violence and other malpractices that cause socio-economic setbacks.

Chapter four of the Constitution of Kenya dispenses the state to take measures, including affirmative action for youth programs, so as to ensure youth access relevant education and training, have opportunities to associate, be represented and participate in political, social, economic and other spheres of life; and to ensure access to employment and protection from harmful cultural practices and exploitation. As a response to this constitutional dispensation, the Government of Kenya started various interventions to address youth unemployment since this is a challenge that affects most youth in the country. Such initiatives included promotion of micro and small enterprise development by funding youth entrepreneurs with the intention that such enterprises could expand to medium size capacity so as to create more employment opportunities. One of such interventions is the Youth Enterprise Fund (YEDF) which was conceived in 2006 and gazetted as a state corporation in 2007. A number of objectives of the fund culminating into the creation of employment included to:

- Provide loans to existing micro-finance institutions (MFIs), for on-lending to youth enterprises;
- Attract and facilitate investment, in micro, small and medium enterprises oriented commercial infrastructure such as business parks, markets or business incubators that will benefit the youth, Support youth oriented enterprises to develop linkages with large enterprises;
- Facilitate marketing of products and services for youth enterprises in both domestic and international markets; and;
- Facilitate employment of youth in the international labour market.

According to the Fund's 2011 Status Report, there are two channels through which these funds can be accessed;

(i) District Committees

Through this channel, constituencies are allocated a revolving fund which started at Kshs 4.5 million. Committees are formed at the district level, which vet applications forwarded by youth groups. Through the constituency revolving fund, groups start at Kshs. 50 000 and increase up to Kshs 400 000. Individuals borrowing from the YEDF must be members of a group that has repaid its loan. However, some constituencies have introduced products whereby individuals with unique ideas can borrow without belonging to groups. Loans in this component attract no interest, but a one-off management fee of 5%.

(ii) Financial intermediaries

Through public-private partnership, as a best practice for development management, the government has partnered with the private sector to create efficient management and delivery schemes and institutions. As a result, some financial intermediaries have been mandated to control the Youth Enterprise Development Fund (YEDF) loans. Some of these intermediaries include Equity Bank, Family Bank, First Community Bank, Kenya Union of Saving and Credit Co-operative (KUSCO), Small and Micro-Enterprises Program (SMEP) among other SACCOs and NGOs. Youth can access up to Kshs 1 million, which attracts an interest of 8% per annum. It can be accessed either individually or as organized entities.

1.3 Problem Statement

Research has been carried on Micro and Small Enterprises (MSEs) almost exhaustively, but with less focus on youth in this sector. For instance, in Kenya the only and most comprehensive National Baseline Survey on MSEs carried out in 1999 did not sufficiently include youth entrepreneurs. It only focused on households as the unit of analysis whereby respondents were mainly parents in particular the father. The 1999 Baseline Survey reported that most participants in the sector were aged between 33 and 35 years (later years of a youth). This survey did not include an important cohort of youth aged between 18 and 32 years old who ought to be but are neither in entrepreneurship nor in formal employment.

Besides the 1999 National Baseline Survey, other researchers such as (McCormick, 1992); (Kinyajui, 2000) and (Kimuyu et al, 2000) reported that most MSEs in Africa remain small or fail soon after they are started due to mainly lack of access to funds for start-ups, operating or expansion. The challenge of access to funds is attributed to less lending from formal financial institutions which were initially sceptical on lending to micro and small enterprises, with an assumption that such enterprises operating in the informal sector were too risky to invest in and also too costly to administer (Alila and Pederson, 2001). These and other studies recommended the government to avail cheap loans with flexible terms to entrepreneurs in the informal sector.

The government has since shown commitment in addressing the challenge of access to funds for business starts-ups and expansion by introducing cheap loans such as the Youth Enterprise Development Fund (YEDF). Though no national survey has been done to provide data on the progress and impact of the fund since its inception in 2006, various research projects have been carried out on the fund in most constituencies.[1] However, most of these studies have focused more on general challenges affecting beneficiaries in the business environment after accessing the fund and less on the process involved in accessing the fund. The studies focused on youth that already run businesses and their recommendations were meant to benefit only youth who have already accessed YEDF and own/run businesses, but tended to ignore those that wish to start businesses but have no access to credit for financial capital. Less has been done to analyze the factors that influence access to YEDF in terms of its institutional nature. A study focusing on the process of accessing funds by youth entrepreneurs is essential so that findings and recommendations could benefit both youth who run businesses and those who are interested in entrepreneurship but have no access to financial capital. This study, therefore, broke down the process of accessing YEDF and focused on the institutional factors influencing access to the fund by youth groups in Embakasi South Constituency.

[1] For more information on YEDF and other services offered through the fund visit; http://www.youthfund.go.ke/index.php/about-yedf

1.4 Main Research Objective

The main objective of the study was to analyze the institutional factors influencing access to the Youth Enterprise Fund by youth-owned micro and small enterprises in Kenya with a particular focus on Embakasi South Constituency.

1.4.1 Specific Research Objectives

In order to achieve the main objective of this research, the study sought to achieve three specific objectives:

i. To determine whether social status of group members influence access to YEDF.
ii. To find out how loan regulatory procedures and conditions influence access to YEDF.
iii. To establish whether the constituency political and youth leadership influences access to YEDF.

1.5 Overall Research Question

In order to achieve the overall research objective, the study sought to answer a general question: What are the institutional factors that influence access to YEDF by youth-owned MSEs in Embakasi South Constituency.

1.5.1 Specific Research Questions

The study answered the overall question by breaking it further into specific questions such as;

i. Does the social status of youth group members influence access to YEDF in Embakasi South Constituency?
ii. To what extent do loan regulatory procedures and conditions influence access to YEDF in Embakasi South Constituency?
iii. How does the political leadership and youth leadership in Embakasi South constituency influence accessibility to YEDF?

1.6 Scope of the Study

This study focused on institutional factors influencing access to credit by youth-owned enterprises in Kenya. The research site was Embakasi South Constituency with a particular case of YEDF. For a better representation of Kenya, the study could have been carried out in all constituencies in Nairobi County but considering the purpose of the study, time and available resources, the researcher decided to narrow it further to one constituency. Moreover, YEDF has various types of loans accessed by youth through various channels. For precision purposes, this study chose to rivet on the C-Yes loan since it is the only YEDF loan accessed through the district offices. However, a recommendation could be made for further studies. On the other types of loans such as Agri-Vijana, Take 254, direct lending and incubator loans for more comprehensive generalizations.

1.7 Significance of the Study

The primary objective of YEDF was to create employment among jobless youth. The research outcomes were intended to provide policy recommendations that could lead to structural transformation in the institutions surrounding the YEDF program. Policy transformation would create a suitable environment for youth to smoothly access funds for business start-up or expansion. Easy access to funds would promote youth enterprise development. Such development would transform youth in the society through sustainable and independent livelihoods. The data collected and analyzed in this study could be used as a scorecard to inform YEDF management and local authorities on possible impediments to successful implementations of the YEDF program. In addition, the data collected in the study could be used to update the currently available data in the office of YEDF. Other development practitioners and local leaders could also use the study's findings to put more emphasis on gaps that were identified in the study.

1.8 Definition of Terms

The following terms were constantly used in the study to refer to the meanings provided below:

An enterprise: A business undertaking characterized by resourcefulness, initiative, drive, imagination, enthusiasm, ambition, energy, and courage.

Group dynamics: Forces that result from the interactions among group members. This study's group dynamics were determined by the purpose of the group formation, roles of members and individual interests of the members.

Microfinance/institutional financing: Financial services offered to small businesses or individuals who lack access to formal financial banking and related services. These financial services use two mechanisms for delivery to clients: first, through relationship-based banking for individual entrepreneurs and small businesses and, two, group-based models where several entrepreneurs come together to apply for loans and other services as a group.

Successful groups: In the context of this study, successful applicants are those groups that applied for a loan from the Youth Enterprise Development Fund and managed to get it after the vetting process.

Unsuccessful groups: This study defines this category of groups as those who applied for YEDF loans but did not get it after the vetting process.

Youth: An individual aged between 18-35 years.

Youth Enterprise Development Fund: A State Corporation gazetted in Kenya in 2007 with the mandate of increasing access to capital by youth and providing business development services to support growth of youth-owned micro and small enterprises.

Youth group: A team of at least 10 members who share a common purpose.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives a discourse of critical analysis of past theoretical and empirical works done by other researchers and academics. Literature on youth entrepreneurship, access to institutional funding and micro and small enterprises were reviewed with the aim of identifying possible knowledge and methodological gaps that gave rationale to this study.

The chapter first gives meaning to the concept of youth and youth entrepreneurship. It then explicates why YEDF was conceived in Kenya and the importance of investing in youth entrepreneurship in developing countries, Kenya in particular. This is followed by an explanation of theoretical models informing the study. The chapter then provides a review of empirical literature on the institutional factors influencing access to credit by youth-owned enterprises. It finally provides an overview of the study through a conceptual framework and an analysis of the dependent and independent variables. A summary of the literature review winds up this chapter.

2.2 Definitions of Youth

Kenya's constitution defines youth as all individuals in the republic who have attained the age of 18 years, but younger than 35 years (Government of Kenya, 2010b). The UN, on the other hand, defines youth as persons between the age of 15 and 24. The World Bank works with 13-24 years of age as a youth. The Ministry of Youth Affairs in Kenya also recognizes youth as persons aged between 15 and 34 years. The universally contested definitions of who comprises the youth leads to belie or lack of inconsistency of statistics on the state of the youth in the world. For instance, while the constitution of Kenya acknowledges a youth to be a person aged between 18 and 35years, the UN, which provides official reports of the state of the world's statistics through the

Bureau of Population Statistics funded by United Nations Population Fund (UNFPA), recognizes youth to be 15 and 24 years old. Such statistics cannot render much relevance to the Kenyan context. Due to constitutional provisions in Kenya, this study will refer youth to be persons between 18 and 35 years old.

2.3 Basis for the Youth Enterprise Development Fund in Kenya

Many countries, especially those in the developing world are experiencing inconsistent economic growth (Chigunta, 2000). Retarded economic growth has denied these countries an opportunity to create sufficient formal jobs to absorb the consistently surging number of youth; both educated and uneducated. As a result of joblessness, high crime rates and political violence in developing countries have been blamed on unemployed and idle youth. Such atrocities are mostly reported in urban areas. This is because most youth have migrated from rural areas to urban centres in search of formal employment. The UN's report on urban youth 2012/2013 state that 85% of the world's youth population live in urban areas. It further reports that a majority of these youth are unemployed. In Kenya, the 2009 National Bureau of Statistics census reports that 32% (summing up to 13 million) of Kenya's population are youth. It further states that 75% of these youth are unemployed.

Micro and small enterprises were recognized as alternatives to job creation and livelihoods promotion after the famous 1972 study on the informal sector carried out by the International Labour Organization (ILO) in Kenya and later on in Ghana. The 2003 Economic Survey in Kenya reported that the informal sector comprising Micro and Small Enterprises (MSEs) accounted for 74.2 % of the total employed population. The 2003 survey also showed that the MSEs contributed up to 18.4 % of the country's GDP in 2003. The transformation of the MSE sector was then prioritized in subsequent macroeconomic policies formulated to prop up economic growth. For instance the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 formulated policies meant to provide a sustainable conducive environment for growth of MSEs into medium size capacity that would consequently create more employment opportunities (Government of Kenya, 2005).

The Ministry of Youth Affairs and Sports (MOYAS) 2008-2012 medium term plan created to promote youth development also prioritized rapid job creation. It was mandated to implement programs through group mobilization and support. Other policy documents formulated to foster youth development through micro and small enterprises include; the 2005 employment creation and poverty reduction strategic paper, the 2003 Sessional Paper on Development of Micro and Small Enterprises for Employment Creation and Poverty Reduction, and later the 2009 employment Marshall Plan which included *kazi kwa vijana* program. Other recent interventions put in place to promote youth employment and micro and small enterprise development include the *Owego* fund which is a Kshs 6 billion grant awarded by His Excellency President Uhuru Kenyatta following the last national election where the Jubilee Coalition parties won the first round. The funds were a budget of the Jubilee Coalition set aside to be spent in case there was to be a re-run. Moreover, section 227 of the Constitution of Kenya provides for a policy through a program termed Youth Access to Government Procurement Opportunities (YAGPO) that ensures at least 30% of government contracts are awarded to youth-owned firms.

Through most of the foregoing policy documents and strategic plans, the Youth Enterprise Development Fund (YEDF) was conceived in 2006 as one of the flagship projects of the Vision 2030 under the social pillar.

2.4 Types of YEDF Loans

The youth enterprise development fund through direct and intermediary lending offers six types of loans:

Agri-vijana

These loans target young people keen on or undertaking agribusiness in particular green house farming, which are provided through Amiran Kenya. Amiran Kenya provides youth with green house farming materials while the YEDF pays for them and then the youth can repay in agreed terms.

Direct lending

This product which can be accessed directly from YEDF targets youth (18-34years) with existing formal businesses and is strictly for business expansion.

Take 254

These loans target young people venturing into film making business and may apply as individuals, registered groups, partnerships or companies

Incubator loan

Through this loan, YEDF provides youth with egg hatching incubators on credit. The loan is open to individual as well as group applicants.

According the YEDF 2011 Status Report, by the year 2010 the fund had financed over 157,000 youth enterprises with Kshs 5.9 billion, trained over 200, 000 young entrepreneurs and supported thousands of them to take up jobs overseas through the Youth Employment Scheme Abroad (YESA) program. Most of these youth are now working in the Middle East in countries such as Qatar and Saudi Arabia.

C-Yes loans

These are constituency based loans. They are categorized into three types: *C-Yes Rausha* loan which targets youth groups that are starting new projects: *C-yes Inua* loan, which targets youth groups with already running projects, and *C-Yes Special* loans, which target groups carrying out special business projects whose proceeds are generated on pre-determined irregular periods.

For precision purposes, the study focused on the C-Yes loans, which are offered at the constituency level. The C-Yes loan was introduced to offer loans to youth at the lowest level of the constituency so as to reach beneficiaries with less experience in business and dealing with formal financial institutions. This type of loan is offered to registered groups that are vetted and approved by community committees at the constituency offices. Loan approval for these groups depends on the group's ability to come up with a clear business project proposal, have a valid registration certificate, have at least 70% members being youth and the leadership be 100% youth and must be registered with a government body.

2.5 Theoretical Literature

2.5.1 Theory of institutions

North (1991) defines institutions as humanly constraints that structure political, economic and social interaction. He posits that institutions consist of both informal constraints (sanctions, taboos, customs, traditions and codes of conduct), and formal rules (constitutions, laws, property rights). The World Bank (2002) through its World Development Report defined institutions as rules, enforcement mechanisms and organizations. They are rules, including behavioural norms, by which agents interact; and organizations implement rules, codes and conduct to achieve desired outcomes (World Bank, 2002). Institution builders include policy makers, businessmen or community members.

According to this theory, effective institutions raise the benefits of cooperative solutions. Effective institutions are those that are incentive-compatible. For instance, institutions with internal enforcement (implemented by the parties affected by the rules) are effective because there is a mutually recognized system of rewards and penalties (World Bank, 2002). Effective institutions reduce transaction and production costs per exchange so that the potential gains from the trade are realizable (Kimuyu 2002) since all parties contribute towards the total costs. In this study it was assumed that effective institutions will be created if YEDF management and group leadership allow for inclusive decision making and implementation so as to ensure accountability.

North (1991) argues that political and economic institutions are important parts of an effective institutional matrix. Acemoglu et al (2004) gives examples of economic institutions as security of property rights, entry barriers, and the set of contracts available to businessmen. In the context of this study, the economic institutions (laws, regulations, conditions for microfinance contracts and group registration requirements) and political institutions (County leadership, group leadership and YEDF management) in Embakasi South will be analyzed to find out whether they are effective institutions for the benefit of youth in accessing the funds or otherwise

Nabli and Nuggent (1989) in Atieno (2012) assert that institutions are important because economic actions take place in a social context. Atieno (2012) argues that since an entrepreneur is a socially embedded individual, he or she will use personal networks for the benefit of the enterprise they own. Networks of relationships, such as youth groups should therefore help the individual entrepreneur to benefit through collective negotiation of flexible collateral terms, thus easy access to credit and repayment of the same. This study used the theory of institutions to examine how youth use their social networks to form groups and also shed light on the social attributes that may impede youth groups from being effective institutions that can benefit them as entrepreneurs.

2.5.2 Collective Efficiency Model

Schmitz (1995) defines the concept of collective efficiency as the competitive advantage derived from external economies and purposeful joint action. Collective efficiency puts across two concepts. One is that economic viability can neither be understood nor fostered by focusing on individuals but groups. In other words, this model supposes that for entrepreneurs to run economically rewarding businesses, they are better off investing in groups rather than individually. The second concept of this model infers that incidental external effects are not efficient and that the effects of purposeful joint action are essential for firm growth. This is to mean that these groups are, not incidentally formed rather entrepreneurs with same interests form groups to jointly negotiate for their social space in the market. Kinyanjui (2000) contends that the opportunities that can be tapped through collective efficiency and purposeful joint action include; a foundation for business start-ups, labour pooling, learning processes, specialization and division of labour and social relations and networks. Furthermore, Kinyanjui (2000) quotes Schmitz and Nadvi (1994) who asserted that if based on trust, social relations and networks are important components of cluster's success. They reduce transaction costs and underlie the conscious pursuit of joint action Kinyanjui (2000). In the case of this study, social relations/networks involved in the youth groups (which are purposeful joint action) acted as foundations for business start-ups and expansion of the same. The collective efficiency model in this case should help youth groups reduce the cost of registering businesses, borrowing and repaying loans.

2.5.3 Networking theory

> *"... Being composed of individual and collective social networks, ties and structures help the individual get access to information and know-how."* *(Bollingtoft et al, 2005)*

According to this theory people form group ties in order to maximize their personal interests and desires. Coleman (1988) showed how two individuals with each operating out of self-interest form the basis of a social system such as a small group. Bourdieu and Wacquant (1992) assert that individuals consider creation of ties as an investment in the accumulation of social resources or social capital. Bourdieu and Wacquant (1992) defined social network as a sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition. Coleman (1988) says that individuals expect to deploy social capital and reap returns on their investment in the form of opportunities from which they can profit. Burt (1997) says that the return of this investment accrues from the individual's ability to direct the flow of knowledge and information between those who are not directly connected. In this case an individual joins a group to fill a structural hole by providing social capital as well as benefiting from the same that is provided by other group members.

The study assumed that individual youth form groups through networking each with an interest of gaining from the group as an investment. For all these individuals to fulfil their desires, each member should contribute in their uniqueness towards filling any structural holes that may impede them from accessing capital. The group members can collectively negotiate for flexible micro-finance, contractual terms, hence increasing the accessibility of institutional funding in this case YEDF. Besides examining how individuals create networks to form youth groups, the study also sort to identify how groups ensure all members contribute equally towards attaining the given requirements for YEDF loan application.

2.6 Empirical Literature

2.6.1. Why promote youth entrepreneurship?

Drucker (1970), states that entrepreneurship is about taking risks while Schumpeter, (1965) defined entrepreneurs as individuals who exploit market opportunities, through technical or organizational innovation. Ghai (1988) asserts that youth are known to possess qualities of enthusiasm, motivation, enterprise, risk-taking, flexibility, energy, resourcefulness and willingness to try new approaches. These characteristics of the youth confirm that the youth possesses extra qualities that perfectly fit into entrepreneurship. As Schumpeter (1965) argues, entrepreneurs are considered to be agents of change and whose activities foster economic development. Given a chance and financial resources to tap the already identified opportunities, youth can become agents of change as they already possess the right characters of entrepreneurs.

Schumpeter (1965) asserts that through the act of innovation, the entrepreneur introduces new goods in the markets, discovers new sources of raw materials, introduces new methods of production through labour saving methods, adds value to existing products, minimizes production costs, and introduces new management styles. To advance this argument, the Kenya Vision 2030 stipulates that the advancement of micro and small enterprises into tomorrow's industries can only be achieved through innovation and productivity. OECD (2001) points out that youth entrepreneurship promotes innovation and resilience as it encourages young people to find new solutions and ways of doing things through experience based learning. These arguments therefore indicate that young people are believed to be more compliant with technology changes and innovation in the modern world of globalization thus making them a good target group for entrepreneurship in Kenya.

Kenyon and White (2000) affirm that youth enterprises give young people a sense of belonging and meaning in the society. This sense of inclusiveness encourages the youth to be more productive in society because they feel appreciated. It is therefore important to promote youth entrepreneurship so as to give them a sense of belongings in the society. Government programs such as the YEDF and other soft loans can shape the identity of youth and keep them off social malpractices such as drug abuse, violence, robbery, alcoholism and other malpractices attributed to lack of identity and frustration. Recognition of this vulnerable, but very important group in Kenya forms the cause for the government to introduce initiatives such as YEDF so as to tap the human and social capital in youth for national economic development.

However Curtain (2000) admonishes the state not to adopt entrepreneurship as a panacea to all development problems. This is because development is multidimensional, and therefore cannot be solved solely though entrepreneurship.

2.6.2 Access to Funds by Youth Owned Businesses

The 1999 baseline survey of micro and small enterprises report that most youth in Kenya are either jobless, underemployed in the formal job market or running micro or small enterprises. Because of the nature of the economy, most micro and small enterprises dwell in the informal sector in Kenya. Atieno (2001), states that lending to businesses in the informal sector has been difficult because most formal financial institutions are considered "uncreditworthy". Atieno (2009) further imputed lack of access to funds for MSEs to the segmented and nature of financial markets which increases transaction costs attached to financial services. Alila and Pederson

(2001) also ascribed the challenge of inaccessibility of funds to less involvement of commercial banks, which perceived MSEs to lack marketable collateral and that they had no established credit rating. These perceptions have posed financial challenges to youth and women-owned enterprises as they dominate the informal sector.

However, the perception of MSEs as risky undertakings has been repealed by another form of financial support provided by the government which has partnered with micro finance institutions. There are a number of schemes and special programs that have been put in place by the government and NGOs to support businesses owned by vulnerable groups such as women and the youth. Such programs include the Kenya Women Finance Trust fund (KWFT), Women Enterprise Development Fund (WEDF) and the Youth Enterprise Development Fund (YEDF). A number of mechanisms are being used by these programs to lend to businesses in the informal sector. One of these mechanisms is to take advantage of the social networks involved in the sector and encourage group loan application. The logic behind this mechanism of group loan application is inspired by Schmitz (1995) theory of collective efficiency, who says that social relations and networks based on trust are important components of cluster development and are critical to a firm's success. It therefore becomes cheaper for youth groups to borrow from microfinance institutions because with collective action it is easy to pay back the loans, thus they can support each other to start or expand individual businesses.

However, this study sought to fill a gap snubbed by proponents of collective efficiency that despite its effectiveness, there are also factors that impede effective joint action. The study speculated that group dynamics come along with conflicts that may preclude groups from being effective institutions that can raise the benefits of cooperative solutions. Group dynamics in this study refer to forces that result from the interactions of group members which influence the behaviour of individual members as well as the group as a whole. Toseland et al (2004) posits that ignoring group dynamics can have a negative impact on the meetings of members' socioemotional needs and goal attainment, which may consequently lead to unproductive meetings and dissatisfied members.

2.6.3 Political and Economic Factors Influencing Access to Government Funds

Acemoglu et al (2004) defines political institutions as recognized structures of rules and principles within which organizations operate. Examples of political institutions include the form of government, for example, democracy versus dictatorship, or autocracy, and the extent of the constraints on politicians and political elites. Political and economic institutions are almost inseparable because whereas economic institutions include property rights, entry barriers, and the set contracts available for businessmen, the role of politics is to guarantee enforcement of these economic institutions. Acemoglu et al (2004) argues that one should not try to understand or manipulate economic institutions without thinking about the political forces that created or sustain them. This is because political institutions shape policy decisions by constraining the set of feasible choices of the decision-makers.

Good political institutions recognize the concepts of the right to vote, inclusive development and participatory decision making, and ensure accountability and responsibility in managing and distributing public funds. Successful provision of good institutions is referred to as good governance. Good governance includes the creation, protection and enforcement of property rights. It includes the provision of regulatory regime that works with the market to promote competition (World Bank, 2002).

According to this study, good governance includes ensuring that vetting of applicants is done according to the laid down procedures and with due fairness so as to ensure only competitive and deserving youth receive YEDF loans. However, political agency may arise when those in power start misappropriating funds or diverting them through rent-seeking and misuse of power hence creating bad political institutions. Rent seeking as explicated by Buchanan (1980) and Posner (1975) is used to describe the effects of attempts of groups to achieve profits through government restrictions on entry. Posner (1975) argued that there has been a concomitant increase in the attempts by individuals and groups to create income opportunities through political activity. This study hypothesized that political interference in the management of YEDF and its beneficiaries may be motivated by self interests where culprits will be seeking to transfer the funds for their own economic ends.

Nevertheless, with good governance, Bates et al (2004) established that political accountability can induce governments to use its power in ways that are not purely self-interested. This study investigated how youth groups and YEDF administration chose their leaders and whether this leadership encouraged internal mechanisms that allowed for participatory decision making, accountability and responsibility as pre determinants of good institutions. The findings of this study were used to conclude whether the political leadership in the constituency and leadership of the youth groups influenced access to the fund by youth entrepreneurs.

Allen and Alan (2000) posit that the role of the state in development is to provide a safe, secure and desirable environment for other development agents to implement developmental programs. For instance, in the case of youth entrepreneurship, the role of the government is to ensure a desirable environment for enterprise development as a way of promoting development. This may include ensuring the flow of funds into the YEDF kitty for redistribution. Inadequacy of funds in the government kitty may impede youth from accessing the same. Fitzsimmons and Douglas (2005) contend that the capacity of the state to provide adequate funds may hinder development of youth-owned enterprises. Such inadequacies may be attributed to the government's failure to budget enough of its national expenditure for youth enterprises or it may be due to failure from the youth to repay their dues in time for easier redistribution and the flow of funds. Good and effective political institutions, therefore ought to ensure proper management of government funds, and that the youth comply with given policies and regulations such as loan repayment schedules.

Chigunta (2002), in his analysis of empirical data for two programs that have been successful in promoting youth entrepreneurship- (*Imprenditorialita Giovanile* (IG) S.P.A in Italy and the Prince's Trust - Business (PTB) in the United Kingdom) reported that one of the factors for the success of these programs was adequate funding from the government and a supportive policy regulatory environment that allows for efficient provision of business development services to youth entrepreneurs. Chigunta, (2002) reports that the major reasons given for the failure of government funded projects in developing countries is inadequate funding and lack of a flexible policy regulatory environment. Flexible policy, regulatory environment involves better business registration processes and requirements, affordable loans for business start-ups and prompts disbursement of funds.

McCormick (1999) also affirms that legal systems that do not provide an enabling business environment discourage growth of micro and small enterprises. The 2011 YEDF status report outlines the requirements to be accomplished before qualifying for the fund. This proposed study intends to examine the conditions of microfinance contracts involved in YEDF such as application procedures, vetting process, disbursement, utilization and repayment as possible factors that may influence accessibility of the fund by new applicants or those applying for the second and third time.

Djankov (2005) notes that regulations and bureaucracies are likely to impede sustainable performance of youth-owned enterprises because these influence accessibility to business development services such as operating and expanding capital. However, this study may argue that some sort of bureaucracy is necessary to ensure accountability and transparency otherwise the program can collapse. On the other side, the study proposes that such bureaucracy should be moderated to ensure some very viable youth entrepreneurs can access the fund at all times. Nevertheless, the nature of some micro and small enterprises may be in need of urgent loans to purchase goods or input to maximize profit. For instance a youth garment vendor in Uhuru Market can get a tender to supply clothes in bulk. If this youth needs such urgent cash, the bureaucracy involved in getting a YEDF fund will impede this youth from seizing such an opportunity, thus accessibility is still a challenge. The study will therefore address such political and economic institutional factors that can hinder access to YEDF funds.

2.6.4 Social status and access to Microfinance Institutions

Social status; also identified as attributes of social institutions include education level, gender, ethnicity and age.

Gender and access to MFIs

The UN defines gender as social attributes and opportunities associated with being male and female and the relationship between woman and men, as well as the relationships between women and those between men. The Constitution of Kenya directs that women and men have the right to equal treatment, including the right to equal opportunities in political, economic, cultural and social spheres (Government of Kenya, 2010). This study assumed that men and women, youth entrepreneurs should be given equal opportunities and rights when registering their groups, or applying for YEDF loans. The UN Women's Department argues that equality between women and men is seen both as a human right and as a precondition for, and indicator of sustainable people-centred development.

Global concern on gender equality has generally focused on women empowerment, especially in developing countries. This is due to the social-cultural foundations in most societies that initially discriminated women against acquiring property rights. Kembo, (1990) in Alila and Pederson (2001) in his study of urban women found out that women were dominantly pioneers of the informal sector since government policies did not initially empower them with relevant training and skills in the formal sector. Kembo (1990) in Alila and Pederson (2001) further states that when programs to promote micro and small enterprises in the informal sector were introduced, the formulated policies worked at the advantage of men who again flooded the informal sector especially in the urban areas.

Abor (2008) posits that the gender of the small enterprise owner may affect the capital structure choice of the firm. Abor (2008) also affirms that women-owned enterprises are less likely to use loans for reasons such as discrimination and greater risk aversion. Micro and Small enterprises in the informal sector failed to thrive because women (who dominantly own MSEs) could not access credit from formal institutions (Sithole-Fundire et al, 1995). This is because the latter demanded collateral that mainly entailed properties such as land or houses which were not in possession of women. McCormick (1991) in her study of female and male entrepreneurs in Nairobi concluded that female entrepreneurs settled for micro enterprises that relied on informal savings and *merry-go-rounds* whereas male entrepreneurs settled for larger enterprises despite being in the informal sector.

The 1999 National Baseline Survey on Micro and Small Enterprises also found out that female owned enterprises borrowed less credit as compared to male-owned enterprises. Table 1 presents empirical data from the 1999 survey. This data indicates that relatively large loans are obtained by men and jointly-owned enterprises than by women-owned enterprises.

Table 1: Percentage distribution of the overall loan requirements

Amount Kshs	MEN		WOMEN		JOINTLY-OWNED	
	No	%	No	%	No	%
0-1000	3,519	11.4	2,348	7.2	-	-
1 001-5 000	2,026	6.6	10,000	33	288	0.9
5,001-10,000	1,164	3.8	3,304	10.1	2,333	7.6
10001-20000	4,379	14.2	10,854	33.1	4,664	15.1
20,001-50,000	11,429	37.1	3,349	10.6	4,395	14.3
50,001-100,000	4,439	14.4	859	2.6	2,046	6.6
100,001-500,000	3,530	11.5	1,145	3.5	1,165	3.8
500,000 +	303	1.0	-	0.0	-	0.0
Total	30,789	100.0%	32,839	100.0%	14,891	48.4*

Source: National MSE Baseline Survey 1999 (CBS K Rep and ICEG)

The data in Table 1 indicate that as the loan amount increases, male entrepreneurs are borrowing and obtaining more than their women counterparts. For instance bigger percentages of women are reported to have borrowed up to Kshs 20000 as compared to male entrepreneurs. But as the loan amount increases up to Kshs 500000, more male are reported to have borrowed in bigger amounts than female entrepreneurs. This, according to the survey may have been contributed by lack of collateral in the side of women entrepreneurs. This data may also confirm Abor (2008)'s findings that women-owned enterprises borrow less and tend to start smaller enterprises because they have a greater risk aversion. The 1999 MSE Baseline Survey may have ignored an important observation that may explain the low percentage of women borrowers. Just as McCormick's (1991) findings evinced, female entrepreneurs relied more on informal savings such as merry-go-rounds for capital than borrowing from formal financial institutions. These findings of women borrowing from informal savings and associations may have been an alternative to the laid policies at the time of McCormick's study (1991).

Such policies as collateral requirements hampered women from borrowing from formal financial institutions, since at the time of McCormick's study property rights for women had not been honoured until recently. McCormick's study in 1991 and the 1999 MSE Baseline Survey indicated that the economic institutions that provided guidelines for borrowing from formal financial institutions discriminated female entrepreneurs from borrowing. The National Gender and Equality Commission (NGEC) report that; many women in Kenya have limited control over productive resources such as land and low decision making power concerning household resources which are mainly required as collateral by lending institutions.

Kenya is ranked number 145 out of 186 countries in the gender inequality index as reported by the National Gender and Equality Commission (NGEC). NGEC (2014) reports that many women in Kenya have limited control over productive resources such as land, and have low decision making power concerning household resources, which are mainly required as collateral by lending institutions. In order to attain flagship projects for gender, youth and vulnerable groups, the government through Kenya Vision 2030 intends to institutionalize the Women Enterprise Fund and increase its overall amounts and efficiency in projects launched by its beneficiaries, rehabilitate or build one youth empowerment center in each constituency and increase the youth enterprise fund, while ensuring efficient and productive use of funds allocated to youth groups (Government of Kenya, 2007).

At this point, this study sought to answer a question: since the government intervened to reform economic institutions by providing loans such as the WEDF and YEDF with flexible policies and loan contractual terms and conditions, how have female youth taken advantage of group borrowing to access for entrepreneurship? Moreover, the gist of this study was that matters of youth entrepreneurship should not be affected by gender issues since youth seem to face the same challenges as joblessness and lack of starting capital.

Formal education level and access to MFIs

Education in all its forms includes all efforts aimed at transferring knowledge and know-how, shaping attitudes, values and behaviours, techniques, and procedures, both in school and out of school (UNESCO, 1985). This section reviews literature on formal education and its role in MFIs credit access for youth MSEs. Formal education takes place in an organized setting with specific objectives and resources. This may occur in a training center or on the job.

Inadequate education level hinders individuals from dealing with complex life obstacles for wealth (McCormick, 1999). One of the requirements for accessing YEDF loans is a viable and marketable business plan and economically viable business idea. An entrepreneur has to possess a business idea that will help them obtain financial support. This argument supports ideas advanced by Rapando (2008) who argued that inadequacy of quality education is responsible for the low levels of innovation, creativity and competitiveness in entrepreneurial activities. Schumpeter (1934), regarded as the father of entrepreneurship innovation also argues that only tradable innovations can thrive sustainably in the contemporary capitalist and competitive society.

The 1999 MSE baseline survey concluded that the level of education determined the type of organization that entrepreneurs belonged to. This consequently determined the kind of business such organizations started and the amount of loans they applied for. Those with low level education belonged to *merry-go-rounds* that lacked business focus or never joined any business associations. This study also sought to find out whether education levels among youth were a contributing factor to belonging into a business association and if these levels contributed to their success or failure to get YEDF loans.

However, some researchers in the Kenyan informal sector have also given contradictory observations. Kinyanjui (2000) refuted the fact that entrepreneurs in the informal sector commonly known as *jua kali (*open air market*) in* Kenya perform poorly due to lack of education. From her study of this cluster, Kinyanjui (2000) says she experienced a lot of innovativeness and creativity in the way the entrepreneurs moulded metals into fine products yet they had minimum levels of education.

Kinyanjui (2000) is for the idea that education structures rather that education levels influence creativity and entrepreneurship capability. However, Kinyanjui (2000) misses the fact that financial institutions vet and fund only those entrepreneurs with innovative and economically viable business ideas as collateral. Despite their creativity in modelling products copied from original items, one will ask if they have adequate business information to make good business plans and ideas that would aid them towards being successful in applying for credit. The question for this argument to be answered through this research is whether, apart from creatively copying original products and modelling them, these entrepreneurs in the *jua kali (open-air informal market)* sector possess enough knowledge and information to help them access funds for enterprise development.

The assumption of this study was that, although education is important in acquiring business information needed to access funds, education levels are not significant in influencing access to the YEDF loans. It rather argues using the new institutional theory that effective institutions embedded in social networks such as youth groups can help to acquire business information needed for credit acquisition. The researcher studied the level of education of the youth entrepreneurs in Embakasi South Constituency to find out the extent to which this particular social attribute influences access to YEDF.

Age of Youth Entrepreneurs and Access to Micro Finances

Chigunta (2002) categorized youth entrepreneurs into different age groups to show how cohorts' needs and drive to run enterprises influence demand for credit. This age cohort included; pre-entrepreneurs who are aged between 15 and 19 years. Chigunta (2002) argues that youth in this age have a very low level of desire to participate in the small enterprise sector because they are in transition of the home or education to the workplace. Curtain (2000) debates that; many young people are transiting from education to work as a single step of leaving the education system and entering the world of work. Youth at this stage are less likely to seek credit from financial institutions. Those coming from low income or poor families are likely to be employed by older entrepreneurs in the MSE sector, where they first gain entrepreneurship skills and relevant experience. Chigunta says that youth at this stage are faced with the challenge of decision making on business start-ups, and lack of awareness of institutional lending/funding.

Budding entrepreneurs is the second category of youth entrepreneurs who are aged between 20 and 25 years. These youth are in their growth stage whereby most of them may have gained some experience, skills and capital to enable them to run their own enterprises. Chigunta, (2002) argues that youth at the budding entrepreneurs' stage remain stuck in marginal activities (majority), go out of business or run successful enterprises. These youth, therefore, are in need of working capital to help them maintain their enterprises that may otherwise collapse.

Emergent entrepreneurs are the third category of youth entrepreneurs, according to Chigunta (2002), aged between 26 and above. They have a higher level of maturity than the younger cohorts and they are likely to have accumulated vital experience for entrepreneurship. These youth have a drive to run successful enterprises with high chances of seeking more funds for business expansion. This study, therefore hypothesized that youth will be driven to borrow from financial institutions depending on the age cohorts they belong. It also analyzed groups with members belonging to different cohorts so as to find out whether there is a correlation between the age of the youth and access to credit.

However, this study thought of a possibility that personal experience and training in the line of entrepreneurship and business management may drive some youth to borrow funds from YEDF regardless of their age bracket. The study also assumed that youth who form groups and stay in them for longer are able to benefit from social structures created as a result of regular interaction and that these structures may help youth to collectively negotiate for credit regardless of their ages.

2.7 Summary of the Literature Review

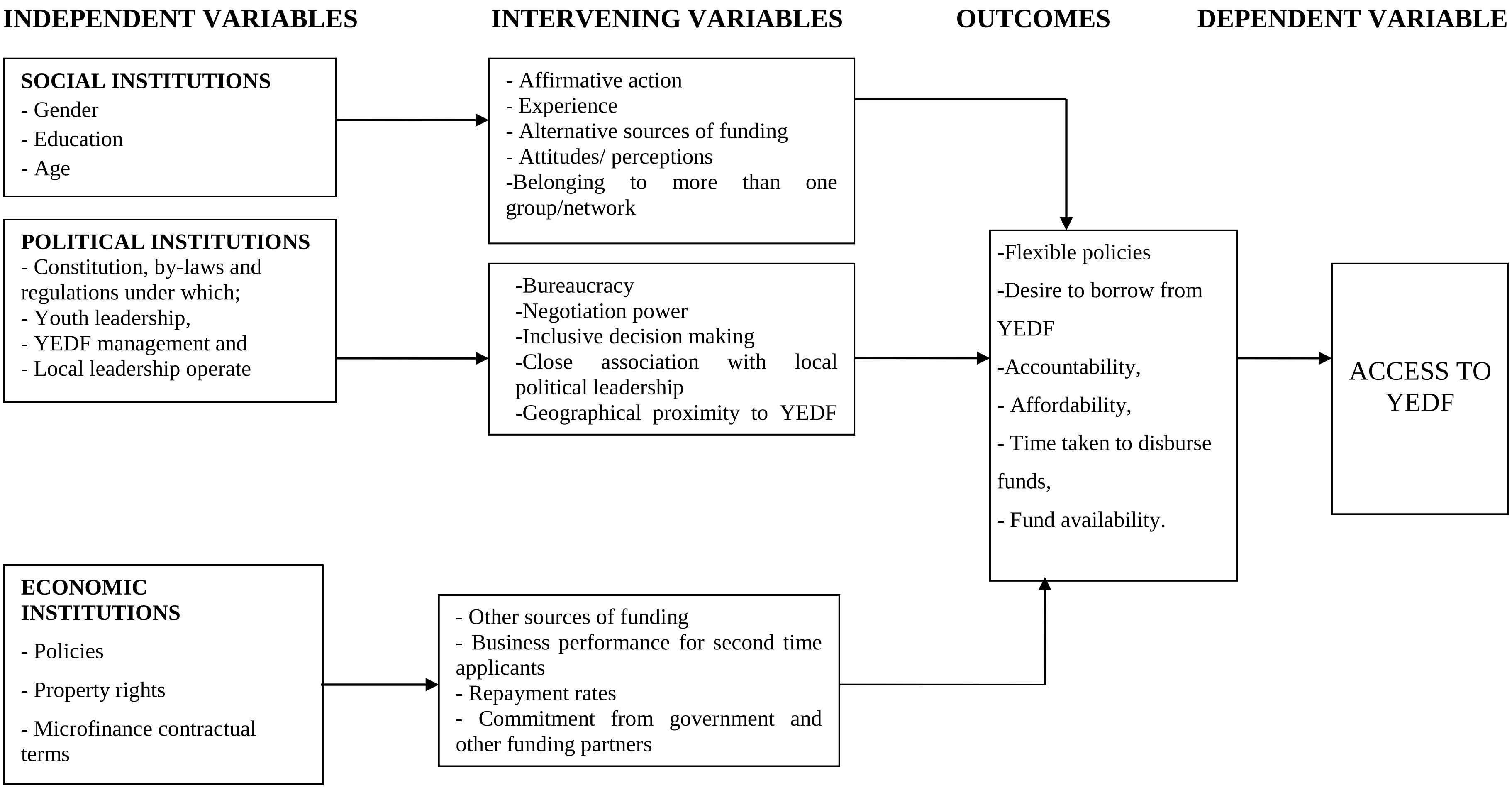
The theory of institutions suggests that effective institutions are paramount for cooperative solutions. Collective efficiency stipulates that purposeful joint action combined with trust in social relations can help groups to influence easy access to credit. Networking theory stipulates that investing in networking and joining a group benefits all members because each individual joins the group with unique needs and interests. An individual fills a structural hole and provides their social capital, hence benefiting other group members while reaping more benefits from fellow members.

It is important for governments to invest in youth entrepreneurship because the latter are equipped with fresh skills and knowledge that can help them introduce new and innovative products to the market. Incorporating youth in entrepreneurship makes them identify with the society, become responsible and keep off malpractices. Youth are also the most affected cohorts as far as unemployment is concerned, hence a reason for the need to promote youth entrepreneurship to reduce unemployment. Political and economic institutions go hand in hand as the mandate of the former affects the implementation of the latter. Economic institutions are rules, policies and regulations of micro financing contracts and the role of politics is to guarantee enforcement of these rules and regulations.

Social institutions include attributes such as gender, education, ethnicity and age. Many scholars have argued that women are the dominant group in the informal sector where MSEs thrive yet they least benefit from financial institutions. Female entrepreneurs have been cited to start small and borrow less than their male counterparts due to assumed reasons such as lack of property rights and collateral. Education has been argued as an important factor that influences access to credit by youth. The reasons given by supporting scholars are that; educated individuals are able to understand the policies and regulations as well as the rights of accessing credit; that education levels determine the kind of groups one joins, and that educated individuals are able to come up with business ideas that are likely to attract vetting committees as compared to less educated individuals. The study, however, refuted to some extent such notions using the new institutions theory, which argues that effective institutions embedded in social networks such as youth groups can help to acquire business information needed for credit acquisition.

The Kenya Bureau of Housing and Statistics (KBHS, 1999) Baseline Survey and other studies argue that age is not an important factor to consider when studying social factors that may impede access to MFIs by youth. However, Chigunta (2002) has criticized the method of studying the youth as one entity. He instead considers the different types of youth entrepreneurs at different stages: pre-entrepreneurs (15-19), budding (20-25), and emergent entrepreneurs (26 and over). This study, therefore, analyzed groups with members belonging to different cohorts so as to find out whether there is a correlation between the age of the youth or youth groups and access to credit, in this case YEDF.

Figure 1: Conceptual Framework



Source: Author's conceptualization

2.8 Conceptual Framework Analysis

Dependent variable: The study's dependent variable is access to YEDF funds. Access in this study was determined by how easy youth groups can get the YEDF loans. How easy or difficult it is to get YEDF loans was measured by the procedures, policies, requirements and regulations that a youth group has to adhere to in order to get YEDF funds. Access was also determined by the availability of sufficient funds for distribution, the management of YEDF and the youth groups themselves, as well as the contractual terms and conditions of borrowing from YEDF, such as the repayment rates and period taken to repay.

Independent variables: Independent variables can either negatively or positively influence access to YEDF loans depending on how they are managed by concerned parties. The independent variables in this study were the institutional factors that were operationalized by the social, economic and political attributes associated with the process of accessing YEDF funds.

The first column on the conceptual framework indicates the three independent variables. Within the three boxes are the attributes of each institutional factor, whereby social institutions include attributes such as gender, education level, and age of the fund's candidates and beneficiaries; political institutions are comprised of aspects such as the constitution, rules, by-law and regulations under which the youth leadership and YEDF management operate; and the economic institutions include elements such as property rights, the cost of registering/ licensing businesses and applying for YEDF funds, the microfinance contractual terms and conditions of YEDF loans measured by time taken to respond or disburse funds to applicants.

Boxes on column 2 indicate some of the intervening variables that may control how institutional factors influence possibilities of accessing the fund. These intervening variables may include affirmative action in the case of gender. For instance, most groups attested that they were told to ensure gender was balanced before they registered the groups at the Ministry of Youth, Gender and Social Services and as they were applying for YEDF. This directive referred to as affirmative action from the government showed to have influenced easy access to YEDF for female youth entrepreneurs. Reviewed empirical literature, indicates that women entrepreneurs in the informal sector borrow less from formal financial institutions. These studies, therefore, sought to affirm this claim with youth female entrepreneurs. The study also sought to find out if there were possible intervening variables such as alternative sources of funds for women that may explain the reported less borrowing from formal financial institutions. For instance, women may be belonging to more than one group and other social networks that also provide for alternative funding. The study also assumed that youth who belong to more than one social network were likely to succeed in securing loans, since they have experience of running investment groups.

Reviewed literature by Chigunta (2002) appreciates the fact that youth desire to participate in the informal sector entrepreneurship, according to their age within their youthful years. This study observed different attitudes of youth towards borrowing for entrepreneurship by examining them in selected age cohorts. The study’s assumption was that younger youth (pre-entrepreneurs) have a less desire to borrow for business start-ups and development as compared to older youth (emergent entrepreneurs). The desire to get loans also determines the seriousness put in by youth in applying and negotiating for the loans during the vetting process, which consequently determines their success in securing loans from YEDF. The opinion of this study was that experience and training in business management may influence the desire of some youth to borrow funds for entrepreneurship regardless of their age cohort and increased their chances of getting loans from YEDF.

Management strategies and negotiation power of the youth leadership and YEDF administrators act as intervening variables. This is because the management strategies put in place by YEDF managers will help to reduce political interference and corruption as well as eliminate unnecessary bureaucracies that may hinder availability and accessibility of funds in the YEDF kitty. Youth group leadership with high and quality negotiation skills and power can help their applications to pass the vetting process easily than those with less negotiation power. Good management / leadership strategies will foster participatory decision making. The researcher sought to establish whether youth leaders allowed for inclusive decision making. It also studied the way the leaders are selected/ appointed/recruited as well as how rules and regulations are formulated to guide such leaders. Chambers (1992) advocates for participatory decision making in development intervention projects because such a strategy ensures accountability and smooth implementation.

There is also a possibility of youth with close association with the local political leadership to easily secure YEDF loans. The geographical proximity of the dwelling unit of the youth enterprises can also be an intervening variable, since they can easily access the YEDF office for information on how to get the funds.

Some intervening variables may control how economic institutions can influence access to YEDF. For instance, it was assumed in the study that with the commitment of funds from the government and other YEDF funding partners, and prompt repayment of loans by youth, funds would always be available for redistribution hence timely disbursement of the same. However, repayment may be influenced by the productivity and performance of enterprises whose youth groups had borrowed from the YEDF. If the businesses are doing well then repayment becomes easier, but if otherwise the youth may end up defaulting their payments. Another intervening variable may be the socioeconomic status of the youth, which may influence affordability of the loans. The assumption of this study was that youth with other sources of income, knowledge, skills and experience in the line of business management were likely to succeed in getting the loan applied for whether for the first or second time. It was also assumed that youth with more dependants a youth takes care of could have problems with repaying the loan due to strained economic challenges they face at home.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter describes all procedures the researcher used before, during and after the actual research in the field. It sets down by giving a description of Embakasi South Constituency which was the study's study site, then provides an overview of the research design that was used. The chapter also describes a step-by-step procedure of how the researcher came up with representative samples of respondents from the targeted population. It also explicates the instruments used to collect data and the techniques applied to analyze and interpret the collected field data.

3.2 Study Site

This study chose Embakasi South Constituency as its preferred site of focus. Embakasi South Constituency is located in Nairobi County. This constituency was initially part of the larger Embakasi Constituency before the latter was split in 2012 into four constituencies: Embakasi North, Embakasi South, Embakasi West, Embakasi East and Embakasi Central. Embakasi South consists of five wards namely: Imara Daima, Kwa Njenga, Kwa Reuben, Kware and Pipeline. The constituency has a total population of 201,042 (majority of them observably youth) sharing approximately $12Km^2$ area. A larger part of this area consists of informal settlements.

All Wards except Imara Daima which occupies $3.9km^2$ are mainly informal settlements characterized by poor housing, sanitation and drainage coupled with high poverty levels. Employed youth in the area are mainly casual labourers in the industries located along Mombasa Road and Industrial Area. The researcher observed this employment trend for many years. These youth are observed in large numbers heading to and coming from these industries, each morning and evening respectively. According to data obtained from YEDF office, the self-employed youth in this constituency are mainly involved in micro and small businesses such as vegetable vending, car wash, "*boda boda*" operators (local motorcycle taxis) selling second-hand clothes and shoes, water vending, running food kiosks, garbage collection and carpentry. The data in Table 2 shows that Embakasi Constituency has the highest number of beneficiaries (youth groups) and disbursement figure of C-Yes loans. These figures were provided by the YEDF office showing cumulative disbursement of the funds to Nairobi County before Embakasi Constituency was split into four.

Table 2: YEDF Group Loans at Constituency Levels in Nairobi County Cumulative by 2012

COUNTY	Constituency	No. of Group	Amount (Kshs)	%
NAIROBI	Makadara	86	4,005,000.00	14.7
	Kamkunji	69	3,150,000.00	11.5
	Starehe	70	3,343,500.00	12.3
	Langata	64	2,896,200.00	10.7
	Dagoretti	59	2,000,000.00	7.4
	Westlands	62	3,049,999.50	11.2
	Kasarani	81	3,875,500.00	14.3
	Embakasi	97	4,850,000.00	17.9
TOTAL	**8**	**588**	**27,170, 199.50**	**100.0**

Source: YEDF Status Report 2007-2012

The choice of Embakasi South as the study site for this study was informed by its high poverty levels and the high number of youth population. The study also preferred this site as the researcher is well accustomed to the constituency. Embakasi South is among the constituencies in Nairobi County with the highest beneficiaries of YEDF as indicated in Table 2. Moreover, Embakasi South Constituency which is the most poverty ridden area (as observed by the dwelling units of the local people) is largely a slum area. Since YEDF ought to change the livelihoods of youth dwelling in these slums, the study wanted to find out whether these youth pursue loan opportunities offered by YEDF and how they access the same. This hunch gave the researcher a basis to study institutional factors that may be influencing access to the fund by youth in this constituency.

3.3 Research Design

The study used descriptive research design because this method seeks to present an account or phenomenon, the distribution of characteristics in some population, the patterns of relationships in some social context at a particular time or the changes of those characteristics over time (Bulmer, 1986).

Blaikie (2009) argues that these descriptive accounts may include the characteristics of a social group or a demographic category, and the stages or sequences of social processes or patterns in social relationships. The descriptive research design was relevant to answer the questions whether the social status of youth entrepreneurs, political leadership and youth leadership, and the set procedures and regulations influence access to loans by youth entrepreneurs. In order to answer these research questions, the study, therefore preferred to use descriptive research to study social relationships involved in youth groups, and the processes involved between youth (a demographic category) and YEDF officials as guided by set rules and regulations to access loans.

Kombo and Tromp (2006) assert that descriptive research design aims at showing the state of affairs as it is. It not only looks at the situation as it is but also results in the formulation of improved principles of knowledge and solutions to significant problems. This research design was applied to study youth groups and described the process of accessing YEDF loans without changing the characteristics of these groups and the process.

3.4 Target Population

The target population in this study were youth who owned micro and small enterprises in Embakasi South Constituency. The unit of analysis for this study were youth groups who run micro and small enterprises in Embakasi South. The study focused on youth groups that run micro and small enterprises and have applied for YEDF loans. Each group should have at least ten members, with 70% being youth under 35 years and over 18years and a 100% leadership being youth. These youth groups may have applied for YEDF loans and succeeded to secure loans or failed.

Youth apply for YEDF C-Yes loans through District Youth Offices and upon qualification are given a cheque to cash at selected financial intermediary as approved by YEDF. The study looked at factors that influenced the success or failure of these youth groups to secure YEDF loans. The study also included five youth groups who run micro and small enterprises in the constituency, but have never applied for YEDF. This deliberately selected category was used as a control group in the study to find out if such youth have alternative sources of borrowing funds with more flexible policies and favourable institutions that allow them easy access to loans than YEDF.

3.5 Sample and Sampling Technique

There are 49 registered youth groups in Embakasi South Constituency with a total of 1,121 members. The minimum number of members in a group is 10 and a maximum of 135 members. Out of the 49 registered groups, 36 with a total of 810 members have successfully applied and secured loans from YEDF and 13 groups with 311 members have applied but failed. Due to time and financial constraints, the study interviewed youth from ten successful and 5 unsuccessful groups. The study defined successful groups as those that managed to apply and secure loans and unsuccessful as those that applied but did not secure loans after the vetting process. In order to reduce bias, the study interviewed both officials and non-officials in each group.

The first stage of sampling involved selecting group officials. Purposive sampling was applied to select two officials from each group (the chairman and secretary). This is because the chairman is the overall leader of the group while the secretary ought to keep records of the group meetings.

The researcher then selected two non-officials from each representative group in stage two. After interviewing the officials using open-ended and structured questions, the researcher asked from these leaders a list of all other members. Simple random sampling was used to select a sample from non-official members. Using this technique, the researcher first made a new list of members of each group excluding all officials. The researcher then assigned unique numbers to each of the members on pieces of paper. These pieces of paper were folded and thoroughly mixed. The researcher was then blindfolded and randomly picked two of the mixed pieces of paper. The picked numbers were matched with the assigned members on the drafted list. To reduce gender bias in groups with both male and female members, the study made two lists of such groups (one with males only and the other with females). Simple random sampling was repeated to select a member from each of the lists (male and female).

The study used snowballing in stage three to identify youth groups that run micro and small enterprises in the constituency but have never applied for the fund. This is because snowballing as a technique whose case leads to another is useful when the population is not known. Groups that had applied were really useful in helping to identify most groups that had never applied. The researcher listed eleven of these groups and again applied simple random sampling to identify five groups from which participants were selected to participate in the study. From the identified groups, the study also used purposive sampling to select two officials from each group (chairman and secretary and apply simple random sampling to select two non-official members from each group. The study managed to interview 9 officials and 7 non-officials from youth groups that run micro and small enterprises but have never applied for YEDF loans.

The final stage of sampling was to select key informants through purposive sampling because of the specificity of the information that was needed. Such data required participants with informed knowledge about the structures of the Youth Enterprise Development Fund in the constituency. For instance, information on the vetting process and what is considered could only be obtained from an informant who is a member of the vetting committee. Such information was provided by the YEDF officer in Embakasi South office because he is the one who receives applications does the vetting and informs groups on the progress of their submissions.

The study intended to interview 12 key informants: two officers from the constituency office, two YEDF officers at the YEDF national office, two representatives of the civil society organizations, two business development officers, two county representatives and two informants from the financial intermediaries mandated to disburse and recover YEDF loans. However, due to many commitments and tight schedules of most key informants and the available time that the researcher had to spend in the field, only 9 out of 12 key informants were interviewed.

The study interviewed a total of 67 respondents; 20 official and twenty non-official group members of successful groups, 10 officials and 10 non-official members of unsuccessful groups, 9 officials and 7 non-officials of groups that have never applied for YEDF loans. In total, the study interviewed 76 individuals from youth groups and 9 key informants).

3.6 Data Sources and Data Collection Methods

Primary data were collected using both structured and open-ended questionnaires personally administered by the researcher and a research assistant. Mugenda and Mugenda, (2008) argue that questionnaires enable the researcher to get higher response rates from participants as they encourage anonymity. Information was obtained from key informants through face to face interviews. Face to face interviews were imperative for this study as they allowed a certain degree of flexibility which encourages respondents to ask questions and raise issues (Kothari, 2003). Kothari (2003) asserts that questionnaires produce rich, descriptive data that need to be interpreted through the identification and coding of themes and categories leading to findings that can contribute to theoretical knowledge and practical use. A face to face interview helped the researcher to ask questions for clarification hence getting accurate data.

Secondary sources of data were also essential to the study because they formed a basis for identifying knowledge gaps that the study needed to fill. Secondary sources of data also guided the study to relate the topic under study with already existing literature for other studies, especially the theoretical aspects related to institutional factors influencing access to YEDF loans. Sources of secondary data used include books, theses, dissertations, academic journals, survey reports and many others.

3.7 Data Analysis and Interpretation

The data collected in this study was both quantitative and qualitative. Quantitative data collected through structured questions was coded and entered into the Statistical Package for Social Sciences (SPSS). This data was then analyzed using descriptive statistics such as frequencies, percentages and mean.

Qualitative data obtained from open-ended questions was entered in Microsoft Excel tables, and then coded into different pre-coded or emerging categories according to recurring patterns while keeping in mind the data's relevance to the study's research objectives and questions. The researcher used these categories and patterns to form a story line through content analysis. Data collected through interview notes with key informants was also entered into Microsoft Word tables and analyzed using thematic analysis. Each response from key informants was coded into different categories of transcribed patterns. The researcher then combined and catalogued related patterns into sub-themes as guided by literature review and research questions. The researcher used the formulated theme statements to develop a story line (Aronson, 1994). Qualitative data obtained from respondents and key informants was used to supplement necessary quantitative data.

Statistical tests such as chi-square and cross-tabulation were used to establish significant relationships or differences between independent and dependent variables. The statistical tests helped the researcher to reject or accept assumed hypotheses of the study. Chi-square tests involved comparison of frequencies and the statistical significance level was set at 0.05. The level of statistical significance is the level of risk that a researcher is prepared to take for inferring that there is a relationship between two variables in the population from which the sample was taken when in fact no such relationship exists (Bryman, 2008).

The statistical significance level of social research as conventionally taken by most researchers is 0.05 (Bryman, 2008; Mugenda, 1999). This is to mean that if 100 samples are drawn from a population, it is recognized that there are up to 5 chances that one might be falsely concluding that there is a relationship when there is not one in the population from which the sample was taken. With the set significance level, it was agreed that if the computed significance level was found to be equal to or less than 0.05, the hypothesis was accepted and if it was more than the set significance level then it was rejected.

3.8 Summary

This study site for this study was Embakasi South Constituency. It used descriptive research design to access institutional factors influencing access to credit to youth-owned enterprises in the constituency. The target population for this study were youth groups who run small and micro enterprises and had applied for YEDF loan. The study also included a few participants of those youth groups who have never applied for YEDF loan as a control group to find out if there are other sources of lending for youth with flexible procedures that influence easy access than those offered by YEDF.

In order to avoid bias, the researcher used a mixture of sampling techniques to select participants that represented all youth groups within the constituency. Simple random sampling was used to select youth members while purposive sampling was used to select group leaders and key informants that were interviewed.

Questionnaires with both structured and open-ended questions were personally administered to youth while a key informant guide was used to carry out face-to-face interviews from which primary data was obtained. Both qualitative and quantitative data analysis methods were used to analyze the data collected in order to draw conclusions and make recommendations. Statistical tests were carried out to establish possible relationships and differences between variables.

CHAPTER FOUR

STUDY FINDINGS AND ANALYSIS

4.1 Introduction

This chapter presents an analysis of the field findings in relation to the study. The main objective of this study was to establish institutional factors influencing access to YEDF by youth-owned enterprises in Embakasi South Constituency. The specific objectives for this study included: to determine whether social status of group members influence access to YEDF; to find out how loan regulatory procedures and conditions influence access to YEDF; and finally to establish whether constituency political, youth group and YEDF management influence access to YEDF in Embakasi South Constituency.

4.2 Response Rate

The study had targeted 80 respondents, but a total of 67 respondents were reached and interviewed thus a response rate of 83.75%. In each Ward, the study sought information on groups in three categories: successful applicants, unsuccessful applicants and those that had never applied for YEDF loans. The low participation rate reported in some Wards in Table 4.1 was attributed to the low number of registered groups on the list provided by the YEDF office. The remaining 16.3 % comprises of those who declined to be interviewed. Table 4.1 shows the distribution of response rate per Ward in Embakasi South Constituency.

Table 4.1: Participant Response Rate per Ward

WARD	Successful		Unsuccessful		Never Applied	
	Frequency	%	Frequency	%	Frequency	%
Pipeline	13	41.9	-	-	5	31.3
Kwa Njenga	11	35.5	4	20	2	12.5
Kware	4	12.9	3	15	3	18.8
Imara Daima	3	9.7	-	-	6	37.5
Kwa Reuben	-	-	13	65	-	-
Total interviewed	31	77.5	20	100	16	80.0
Total Targeted	**40**	**100.0**	**20**	**100**	**20**	**100.0**

Source: Survey data

4.3 Characteristics of Respondents

This section presents basic characteristics of respondents. As stated earlier in Chapter three, targeted respondents included youth groups running micro and small enterprises in Embakasi South Constituency. The youth groups may have tried to access credit through YEDF and were either successful or unsuccessful. Respondents from five youth groups that never applied for YEDF were also included in the study as a control group to find out if youth groups in Embakasi South Constituency have alternative sources of credit for their businesses and what are the factors that make them to prefer their financing sources other than YEDF.

The basic characteristics of respondents investigated in this study included: sex, age, marital status and level of education. These characteristics were important to the study as they could influence the capability of youth entrepreneurs to negotiate for loans in various ways. The basic characteristics of respondents also helped the researcher to uphold the required research ethics by handling respondents appropriately and approaching different questions in a manner not to be misinterpreted by interviewees. Each of these characteristics is discussed in this section.

4.3.1 Age of Respondents

The study's main focus was on youth who run small and micro enterprises in Embakasi South Constituency and were either successful or unsuccessful applicants of YEDF. The researcher's assumption was that all members of the list provided by the YEDF Officer in Embakasi were youth aged between 18 and 35 years. One of YEDF's application requirements is that 70% of all members should be youth with a 100% of leadership being youth. However, the study found that some of the groups lacked 100% youth leadership. Some group chairpersons and secretaries were over 35 years as indicated in Table 4.2. It was confirmed by one key informant in the YEDF head office that one of the main reasons why most youth groups were not qualifying for YEDF loans was, because they failed to attain the minimum age required for group leadership (100%, youth). Nevertheless, such groups were not well informed about the requirements.

Table 4.2: Age of Respondents

	Successful		**Unsuccessful**		**Never Applied**	
Age	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
20 - 30 years	25	80.6	9	45.0	7	43.8
31 - 40 years	6	19.4	7	35.0	6	37.5
41 - 50 years	0	0.0	4	20.0	2	12.5
Above 51years	0	0.0	0	0.0	1	6.3
Total	**31**	**100.0**	**20**	**100.0**	**16**	**100.0**

Source: Survey data

As Table 4.2 indicates, age may have been a contributing factor that influenced access to YEDF for most youth groups. Almost 81% of respondents in the successful category were 20 to 30 years old against 45% of respondents of unsuccessful applicants and 43.8% of those who never applied. The fact that there were no respondents aged above 41 years in the successful category as compared to 20% of the unsuccessful category and 18% from groups that never applied is an indication that members' age was a factor in accessing and applying for YEDF loans respectively.

4.3.2 Respondents' Highest Level of Education

The researcher included education level of respondents in the study so as to measure the validity of information provided by respondents as this influences the youth's capability of interpreting information as provided in the questionnaire. Knowing the level of education of respondents guided the researcher to expound on questions that could be easily misinterpreted by respondents. This was important for consistency of data across all categories and respondents. All respondents (both official and non-official members were asked to indicate the highest level of education attained by most of their members. Table 4.3 indicates these data as provided by all respondents.

Table 4.3: Highest Level of Education attained by Respondents

Level of Education	Successful		Unsuccessful		Never Applied	
	Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**
Never went to school	1	3.2	0	25.0	1	6.3
Never completed primary education	1	3.2	0	15.0	5	31.3
Completed primary education	3	9.7	5	25.0	3	18.8
Never completed secondary education	4	12.9	3	15.0	4	25.0
Completed secondary education	17	54.8	11	55.0	3	18.8
University/college education	5	16.1	1	5.0	-	-
Total	**31**	**100.0**	**20**	**100.0**	**16**	**100.0**

Source: Survey data

4.3.4 Respondents' Position in the Group

The study sought to know the position of respondents in their groups, as those influenced the validity of data provided. Involving both official and non-official members in the study was important as it was a good practice to avoid bias. The study had proposed to interview two officials and two non-officials from each category of the selected groups. All chairpersons for the three categories of groups were interviewed; all targeted secretaries were interviewed except for those who never applied for YEDF loans. The two groups whose secretaries were not interviewed did not have such leadership positions in their groups. As indicated in Table 4.4, all group leaders were interviewed, but some non-official members of some groups declined to be interviewed without the presence of their leaders or other members.

Table 4.4: Respondents' Position in the group

	Successful		**Unsuccessful**		**Never Applied**	
Position In The Group	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
Chairman	10	32.3	5	25	5	31.3
Secretary	10	32.3	5	25	3	18.8
Member	11	35.5	10	50	8	50
Total	**31**	**100**	**20**	**100**	**16**	**100**

Source: Survey data

4.3.5 Gender of Participants

The gender composition of respondents was measured to achieve the objective of whether gender is a factor that influences access to YEDF. Quantitative data collected indicated that participants were mainly male youth in all the three categories. Seventy four percent (74%) male versus 26% female in successful, 65% male versus 35% female of unsuccessful, 81% male versus 19% female of those who never applied.

Table 4.5: Gender Composition of Participants

Sex	Successful		Unsuccessful		Never Applied	
	Frequency	%	Frequency	%	Frequency	%
MALE	23	74.2	13	65	13	81.3
FEMALE	8	25.8	7	35	3	18.8
TOTAL	**31**	**100**	**20**	**100**	**16**	**100.0**

Source: Survey data

The number of female participants was low because most groups comprised of only male members. The researcher made deliberate arrangements to reduce gender bias by separating female and male respondents from groups that comprised of both male and female members, then sampled them though simple random methods as stated earlier in Chapter three, Section 3.5.

4.4 Group Characteristics

The study sought to investigate collective group member characteristics by looking at the background information about each group. Group background information was included in the study to measure principles of networking and whether there were underlying factors of group dynamics noticeable at the stages of group formation and management that could potentially influence access to YEDF by youth entrepreneurs. These factors included but not limited to: when the group was started, reasons for starting the group, challenges faced when forming the group, collective level of education of group members, participation in group activities, number of group members, satisfaction of members and group leadership.

The group characteristics discussed in this section were paramount in answering the study's research questions such as; whether the collective social status of group members influenced access to YEDF by youth. The second research question answered by analysing group characteristics is whether group leadership strategies influenced access to YEDF by youth in Embakasi South Constituency. Group leadership strategies were viewed through the challenges faced when forming youth groups, whether leaders allowed members' participation in group activities and the principles under which these groups were operating. The leadership strategies were also measured by the level of satisfaction of members with their group leaders.

4.4.1 Collective Social Status of Youth Group Members and Access to YEDF

Data collected to analyze social status of group members included: the age of groups, average levels of education of group members and gender composition of members in each group.

Age of the Group at the Time of Applying for YEDF

Age of the group was included in the study because it may have influenced the groups' probability of getting YEDF loans. The study established that only 7% of successful groups had been in existence for less than a year by the time they were applying for the YEDF. Fifty percent (50%) of unsuccessful groups had been fully active for less than a year old by the time they were applying for YEDF. By being fully active, the study means that these groups had been in contact by meeting regularly running group activities and contributing towards the development of group activities. Forty-five percent (45) of successful groups were aged between one and three years as compared to 30% of unsuccessful groups. Forty-eight percent (48) of successful groups had more than 4 years of existence before applying for YEDF against just twenty percent 20%) of unsuccessful groups.

Table 4.6: Age of group at the time of applying for YEDF

Age of Group	Successful		Unsuccessful		Never Applied	
	Frequency	%	Frequency	%	Frequency	%
Below 1 year	2	6.5	10	50.0	5	31.3
1-3 years	14	45.2	6	30.0	2	12.5
4-7 years	7	22.6	4	20.0	-	-
Above 7 years	8	25.8	-	-	9	56.3
Total	**31**	**100.0**	**20**	**100.0**	**16**	**100.0**

Source: Survey data

Groups whose members had stayed together for longer periods may have been in a better position to secure loans because they may have earned the trust of YEDF vetting officials as they portrayed capability to repay loans. As members stay longer in a group, their social relations and ties are improved as a result of prolonged interaction, hence building trust between youth to cooperate towards group activities. These findings are consistent with Nadvi, (1999) and Kinyanjui (2000). Since members had experience and trust for one another earned over time, they could easily cooperate to contribute towards meeting relevant transaction costs and were able to convince the vetting committee that they were committed and capable of repaying the loan if awarded.

Average Level of Education Attained by Group Members

The level of education for most members in each group was investigated as it is one of the social institutions assumed to be influencing access to YEDF by youth in Embakasi South Constituency. Seventy-one percent (71%) of successful group members had most of their members having completed secondary school education, fifty-nine percent (59%) of unsuccessful applicants had the most members who had attained secondary school education whereas sixty-three percent (63%) of those who never applied had secondary education. Seven percent (7%) of successful groups against twenty-nine (29%) of unsuccessful groups and thirty-six percent (36%) of those who never applied had most of their members with university education. Twenty-three percent (23%) of successful groups versus twelve percent (12%) of unsuccessful groups had most of their members with primary school education. None of the respondents in the third category (never applied) reported that most of their members had completed primary education.

Table 4.7: Average Group Level of Education

	Successful		Unsuccessful		Never Applied	
Level Of Education	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
Most completed technical/ vocational training	2	6.5	5	29.4	6	37.5
Most completed high school education	22	71	10	58.8	10	62.5
Most completed primary education	7	22.6	2	11.8	-	-
Total	**31**	**100**	**17**	**100.0**	**16**	**100.0**

Source: Survey data

Cross-tabulation and chi-square tests suggested that there was no significant relationship between the level of education and getting YEDF loans in Embakasi South Constituency. The comparison was done for groups who had applied and were successful or unsuccessful and not for those who never applied. The results indicated that χ^2=4.897, df=2 and P=0.086. The set significance level being equal to 0.05, the study therefore rejected its hypothesis that groups whose most members had higher levels of education were more likely to get YEDF loans. From the cross tabulation Table 4.7, it is indicated that for two successful groups with most members completed secondary education, 5 unsuccessful groups had most members with the same level of education, for 20 groups with most members having completed education, 10 groups also had most members with the same level of education, with seven of successful groups having most of its members completed primary education, only 2 of unsuccessful groups had most of their members with the same level of education.

Table 4.8: Cross Tabulation for Members' Average Level of Education and Access to YEDF Loans

If got YEDF	**Level Of Education**			
	Most Completed Technical/ Vocational Training	**Most Completed High School Education**	**Most Completed Primary Education**	**Total**
Yes	2	22	7	31
No	5	10	2	17
Total	**7**	**32**	**9**	**48**

Source: Survey data

One of the key informants in the YEDF office reported that the vetting committee did not consider the level of education attained by applicants. He further said that they only looked at the laid requirements and the capability of a given youth group to repay their loan. The basic requirements considered by the vetting committee included: a minimum of ten members; 100% leadership being all youth (under 35years); have a good business plan; and be registered with a government body as a group and business. The study's assumption was that, youth with higher education levels were likely to develop better business plans than those with lower education levels. The study findings indicated otherwise because some successful groups with lower levels of education reported that they had collectively contributed and paid for professionals to develop their business plans and counter checked their applications to ensure that they were in order.

The study, in consistence with Bollingtoft et al (2005) and Kinyanjui (2000) found out that networking and social ties are important institutional structures in successful group investments. The study findings then pointed out that there is a significant probability that social structures rather than education levels are important ingredients for successful groups, a finding that Kinyanjui (2000) also confirmed in her study of Kamukunji traders

Additional Training/Business Experience for Group Members

Having additional training or experience in the line of business management among group members was included in the study because it was thought to be an intervening variable that could moderate access to YEDF by youth. Fifty-three percent (53%) against forty-six percent (46%) of successful applicants revealed that some of their members had additional training besides formal education. They further admitted that those with additional training and experience assisted in coordinating the groups and applying for YEDF loans particularly the development of business proposals. Forty-five percent (45%) of unsuccessful applicants also had an additional training in business management. Fifty-five percent (55%) of unsuccessful applicants did not have additional training because most of them had only attained up to secondary school level education, where business education is only academic.

However, as earlier stated, the researcher found that unsuccessful applicants never secured loans from YEDF because most of their leaders were over thirty-five (35) years of age and some business activities required that they balance gender. Sixty-five percent (65%) against thirty-seven percent (37%) of those who never applied for YEDF loans had additional training/ experience/knowledge on business management. The high number of trained members in this category was attributed to the fact that most of them had gone through college or university education and trained on the line of business management. Nevertheless, the thirty-seven percent (37%) of those who never applied with no training were totally ignorant of business knowledge as most of them had completed primary education.

Table 4.9: Groups whose Members had Additional Training/Knowledge/Skills

	Successful		**Unsuccessful**		**Never Applied**	
Additional Training/Skills	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
Yes	16	53.3	9	45	10	62.5
No	14	46.7	11	55	6	37.5
Total	**30**	**100.0**	**20**	**100**	**16**	**100.0**

Source: Survey data

Gender Composition of Group Members

Group gender composition was measured through qualitative data in which the respondents were asked to give the gender composition of members of their groups and whether it influenced access to YEDF. More than 80% of groups in all the three categories dominantly comprised male youth.

The study found that a higher number of more male than female group members was attributed by factors such as culture, religion, and the type of business activities the respondents were engaged in. Business activities included car washing, carpentry, and vehicle repairs, among others. However, most applicants reported that they were advised to consider gender balance while applying for YEDF loans. One of the key informants confirmed these reports admitting that the vetting committee also considered gender depending on the group activities applicants had proposed. He confirmed that most groups had been advised to balance gender during registration and application, but the number of female youth in the groups was still low.

The study sought to know why, despite *affirmative action*[2] by the government, female youth were joining groups in very few numbers. Qualitative data collected suggested three emerging categories that caused the low involvement of women in YEDF-affiliated groups. These included: perceptions, property rights, religion and beliefs. Some male respondents demonstrated low opinion towards female youth as they perceived the latter as poor business and financial managers; female youth were also seen as potential sources of conflicts. They said that one of the reasons female youth were few in their groups was because those they knew did not have identity cards. Moreover, one of the requirements set by most groups was that a youth had to own an asset that would be repossessed in case they defaulted to contribute towards loan repayments. Some even indicated that as much as their lists of members contained a number of female members, they did not include them in the projects being funded by YEDF as they did not have collateral to guarantee them. Lack of collateral, therefore, could be the reasons why female youth would avoid joining YEDF affiliated groups.

This indicates that as much as the YEDF office does not include solid collateral for youth to access funds, this collateral is still being considered at the group formation stage. Some respondents revealed that religion and culture did not allow some groups to mix females and males. Findings from this study support literature on institutional theory that defines institutions as humanly constraints created by policy makers or the community that structure political, economic and social interaction. These institutions include religion, cultural beliefs and customs. As reviewed earlier in literature, Abor (2008) affirms that

[2] Affirmative action is deliberate policy measure/directives given to an authority in favour of a vulnerable group.

women-owned enterprises are less likely to use loans for reasons such as discrimination, lack of collateral and greater risk aversion. In other words, although discrimination has been reduced at the government level by policy makers, it is still an issue at the societal level.

4.4.2 Youth Leadership and Access to YEDF

Youth leadership was included in this study because it is one of the factors assumed to influence access to YEDF loans in Embakasi South Constituency. Youth leadership strategies were investigated in terms of the guiding principles used by leaders in running various group activities, how the leaders run group activities, if members are satisfied to be in their groups with their leaders, and whether the management strategies used by these leaders influence the probability of being successful applicants for YEDF loans.

Groups with Constitutions/Bylaws/Rules

One of the leadership strategies investigated in this study is whether group leaders have institutionalized their leadership through a constitution, rules or by-laws. As indicated in Table 4.10, all (100%) respondents in the successful category had either a constitution/by-laws or rules. Respondents in this category reported that these institutional guidelines helped youth members to be disciplined and tied them together in their groups, hence making it easier to manage their business activities. These institutions could be vehicles of collective efficiency as (Schmitz 1995) indicates. The study found that the constitution/by-laws and rules were paramount guiding principles that promoted collective action by providing solutions to rising conflicts, encouraging team spirit and providing direction, just as reported by (McCormick and Kinyanjui (1999). Respondents representing unsuccessful applicants indicated that it was a requirement to have a constitution before registering at the then Ministry of Youth, Gender and Social Services[3] but most of these groups were not implementing the constitution in their group activities.

A large number (62%) of those who never applied for the fund did not have rules, constitution, or by-laws. Upon inquiry, the researcher established that these groups presented constitutions when registering for their groups because it was a requirement by the government, but had since misplaced or discarded them, implying that they were not enforcing them. Thirty-eight percent (38%) of those who never applied for the fund presented their guiding principles some of which included a constitution, rules or bylaws as most of them were professional businessmen.

Table 4.10: Groups with Constitution/By-Laws/Rules

	Successful		**Unsuccessful**		**Never Applied**	
	Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**
Constitution	19	61.3	8	40.0	1	6.3
By-laws	6	19.4	-	-	1	6.3
Rules	6	19.4	7	35.0	4	25.0
None	-	-	5	25.0	10	62.5
Total	**31**	**100.0**	**20**	**100.0**	**16**	**100.0**

Source: Survey data

Direct Participation of Members in Group Activities

Ninety percent (90%) of successful against seventy percent (70%) of unsuccessful groups and seventy-five percent (75%) of those who never applied cited that members other than officials had active roles they played in the group activities. This was mostly informed by

[3] The ministry of Youth, Gender and Social Services has since been renamed to be the Ministry of Sports, Culture and Arts.

the type of activities the groups engaged in that, by nature were, labour intensive such as garbage collection, car wash operations, vehicle mechanical repairs, water vending, barber and hair salons and hawking of various items. However, a number of those who were not actively participating in their group activities felt that although they did physical activities, they were not often included in decision-making and implementation of group projects.

Table 4.11: Participation of Members in Group Activities

	Successful		**Unsuccessful**		**Never Applied**	
Do You Actively Participate In Your Group Activities?	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
Yes	28	90.3	14	70.0	12	75.0
No	3	9.7	6	30.0	4	25.0
Total	**31**	**100.0**	**20**	**100.0**	**16**	**100.0**

Source: Survey data

Level of Satisfaction of Respondents for Belonging to their Groups

Leadership of a group also determines the satisfaction of members to belong to that group. Dissatisfied group members were not likely to co-operate towards a collective achievement of group projects as opposed to satisfied members. With a set significance level of 0.05, a chi-square test was computed for the level of satisfaction against active participation in the group by members. It was established that χ^2 = 14.554, DF = 4 and P=0. 006. Since the significance level was less than the set value, then the hypothesis that the lower the rate of satisfaction of group members, the lesser the level of commitment and participation in the group towards the achievement of its projects was confirmed.

Table 4.12: Satisfaction of Group Members in the Group

Satisfaction Level	Successful		Unsuccessful		Never Applied	
	Frequency	%	Frequency	%	Frequency	%
Very satisfied	10	32.3	-	-	5	31.3
Satisfied	15	48.4	15	75.0	4	25.0
Neutral	4	12.9	4	20.0	1	6.3
Dissatisfied	1	3.2	1	5.0	4	25.0
Very dissatisfied	1	3.2	-	-	2	12.5
Total	**31**	**100**	**20**	**100.0**	**16**	**100.0**

Source: Survey data

Eighty percent (80%) of the successful respondents admitted to be satisfied being members of their groups, whereby thirty-two percent (32%) of them reported to be “very satisfied” and forty-eight percent (48%) of them said they were just satisfied. Four percent (4%) of the successful applicants were neutral, whereas six percent (6%) of them were “dissatisfied”. Nonetheless, seventy-five percent (75%) of unsuccessful applicants were also satisfied to be in their groups, though none of them admitted to be very satisfied. Twenty percent (20%) of unsuccessful respondents were neutral while five percent (5%) of them were unsatisfied.

Fifty-six percent (56%) of those who never applied for YEDF were satisfied to be in their groups, while thirty-seven percent of them reported to be satisfied. Majority of respondents in all the three categories reported to be satisfied belonging to their groups because most of them formed or joined groups mainly for social welfare. The reasons cited for satisfaction included: a) improvement of their living standards. Qualitative data indicated that despite many challenges involved in group dynamics, belonging to a group helped most of them to start their own businesses and afford basic needs for their families and b) improved social relations. As members met more often, they became connected like a family in the sense that there was more cohesion within the community. Whenever a member had a social or economic problem, all the other members in their group came to their assistance.

Some members were satisfied because being in groups helped them to negotiate for their social space and protect their business premises. People formed groups to leverage power over city council *askaris (*security agents) since they dwelled in temporary structures with no legal ownership and were at risk of impromptu demolition. Some youth also cited sharing of ideas and improved individual knowledge as reasons for their satisfaction. They indicated that networking and investing in groups helped them to share ideas on entrepreneurship consequently gaining the knowledge they could not have obtained outside their groups. Such benefits of investing in groups were in line with reviewed literature by Bollingtoft et al (2005) and Coleman (1988), who asserted that being composed of individual and collective social networks, ties and structures help the individual get access to information and know-how.

Those who were dissatisfied cited uncooperative and non-committed members in terms of absenteeism from group meetings and inconsistent monthly member contributions as cause for their dissatisfaction. Some members expressed their dissatisfaction with their leaders for being partial as they favoured their community members in the distribution of resources and opportunities. Some female members reported that their male leaders denied them opportunities to share ideas in meetings. Some members from unsuccessful groups were dissatisfied because their leaders did not involve them in decision-making and their ideas were not taken while applying for YEDF loans. For instance, they said they were only told by group leaders to submit copies of their national identity cards only to be told later that leaders had applied for YEDF loans.

Reasons for Starting Groups

As indicated in Table 4.13, most groups were formed for reasons other than the pre-coded choices. It was established that a majority of successful groups (61%) started as social welfare groups. They revealed that, as they carried out their business activities, they realized that so many people were facing various economic and social challenges and asking for support from their fellow small business owners. This trend of impetuous fund raising for each other impelled them to come together and form support groups. Only ten percent (10%) of unsuccessful groups was formed for social welfare purposes. Nevertheless, sixty-three percent (63%) of respondents who never applied for YEDF as indicated in Table 4.13 formed their groups purposely to exploit business opportunities against twenty percent (20%) of unsuccessful and ten percent (10%) of successful groups.

Table 4.13: Reasons for Starting Group

	Successful		**Unsuccessful**		**Never Applied**	
Reason for Starting Group	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
To apply for YEDF	3	9.7	6	30.0	0	-
To explore business opportunity	3	9.7	4	20.0	10	62.5
Inspired by other successful groups	5	16.1	8	40.0	-	-
Recommended by a business adviser	1	3.2	0	0.0	-	-
For social welfare	19	61.3	2	10.0	6	37.5
Total	**31**	**100.0**	**20**	**100.0**	**16**	**100.0**

Source: Survey data

Most of those who never applied came from Imara Daima Ward and had their own business. Qualitative data indicated that these youth had preferred other sources of financial capital other than YEDF. Some of them indicated that they were/had been in formal employment from which they saved in group accounts and later financed their businesses.

Some of the youth said, they were in family businesses, whose parents had sponsored. However, a percentage of youth who never applied for the loan did not have appropriate information on YEDF and how to apply for the funds.

4.4.3 Loan Regulatory Procedures/Conditions and Access to YEDF

Loan conditions in the study included the micro-finance contractual terms such as interest rates, repayment period and amount of money allocated to youth groups in relation to the minimum number allowed per group. Regulatory procedures investigated in the study included: entry barriers such as business and group registration/licensing, time taken to respond to applicants as well as disbursing funds, and all other processes that the youth groups had to go through before they are awarded YEDF loans. The data used to measure the extent to which loan regulatory procedures and conditions influence access to YEDF in Embakasi South Constituency was collected qualitatively. These findings were constituent with reports by McCormick (1999) and Djankov (2005) who noted that regulations and bureaucracies are likely to impede sustainable performance of youth owned enterprises as they influence accessibility to business development services such as operating and expansion capital.

Respondents were asked to state whether they faced any challenges while applying for YEDF loans that is before, during and after the application process. The following section analyses these challenges as contained in the loan regulatory procedures and conditions.

Amount of Loan Given by YEDF

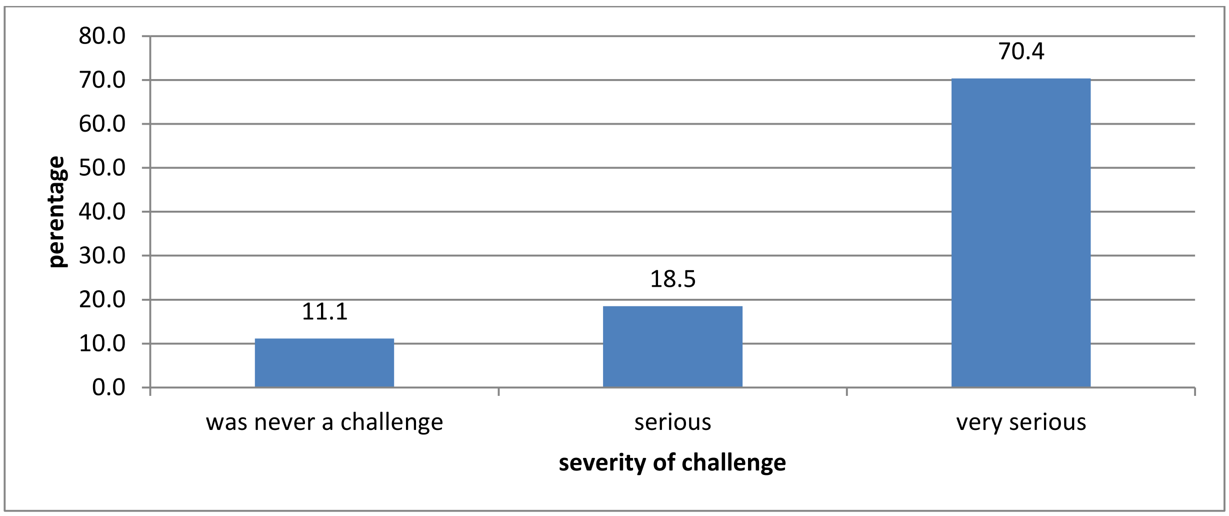
All (100%) of successful applicants received a maximum of Kshs 50 000. Nevertheless, very few groups had managed to repay the initial loan to qualify for second time borrowing. Most youth complained that this money was too little considering that YEDF required a minimum of 10 members per group. Those who had borrowed for the first time and completed repaying were not ready to apply for a second time loan because their businesses were not productive enough, and some had even died long before they finished repaying the loan.

The County YEDF officer at the national office confirmed that most youth apply for YEDF only once because they find it difficult to maintain their businesses after they borrow. Moreover, first time applicants who qualify for the fund are already too many yet the money disbursed from the government is not enough as indicated by the key informant. He said that on-time repayment is the only way to ensure efficient flow of money within the YEDF kitty so that other applicants have access. Therefore, there is less money for borrowers to be considered soon after they apply. And even more, some groups who never applied for YEDF loan claimed they were discouraged by the amount of loan given *vis-a-vis* the minimum number of group members.

Through interaction with respondents, we observed that most youth borrowing from YEDF thought this money would be a grant. They therefore misused it instead of investing in the businesses they had proposed. For instance, some groups admitted that they decided to distribute the money amongst themselves so that each member could spend it as they wished. When asked to give opinion on what they thought should be done to facilitate easy access to YEDF, most respondents suggested that the government should let the fund be given to youth free of repayment, like other devolved funds such as the Community Development Fund (CDF).

Successful respondents were asked to give challenges they had faced when applying for YEDF. Seventy percent (70%) of respondents said that low amount of money was a very serious challenge while eighteen percent (18%) of them said it was a serious challenge. Only eleven percent (11%) of the successful respondents did not find the amount of loan given to be a challenge as indicated in Figure 4.1.

Figure 4.1: Low Amount of YEDF Loan as a Challenge to Youth



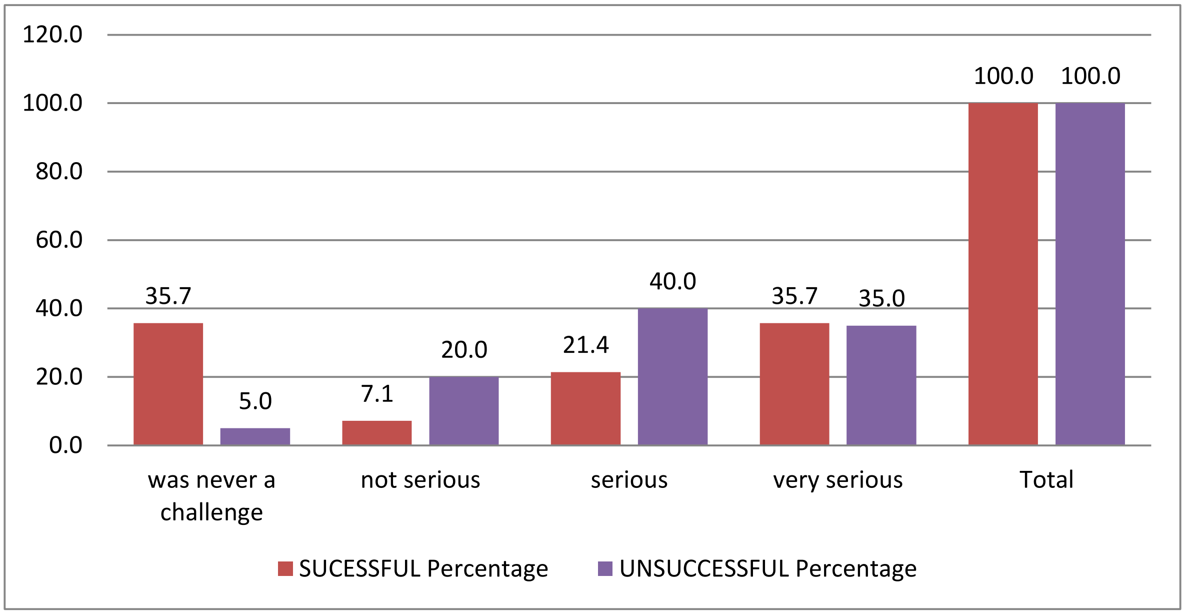
Source: Survey data

The extent of the seriousness of low amount of money as a challenge may be explained by the way the loan was spent and the kind of business activities some groups invested in. Some groups shared the money among themselves to run individual businesses and nobody bothered to follow up on how individual members invested the loaned money. Some groups even revealed that some group leaders used this money to lend to group members at an interest. The study found that those who shared the money among themselves found the money to be less, while those who collectively invested in their group business appreciated the money to be enough because they realized the profits collectively. This study, therefore, found a process lapse within the YEDF management, whereby it recommends that besides offering youth with the loan and training, a follow up/audit on how the loan is invested is necessary for the intended purpose of the fund to be realized.

Business Plan Development as a Challenge for Youth

Developing a business plan is also another challenge highlighted by respondents. While some of the successful respondents said they had no major challenges in developing a good business plan as they had someone doing it for them, most of them said it was difficult. Twenty-one percent (21%) of these respondents termed the challenge as serious and thirty-six percent (36%) said it was very hard to develop a business plan. Over 50% of respondents indicated that they had paid professionals to develop their business plans. Only twelve percent (12%) of unsuccessful respondents found it easy to develop a business plan. However, up to seventy-five percent (75%) of unsuccessful applicants admitted that developing business plans was a challenge. The study then found business plan development as one of the major factors that could be influencing access to YEDF by youth in Embakasi South Constituency.

Figure 4.2: Business plan development as a serious challenge faced by youth.

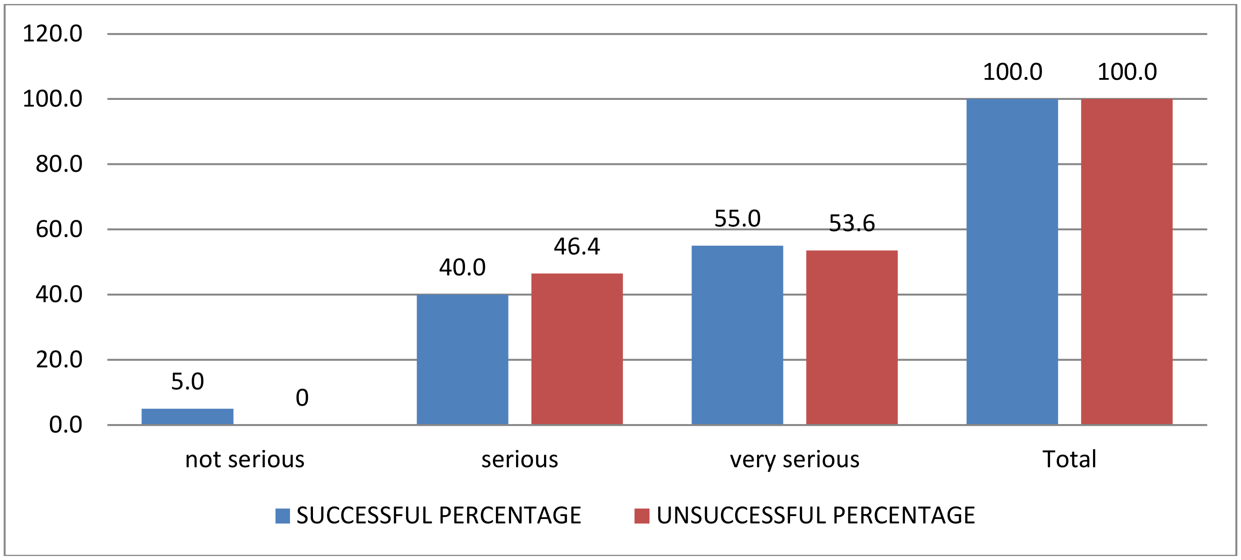


Source: Survey data

Cumbersome Procedures

The study sought to investigate the procedures involved in the process of applying for the fund because they have to do with bureaucracy. Bureaucracy as studied in the literature review prolongs the period of accessing credit for entrepreneurs. Cumbersome procedures in this study meant the physical movement by youth from one office to the next for approvals before submission of applications. Bureaucracy also meant the internal processes of vetting applications, which required many people to counter-check and approve or reject applications before youth are contacted. Cumbersome procedures to some respondents were indicated by many follow-ups made by youth to inquire about the progress of their applications.

Figure 4.3: Cumbersome Procedures as a Challenge for YEDF Applicants



Source: Survey data

Up to ninety five percent (40% "serious" and 55% "very serious") of the successful applicants and all (100%) of unsuccessful applicants cited that the procedures for applying for YEDF loans were unnecessarily long and cumbersome compared to those in other financial institutions. Respondents indicated that they had to visit many offices (the Ministry, going for good conduct certificates, approval by the local chief, YEDF offices, financial intermediary through which they received money) for approval of their forms as part of the application process. Upon enquiry from one of the key informants, it was confirmed that there is a lot of bureaucracy involved in the vetting and approval of the applicants because the latter in most cases do not have viable collateral to guarantee their loan repayment. The youth had to, therefore, go through an intensive profiling/vetting before they were awarded the YEDF loans.

We can, therefore, conclude that no matter how necessary these cumbersome and long procedures were, they may have hindered easy access of the loan by youth thus making it a factor that could influence access to credit by youth entrepreneurs in Embakasi South Constituency.

Proximity to YEDF offices

Proximity of the YEDF offices to the dwelling premises of respondents was also a challenge to interviewees as it increased the burden of going from office to office to look for approving officers. They cited lack of funds to go to and from offices for application approvals and access to the YEDF offices as a challenge. This is because even after splitting Embakasi Constituency into four, all offices still remained in Kayole which is not part of Embakasi South Constituency. Data for youth groups provided by the YEDF officer strongly indicated that the majority of youth groups who succeeded to get loans were from Kayole and Umoja as their dwelling units were near the YEDF offices. It was easier for successful applicants to access and make inquiries and follow-ups at the YEDF offices. One key informant who is a Ward Representative reported that he felt most youth in his Ward had been sidelined in the exercise of allocating YEDF funds. He confirmed that indeed after investigation, proximity to the YEDF office was a factor that influenced access to the funds. Proximity to the YEDF office for youth seeking for approvals and inquiries may have also been a challenge to applicants in Embakasi South Constituency.

Little Knowledge about YEDF

When asked to give opinions on what should be done by local political leaders and YEDF management to ensure easy access of such funds, most respondents requested for more sessions or forums to create awareness about YEDF loans. Thirty-one percent (31%) of those who never applied for the loan did not know much about the fund. Most respondents from unsuccessful groups did not know about some requirements needed to apply for the loan, particularly the 100% youth leadership requirement. A statistical significance level computed for awareness about YEDF and applying for the loan revealed that χ^2=13.668, df=1 and P=0.000 meaning that definitely if a youth did not know about YEDF, they did not apply. This indicates that YEDF management and the government need to conduct more forums to create awareness about the fund and how youth can access them.

Table 4.14: Awareness of YEDF of Youth

Are you aware of YEDF loan?	**Frequency**	**%**
Yes	11	68.75
No	5	31.25
Total	**16**	**100**

χ^2=13.668, df=1 and P=0.000
Source: Survey data

Time taken to Respond/Disburse YEDF Loans to Applicants

From the data collected, the required maximum waiting time for YEDF vetting committee to respond is four months. Twenty-four percent (24%) of the respondents said they had waited for a response for a period between five and seven months, while seventy-two percent (71%) of respondents who had received the loan reported to have waited for a period between eight and twelve months. Unsuccessful applicants were still waiting for a response by the time of the interview with the researcher. This was confirmed by a key informant at the YEDF offices, that, respondents do wait for that long due to the large number of applications the office receives. In addition, these applications go through a lot of approvals in the head office, the financial intermediaries, and other offices, a process that lengthens the waiting period.

In addition, it was established through qualitative data collected from respondents in the youth groups that unsuccessful groups had never been contacted by the YEDF office to tell them whether they had been awarded the loan or not and why. All respondents in this category said that they had made several visits to the YEDF office to check on the progress of their applications but they were always told to wait until the time of this study.

> *"Nobody has ever called or contacted us about our application. We just keep going to the YEDF office for more than six months now. All they tell us is to wait as the application is still on queue for vetting. Now even our members have started losing hope in us leaders because they may think we received the money and divided amongst ourselves" (Respondent 15, 17th July 2014, Mukuru Kwa Reuben)*

Respondents from successful groups said one of the challenges they faced while applying for YEDF was the long time taken for YEDF to respond to them. They also confirmed that they made several trips to the YEDF office before they were awarded the loans.

Table 4.15 indicates that most successful respondents (72%) had to wait for eight to twelve months before they were contacted to pick cheques from the YEDF office. Only 24 percent of respondents in the successful category reported to have waited for five to seven months before they were contacted by the YEDF office.

Table 4.15: Average Time Taken by YEDF to Respond to Applicants.

Period	**Frequency**	**%**
Below 4months	0	0.0
5 to 7months	6	24.0
8 to 12 months	18	72.0
More than 12 months	1	4.0
Total	**25**	**100.0**

Source: Survey data

On the other hand, the study sought opinion of those who never applied for YEDF as to why they preferred their source of financial capital than YEDF. Time taken to get the loan was the major challenge that discouraged youth from applying for YEDF loans. As indicated in Table 4.16, sixty- three percent (63%) of respondents said they preferred getting financial capital from other sources other than YEDF because of the long time it takes for the latter to respond to applications compared to other reasons which share 18% each.

Table 4.16: Reasons for Preferring Other Financing Sources Other than YEDF

Reason	Frequency	Percent
Time it takes to get the loan	7	63.6
No collateral/guarantee needed	2	18.2
Low/no interest rates	2	18.2
Total	**11**	**100.0**

Source: Survey data

4.4.4 Local Politics and Access to YEDF Loans

We sought to establish whether affiliation to local politicians influenced access to YEDF in Embakasi South Constituency. Data findings indicated that, twenty-three percent (23%) of successful groups against thirty-five percent (35%) of unsuccessful groups had tried to access their political leaders for assistance. However, seventy-seven (77%) percent of successful and sixty-five percent (65%) of unsuccessful respondents reported that they had never sought political intervention for them to get YEDF.

Key informants from local political leadership confirmed that most youth had tried to reach them seeking assistance to get YEDF and *Uwezo* funds. One key informant admitted that as much as these youth sought assistance at his offices, there is nothing much he could give other than directing them to the YEDF office for more inquiries. The key informant said that as much as YEDF shares an office with the Member of Parliament, YEDF is an independent State Corporation managed beyond the involvement of the local electoral politics.

Table 4.17: Political Affiliation and Access to YEDF

If group sought political assistance	Successful		Unsuccessful	
	Frequency	%	Frequency	%
Yes	7	22.6	7	35.0
No	24	77.4	13	65.0
Total	**31**	**100.0**	**20**	**100.0**

Source: Survey data

Another key informant said that he could not conduct forums to sensitize youth on funds that were not under his docket. He, however, said that whenever youth complained about unfair dealings on allocation of the fund, he forwarded the complaints to the YEDF officers.

4.5 Summary

This chapter highlights key findings in relation to the study's main and specific objectives. The main objective of the study was to determine institutional factors influencing access to YEDF loan in Embakasi South Constituency.

One of the specific questions discussed in this chapter is whether social status of group members influenced access to YEDF loans. The social status included: the age of the group, average level of education attained by group members, and the gender composition of groups. It was established that groups that had been in existence for longer periods (above three years) were more likely to successfully apply and get YEDF loans than those that had just started or were formed just to apply for the loans. On the other hand, the study established that social structures rather than education levels were important for successful groups.

Study findings indicated that gender was a major factor that influenced access to YEDF in Embakasi South Constituency. More than 80% of the groups were dominated by male youth in all the three categories (successful applicants, unsuccessful applicants and those who never applied). Reasons for less participation of female youth in YEDF-affiliated groups include: discrimination by male youth when forming groups (for example they had to have at least an asset that could be repossessed in case they defaulted payments); the kind of group activities which discriminated female youth such as car washing, vehicle mechanics, car washing and carpentry; and lack of national identification cards.

The second specific question sought to be answered in this chapter was whether youth group leadership and local politics influenced access to YEDF loans in Embakasi South Constituency. Data findings indicated that group leaders who encouraged members to participate in all group activities were more likely to successfully apply and get YEDF funds as they shared relevant ideas. Groups whose members indicated dissatisfaction with their leaders were more likely not to apply or get YEDF loans as these leaders were autocratic. This is because dissatisfied members tended to drop out leading to dysfunctional groups.

It was also found that group leaderships that had guiding principles (constitution/by-laws and rules) and followed them were more likely to lead their groups to successfully apply and get YEDF loans than those who did not have or were not using any guiding principles. Guiding principles kept the group active and disciplined as well as improving group members' social ties, which were necessary for co-operation and successful groups.

Findings discussed in this Chapter indicated that local political leadership was not a major factor that influenced access to YEDF loans in Embakasi South Constituency because the former did not have direct management of the loans and the fact that YEDF is an independent State Corporation.

The third specific question how loan regulatory procedures and conditions influenced access to YEDF was also discussed in response to the challenges youth faced in the process of applying for YEDF loans. Loan regulatory procedures and conditions were found to be major factors that influenced access to YEDF. Qualitative data findings indicated that the loan amount discouraged youth groups from applying for YEDF loans. It was also found that groups had difficulties in developing good business plans that could pass the vetting process.

Lack of information on YEDF loans and how to get them was also a challenge to youth as indicated in the study findings. Bureaucracy involved in the process of applying and vetting groups for YEDF loan approvals was a factor most mentioned by groups that influenced easy access to the loans. Findings indicated that youth visited many government offices (mostly located in different places) in such of approvals for their applications. Even after submitting loan applications, a number of YEDF officers had to vet them for approval. These cumbersome procedures may have discouraged youth who wish to apply for YEDF.

The long time taken by YEDF management was also a major factor that may have influenced access to YEDF loans. Youth groups that never applied for YEDF loans indicated long time to respond as the main factor that made them prefer other sources of financial capital other than YEDF. Study findings indicated that no successful group had obtained the loan within the stipulated time of four months, and that none of the unsuccessful groups had received a response from YEDF office about the progress of their applications.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The main research objective for this study was to investigate institutional factors influencing access to YEDF by youth-owned enterprises in Embakasi South Constituency. The study sought to achieve the main research objective by answering three specific questions:

i) Does social status of group members influence access to YEDF?

ii) How do local political leadership, group leadership and YEDF management influence access to YEDF?

iii) To what extent do loan regulatory procedures and conditions influence access to YEDF?

This chapter gives a summary of the study findings and discussions. It also highlights possible conclusions of the study based on the data collected and discussed in Chapter four. Policy recommendations that may lead to institutional restructuring so as to enhance easy access to YEDF by youth in Kenya are also given in this Chapter. The chapter ends with more recommendations for further research in related areas that were beyond the scope of this study.

5.2 Summary of Findings

The study focused on youth groups that run micro and small enterprises in Embakasi South and who had applied for YEDF loans and were either successful or unsuccessful. Since youth group is the unit of analysis for this study, group characteristics were discussed to study institutional factors that influenced access to YEDF in Embakasi South Constituency.

The specific question of whether the social status of group members was answered by analysing attributes of social institutions (age, education level and gender composition). In regard to age, it was found that the longer a group had been in existence before they applied for YEDF the higher their chances of successfully getting the loan. This is because social relations and cohesiveness created as a result of interacting for longer period inculcates trust among members. A chi-square test established that there was no significant relationship between the average level of education and getting YEDF loans. It was established that education structures and social ties were more significant to youth applying for YEDF than education levels. Study findings indicated that more than 80% of the groups comprised mainly of male youth. The higher number of male members in most groups was attributed to factors such as culture, religion, perception and the type of group activities that groups engaged in that naturally discriminated against female youth.

The second specific question to find out the extent to which loan regulatory procedures and conditions influenced access to YEDF in Embakasi South Constituency was answered by analysing the challenges youth faced while applying for YEDF loans. The amount of money disbursed to youth was little, according to respondents considering the minimum number of members groups had to register. It was also ascertained that even though this amount was little, it was a challenge to repay because most groups misused it in other expenditure other than the businesses they had proposed. Developing a business plan was a challenge for all youth groups as indicated by all groups. Data from successful groups indicated that as much as they had good business proposals, professional assistants had been hired to develop their business plans. Qualitative data also indicated that those who could not hire someone to develop their business plans were likely not to pass the vetting process for YEDF loans.

Bureaucracy in YEDF offices was a challenge as indicated by the youth in Embakasi South Constituency. Long procedures of going from office to office for approvals before submitting applications, and the many approving officers in YEDF vetting team constituted of this bureaucracy.

The study also established that geographical proximity to the YEDF offices was a factor that influenced access to loans. It was found that most groups whose dwelling units were closer to the YEDF office succeeded to get the loans than those who were based further from the offices.

Lack of appropriate information was also a challenge that affected access to YEDF loans. A chi-square test results indicated that most youth groups that never applied for the loan were definitely not aware of YEDF. Some said that although they had heard about YEDF, they did not have information on how to get these loans.

The time taken to process YEDF loan applications was also a challenge. It was established that only successful groups were contacted and most of them had to wait for more than five months to have their loan approved. Data collected from groups that never applied, depicted that the long time taken to respond or disburse funds was the main discouragement from applying for YEDF loans, hence preferring other sources of funds.

The third specific question to find out whether youth group leadership and local electoral politics influenced access to YEDF was answered by discussing attributes of political institutions (group leadership, members' satisfaction and the guiding principles of leadership). It was also established that although all successful and unsuccessful groups had guiding principles, most of these groups were not implementing them in their day-to-day activities. The study found that members' satisfaction was an important determinant of good leadership. Data findings indicated that most youth members in all the three categories were satisfied in belonging to their groups. The reasons cited for satisfaction included improvement of their living standards, improved social relations, protection of their business premises, sharing of ideas and improved individual knowledge. However, those who were dissatisfied blamed their leaders for non-cooperation, dictatorship and exclusion from decision-making. A chi-square test indicated there was a significant relationship between member satisfaction and commitment to group activities and the success of a group.

Contrary to the study's assumptions, it was found that successful groups had not sought assistance from any local politician in order to access YEDF. Instead, some of those who never applied for YEDF loans revealed that they had visited their local politicians seeking assistance on how to get the funds, instead of following the right channels to apply for the loan. Study findings indicated that as much as YEDF offices were based in the same premises with those of the Member of Parliament, the former was an independent State Corporation that was being managed independently of local electoral politics.

5.3 Conclusions

Discussions on the study findings led to the following conclusions on institutional factors influencing access to access to YEDF by youth-owned enterprises in Embakasi South Constituency.

The study concluded that to some extent, collective social status of group members influenced access to YEDF loans by youth in Embakasi South Constituency. Groups that stayed longer together work in pursuit of joint action in support of collective efficiency. The study concluded that gender discrimination at the group formation stage was a major fact that influenced access to YEDF loans by female youth. It, however, concluded that education levels of group members was not a major factor to youth groups in Embakasi South Constituency, but the social structures they had built as a result of consistent interaction among members.

Loan regulatory procedures and conditions were major factors that influenced access to YEDF loans by youth in Embakasi South Constituency.[4] More than 80% of all respondents cited various challenges they faced while applying for YEDF services, and which may have hindered or discouraged them from accessing the loans. Such challenges included: small amount of loans given by YEDF; considering the minimum number of members a group was allowed to register; bureaucracy represented by long and cumbersome procedures;

[4] As supported with literature by McCormick (1999) and Djankov (2005), the study concluded that legal systems such regulatory procedures and conditions like bureaucracy involved in the application and vetting process of YEDF loans is a possible factor that could influence access to YEDF loans by youth in Embakasi South Constituency.

long time to respond to applicants; difficulties in developing good business plans; and lack of appropriate information about YEDF loans and how to access them. We therefore concluded that loan regulatory procedures and conditions were factors that influenced access to YEDF loans in the sense that, for some reason, they were not attainable by the targeted audience.

In regard to political institutions and access to YEDF loans, the study concluded that youth group leadership was a factor that influenced access to YEDF because youth groups that had guiding principles (constitution, rules or by-laws) were more likely to successfully access loans from YEDF. It was also concluded that political affiliation may not have been a major factor that influenced access to YEDF loans by youth enterprises rather than the independence and aggressiveness of youth groups.

5.4 Policy Recommendations

After the analysis of field research findings, the study identified a few policy gaps that could be filled and facilitate easy access of YEDF loans by youth in Embakasi South Constituency and Kenya as a country. The study recommends for the following policy changes or interventions by the government and YEDF management:

i) Further decentralization of YEDF offices for ease access by all youth across constituencies.

ii) Enhanced collaboration between local political leaders, YEDF officers and other development agencies to conduct sensitization forums on devolved funds such as YEDF.

iii) The YEDF should create a mentorship program besides the usual training to guide groups from the point of planning to execution of business plans.

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Appendix I

Survey questionnaire

SECTION A: BIO-DATA

1. Age
2. Position in the group.
   a. Chairman b. Secretary c. Treasurer c. Member
3. What is your marital status?
   a. Married b. Single c. Divorced d. Widowed e. Others
4. Number of dependants.
5. What is your highest level of education? Please tick appropriately.

a. Never went to school b. Never completed primary school
c. Completed primary school d. Never completed secondary school
e. Completed secondary school f. University/college education

6. Gender
   a. female b. Male

SECTION B: GROUP BACKGROUND INFORMATION

7. When did you start your group?
8. Why did you start the group?
   a. To apply for YEDF b. To explore a business opportunity
   c. Inspired by other successful groups d. Recommended by a business adviser
   e. other (specify)..................................
9. How did you meet to start your group?
   a. Social media b. Class mates
   c. Church members d. Recruitment
   e. other (please specify)
10. Were there any challenges when forming your group?
    a. Yes b. No
11. If yes please list the challenges.
12. How many members does the group comprise of?
13. Do all your members come from the same ward/constituency?
    a. Yes b. No
14. If Not. Give a specific location where your members come from.

15. Are you aware of YEDF loans in your constituency?
    a. Yes b. No
16. If yes, have you applied for YEDF loans?
    a. Yes b. No
17. If No, where did you get funds to start your business?
    a. Personal savings b. From friends and relatives
    c. Grant d. Loan from a bank
    e. Loan from a SACCO

18. What made you prefer your choice in question 17 to YEDF?
    a. Time it takes to get the loan
    b. No collateral/guarantee needed
    c. Low/no interest rates
    d. Time taken before repayment
    e. No business plan/proposal needed
    f. Others (specify)
19. If you have applied for YEDF, did you succeed to get the loan?
    a. Yes
    b. No
20. If you did not succeed to get the loan, do you know why? (please explain)
21. For how long had your group been in existence before applying for YEDF?
22. How many times have you applied for the YEDF loan?
23. If you applied and succeeded to get the loan for a second time, what in your opinion made it easy for you to get the money for a second time?
24. How long did your loan application take before the YEDF vetting committee responded to it?
25. How long did your loan take to be disbursed into your account from the date you submitted your application?
26. Through which financial intermediary did you receive the loan?
    a. Equity bank
    b. Family bank
    c. SACCO
    d. KREP
    e. Other (specify)
27. What made you prefer the financial intermediary through which you received your loan over the other YEDF approved intermediaries?
28. In your opinion do you think gender issues affected you when trying to get the YEDF loan? (Please explain your answer?)
29. What is the highest level of education of your group members?
    a. Most completed college/ university education
    b. Most completed technical/ vocational training
    c. most completed high school education
    d. most completed primary education
    e. Most never went to school
30. Apart from formal education do any of you have any training / knowledge on business plan writing and management?
    a. Yes
    b. No

31. So far are you satisfied to be a member of this group? Please tick the appropriate option below.
    a. Very satisfied
    b. Satisfied
    c. Dissatisfied
    d. very dissatisfied
    e. Neutral

SECTION C: APPLICATION PROCESS

32. Is your group registered with any government body?
    a. Yes
    b. No
33. Did you face any challenges when registering your group and business?
    a. Yes
    b. No

34. If yes, what challenges did you face while registering your group and business?

35. Did you face any challenges when trying to apply for YEDF loans?
    a. Yes b. No
36. If Yes, please tick your opinion below on the severity of the challenges whereby 1= very serious challenge and 4=not serious. Tick column 5 if the stated problem was not a challenge to your group.

CHALLENGE/PROBLEM	SEVERITY OF CHALLENGE (How serious the challenge was)				
	1	2	3	4	5
High Interest rate					
Lack of collateral					
Lack of a good business plan					
Low amount of loan					
Cumbersome procedures					
Long time to respond					
Corruption at the YEDF offices					

37. Below are the requirements that youth applicants should attain before they apply for YEDF loans. In your opinion, please mark appropriately whereby 1=the requirement was very easy to attain 2= easy to attain 3=difficult to attain 4= very difficult to attain for your group.

PROCEDURE/ REQUIREMENT	How/ easy or difficult the group attained the requirement			
	1	2	3	4
Forming a group with minimum 10 members, 70% youth and 100% leadership being youth				
Registering the group with a government body				
Getting a valid business certificate				
Developing a business plan				
Opening an account with YEDF intermediary				
Convincing the vetting committee to give you a loan				

38. In your opinion what measures do you think should be taken to improve the process of getting/obtaining YEDF loans in Embakasi South Constituency?

SECTION C: COUNTY AND GROUP LEADERSHIP

39. Did your political leader (Member of Parliament, ward representative, women representative) assist you in any way when trying to get the YEDF?
    a. Yes b. No

40. If yes, how did they assist you?
    a. Encouraged to form a business group b. told us about YEDF
    c. Negotiated for our group to get the loan d. Sponsored us to register our business/group e. other (specify)

44. Has your group tried to access your local political leader for any assistance?
    a. Yes b. No

45. If yes, please indicate by marking against the channel through which you accessed the political leader.

CHANNEL	LEADER	Member of parliament	Ward representative
Relative of the leader			
Personal assistant			
Direct contact in his/her office			
A friend of the leader			
Others(specify)			

46. In your opinion, in what ways do you think local political leaders should assist youth in making the process of getting the YEDF loans more easily?
47. Did your group leaders play a major role in the process of getting YEDF loans or it was a collective effort?
48. If they played a major role, in what ways did they assist the group to get the loan?
49. Does your group have a constitution/ rules/by laws?
    a. Yes b. No
50. If your answer above is Yes {1}, who formulated this constitution/ rules/ by laws?
    a. Group leaders b. All group members
    b. Borrowed from another group d. By a business adviser
    b. Others (specify)..
51. Has the constitution, rules/ by laws been beneficial to the group? (Explain)
52. What is the criterion for leadership selection in your group?
    a. Level of education b. Gender c. Age d. Other (specify) ....
53. Do all members have roles they perform within the group? (Please explain your answer)
54. Are you satisfied with the leadership of your group? Please tick appropriately from the options below.
    a. Very satisfied b. satisfied c. dissatisfied d. very dissatisfied e. Neither satisfied nor dissatisfied
55. Please give reasons for your level of satisfaction above.
56. Do you have other branches for your group business?
    a. Yes b. No
57. If yes please name the locations of your other branches.

58. Please give the requested information about your group members.

BIO-DATA INFORMATION FOR GROUP MEMBERS

Name	Age	Gender	Highest level of education	Occupation	Residence (geographical spread)	Group activities	Membership to another group	Marital status	No of dependants
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									
14.									
15.									
16.									
17.									
18.									
19.									
20.									

Appendix II

KEY INFORMANTS INTERVIEW GUIDE

This study focuses on C-YES loans. This type of loan is offered to registered groups which are vetted and approved by community committees at the constituency offices. Loan approval for these groups depends on the group's ability to come up with; ***a clear business project proposal, have a valid registration certificate, have at least 70% members being youth and the leadership be 100% youth and must be registered with a government body.***

SECTION A: BIO DATA INFORMATION

1. Name………(Optional)
2. Relationship with YEDF?
3. For how long have you been holding this position?
4. How did you attain this position?

SECTION B: SOCIAL STATUS AND ACCESS TO YEDF

5. What do you think would be the reasons for gender composition of groups that applied for YEDF?
6. In your opinion, what do you think gender composition and average levels of education of group members influences a youth group's chances of successful application and getting YEDF LOANs?(please explain your answer)

SECTION B: LOAN APPLICATION AND VETTING PROCESS

7. In your opinion how satisfied are you with the minimum requirements laid down as pre-qualifications of applying for YEDF loans?
8. How long does it take the vetting committee to disburse loans or communicate to loan applicants? (**for YEDF officers)**
9. What determines the time taken to disburse money or respond to loan applicants?
10. In your opinion what should be done to improve the process involved in accessing YEDF in this county?

SECTION C: POLITICAL LEADERSHIP AND YEDF MANAGEMENT

11. In your opinion do you think local political leaders should be directly involved in managing YEDF funds? (Please explain your answer).
12. Do political leaders influence continuous flow and availability of funds for YEDF projects? (For example: negotiating for more funds from the government and other partners). **[for YEDF and county representatives]**

13. Do you face any challenges in the management and allocation of YEDF funds? Please rate the commonality of these challenges in the scale of 1- 5 whereas 1= most common and 5= least common.[**for YEDF officers**

Challenge	Commonality of the challenge				
	1	2	3	4	5
Lack of funds from government and other stakeholders					
Political interference with fund allocation					
Internal conflicts within management					
Gender disparity in the side of youth groups					
Lack of repayment by youth group					
High demand for YEDF loans					
Lack of staff for communication and timely disbursement of funds					
Uneven distribution of beneficiaries across the constituency					
Getting economically viable business projects					
A lot of bureaucracy which prolongs the process					

14. What do you think YEDF management should do to ensure equal allocation and distribution of funds across the constituency?
15. What do you think should be done by YEDF management to ensure controlled negative political interference in allocating YEDF loans?
16. As a religious leader/ activist/YEDF official or political leader, how has your agency contributed to sensitizing youth about their rights in regard to YEDF and other devolved funds?
17. Do you have anything you feel we have not touched on as far as access to YEDF loans is concerned?

Thank you for your participation