

**FACTORS INFLUENCING REPAYMENT OF YOUTH  
ENTERPRISE DEVELOPMENT FUND LOANS BY YOUTH  
GROUPS IN CHEPALUNGU CONSTITUENCY,  
BOMET COUNTY,KENYA**

**BY  
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## DECLARATION

This research project report is my original work and has never been presented for the award of a degree in any other university.

Sign.....Date.....

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This research report has been submitted for examination with my approval as the University supervisor.

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## **DEDICATION**

This research project is dedicated to my dear late father Joseph Kipkemoi and my mother Elizabeth Chemwa who inspired, mentored and dared me to achieve my full potential.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

**ILO:** International Labour Organisation.

**YEDF:** Youth Enterprise Development Fund

**YDF:** Youth Development Fund

**MOYAS:** Ministry of Youth Affairs And Sports

**YEDA:** Youth and Economic Development in Africa

**YEN:** Youth Employment Network

**EEF :** Economic Empowerment Fund

**NYDA:** National Youth Development Agency

**Y2Y :** Youth to Youth Fund

**SME:** Small and Medium enterprises

**NYF:** National Youth Funds

**PPI:** Public Private Investment

**YEF :** Youth Empowerment Fund

**GSGL :** Grameen Solidarity Group Lending

**NEEDS :** National Economic Empowerment and Development

**YEELD:** Youth Enterprise Employment and Livelihoods Development

**YOWE:** Youth and Women Empowerment

## **ABSTRACT**

The Kenyan Youth account for 38% of Kenyan Population with 15.2 million young people and is projected to increase to 24 million in 2017. High unemployment is a significant challenge facing youth and lack of capital to youth entrepreneurs compound this problem. The Kenyan government introduced Youth enterprise Fund in 2006 to provide credit to the youth to start income generating projects. Although the fund has been in operation for the last eight years, repayment rate has been low and this impacts heavily on sustainability of the fund. The purpose of this research was to investigate the factors that influence loan repayment by the youth groups in Chepalungu Constituency. Research done on Youth Fund established in different countries including Kenya shows that these National Youth Funds face challenges on management structures, inadequate funding and inaccessibility of the fund, lack of stakeholders support, limited funding due to high default rates by youth groups. That young people feel the fund is their entitlement and should not be repaid, is of great concern and may not only hamper sustainability of the fund but will also derail the objectives of the fund. The factors influencing repayment of youth fund loans are of interest, if the solutions of the above mentioned challenges are to be found. The study therefore sought to establish whether funding process influences loan repayment, secondly how group dynamics influence loan repayment, thirdly how training of youth groups influences loan repayment and lastly how entrepreneurial culture influences loan repayment among youth groups. The study used descriptive survey design and the target population was 1832 respondents with a sample size of 305 comprising of 244 members and 61 youth group officials. Random sampling was used to identify 21 youth groups in the population. Questionnaires, and interview schedule were used to collect data and a pre-test of one tenth of the sample was taken to pilot the study. Descriptive statistics using percentages and frequencies was used to analyse data and then presented in tables. The findings indicated that funding process influenced loan repayment as it took long before groups accessed funds. Group dynamics influenced repayment as groups had power struggles which affected cohesion and harmony in their projects performance. Entrepreneurial culture influenced repayment as the businesses collapsed leaving the groups with no money for repayment and lastly lack of adequate training before disbursement of loans influenced loan repayment as youth groups lacked necessary business skills. Based on the findings, conclusion and recommendation for various stakeholders were drawn.





## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

The United Nations estimated that in the year 2013 there were 3.5 billion young people between aged 15 and 24 years representing 18% of the global population. Africa had 43% of the population (338 million) young people under age 15 and 24 years (World Youth Report, 2013).

To address the youth unemployment small and medium enterprises (SME) play a role economic development and in addressing unemployment among the youths (Feeney and Riding 1997). Young people who constitute a large segment of our society, is the future of any economy and key drivers of employment growth and economic activities through ownership of SMEs (MOYAS UNDP 2009, Report).

According to the Economic survey (2006) SMEs sector contributed over 50% of the new jobs created in the year 2005. Micro lending schemes have emerged as a means of guaranteeing access to credit for the poor through financial intermediaries strategy that is responsive to social economic realities. This has been necessitated by many hindering factors associated with formal lending institutions whose credit products are highly collateralized, not tailored to the youth segment and attract high interest rates Chigunta (2002). As one of the strategies of addressing youth unemployment in Kenya, the government initiated Youth Enterprise Development Fund in the year 2006. Youth Enterprise Development Fund (YEDF) was an employment marshal plan which recommended a collaborative strategy which the youth were to be engaged in useful employment (YEDF, Report 2006). The fund focuses on an enterprise development as a key strategy that will increase economic opportunities and improve the livelihoods of the youth. Ghai (1988), posits that it is advantageous to have autonomous organization for entrepreneurship development funds.

In Britain , Prince Trust was started in 1976 to help the young unemployed persons or those working fewer than 16 hours per week by giving 4000 pounds for startup of SMEs by sole traders and 5000 pounds for partnership Bannock and Albach (1996).

The Royal Bank of Scotland Group support Prince Trust Enterprise programme by providing young people with access to funding , mentoring and networking assistance to enable them to start up businesses and explore their entrepreneurial ideas. However the challenge has been failure to meet the demand due to lack of loanable funds. In 2011, New Enterprise allowance was initiated to help people become self employed. They are given low cost loan of upto 1000 pounds and provided with free mentoring. This scheme is an improved version of Enterprise Allowance Scheme started in 1981 in Great Britain which had greatly impact on unemployment and supported entrepreneurs by linking young entrepreneurs with mentors who guide them to develop viable business plans hence providing capacity building services but it was still noted that most start ups were sole trading operations and most start ups failed. [www.Newstart .com](http://www.Newstart.com).

In Bangladesh, Micro credit scheme was introduced to mediate the delivery of low interest rates and collateralized credit to the rural poor youth who rely on social collateral and joint liability (Olomola, 2000). Young small scale agricultural farmers in Bangladesh who had access to micro credit loans could however not realize the benefits due to high interest rates, short loan repayment periods and inadequate loan sizes that could not adequately meet the input costs (Ardener, 1995).

In LatinAmerica 700 youth groups were each given Us \$ 50000 to broaden access to information in ICT skills by youth for future self employment . It was noted that imparting skills to young entrepreneurs prior to advancing of loans ,led to success of startups and business performance(Aryeetey, 2005).

In Canada, Canadian Youth Business Foundation was started in 1996 to run specialized Youth Business Loan Programmes designed to help young women and men who are unemployed and underemployed (Wadell, 2011). The youth are required to be committed and sign an agreement to mandatory mentorship programme, get appropriate training and write a valid business plan without providing any collateral to access the loan (Maina, 2012)

Aryeetey (2005) however noted that lack of management skills among small Canadian youth firms are among the factors contributing to their failure of enterprises and that microenterprise development in Developing countries is still hampered by constraints including limited loan portfolio, administrative problems and lack of proper co-ordination associated with loan processing, high interest rates and low repayments. Makanda (2011) and Odeng (2007) as well noted that bad management, lack of planning, poor product quality, bad relations, inadequate financing, lack of entrepreneurial skills and weak marketing channels are among the leading causes of business enterprises failure.

Similarly Nelson & Nelson (2010), in their study on micro credit programmes and poverty alleviation in Rural Nigeria identified constraints facing credit schemes as credit portfolio, perceived high interest rates on credit and limited capacity of staff in managing schemes. In the Nigerian case for instance young rural dwellers have had very limited access to financial services due to disparities between their needs and concerns and the procedures required by the commercial banks.

The government of Namibia also introduced Namibia Youth credit scheme (NYCS) to empower and increase the number of youth participating in social economic affairs of the country (Namibia Ministry of National Service Sports and Culture Report, 2008). The fund however faces a challenge on implementation and sustainability.

In Tonga the government in partnership with Africa Development Bank (ADB) assistance to Tonga, initiated The Youth Micro Enterprise Development project (TYMDP) as means of addressing the issues of youth unemployment. For Tonga case, challenges such as limited office space, human resource with inadequate capacity to deal with additional monitoring and operational requirements, lack of transport to facilitate monitoring of enterprises in areas outside the town led to restructuring of TYMDP in order to be self sufficient.

The South African government alleviates poverty and unemployment through new enterprise programme, Umsobomvu Youth Fund. Though the fund enjoys nationwide presence as a result of good partnership strategy, monitoring and evaluation of its activities has been a challenge (Ahaibwe, 2014).

Closer home in Uganda according to Bibangamba (1995), micro credit institutions place more emphasis on the number of loans made and less on the actual change effects experienced by the borrowing enterprises. Makombe, Temba & Kihombo (1999) also noted in Tanzania that among the constraints faced by credit schemes include management, client's perception on credit policy and design and low repayment of loans. This therefore shows that one of the constraints facing and affecting implementation of government credit schemes are issues related with management of the fund, limited capacity building, and lack of entrepreneurship skills among the youth to ensure success of the fund and management of youth groups to ensure that they repay the loan consistently in order to sustain the youth funds.

YEDF strategic focus is on small enterprise development as a key strategy that will increase economic opportunities for youth participation and empowerment. The initial phase of YEDF was however faced with various challenges among them political interference, the perception that the money were grants hence high default rate, low repayment which threatened the sustainability of this revolving fund (YEDF Report, 2007).

Amenya, Onwonga Onsongo &Huka (2011) in their study on challenges facing YEDF in Nyaribari Chache Constituency, Kenya found out that access to YEDF by youth remains still a big challenge. The study showed that most youths do not have proper information on how to access the YEDF, most projects were poorly managed leading to low repayment rates and that the fund has not made significant change on the society as gender imbalance has not been addressed among the funded youth groups. Maina(2012) also noted that promotion of entrepreneurship among the youth for self employment in Ongata Rongai is derailed by credit inaccessibility and unavailability due to low repayment rates by already funded groups. Sangwe ,Gicharu and Mahea (2011) in their study on youth and women entrepreneurs in Nairobi on level of preparedness to start businesses also concluded that entrepreneurial readiness among the entrepreneurs who benefitted from both women and youth fund is still low and that 48% of those youth surveyed had less than 50 % likelihood of business success due to low entrepreneurial skills and hence impacting on repayment rate.

Nganga (2010) in a study of analysis of factors influencing implementation of YEDF in Westlands constituency, Kenya noted that government efforts were inadequate in addressing the challenges facing the youth in that youth were not involved and lack of business skills impacted negatively on repayment and hence success of the fund. Similarly, skills on entrepreneurship, business planning and financial management must be elaborately impacted to youth before fund are disbursed if the funded projects are to succeed. These factors were also highlighted in a study by Mugira (2012) on the factors affecting repayment of the YEDF in Kasarani Constituency, Kenya who found out that about 70.1% of the youth received loan amounts which were too little to enable them start their business and they ended up not starting any project and this subsequently lead to project failure and therefore loans were not serviced completely accounting for the low repayment of funds. 78.0% indicated that their

loans took a long duration between application and receiving of funds, and lack of collateral to access loans in Micro Financial intermediaries' was also a challenge.

Similarly Odera et. al (2013), in a study on Effect of YEDF on youth enterprises in Siaya County, found out that 89% of youth surveyed indicated low repayment is attributed to poor proceeds while 72% attributed it to the long time investment take to mature as 66% cited lack of continuity in the groups and hence the projects collapsed. In Bomet Constituency, repayment rate stand at 49% slightly higher than Kilgoris which stand at 47% but lower than Sotik which stand at 55% and Bureti at 51% (YEDF Report, 2013).

In Chepalungu constituency a total of Kshs. 4.675m has been disbursed to 122 youth groups' enterprises and a paltry Kshs.100000 disbursed to 1 youth group through E-YES. Out of the total amount disbursed, only 44.17% has been recovered in C -YES component while 25% has been recovered in E-YES.(YEDF Chepalungu Report,2013). Five groups have completely failed to repay the loan. This sad state of affairs threatens the sustainability of the fund and its effectiveness in achieving its mandate and consequently achievement of vision 2030 since it is a revolving fund.

## **1.2 Statement of the Problem**

Kenya aspires to become a globally competitive and prosperous nation by 2030. Most of Kenya's economy is largely agri-based with land being the most basic resource for the majority of the population .However this resource is not readily available to youth as parents have not bequeathed the land to their children. The youth therefore lack title deeds which could act as collateral security to source capital from the banks. It is upon realization by the government that youth unemployment is a time bomb that it initiated a number of interventions among which is Youth Fund in 2006. Youth fund is a revolving fund that is meant to provide capital to youth to start or expand income generating projects so as to create

opportunities for young people to be self employed. The efficiency and effectiveness in the management of the Youth Enterprise Development Fund (YEDF) in Kenya may be measured in terms of the extent to which it has been able to achieve its objectives. The YEDF was specifically established for the sole purpose of reducing unemployment among the youth who account for over 61% of the unemployed in the country (KNBS 2009). To date the fund has been able to disburse Kshs. 6 billion shillings to 159,000 youth enterprises. In total the fund has been able to create over 300,000 jobs, (YEDF Report, 2013). However, when this figure is measured against the total unemployment population of approximately 8.5 million youth, it can be observed that the fund has only impacted on 3.5% of the total unemployed youth since its inception in 2006.

The failure of youth enterprise to generate enough employment opportunities for the youth despite its existence for the last seven years and its huge default rates raise questions on effectiveness on management of the fund. On average the national repayment rate stands at 32.2% while Chepalungu constituency repayment rate stands at 44.17 % hence default rate of 56.83% which is way up the banking industry default rate at 8% (CBK Report, 2013) and Women Fund which stands at 22% (WEF Report, 2014). Moreover, out of 122 youth groups funded in constituency only 8 have cleared the loans advanced to them while five groups have completely fail to repay (YEDF report, 2013). This study therefore sought to investigate the factors that influence repayment of Youth Enterprise Development Fund loans by youth groups in Chepalungu constituency.

### **1.3 Purpose of the study**

The purpose of this study was to investigate the factors influencing repayment of Youth Enterprise Development Fund Loans by Youth Groups in Chepalungu constituency, Bomet County.

#### **1.4 Objectives of the study**

The study was guided by the following research objectives

- 1.To establish how Youth enterprise development Funding process influences Loan Repayment of Youth Enterprise Development Fund loans in Chepalungu constituency
- .2.To assess the influence of Training of youth groups on Loan Repayment of Youth Enterprise Development fund loans in Chepalungu Constituency
- 3.To assess the extent to which Group dynamics contribute to Loan Repayment of Youth Enterprise Development Funds loans in Chepalungu constituency.
- 4.To determine how the Entrepreneurial culture of the funded youth entrepreneurs influences Loan Repayment of Youth Enterprise Development Fund loans in Chepalungu constituency.

#### **1.5 Research Questions**

The study will be guided by the following research questions:

1. How does the YEDF funding process influence Loan Repayment of Youth enterprise Development fund loans in Chepalungu Constituency?
2. What is the influence of training of the youth funded projects on Loan Repayment of Youth Enterprise Development fund loans ?
3. To what extent do Group dynamics contribute to Loan Repayment of Youth Enterprise Development fund loans in Chepalungu Constituency?
4. How does Entrepreneurial culture influence Loan Repayment of Youth Enterprise Development Fund loans in Chepalungu Constituency?

#### **1.6 Significance of the study**

The study may help by documenting current practices in youth fund utilization and this will enable policy makers target right interventions to ensure that the fund succeeds.

Based on the findings of this research, the challenges of loan repayment are also important to organizations offering micro credit to youth in that ways of mitigating the challenges of access and repayment of loans can be implemented by those organizations so that repayment of loans is enhanced.

The findings can also give insight to policy makers of any other funding to youth or women such as women Fund and the newly launched Uwezo Fund, the proposed County and Ward Funds in the County Governments and. Lessons learned from youth fund challenges on loan repayment can be important to Organizations dealing with government funding in future.

The findings may benefit NGOs dealing with youth issues in that they can know the right interventions for youth to be empowered economically in the society.

### **1.7 Limitations of the study**

Limitations were expected in this study and this included shortage of financial resources during data collection. This was minimized by ensuring that reasonable finance was secured before embarking on fieldwork. Also the respondents were secretive with their records and this was minimized by creating a rapport with them and building confidence on them to create an interactive exercise. Weather was not conducive since the data collection was done during rainy season. This was overcome by going to the field very early in the morning.

### **1.8 Delimitations of the study**

The study was done on factors influencing loan repayment of youth enterprise development funds programme by youth groups in Chepalungu constituency only. Only funded youth groups in the Chepalungu constituency were under study. The scope covered thirteen Locations in Chepalungu Constituency only.

### **1.9 Basic Assumptions of the study.**

The research was based on the assumption that the sample drawn was representative of target population. In addition data collection instruments were assumed to be valid and reliable. It

was also assumed that other factors affecting repayment and were not under study did not affect the findings of the research.

#### **1.10 Definition of significant terms used in the study**

**Youth:** Any person between 18 years and 35 Years.

**Loan Repayment:** Refers to servicing of loans borrowed by the youth groups.

**Entrepreneurial culture:** Refers to how youth carry out their businesses in a business environment.

**Training:** Refers to formal knowledge acquired before starting the business venture.

**Youth Fund:** refers to National funds given to the youth as loans to start income generating activities.

**Group Dynamics:** Refers to formation of groups, management, leadership styles and conflict resolution in groups.

**Young people:** People aged between 18 and 35 Years.

**Credit:** Loan advanced to the youth by financing organisations to start income generating projects.

#### **1.11 Organization of the study**

The research project was organized into three chapters

Chapter one of the study gave background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, significance of the study, limitations of the study and basic assumptions of the study. Also included in this section were delimitations of the study and definition of significant terms used in the study and finally the order in which the projects follows.

Chapter two covered the literature related to studies done previously on the four variables: funding process and its influence on loan repayment, training and its influence on loan

repaymentGroup dynamics and its influence on loan repaymentand lastly Entrepreneurial cultureand its influence on Loan repayment

Chapter three described research methodology used in this research and these included research design ,target population, sample size and sampling procedure. Data collection Instruments,data analysis techniques and operationalisation of variables of study as well as ethical consideration were also presented in this section.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews literature from previous researchers on the concept of National Youth Funds programmes, funding process, training, Group dynamics and Entrepreneurial culture in relation to YEDF Loan repayment, theoretical framework, conceptual framework, literature gap and summary of the literature review.

#### **2.2 The concept of Loan Repayment of Youth Enterprise Development Funds**

Youth unemployment is one of the most daunting economic challenges facing Kenya at present. The youth account for 61% of the unemployed and the 92% of the unemployed have no training other than formal schooling and hence lack employable skills (MOYAS Report, 2006). Lack of skills is due to inadequacy of training infrastructure as well as means to acquire skills due to poverty (Kimando et al., 2012).

Youths are tremendous resource for national development and most important for social change. They are full of vibrant ideas and capacities when properly motivated and strategically guided. The economic growth has not been sufficient to create enough employment opportunities to absorb the increasing labour force estimated to grow by 500,000 people annually. Only 25% of whom are absorbed both by informal and formal sector leaving the rest to bear the burden of unemployment (KNYP, 2006).

The few young people who are lucky to get through college and university come against the wall of experience, without experience they cannot acquire a job and without a job there can be no experience. Youth seeking self employment face a range of obstacles including lack of capital, harassment from local authorities over licenses and business permits and are often forced to bribe the authorities. Most youths also migrate from rural to urban areas seeking better livelihoods in urban settings however, this leads to pressure on social services and

amenities and mushrooming of slum areas which are predominantly populated by young people.(Kenya Situational Analysis Report, 2010).

Lack of credit history, insufficient collateral and the fact that young people are seen as risky investment make them face difficulties accessing the loans. Due to age factor young people are unlikely to have any type of business experience and track record of business skills that financial institution requires when assessing their creditworthiness (Schoof, 2006).

Youth Employment Network also indicates that 60% of the Microfinances do not lend to youth segment while the remaining 40% state that though they cannot discriminate on basis of age demand for loans outstrip the supply. Factors hindering youth from accessing microcredit were identified as being high risk takers ,low technical knowledge , lack of experience and low credibility Owuala, ( 1999);Llisteri et al, (2006).

Akweetey (2006) also argues that, Youth despite having numerical strength and high degree of mobility and adaptability, lack adequate space to organize in order to design their own credible path towards realizing their potential and meeting their financial needs. In addition, the cost of borrowing is high and conventional banks find it nearly impossible to provide loans to just anyone more so Youth. Cash flow based lending entails considerable due diligence and are therefore more costly than collateral – based lending .This leads to banks to focus only on largest borrowers ,so as to amortize the cost of due diligence over a larger investment amount. The government introduced the Youth Fund Programme with a number of objectives including the following: providing funding and business development services to youth owned or youth focused enterprises, attracting and facilitating investment in Micro, small and Medium Enterprises oriented commercial infrastructure such as business or industrial parks, stalls ,markets or business incubators that will be beneficial to youth enterprises , facilitating marketing of products and services both in international and domestic markets and

lastly facilitating employment of youth in the international labour markets. The overall aim of the fund being to facilitate youth to access credit without collateral so that they could start income generating projects to ease the burden of unemployment among the youth. ([www.youthfund.go.ke](http://www.youthfund.go.ke)).

When Youth Enterprise Development fund was introduced by Kenyan government to tackle unemployment, it was made clear to the beneficiaries that it was a loan which was meant to be repaid after a 3 months grace period since it is a revolving fund. Odera et al, (2013) noted that if repayment is not made, then the public who are the taxpayers will be worse off as this will be a withdrawal of income from circulation and recommended that increase in revolving fund repayment will lead to increase in the next round beneficiaries. What if the repayment is not done? Then it may mean the fund will not be sustainable in the long run unless the treasury increase its allocation.

Aeyeteey (2004) points out that there are two ways to use micro credit programmes. Loans are either used to start a new enterprise or expand an existing one. Youth fund loans can also be loaned to youth to start income generating projects and enterprises or expand the existing ones. Job creation leads to reduction in unemployment and improved living standards.

Siakwah (2010) noted that among challenges to micro credit on repayment include: poor timing of credit, inadequate credit, weather failures which may affect farming projects and other risk factors. These factors might have contributed to low repayment of youth fund since the fund was introduced near electioneering year in 2006 and youths might have had perception that the funds were political grants. The fund was also introduced in haste without proper credit structures on the ground and was managed by Youth officers who are from divergent fields and hence with inadequate fund management skills. The 2007/2008 post

election also impacted negatively on repayment as most youth enterprises were affected by the violence outbreak (MOYAS Report, 2012).

### **2.2.1. Credit Lending models.**

Olero and Rhyne(1994)identify four methods for providing credit services to micro enterprise to .These include Solidarity group lending for established business,Credit unions, village banking for poor ,self helps groups and transformational lending for substantially more sophisticated groups.On the other hand Ledgerhood,(1998) indentify five methods as Individual lending, Grameen Bank solidarity lending, Latin America Solidarity Group lending, Village banking and self reliance village groups.Each group has rules on collateral use,terms and methods of operation.

Ledgerhood(1998) describes individual lending as provision of credit to individuals who are members of group,whereby the group is jointly responsible for repayment and this the type used by most financial intermediaries as the individual is guaranteed by group members. Individual lending is suitable for small farmers as beneficiaries access loans at their own pace (Siakwah, 2010).

Grameen Solidarity Group Lending (GSGL) was developed by Grameen Bank of Bangladesh to serve rural women .Though applied in Asia initially, most NGOs in Sub Saharan Africa has replicated its application. (Siakwah, 2010).

In this model of credit delivery, peer groups of five mostly unrelated members are formed and linked to village centers of up to eight peer groups popularly known as Muungano in KWFT in Kenyan setting.Attendance of weekly meeting, savings in the group and insurance are mandatory.Group management is done by group members and lending can be done within the group. Group members mutually guarantee each other and are legally responsible for repayment.

Third is approach was developed by ACCION in Latin America which makes loans available to individual members in a group of four to seven members and members can cross guarantee each other hence social capital act as guarantee. Repayment is done weekly at the program office and technical assistance such as training and organizational building is done.

Fourthly are village banks which are managed by the community as credit and savings associations established in rural areas to provide financial services. Otero and Rhyne (1994), observe that self help groups help to accumulate savings. Banks consist of management committees who receive training from the sponsoring bank. (MFI) will also get seed capital to the bank who in turn lends the money to its members. The members all sign the loan repayment to offer collective repayment guarantee and loan amount given to village bank is based on aggregate of individual members' savings .This approach is applied by K-REP bank to rural financial services associations (FSAs).

Lastly is self help group who come together and form village banks at a site that is highly cohesive and where members can mobilize enough savings. They then lend to each other. This is the concept women and youth entrepreneurs in kenya applies through table banking Group member's trust is very important. Group lending gives low income earners equal chances of accessing credit by co- quaranteeing each other and this therefore help improve their economic status .

### **2.2.2 The concept of National Youth Funds (NYF) programme as form of credit to Youth**

National youth funds are financial resources contributed by the government through financial budgets and in some countries they partner with private sector and NGOs to support youth grow their SMEs and microenterprises. They may be in form of loan or grants depending on the objectives for which the fund was set up(ILO, 2012).

Canadian Youth Business Foundation run specialized youth business loan programme while in India Bharatya Yuva Shakti Trust (BYST) provide low interest loans of RS 50000 with repayment based upon projected business cash flows to minimize default rates (Makombe et.al, 1999).

Botswana Out Of School Fund is 50 % grant and 50% interest free loan implemented by Department of Youth under the Ministry of Youth sports and culture given to youth out of school, unemployed youth and companies owned by youth with mandatory training before disbursement of fund. The youth can access the funds individually or as a group. Although the government make payment directly to the supplier who provide the assets indentified by beneficiaries, the fund faces challenges which include failure by the youth borrower to service the loan as they view the loan as their entitlement. The absence of other stakeholders in private sector also limits experience in terms of business development services and resources leveraging (Ahaibwe, 2014).

Umsobomvu Youth fund, initiated in 2011 in South Africa has adopted PPI approach in its programmes and services and is characterized by training component to develop vocational life and entrepreneurial skills for the youth solving the mismatch of skills young people have and those demanded by employers in labour market. The fund offers a variety of programs including financing, entrepreneurship education, business development services and mentorship. However Monitoring and Evaluation of the various activities of different programs and services delivered by external private partners is a challenge (Ahwireg, 2002).

Tanzanian Economic Empowerment Fund (TEEF) and Youth Development Fund were formed to promote employment creation for the youth and women. Phase 1 was given directly to groups which led to high default rate and hence Phase 2 service delivery was through the commercial banks who gave the money to Saccos and the Saccos on the other hand lend to

members. Effective Monitoring and Evaluation by the commercial banks improved the repayment rate(Makanda, 2011).

Youth to Youth Fund (Y2Y) is one of the Youth Employment Network (YEN) initiatives of UN, ILO and World Bank which promotes enterprise support for the youth. YEN observes that shorter loans that microcredit organizations offer, are suitable for micro enterprise startups but limits further business growth and productivity gains and in most cases loans are used for consumption smoothing rather than investment into the business. The repayment of the loan is not strongly linked to the growth of the business. While some microcredit organization may boast of high repayment rates, a lot of clients may be unable to grow with their business over time and find their way out of poverty instead they get caught up in debt traps and in some cases higher suicide rates among the youths have been linked to micro loans. Credit recipients concentrate on activities that enable them to repay the loan and little effort is directed to expansion of the enterprises (Simtowe et.al ,2005).

Nteziyaremenye and Mkwelly (2001) also add that in Mali, the longer time required to start and manage a successful business and generate money to service the loan make the repayment unsuitable and in most cases family had to use their resources to meet repayment obligation who inturn will discourage the youth from any future borrowing.

The Youth Enterprise Development Fund (YEDF) in Kenya was initiated in 2006 with a sole purpose of reducing unemployment among the youth who account for over 61% of the unemployed in Kenya.(MOYAS 2006).In pursuit of vision 2030 goal the youth are meant to be the engine of transformation of human resource for technological and industrial transformation.This will then lead to increased wealth and social well being as well as enhancement of country's international competitiveness.YEDF strategic focus is on small enterprise development as a key strategy that will increase economic opportunities for youth

participation and empowerment. The initial phase of YEDF was however faced with various challenges among them political interference, the perception that the money were grants hence high default rates, low repayment which threatened the sustainability of this revolving fund (YEDF Report, 2007).

In a bid to address these challenges the government transformed the fund into state corporation on 11<sup>th</sup> May 2007 in order to enhance professional management and respond to the changing needs of the youth. Despite the government's resolve to improve the performance of the fund, the YEDF is still facing various management challenges and low recovery rate and this impact negatively in delivery of its mandate and this need to be addressed to realize the desired vision 2030.

To date the fund has advanced loans worth 6 billion shillings to 159000 youth enterprises countrywide through Constituency Youth Enterprise Scheme (C-YES) and a total of 615 million shillings have been advanced to 13345 groups while Kshs. 66 million has been disbursed to 2645 individuals through (EYES). The financial intermediaries have financed 141552 groups and individual enterprises of Kshs 5.2 million (YEDF Report, 2014).

Aryeetey (2005), noted that the microenterprise in developing countries are hampered by constraints including limited loan portfolio, administrative problems and lack of proper co-ordination associated with loan and interest repayments. Credit Management is the most critical tactic for future success of any government funding. Since this kind of funding is not backed with any collateral which the government may sell to recover the loan, it is highly likely that bad debts will either have to be written off leaving the fund unsustainable. According to (Mutuku 2006), a borrower offers a collateral to the lender to secure a loan such that in case of defaulting to repay the loan, the lender can seize the collateral to recoup losses. Under youth fund programme case, the government intended to aid youth

entrepreneurs to access credit by using previous group records which are sometimes not genuine. This leads to a higher risk of loan defaulters.

Lack of credit management skills among small Canadian firms to ensure timely recovery are among the factors contributing to their failure. Makanda (2011). Odeng (2007), as well noted that bad management, lack of planning. Poor product quality, bad relations, inadequate financing and weak marketing are among the leading causes of business enterprises failure and hence the youth entrepreneurs cannot be able to service their loans. Similarly, constraints facing credit schemes also include management of credit portfolio which in the case of youth fund programme in Kenya engaged MFIs to reach the youth in individual lending and limited capacity of staff in managing schemes. Nelson & Nelson, (2010). Makombe et.al (1999) also noted that among the constraints faced by credit schemes in Tanzania includes how management is structured and the procedures to follow to get the loan, client's perception on credit policy and design which in essence is lending process.

Access to YEDF by youth in Nyaribari chache Kenya still remains a big challenge. Most youths do not have proper information on how to access the YEDF and as well most projects were poorly managed leading to low repayment rates (Amenya et.al 2011). Entrepreneurial readiness among the youth entrepreneurs who benefitted from youth fund programme in Nairobi is still low and that 48% of those youth surveyed had less than 50% likelihood of business success and hence impacting on repayment rate Sangwe (2011).

Nganga (2011) found out that government efforts were inadequate in addressing the challenges facing the youth in that youth were not involved, lacked of business skills and this impacted heavily on success of the fund. Kimando et.al., (2012), also noted that skills in entrepreneurship, business planning and financial management must be elaborately impacted to youth before fund are disbursed if the funded projects are to succeed.

### **2.3 Youth Enterprise Development Fund funding process and its influence on Loan Repayment**

Micro lending schemes have emerged as a means of guaranteeing access to credit for the poor through financial intermediaries strategy that is responsive to social economic realities. This has been necessitated by many hindering factor associated with formal lending institutions. Formal lending institutions is highly collateralized and attracts high interest rates (Nelson & Nelson 2010). Collateral requirements make financial services inaccessible to the poor and specifically the youth, hence the need to improve access to credit for the low, vulnerable and middle class. Amenyia et. al, (2011) also concluded that access to the fund by youth in Nyaribare Chache Kenya remains a big challenge as most of the youth do not have information about the fund.

Various governments have developed financial schemes to enhance credit accessibility to finance startups and small and medium enterprise (SMEs). Government of Nigeria through its National Economic Empowerment and Development Strategy (NEEDS) has initiated the organization for youth development microcredit scheme to strengthen and support financial services to SMEs mainly through commercial Banks. (Nelson & Nelson 2010).

The credit lending schemes face funding process challenges. Chigunta (2001); Chigunta and Mkandawire (2002) noted that lack of credit access to youth run enterprises seems to be more pronounced in developing countries and that state sponsored youth credit in Africa have suffered a number of weaknesses including poor programme design, implementation, poor loan disbursement, lack of youth training and group management conflicts and as well politicization of the funds. In the Nigerian case for instance young rural dwellers have had very limited access to financial services due to disparities between their needs, concerns and procedures by the commercial banks (Nelson & Nelson, 2010).

For Tonga case challenges such as limited office space ,human resource and in adequate capacity to deal with additional monitoring and operational requirements ,lack of transport to facilitate monitoring of enterprises areas outside the town necessitated restructuring of TYMDP so that it would largely be self sufficient.

In Kenya, the YEDF funding process and loans targets all forms of youth owned enterprises whether individual, companies, groups, cooperatives or otherwise and the loan is accessible to any youth owned enterprise operating within the district. The FIs could also be commercial banks supporting the growth of SMEs, but their core goal is to maximize profits regardless of the funding impact. Financial intermediaries lending policy consider the Target Market, Eligibility & Credit Selection criteria, Loan assessment & Loan eligibility amount, Required Documents, Pricing, Repayment mode and period, Verification requirement, Amount & Type of collateral for secured loan before funding business proposal. All these requirements cannot be met by youths Odhiambo et. al., (2013) and Chepalungu YEDF records show that no youth has benefited from YEDF individual funding component from Microfinance institutions. (YEDF Report, 2013). This raises questions whether the youth are not aggressive entrepreneurs or the funds lending process is not favourable in their rural setting.

YEDF prime objective is not only the development of SMEs by providing loans to youth owned enterprises but also to attract and facilitate investment in micro, small and medium enterprise - oriented commercial infrastructure such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises. It also provides franchise financing and linkages with large enterprise.

A second component is the Constituency Youth Enterprise Scheme (C-YES) that funds enterprises of youth groups in all constituencies. The Divisional Youth Enterprise Development Fund Committees (Divisional YEDFC) have been formed to effectively identify and recommend viable youth group enterprises for loans. The group can only be eligible for

C-YES funding if members of the group are aged 18 to 35 years, in case of mixed group, at least 70% of the members are aged 18 to 35 years and 100% of group leaders are within the preferred age bracket, the group is registered with the Department of Social Services or the registrar of societies at least three (3) months before applying for the loan, the group is physically operating within the Constituency, the group is undertaking/proposing to carry out business oriented activity and operating an active bank account .Currently the forms are forwarded to from constituency to regional office without having necessarily have the forms scrutinized by the committee.(MOYAS, 2013)

Through these programmes, youths have managed to start, sustain viable businesses and attain financial independence and stability. Kenya needs long term strategies to enable youth access more rewarding and productive work. There is also a tendency to treat youth as a homogeneous group, which could end up isolating some young people who cannot fulfill YEDF requirements such as business plan development, a registered group and an existing bank account. The rules should be more flexible and needs based in order to benefit some of the needy and illiterate youth who require more rigorous training and support to succeed.

Odhiambo et.al , ( 2013).

### **2.3.1 YEDF Monitoring and Evaluation process and its influence to Loan Repayment.**

Monitoring and Evaluation make it possible to know whether the intended results are being achieved or not and corrective action needed to ensure delivery of intended results and positive contribution of the project towards human development (UNDP, 2009).

Quality evaluation provides feedback that can be used to improve programming policy and strategy.Lack of commitment on part of microfinance institution on monitoring and evaluation adversely affect the concept of sustainable Small business enterprises Howes (1997).The Global conference onYouth Enterprise Employment and Livelihoods Development(YEELD) notes challenges facing monitoring and Evaluation and their impact

on evaluation as: Inflexibility ,adaptability , M&E process multifaceted nature , inability to define intended program impacts , inability to design impact evaluation that attribute program intervention to change beneficiaries,ethical consideration and difficulty in incorporating Gender in M&E. Micro lending institutions encourage group monitoring whereby group members act as guarantors for an individual during access to loan .This is meant to increase individual liability and hence members feel obliged to pay. However according to Karlan &Gine (2008) there is no significant change in repayment when individual liability is compared to group liability. It was found out that after the removal of group liability, monitoring went down but repayment improved thus suggesting that peer monitoring or pressure was unnecessary as group lending does not add up an economically meaningful way to higher default.

Boateng and Dawoe(2005) indentified monitoring and evaluation of loans as among good practices that will lead to technological growthof SMEs,however choice of efficient Monitoring and Evaluation systems may pose a challenge to most micro lending institutions. Other mechanism such as screening and monitoring do not add up in an economically meaningful way to high default Karlan &Gine (2007) and therefore suggest that innovators should move towards the right direction .If joint liability and peer monitoring could involve screen monitoring and enforcement in micro lending,then there will be no challenge in monitoring and evaluation within micro lending institution and group loan approval decisions Chakravarty &Shatryan (2006). YEDF in Kenya does not have a strong monitoring and Evaluation to address default cases.

## **2.4 Influence of Trainingon Loan Repayment**

Training is important component for entrepreneurial development as it promotes innovation in products and delivery mechanism hence capacity to access credit.Training of youth entrepreneurs especially on entrepreneurship and provision of appropriate business

development services are critical to sustainability and growth of youth enterprises. Many institutions have incorporated training as part of mandate in order to enhance the growth of micro enterprise. Okurut and Ama, (2013) points out that Botswana Local Enterprise Authority is mandated to provide technical skills, on job training, bookkeeping, managerial and marketing service to the youth. European Microfinance Network, (2012) notes that micro credit for youth entrepreneurs need more than financing in order for their enterprises to succeed. Similarly Chigunta (2002) also notes that potential youth entrepreneurs need more than credit in form of financial trainings and record keeping. Kinyanjui (2006) further observes that youth entrepreneurs find it difficult to obtain loans as their records are not well maintained and they cannot be used to show their credit history. However Okurut and Ama (2013), observe that most youth lack the capacity to sponsor themselves to gain this knowledge in educational institution offering entrepreneurship skills and record keeping skills and recommend that a specific institution should be created to cater for credit needs of micro enterprises for young people. YEDF has initiated training programmes as a way of supporting youth towards sustainability of youth projects among which is business development services for youth entrepreneurs.

#### **2.4.1 Business Development Services Training**

Can one teach basic entrepreneurship skills, or are there fixed personal characteristics? Most academic and development policy discussions about micro entrepreneurs focus on their access to credit, and assume their human capital to be fixed. The self-employed poor rarely have any formal training in business skills. Entrepreneurial training is usually defined as a continuous process leading to the development of knowledge required for starting and managing a firm Politis, (2005).

A growing number of microfinance credit organizations are attempting to build the human capital of micro-entrepreneurs in order to improve the livelihood of their clients and help further their mission of poverty alleviation.

Kolb is one of the best-known researchers of experiential training model for entrepreneurial training (Politis, 2005). Experiential training is a process by which knowledge is created through the transformation of experience. In Kolb's (1984) theory training is a four-stage cycle involving four adaptive training styles: concrete experience, reflective observation, abstract conceptualization and active experimentation. Concrete experiences (previous training results) form the core of the circle model. The meaning of an experience is contemplated through reflective observations, after which an opinion is formed about why a certain experience happened.

According to a study conducted by Karlan (2009), on impact of Business training on Microfinance Clients and Institutions, using a randomized control trial, they measured the marginal impact of adding business training to a Peruvian group lending program for female micro entrepreneurs. Treatment groups received thirty to sixty minute entrepreneurship training sessions during their normal weekly or monthly banking meeting over a period of one to two years. Control groups remained as they were before, meeting at the same frequency but solely for making loan and savings payments. They found that the treatment group led to improved business knowledge, practices and revenues. The program also improved repayment and client retention rates for the microfinance institution. This has important implications for implementing similar market-based interventions with a goal of recovering costs.

YEDF has been organizing training of youth on entrepreneurship, national trade fairs and supporting the youth to attend international Trade Fairs as well as lobbying for the youth to get 30% procurement jobs for youth enterprise entities. To date 150000 youth have been trained on entrepreneurship and over 300 youth trained on public procurement process while

100 youth have participated in trade fairs. Young entrepreneurs have been supported to exhibit their products both in Cairo and Dar es Salaam international trade fairs (Patrick and Ngoze 2013). Over 6000 youth entrepreneurs participated in business plan competition dubbed Chora Bizna and were trained to develop their business idea. In partnership with other Ministries such as Foreign Affairs, Immigration and Labor, YEDF has facilitated 2000 youths to secure jobs abroad YEDF. MOYAs Report, (2013). However, the youths benefiting from these schemes are from urban areas leaving the youth from rural areas not sensitized on the available opportunities.

#### **2.4.2 Level of Education of Youth Entrepreneurs.**

Education is one of the factors that impact positively on growth of businesses. King and McGrath (2002). Entrepreneurship courses are taught in colleges and universities and also in tertiary colleges. The level of education of youth entrepreneurs therefore reflects the extent to which they have been exposed to entrepreneurship. Entrepreneurship education should be focused on starting a business and subsequent sustainability of established business Maina, (2012). It seeks to equip young people with entrepreneurial attitude and skills. Those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 2002).

The number of years of formal schooling is an indicator of human capital, which affects positively efficiency Gershon et al (1988). In addition to this, educated youths are expected to adopt new production technologies that increase returns from the enterprises (Njoku, 1997). For these reasons, education would be an indicator of creditworthiness, and would increase repayment capacity of the borrowers. In addition, young entrepreneurs, especially those in poor countries, are concentrated in low value local markets. Such youth also lack access to information on product and input markets. Thus, promoting the viability of such enterprises

will require facilitating the access of youth to information on product and input markets and linking them to global value chains.(Goel ,2006).This will require encouraging young to explore existing global initiatives aimed at promoting trade between developed and developing economies .Youth fund has been running sensitization market linkages and networks in their capacity building programmes.

## **2.5 Influence of Group dynamics on Loan repayment**

Group dynamics is a system of behavior and psychological processes occurring within a social group.It is useful in understanding decision making behavior or following the emergence and popularity of new ideas and technologies (Kurt, 1951).

Group is a collection of individuals who join together for common purpose and work together for a common purpose and work together for a common goal(Dept of Gender and Social Services ,2012).Most of the groups fail because they do not have a common goal nor interests. Group formation can be spontaneous or driven by external need.Supply driven groups have a tendency towards overreliance and dependence on the prompting agent. If the promises and expectations are not met the group fails. Some of the groups formed when they learned that the youth fund was available,collapsed afterwards because their formation lacked a long term vision.

Tuckman(1965) identified the following stages of group development process.

Forming stage. This is the stage where members are concerned with what the group is all about and why they should be in a group.During this time the group is concerned with the purpose why they are together. Efforts are made to establish the traditional structures. At this stage, the leaders' tolerance for the group is very crucial. Secondly is Storming stage. During this stage there are some disagreements in the group. Members are impatient with one another and suspicious about each other. They disagree on any proposed plan. They should interact frequently in order to discuss their differences. Gersick (1988) looks at storming as the

equilibrium or mid-point phase where conflicts contribute to the group process as well inevitable and essential in that there is transition phase representing the last opportunity for a changing agenda within the group. Upon transcending the storming stage, a group reaches the norming phase where members come to understand and appreciate the set rules governing the group.

Intra-group conflicts are mostly predominant at the storming stages of group development. Since most groups are not trained on group dynamics upon inception

Norming stage .This is a period of reconciliation and members begin to listen to one another and their differences decrease .The members recognize that they cannot do without each other but should join hands so that they can succeed in achieving their objectives.

Performing stage occur when a group has been able to resolve its conflicts and the group is effective. The group is in productive stage and members energy is used for the achievement of the group goals .All groups should aim to reach this stage at any time as fast as possible. The group norms and values are well established .Problems are tackled objectively and rationally and the group benefits from the synergy as a team. If youth fund is to be utilized effectively then groups should have reached this stage by the time they get the funds.

India having failed in the rural credit system and development programmes due to the vast nature of majority of the rural people, shifted its concept from development to empowerment. The government of India adopted the approach of self-help groups to uplift the rural folk. It focused on aspects like; direct involvement of rural youth in programming and management of their own activities, collaboration with community organization, organizing youth in different groups to undertake certain productive activities to earn their livelihood and develop rural community (Suguna, 2006).Similarly, in 1979, the Indian government launched the

training of youth for Self-employment (TYRSEM) which sought to equip the rural youth with necessary skills and technology to enable them seek self-employment. It targeted poor youth between the ages of 18-35 years. (Chitere and Mutiso, 2011).

In a study to establish the effect of group dynamics on youth enterprises growth in Kenya , Kiama ( 2011), found out that there was significant effect on profitability of the enterprises, in that loans borrowed in groups put strain on the profit of micro enterprises due to defaults by group members therefore youth micro entrepreneurs preferred individual loan.

Cotteral (1996) observe that peer group give young people opportunities to access adequate emotional, practical help and information which include opportunities to indentify need and seek relevant help serving strategies.

Positive group dynamics are associated with work, inclusivity, positive conflict resolution, peer support which are characteristic of high performing groups. (GOK 2012).On the other hand lack of group cohesion,lack of youth involvement or engagement frequent group conflicts, absenteeism, withdrawals from projects may be a sign of poor group dynamics (Cotteral, 1996).

Youth empowerment models (1992) suggest involvement of young people in meaningful roles within a project. Positive group dynamics involve respect for one another and positive peer influence encourage imitations of positive behavior which receive validation by group members. Alternative to collateral is group guarantee which follow up to ensure that individual repay on time because the group is a stakeholder and will not receive further loans if the individual members default .(Government of Malawi 2010).When groups are well formed , the aid of peer pressure serve the interest of the loaning institution in ensuring timely repayments and cut back on monitoring and follow up costs.(GOM 2010).

Group lending methodology may not be suitable in other situations in that some clients are not active and may not make repayments on time or at all. The active ones who beat the deadline cannot get further loans and this may discourage active members who can then opt to drop out of the credit program. It can therefore be seen that group leadership, members commitment and constitution are the pillars of any group.

In YOWE credit scheme in Ghana loans are given the groups and not individuals to aid in loan recovery as members check on each other. YOWE (2009). For efficient recovery they are further divided into smaller groups called solidarity groups. The solidarity group pressure and sequential lending provide strong motivation to repay and hence low default rate.

In Financial intermediaries such as Faulu Kenya, KWFT and K-REP, the same concept is applied to aid in loan recovery, however in C-YES component the whole group takes the responsibility of repayment and this has not made recovery of YEDF efficient.

## **2.6. The influence of Entrepreneurial culture on loan repayment**

Several theories have been advanced for entrepreneurship. Cohen (1980) posits that entrepreneurs are born and not made and possess similar personality traits which includes restlessness, independence and extreme self confidence, qualities youth category have. Schein (1994) adds that innovativeness, action oriented, high need for personal control and high autonomy are unique entrepreneurial characteristics.

Mokaya (2010) noted that successful entrepreneurs are passionate and obsessive about making their business opportunity work with strong vision. Their determination to succeed is due to their strong will and setbacks and risks will not discourage them as they are relentless in their pursuit of goals. Their sheer belief and conviction in an idea of action is an entrepreneurial skill which helps them to survive (Rasmussen & Sorheim, 2006).

Communication and delegation are entrepreneurial skills that help the entrepreneurs to coordinate team member efforts and that mediating and handling of complaints of members

requires immense tact and diplomacy Gakure (2001).Willingness to lead members especially in crisis is a highly valued skill.These skills however may be lacking among many youths creating a vacuum that may lead to businesses to collapse.

According to Hisrich (2005), there is strong evidence that children who have entrepreneurial parents tend to be entrepreneurs.Entrepreneurial parents tend to enforce feeling of independence, achievement and responsibility,however this scenario is lacking in Kenyan society and youth could be lacking role models whom they can emulate. Kanyari & Namusonge (2013) highlights that human motivation influence entrepreneurial process an performance and that hard work and commitment are some of the strong entrepreneurial skills which to most of the youths are lacking.Individual capabilities of entrepreneur such as entrepreneurial skills, motivation, training and prior experience in business have significant effect in growth of business ventures and therefore efforts have to be up scaled and as well indentify means and strategies of improving youth access to entrepreneurship development. (Maina,2012)

Provision of entrepreneurial training to sensitize and inculcate entrepreneurship culture among young people is important in identifying emerging business talent which is in tandem of what Kimando et .al (2012) recommended that entrepreneurship culture and expertise be first inculcated to the youth and prospective entrepreneurs of this country. On the contrary Littunen( 2000), points out that previous successful entrepreneurial experiences may, in addition to the obvious positive influences, also have a negative influence on a new firm Rerup( 2005); Westhead et al., 2004). Previous success may create a success syndrome and lead for example to underestimation of the competition due to excessive self-confidence Simon et al., (2000). Overly easy access to capital and concentrating on safe and familiar business relationships may be further negative influences( Starr and Bygrave 1991).

Previous success may cause prejudice towards new ideas and the entrepreneur may try to renew his/her success by repeating the previous success factors in changed circumstances Wright et al .(1997). The entrepreneur may lead his/her firm to a market that feels manageable but does not have enough demand to develop the business. Due to these negative influences it may be difficult to challenge the entrepreneur's viewpoints and important information may be ignored and new possibilities unexploited. This may lead to reduced development of the firm, cause monotony and increase expenses and cause unrealistic profit expectations Starr and Bygrave, (1991).

According to Rerup (2005), it is crucial for a habitual entrepreneur to be able to separate his/her entrepreneurial history from the present because the same business models are unlikely to function in different situations. He sees this characteristic as especially important in high-technology-industries where the operational environment is often complicated, disorganized and unpredictable; previous experience may lose its meaning in changed circumstances. Previous entrepreneurial experience does not necessarily mean success in future business and it is misconceived to assume that experienced entrepreneurs always succeed better than beginners Schollhamme (1991). The real talent of an entrepreneur may be seen in a false light if the number of previously owned firms is taken into account. Even if a long experience in one firm does not necessarily develop diverse entrepreneurial skills it does to some extent evidence success in entrepreneurship.

On the other hand, many short entrepreneurial periods may reveal repeated failure and an inability to act as an entrepreneur (Carroll and Mosakowski, 1987). Previous success has, however, a positive influence on the inclination to find a new firm because successful entrepreneurs are more likely to find new firms than failed entrepreneurs Schollhammer, (1991). On the other hand, entrepreneurs who have failed in their original firms often try again. This may happen especially in situations where an entrepreneur thinks the failure was

caused by their inability to try harder. In this kind of situation the entrepreneur may still struggle to achieve his/her goals Cardon and McGrath( 1999).

According to Littunen (2001), in a study of the life cycle of new firms, half entrepreneurs who closed down their firms ventured new ones. Previous studies suggest that entrepreneurial experience often lowers the threshold for becoming an entrepreneur and facilitates starting a new business.

Dawson (2009) argues that those who engage in self employment tend to be entrepreneurial and are pulled to do voluntary for reasons such as independence , job satisfaction and anticipated high income On other hand those who are pushed to self employment engage in it for survival due to absence of better alternative. Youth entrepreneurship is heterogeneous phenomena such that those who are pulled into entrepreneurship react by seizing the business opportunity Llisteri et al., (2006). Others are pushed into it by necessity due to factors beyond their powers like failing to find formal employment or failing to continue with their education. Ghai( 1988) argues that entrepreneurship is mired by a number of factors such as skills, social capital knowledge and experience which have lead to overall poor performance of youth enterprises ,because mostly youths find themselves in street type business such as hawking and other petty business which are highly vulnerable to business failure as some are operating illegally. Cultural context is important in determining entrepreneurship among the youth as family culture contributes to risk tolerance and problem solving. Youth however might have started their businesses either because they were passionate and motivated or for survival. The assumption when youth funds loans advanced to them is that they already have positive entrepreneurial culture but in reality they could be doing it for survival and this mismatch contributes to poor repayment of the loans advanced to them.

## **2.7 Theoretical framework**

Gibb and Ritchie (1982) identified motivation, determination of the group or individual, support of family, partners and track record in already established start ups and objectives of individual and group as basic components of success. Viability of market and business idea is reflected from support of family and other stakeholders, previous employment track record and associated skills and knowledge relevance to the business. Technical and managerial ability is also important in order to mobilize physical and financial resources available and needed.

The strength of this theory is that youth need to have the motivation and passion to succeed in any business. Conducive external and internal environmental factors further boost the chances of business success. On the other hand, unconducive business environment will contribute to business failure and hence failure to repay the loan. Kipyego and Wandera (2013) also pointed out that the main factors leading to bad loans are: Lending to borrowers with questionable characters, serial loan defaulters, high interest rates that make it hard for groups to pay and diversion of funds by borrowers. This makes many borrowers fail to honour their obligation hence leading to non-performing loans. Age of the applicant, marital status and terms of loan influence the applicants' ability to repay their loans. Younger applicants tend to default more compared with relatively aged colleagues. Odem et al., (2013).

Characteristics of the surrounding locality may be a contextual factor affecting the success of business established by young people. Keebler and Walker (1994) and Ameyia 2011 et al. adds can impinge the success of business supporting the theory of Gibb and Ritchie (1982) which identifies existence of culture supportive of individual enterprise as a critical factor for entrepreneurial success.

## 2.8 Conceptual Framework

From literature review it can be established that funding process, entrepreneurial culture, group dynamics and training affect repayment of youth fund loans.

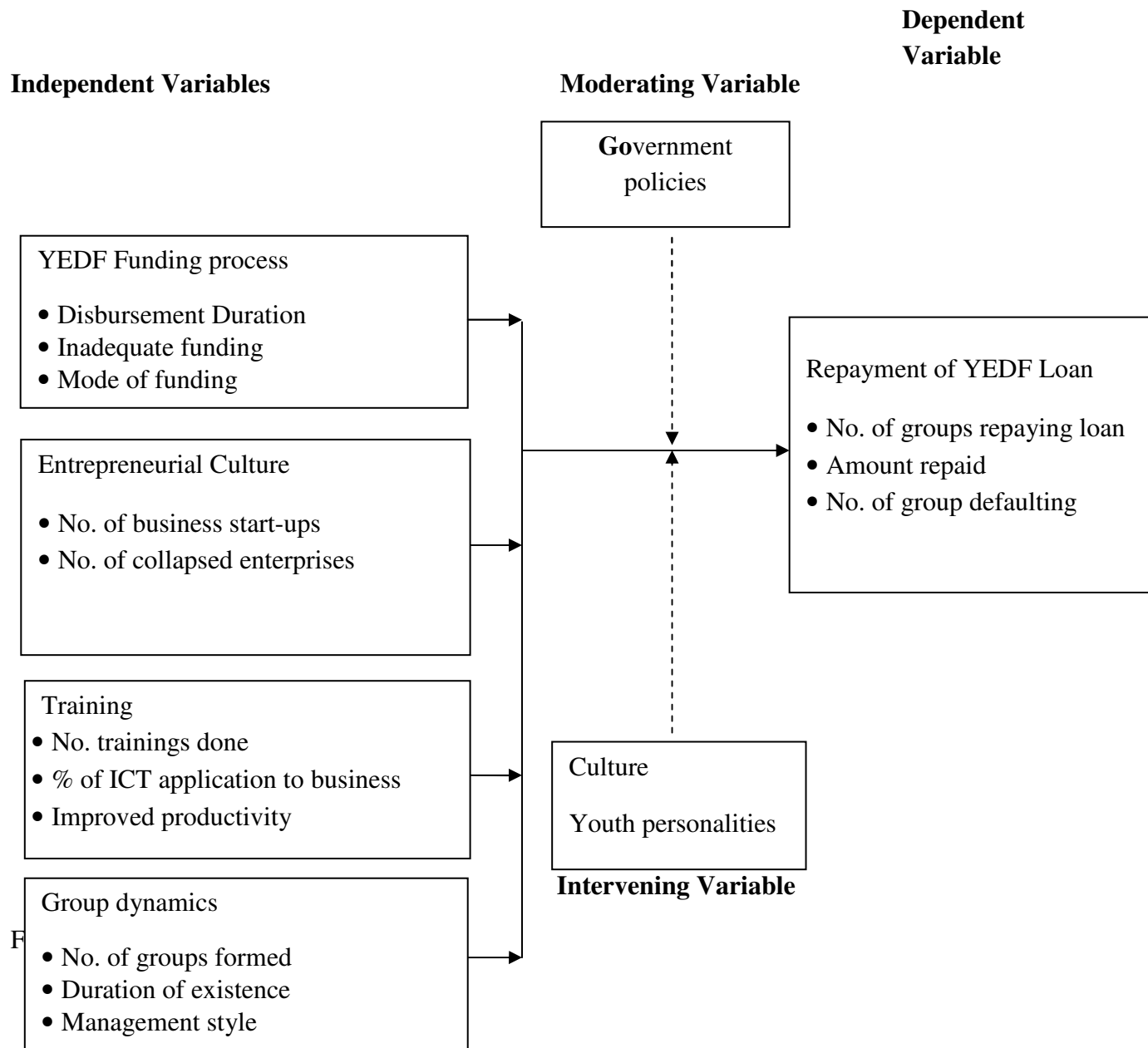


Fig 1 .Conceptual Framework

Source: Joyce chemwa

## **2.9 Gaps in Literature Review**

The question of how institutions and fund development outcomes are interlinked and affect each other has recently become hot topic in the international debate on development (Johannes Jütting, 2003). The way the YEDF has been structured does not allow it to operate the way MFIs and banks operate due to the connection with government politics.

There is an overall acknowledgement in literature reviewed that institutions funding programmes matter and have a direct impact on growth. For example, Rodrik et al. (2002) noted that the estimated direct effect of institutions on incomes is positive and large. Besides an observed direct impact, most studies also acknowledge an indirect impact on growth of business and economic development. Institutions can lead to an increase in investment, to a better management of its clients and conflicts that might arise, to better policies and to an increase in the social capital stock of a community. All these factors have a recognized positive influence on growth of enterprises. Therefore, most of the studies suggest a strong and robust relationship between institutional quality and growth and development outcomes (Johannes Jütting, 2003). Youth fund should be structured to allow for growth of business enterprises. Success of youth enterprises will contribute to improved repayment rate

Institutional framework on funding process play advisory role and is responsible for effective Monitoring and Evaluation. Youth Enterprise Development funding in Kenya has not been structured properly and its monitoring and evaluation is poor with youth entrepreneurs complaining of being not given enough support in form of training programmes (YEDF Report, 2012). Unavailability and inaccessibility of credit among youth has been cited as a major setback for youth who want to venture in self employment (Curtain (2000)). Programmes targeting youth in Kenya are also a few hence there is a financing gap which funding programmes can target young entrepreneurs. This study therefore tried to find out

how youth Fund repayment can be boosted so that more youths can benefit this revolving fund programme.

### **2.10 Summary of Literature Review.**

Lending process refers to policies and factors considered by a YEDF before any youth group is funded. It entails the requirements the youth groups need to fulfill and the laid down structure on how the youth groups qualify for the loans and the disbursement and repayment procedure. Loans are sanctioned on the basis of established underwriting criteria that are detailed in the internal policy manual of the lending entity. These policies are based on the lenders experience of credit performance of its existing portfolio. Further, all policies are periodically reviewed and approved by the board of the institution. Credit officers should diligently ensure adherence to policies while approving credit proposals.

Factors that are considered prior to the loan sanction include best available information about the borrower's ability to pay, type, tenure & quantum of the loan and Security and or collateral available. In order to make an assessment of borrower's ability to pay, underwriting policies for sanctioning any credit facility should place reliance on factors like availability of satisfactory documents, positive contact verification results and customer interaction. In addition, sanctioning process should take into account factors like income, debt burden, and credit reference agency verification or proven performance on other facilities as it is indicative of the cash flow position of the prospective borrower that can assist in establishing the repayment capability. Youth fund lending structure has not factored in the above factors to ensure that repayment is improved. There is however need to put a legal mechanism in place to cushion the fund against high default rates.

Training in form of Business Development Services training refers to any training given to the youth group with the aim of helping them make their new business ventures successful. This

training is given prior to or after disbursement of youth fund. Prior training impacts a lot on success of business and hence should be mandatory done to the youths before funding.

Group Dynamics refers to group management, leadership and the way group manage conflicts amongst themselves in order to maintain cohesiveness and ensure that groups goals and objectives are met. Viability of groups is threaten by power struggle , leadership wrangles and group disintegration and leads to poor repayment of loans while positive group dynamics enhances performance and success of the projects.

Entrepreneurial culture refers to any form of motivation to a youth to start and manage a business enterprise. There is a strong link between early exposure of youths to business and the success of projects ran by youths. The character of the youth entrepreneur ;the level of entrepreneurial motivation, ability to set achievable goals , attitude towards risk taking and persistence for youth entrepreneurs is very critical for business success.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the methodology used in the study. It also describes the research design, target population, sample size, sampling procedure, research instruments, piloting of the study, reliability and validity of research instruments. This section also presents data collection procedures and instruments, data analysis and finally ethical considerations that the researcher observed to ensure confidentiality was adhered to.

#### **3.2 Research Design.**

The study adopted descriptive survey research design since it describes existing phenomena and individuals can be asked about their experience, values and perception. The study sought to find out factors involved in a given situation, the extent in which they exist and relationship between them. (Travers, 1969). The study was suitable in that the objectives are systematic and description of facts and characteristics of population is accurate and factual (Kothari, 2007).

Schindler and Cooper (2003) also observe that descriptive studies are structured with clearly stated questions to be investigated.

#### **3.3 Target Population**

The research was carried out among registered youth groups whose projects have been funded by YEDF. In total 122 youth groups with average members of 12 members making a total of 1464 youths, and 3 officials per group totaling to 366 officials, 2 CDYFOs and were the target population. Therefore, total target population was 1832 respondents. (Youth Affairs Dept Report, 2014).

### **3.4 Sample size and sampling procedure**

This section provides the sample size used in the study. It also gave sampling procedure used in drawing the sample that was used in the study.

#### **3.4.1 Sampling Procedure**

The study targeted members of youth funded groups, youth group officials and CYDFOs. According to Krejcie and Morgan, a sample size of 306 is appropriate for a target population of 1832 respondents. The researcher used stratified random sampling to identify subgroups of officials and their proportions to ensure representation from two strata and also ensured that no strata was over represented. To form a sample the following formula was used

$$\frac{\text{Target population}}{\text{Total population}} \times \text{Sample size}$$

Using the above formula the sample size consisted of 244 ordinary members of youth groups and 61 youth group officials. From here the number of respondents was obtained. 305 respondents in total were selected.

Purposive sampling was used to select 2 CDYFOs within the constituency included in the study.

### **3.5 Data collection Research instruments**

Questionnaires were distributed to obtain data from the funded groups. The questionnaires had both open and close ended questions. However interview schedule was used on CDYFOs to corroborate what was found from the groups. (Kothari 2008) points out that questionnaires are more objective as compared to observations since responses gathered in standardized manner while at the same time observing confidentiality. It also provides opportunity for anonymity and promote high response rate. Interviews however, gives one opportunity to clarify on issues not clear and get deeper insight of an issue Mugenda and Mugenda, (2003).

### **3.5.1 Piloting of the study**

Pilot study was done in Chepalungu Constituency whereby a pre-test sample of one tenth of the total sample with homogenous characteristics participated (Mugenda and Mugenda 2003). This helped to identify potential problem areas in the research instruments so that corrections could be done to ensure accuracy and clarity was achieved.

### **3.5.2 Validity of research instruments**

Validity refers to the degree to which components of the research reflect the theory, concept, variable under study (Streiner & Norman 1996). Kothari (1998) defines it as the degree to which a test measure the variable it claims to measure while Borg and Gall (1993) say validity of an instrument represent the degree to which a test measure what it purports to measure. The researcher ensured that research covered the research objectives adequately. Content validity was addressed by seeking the opinion of technical experts in the field. Also peer review can be done prior to embarking on fieldwork to ensure that the questionnaires captured all the themes in the objectives.

### **3.5.3 Reliability of research instruments**

Reliability is the consistency of measurement over time and whether same results are attained. Split half technique will be used to determine the reliability of the instruments. The same questionnaire was administered to the sample which was randomly divided into two halves, thereafter Pearson product moment correlation co-efficient was applied to compare the correlation between the total of two sets scores. A co-efficient of 0.7 and above is considered acceptable.

### **3.6 Data collection procedures**

Data was collected after obtaining research permit from the university and seeking consent from the departments concerned in the constituency. The researcher made field visits and obtained data for variables under investigation from the sample population. Questionnaires were distributed and follow up done to ensure all of them were returned.

Data was presented in form of frequency tables and percentages for easier interpretation.

### **3.7 Methods of Data Analysis Techniques**

Questionnaires were used to collect raw data from the field. Questionnaires were then edited to ensure completeness and coded for easy analysis. Descriptive statistics was used to analyze data and presented in percentages and frequencies. Data was organised and analysed using SPSS statistical packages.

### **3.8 Ethical considerations**

Permit for the research was obtained and then the researcher introduced herself to the respondents and explained to them the purpose of carrying out the research. The questionnaires did not require the respondents to fill the names in order to maintain confidentiality of information collected. The researcher upheld integrity and professionalism. All respondents were treated with dignity and respect and they were assured that the data was purely for academic reasons and no information would be divulged without their permission.

### **3.9 Operationalization of variables**

Loan repayment of YEDF loan is influenced by the entrepreneurial culture the youth have on business operation, group dynamics of the group, funding process and training of funded groups. However Government policy may hinder effective recovery if there is inadequate legal mechanism of how to deal with defaulters.

**Table 1 Operationalisation of variables**

#### **Dependent Variables**

Objectives	Variable	Indicators	Measures	Scale	Tools of analysis
Factors influencing loan repayment by	Loan repayment	No of groups repaying the	Repayment Records	Nominal	Percentages

youth entrepreneurs in Chepalungu constituency, Bomet county.		loan  No of groups defaulting  Amount Repaid	Repayment schedules  Reports	Ordinal	
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<b>Independent variables</b>  <b>Objectives</b>	<b>Variables</b>	<b>Indicators</b>	<b>Measurements</b>	<b>Scale</b>	
1.To establish the influence of funding process on loan repayment of YEDF loans	Funding process	No of M&E  No of groups funded	Disbursement schedules  Reports	Nominal  Ordinal	Percentage
To assess the influence of Entrepreneurial culture of on Repayment of YEDF loans	Entrepreneurial culture	No of enterprises initiated  No of enterprises surviving	Businesses profiled  SME Reports	Nominal  Ordinal	Mean  Percentages

Programme		No of enterprises collapsed	List of businesses that have collapsed	Nominal	
To asses the influence of training on Loan repayment of YEDF loans	Taining	Regular Trainings	Attendance Lists Training Report	Nominal  Ordinal	Percentages
To establish the extent to which of group dynamics influence loan repayment of YEDF loans Programme	Group Dynamics	No of groups formed  Holding of elections	Profile of registered youth groups  Elections Report	Ordinal   Nominal	Percentages

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION**

#### **4.1 Introduction**

This chapter contains data analysis, presentation, interpretation and discussion on the variables of the study. Data was collected from youth groups in Chepalungu based on factors influencing repayment of YEDF loans in the constituency. Data was interpreted as per the research questions. The presentation was guided by questionnaire of the researcher and findings presented using frequencies and percentages. The analysis also included the questionnaire return rate and demographic characteristics of respondents.

#### **4.2 Questionnaire Return Rate**

A total of 305 questionnaires were issued and 290 questionnaires were returned. Response rate refers to the number of subjects that respond to a research instrument. Response rate of 50% is adequate for analysis and reporting, response rate of 60% is good while response rate of 70% and above is excellent. The study therefore returned an excellent questionnaire response rate.

#### **4.3 Demographic Characteristics of the respondents**

The demographic characteristics of respondents, age, marital status and qualified were sought to determine factors influencing repayment of youth fund loans by youth groups in Chepalungu constituency.

##### **4.3.1 Group members demographic characteristics**

Gender of the group members was necessary in order to determine extent of involvement of youth, accessibility of funds and influence on repayment of loans.

The findings were as shown in the table below:

**Table 4.1 Group members demographic characteristics by Gender**

Respondent	Category	Frequency	Percentage
Gender	Male	178	62.4
	Female	112	38.6
<b>N=290</b>			

178 (62.4%) youth under the study were male while 112(38.6%) were female .This implied that more male youth have benefited from the fund and were likely to be involved in businesses than female youth.

Male youth are likely to form groups and start their enterprises compared to female youth.

#### **4.3.2 Group members Demographic Characteristics by Age**

Age was considered to find out the dominant age group of the youth entrepreneurs

**Table 4.2 Group members demographic characteristics by age**

Respondent	Category	Frequency	Percentage
Age	18-25	170	58.62
	25-35	85	31.48
	Above 35	35	12.06

**N= 290**

Younger youths are the dominant category at 58.62% while the age of 25-35 yrs follows at 31.48% and lastly people above 35 years are less likely to benefit from the fund. This might

be because most youth groups consist of young people while the rule allows for only 30 % of people above 35 years to be included in mixed groups indicating a small number 35 (12.06%).

#### **4.3.3 Group Demographic characteristics by Marital Status**

Marital status was established to find out whether the youth entrepreneurs were married as shown in the table below.

**Table 4.3 Group Members Demographic Characteristics by Marital status**

<b>Respondent</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Marital Status	Married	118	40.9
	Single	164	56.6
	Divorce/separated	8	2.5

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**N=290**

118 (40.9%) of the respondents were married while the single category comprised the majority at 164(56.6%). This can be attributed to the fact that most youth may have completed secondary school and are still young for marriage. 8 (2.5%) of the respondents were separated reflecting that youth may still be young to be in stable family set up and lacks commitment.

#### **4.3.4 Group Members demographic characteristics by level of education**

Education background was established to find out the level of education of youth entrepreneurs and ability to practice skills gained in subjects studied in schools and colleges  
The findings were as follows:

**Table 4.4 Group members demographic characteristics by level of education**

<b>Respondent</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Level of Education	Primary	58	20.02
	Secondary	152	52.41
	College	47	16.2
	University	23	7.93
	No formal education	10	3.44

**N=290**

58(20.02%)of the respondents had primary education,152 (52.41%) had secondary education,47(16.2%) had collegeeducation,23(7.93% ) had University education and lastly 10(3.44% ) had no formal education.This implied that most of the youths after completing secondary education are likely to start businesses so as to benefit from funding. It also indicated that the repayment rate could be affected by high mobility by youth who leave for colleges after funding hence crippling the group activities especially if they are officials of the group.

#### **4.3.5Group characteristic's by Leadership position**

Group Membership varies from one group to another .Pure Youth groups have all members being youth while mixed groups have members ranging any age provided leadership is by the youth categoryThe findings were as shown below:

**Table 4.5 Group characteristics by leadership position**

Respondent	Category	Frequency		Percentage	
		Male	Female	Male	Female
Leadership position	Chairperson	15	07	68.18	31.81
	Secretary	17	05	58.6	17.24
	Treasurer	04	18	18.18	81.81
	Members	142	82	63.39	36.60

N=290

More Male benefited from the funds with members comprising of 142( 63.39 % and female at 82(36.60%).Moreover,Leadership position were occupied more by men at 15(68.18% for chairpersons and women at 7(31.81%,Secretary position at 17(58.6% for menand 5 (17.24%) for women and lastly treasurer position had more women occupying at 18 ( 81.81% and 4(18.18 %) for men.This implies that groups had more faith in women when it comes to keeping the groups' financial resources as women are seen to be better financial managers and likely not to misuse groups funds.

#### 4.3.6 Duration of the Group

Stability of the groups is reflected by the length the group has been in existence .Some of the groups were formed in haste in order for them to benefit from the government funds.

**Table 4.6 Duration of the Groups**

Respondents	Category	Frequency	Percentage
Length of Time the group has been in existence	Less than I yr	4	18.18
	1-2 yrs	6	27.27
	2-3 yrs	3	13.6

	Above 3 yrs	9	40.9
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**N=22**

Most groups were formed over three years ago at 9 (40%) followed by those formed 1-2 years ago at (27.27%), less than one year at 4 (18.18%) and lastly which have been formed 2-3 years ago at 3 (13.6%). This implied that majority of the groups were formed to take advantage of the government findings as less groups were formed after the youth funds had been released. The youths are likely to register youth groups when the government announce any funds to assist them. Such groups are likely to collapse at storming and norming stage before reaching performing stage and hence hindering the achievement of group objectives.

#### **4.4 Influence of Funding process on Repayment of Youth Fund**

The objective looks at the period the group has accessed youth fund loan, how much the group was funded, how long it took for loan to be funded, how much has repaid and opinion of respondents on Monitoring and Evaluation of the Fund.

**Table 4.7 Responses on Funding process influence on loan repayment**

<b>Item</b>	<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
i) When the group accessed youth fund	3mths-1yr ago	120	41.37
	2-3 Yrs ago	75	25.86
	Over 3 yrs ago	95	32.75
ii) Duration it took you To access the youth Fund loan	Less than 3 mths	30	10.34
	3-6 months	45	15.51
	More than 6 months	215	74.14

iii)Loan Amount	50000 and below	245	84.48
In Kshs	51000-100000	45	15.52
	Over shs 100000	0	0
i v)Loan Repaid by	Nil	75	25.87
the group	Half Way	185	63.79
	Completed	30	10.34
v)Monitoring and	Adequate	65	22.41
Evaluation of the	Fairly Adequate	98	33.79
Fund	Inadequate	127	43.79
vi) Preferred mode	Individual	226	77.93
of lending	Group lending	64	22.07

**N=290**

On when the group accessed funding, 120 (41.37%) reported to have accessed fund 3 months to one year ago ,while 75 (25,28%) accessed the loans 2-3 years ago. 95(32.75%) said they accessed the loans over 3 years ago. This implied that they majority of the groups benefited from the funds recently due to long processing period.

On the duration the group took to access the loan majority 215 (74.14%) rreported that it took them more than six months after applying for the loan to be funded . 45 (15.51%) waited for 3-6 months while 30(10.34%) reported to have waited for the shortest time of less than 3 months.This shows that the duration taken to access loan is long.

The respondents reported that 245 ( 84.48%) were given Kshs 50000, 45 (15.52 %)were give Kshs 51000-10000 while none of the groups were funded over KShs.100000.This shows that the money advanced to the youth entrepreneurs in group was not sufficient to meet their demands as the beneficiaries are groups not individuals.

On Repayment a mere 65(10.34 %) of the respondents reported to haverepaid the loan in full,185 (63.79%) have repaid half way while 30 (25.87%) have not repaid completely.This mean the non performing loans are high as compared to performing loans and hence reflecting high default rate among the youth groups.

On Monitoring and Evaluation, 65 (22.41%) of the respondents reported that it was adequate, 98 (33.29% ) said it was fairly adequate while majority at 127 (43.79%) reported that it was inadequate.This implied that as aresult of inadequate monitoring, guidance,reliable communication and follow up of the groups by youth fund officials, most groups took advantage of the laxity not to repay the loan on time leading to high default rate

Most youth groups 226(77.93%) preferred individual funding while 64 ( 22.06%) reported that they were comfortable with group funding.Though most of them wanted individual loan to run their businesses, majority could not access the individual funding.

#### **4.5Entrepreneurial Culture of Youth Entrepreneurs**

The objective was to find out if the youth have been exposed to culture of entrepreneurship in their surroundings and this may have impacted on loan repayment.

**Table 4.8 Entrepreneurial culture**

Item	Reponse	Frequency	Percentage
i) Previous employment	Yes	92	31.72
	No	198	68.27
ii) Influence to	Parents	45	15.51
Engage	Neighbours	93	32.06
in business	Friends	152	52.42
iii) How youth fund	High	74	25.51
contribute to growth	Moderate	95	32.75
of business	Low	121	41.72
enterprises			
iv)Type of	Agribusiness	75	25.86
entrepreneurial	Retail trade	32	11.03
activity engaged in	Dairy farming	29	10
	Poultry farming	122	42.07
	Boda boda transport	09	3.1
	ICT and Mpesa	23	7.93

v)Motivation to	Lack of job	136	46.9
start the business	Personal choice	47	16.2
	Parent motivation	67	23.10
	To supplement	40	13.79
	income		

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**N=290**

92 (31.72 %) of the respondents reported to have had previous exposure to employment while 198 (68.27%) had no exposure at all. 45 (15.51%) reported to have been influenced by parents to start enterprises, 93 (32.06%) were influenced by neighbours as 152 (52.42%) were influenced by friends to start business. This indicates that youth are likely to belong to group through peer pressure to pursue an economic goal.

74 (25.51 %) rated highly contribution of youth fund loans to growth of business, 95 (32.75%) felt the fund had contributed moderately while 121 (41.72%) said the fund had impacted lowly on growth of their businesses enterprises. This could be due the fact that majority of the groups received Kshs 50000 which they felt was inadequate for their business enterprises and could not impact much on the growth of their enterprises.

25.86% of the respondents were engaged in agri- business, 11.03% on Retail, Dairy farming at 10%, Bodaboda transport at 3.1 %, ICT/Mpesa at 7.93% and majority were engaged in poultry at 42.07%. This implied that the majority groups who were funded Ksh. 50000 were likely to start simple affordable business enterprises which do not require a lot of skills to operate such as poultry and small scale farming. Lack of jobs motivated majority of the respondents (46.9%) to start enterprises, (16.2%) were motivated by personal choice, may be the need for independence (23.10 %) were motivated by parents and lastly (13.79%) started business to supplement their income.

#### 4.6 Influence of group dynamics on Youth Fund Loan Repayment

The objective was to find out how group dynamics influence repayment of loans by youth entrepreneurs. Power struggles in youth groups can lead to lack of harmony, disunity and lack of synergy in group operations. The areas focused on were performance of the group after getting funded, frequency of holding meetings, conducting elections, areas of conflict.

**Table 4.9 Group dynamics influence on loan repayment**

Item	Response	Frequency	Percentage
i) Performance of the group after funding	Active	57	19.66
	Fairly Active	146	50.34
	Dormant	87	30
ii) Areas the group has had conflict	Decision Making	36	12.41
	Lack of involvement	47	16.21
	Mismanagement of funds by officials	43	14.83
	Resource/Loan sharing	53	18.28

		Leadership wrangles	112	38.62
iii)Frequency	of	Weekly	30	10.34
holding	Group	Every two weeks	89	30.69
meetings		Monthly	75	25.86
		Quarterly	72	24.83
		When need arises	24	8.27
iv)Frequency	of	Half yearly	56	19.31
holding elections	in	Yearly	185	63.79
the group		When Crucial issue arises	49	16.79

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#### **N=290**

57 (19.66%) of the respondents said they were active after being funded while 146 (50.34%) were fairly active and 87( 30%) remain dormant This impacted on performance of group activities. The dormant groups may be the ones which failed to repay the loan completely.

Groups reported to have had conflicts on issues of decision making at 36 (12.41%), Lack of members involvement at 47 (16.21 %), Mismanagement of funds at 43 (14.83%), Resource sharing at 53 (18.28% and leadership wrangles at 112 ( 38.62%.) This shows that majority had conflicts over usage of funds.

Respondents reported that they hold meeting weekly 30 (10.34%), every two weeks 89 (30.69%), Monthly 75 (25.86%) quarterly 72 (24.83%) and when need arises at 24 ( 8.27%).

Majority hold elections yearly at 14 (63.79%) , followed by half yearly at 56 (19.31%) and lastly 49(16.79%) hold elections when need arises.

#### 4.7Influenceof training on loan repayment by youth groups

The above objective looked at mode of training programmes offered to funded youth groups, the level of education attained by youth as some youths may have trained in their course of education curriculum .The focus was on areas in which the youth groups are trained to impart them with necessary business skills to start and manage business enterprises.

**Table 4.10 Training influence on loan repayment.**

Item	Response	Frequency	Percentage
i)Whether group was trained before funding	Yes	54	18.62
	No	236	81.37
ii)Specific areas in which the youth group was trained on after funding	Proposal writing	149	51.38
	Financial management	38	13.10
	Entrepreneurship	86	29.66
	Records keeping	17	5.86
	Strongly agree	15	5.17
iii)Whether training was adequately done	Agree	45	15.52
	Disagree	112	38.62
	Strongly disagree	118	40.68
	Strongly agree	87	30

iv)Does level of Education contribute to business success	Agree	65	22.41
	Neutral	20	6.9
	Disagree	72	24.82
	Strongly disagree	46	15.86

N=290

54(18.38%) reported to have been trained before funding while majority 236 (81.37%) of the groups were not trained. 149 (51.38%) were trained on proposal writing, 38 (13.10%) on financial management, entrepreneurship 86 (29.66%) and 17 ( 5.86%) on record keeping. 15 (5.17%)strongly agreed that training was adequate, 45(15.52%) agreed ,112 (38.62)disagreed while 118 (40.68) strongly disagreed that the training was adequate. 87(30%) of the respondents strongly agreed that the level of education contributed to growth of business, while 65 (22.41%) agreed . 20 (6.9%) were neutral. 72 (24.86%) disagreed and 46 (15.86%) strongly disagreed. This implied that while the youths were trained on how to write the proposals so that they could benefit from funding, the training covered less on record keeping, and financial management, core skills for business success In addition, since 236(81.37%) reported that they were not trained ,this might have impacted negatively on repayment leading to high default rates .

#### **4.8Youth Entrepreneurs opinion on factors that have contributed to default cases**

The objective was to find out the reasons why youth entrepreneurs defaulted in loan repayments.

**Table 4.11 Youth Entrepreneurs opinion on factors that have contributed to default cases.**

Item	Response	Frequency	Percentage
Group conflicts	Highly	147	50.69
	Moderate	88	30.34
	Neutral	23	7.9
	Low	32	11.03
Political interference	Highly	127	43.79
	Moderate	82	28.27
	Neutral	18	6.2
	Low	63	21.72
Inadequate information	Highly	118	40.69
	Moderate	75	25.86
Repayment	Neutral	15	5.17
	Low	82	28.28
iv) Inaccessibility to repayment points	High	167	57.58
	Moderate	97	33.44
	Neutral	10	3.4
	Low	16	5.51
v) The business collapsed	High	153	52.76
	Moderate	112	38.62
	Neutral	5	1.7
	Low	20	6.9

**N=290**

On group conflicts contribution to defaulting cases 147 (50.69% felt they highly contributed, 88 (30.34%) felt they moderately contribute . 23 (79%) were neutral and 32 (11.03%) felt the issue lowly contributed to youth groups defaulting.

On political interference, 127 (43.71%) felt highly that it influence repayment, 82 (28.27%) felt it contributed moderately, 18(6.2%) were neutral while 63 ( 21.70%)rated the issue low.This shows that majority of the groups viewed the funds as agift from the government rather than loan and this affected repayment.

Majority of the respondents felt that inaccessibility of repayment points contributed to default cases at 167 (57.58%),97 (33.44%)felt the issue contributed moderately,10(3.4%) were neutral and lastly 16 (5.51%) felt the issue influenced lowly.This could be attributed to the reason that loan repayment points were through Equity ,Posta and KCB banks located on average 25 km away.

Majority 153 (57.58%)reported that their business collapsed and hence affected repayment, 112 (33.44%) felt the issue contributed moderately, 5 (3.4%) were neutral while 20 (5.51%) felt the issue contributed lowly.

#### **4.9Youth entrepreneurs opinion on mode of loan repayment**

The objective was to explore entrepreneurs view on how to repay the loan, and to determine the convenience of modes availed to them by the organization

**Table 4.12 Youth entrepreneurs opinion on Preferred mode of loan repayment**

Item	Response	Frequency	Percentage
Mode of repayment	Mpesa	178	61.38
	Bank Deposit	60	20.69
	Cash	10	3.4
	Post office	42	14.48

**N=290**

The respondents felt that they can pay by cash at 10 (3.4%), 42 (14.48%) advocated for payment through post office service and 60(20.69%) felt bank deposit was convenient to them. The Majority however felt that Mpesa was very convenient at 61.38. Since majority felt Mpesa was convenient, it can be seen that majority of groups failed to repay the loan because of long distant repayment points.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS,DISCUSSION, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter gives the summary research findings, discussions, conclusions , recommendation for policy formulation and recommendation for further research

#### **5.2 Summary of the findings**

The research was based on factors influencing repayment of youth fund by youth groups in Chepalungu constituency.

The first objective was to determine the influence of funding process on repayment of youth fund loans. The study indicated that funding process determine the repayment, it took long for the youth groups to access the loan with majority( 74.14 %) reporting to have accessed loans after 6 months. By the time the group accessed the loan, the group will have lost a lot of opportunities especially for farming projects which need proper timing due to weather changes.

All groups reported that access of the loan was through group and no individual has benefited from individual loans.The individual component was not accessible due to complex lending framework which requires youth to have a chattel, insurance and collateral as well six months savings for one to access the loan. These conditions are too complex for the youth to meet and they give up on the fund.However majority of the youth (77.93%) preffered this individual funding showing a great disparity of youth needs and measures taken by the YEDF to satisfy their needs.

Majority (84.48) %got loans of Kshs 50000 and (20.87%) had repaid halfway while (25.87%) failed to repay completely.Monitoring by youth fund official was felt to be inadequate by (57.58%) and therefore groups failed to get guidance and lack of follow up may have passed

as laxity on officers part which group took advantage not to repay the loan. In accessibility of repayment points was rated high at( 57.58%) as a cause not to repay the loan and Mpesa was seen by majority at( 67.38%) as a solution to ease repayment challenges.

The second objective was to determine the influence of training on loan repayment.Majority (81.37%) reported to have received no training prior to being given loan.Therefore when they were given money they were had no skills manage the resource to the benefit of the group .Lack of frequent monitoring and evaluation on utilisation of the funds and in adequate information on repayment was rated high at( 40.69%) as contributing to low repayment of youth fund loans. The groups need to have been frequently visited so that incase of any problems in the group could be solved at initial stages.this could have foerestall repayment challenges. Groups reported that they had inadequate information and this could be on coding each group was to use for repayment, amount to be repaid monthly, the repayment account details and where there could repay the loan.

The Third objective was to assess the extent to which group dynamics contribute to loan repayment.The findings showed that Chairpersons of the groups were held majority by men at 68.18%while the treasury position were reserved for women at (81.81%).Majority reported that group had conflicts on leadership wrangles and affected the groups at (38.62%).This might have led to disunity among the members and delayed decision making especially on honouring the repayments obligation.Most of the groups (30%) become dormant after funding because their businesses collapsed and due to high nature of mobility for youths.Most groups do not oftenly renew the officials and hence the office bearers may be complacent when they stay so long in the office and incase of officials mismanaging funds most groups do not replace them immediately until term of officeexpires.This might have contributed greatly to failure of youth groups to service their loans.

The fourth objective was to establish the influence of entrepreneurial culture on loan repayment. Majority (46.96%) felt motivated to start business because of lack of jobs, showing that there is high rate of unemployment in the constituency. (52.67%) further reported that their business collapsed because they were not mentored as most reported to have got their motivation by the parents who may not have been exposed to the businesses before and this led to poor repayment of loans. (41.72%) felt that the fund impacted low on growth of the business may be because the funding was so small for groups.

### **5.3 Conclusion**

Youth groups took long to access the loan due to long bureaucratic procedure of loan application and lending process of the fund. No individual youth have benefited from the individual component as the YEDF funding process is not youth friendly. Demand for collateral security such as title deeds, chattels and savings and well kept records are beyond the reach of many youths and especially those with start ups and may not have a credit history and have not had enough capacity building on records keeping.

On Group dynamics, it was found out lack of cohesiveness and bonding among members and high youth mobility lead to disintegration of some of the groups. Most groups encountered conflicts in the course of implementing their projects and leaderships wrangles affected decision making process which led to poor performance of the groups. Most youth groups did not get access to training programmes to impart on them entrepreneurship, financial management, leadership skills as well as keeping of records to track performance of their projects. Those who did felt the training was inadequate.

Lastly most youth groups had not been exposed to business operations before. There have been weak entrepreneurial culture and unequal opportunities for both gender as the group composition is highly skewed to men. There was no mentorships programmes so that the youth entrepreneurs could learn how to run their business without any problems. The youth

had not had saving culture inculcated to them and youth projects were small scale and hence not competitive enough to generate enough proceeds.

#### **5.4 Recommendations**

1.The policy makers should redesign state sponsored youth fund programmes for funds to be given out constituency level to reduce the long channel of accessing the funds and also enable the implementers to domesticate the product to suit the area of operation and hence enhancing effectiveness and efficiency of the fund. Legal framework has to be put in place at the constituency level to enhance loan recovery and stem cases of default among the youth groups.

2. Entrepreneurship should be included in secondary education and private sector approached so that they can give mentorship to young people right from tender age in order to inculcate saving culture to our youth.

3.Training should be done to groups before any government funding is given out .Youth need to be sensitized on entrepreneurship skills, business plan writing, financial management skills and record keeping for the groups to able to track the process. They should also be made aware of the need to repay the loan on time and failure to repay the loan impacts heavily on self reliance and sustainability of the fund. Table banking can be used by the fund to promote repayment of the fund.

4.Youth groups need to be assisted to access individual funding. They need to be sensitized on the conditions they should meet in order to access the fund such as the need to have stock for their business and domestic assets if they are borrowing Shs 50000 and below and need for collaterals such title deed, logbook and a good bank statement for loan over Shs 100000 for individuals.

#### **5.4.1 Recommendation for further research**

Further research can be done on the following areas:

1. Factors influencing repayment of loan from state funded projects and those affecting repayment loans from Micro finance institutions and mainstream banks by youth are different. A comparative study to analyze these factors should be done.
2. The female entrepreneurs accessing the loans are less compared to less. A study on social economic factors influencing the accessibility of loans by women in Chepalungu constituency.
3. Factors influencing repayment of Women Enterprise Fund by women groups in Chepalungu constituency should also be done.
4. Factors influencing repayment of UWEZO funds in Chepalungu constituency should be done.

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**APPENDIX I: LETTER OF TRANSMITTAL**

CHEMWA JOYCE

P.O BOX 467

BOMET

0721901695

30<sup>th</sup> March 2015

THE COUNTY YOUTH DIRECTOR

BOMET COUNTY

P.O BOX 71

BOMET

Dear sir /Madam,

**RE:REQUEST FOR RESEARCH DATA COLLECTION**

I am a student doing Masters of Arts in Project Planning and Management at the University of Nairobi . As part of course requirements, I am required to do project work. My research is on Factors influencing repayment of Youth Enterprise Development Fund by Youth entrepreneurs in Chepalungu Constituency in Bomet County.

I have designed a questionnaire to enable collect data .the funded youth groups are the respondents for the study and I am therefore seeking your authority to collect data from the groups. Data collected will be used only for academic and will make the findings available to you upon request. Looking forward to your positive response. Thank you.

JOYCE CHEMWA

## **APPENDIX II:RESPONDENTS' QUESTIONNAIRE**

I am a student doing Masters in Project Planning and Management at University of Nairobi.

Currently, I am doing research on Factors influencing Repayment of Youth Enterprise Development Loans by youth Entrepreneurs in Chepalungu Constituency, Bomet County.

You have been identified as a respondent in this research. The information you give

is expected to give information on what interventions can be put in place to ensure sustainability of the YEDF Funds. The information you give will be treated with confidentiality. Your support and cooperation is highly appreciated.

### **SECTION A: Background information**

Kindly answer the questions by ticking in appropriate spaces

1. Gender Male ( ) Female ( )

2. Which is your bracket? Below 18 ( ) 18-35 ( ) Above 35 ( )

3. What is your leadership position in your group Chairman ( ) Secretary ( ) Treasurer Member ( )

3. What is your highest level of education? Primary ( ) Secondary ( ) college ( )  
University ( )

4. How long has your group been in existence?

Less than 3 months ( ) Less than one year. ( ) one to three years. ( )

Others ( ) specify \_\_\_\_\_

### **SECTION B**

#### **YEDF Funding Process**

1 a) When did your group access Youth fund?

3 months – 1 year ago ( ) Two - 3 years ago ( ) Over three years ago

b) Did you obtain loan as a group? Yes ( ) No ( )

c) What is your preferred type of funding? Group funding ( ) Individual funding ( )

d) How do you rate the challenges experienced in trying to access individual loan?

2. How much was your group funded?

Less than kshs.50 000 ( ) kshs 50000-100000. ( ) Over kshs 100000

3. How long did it take you to access loan after application?

Less than 3 months ( ) 3- 6 months ( ) More than 6 months Others

specify\_\_\_\_\_

5 .How is the repayment of the borrowed loan Nil ( ) Half way ( ) complete ( )

Other \_\_\_\_\_

6. How do you rate the monitoring and evaluation of the fund

Very adequate ( ) Fairly adequate ( ) Inadequate ( )

### **Entrepreneurial Culture**

1. Have you been employed before Yes ( ) No ( )

2. Have your parents ever started their own business Yes ( ) No ( )

If yes how do you rate their experience in business Successful ( ) Not successful ( )

3. Have you worked in family business before Yes ( ) No ( )

4. Do you have a role model involved in your business?

If yes tick appropriately

Friend ( ) Relative ( ) Neighbour ( ) Acquaintance ( )

5.How Do you rate the contribution of YEDF loan to growth of your business enterprise?

High ( ) Moderate ( ) Low ( )

6. What type of entrepreneurial activity is your group engaged in?

Agri Business ( ) Retail Trade ( ) Poultry ( ) Dairy farming ( ) Transport  
(BodaBoda.) ICT ( ) Horticulture ( ) Service eg Kinyozi & Saloon ( )

### **Group Dynamics**

1. a) Have you ever been funded by Youth Fund Yes ( ) No ( )

b) If yes in a) above, How do you rate the performance of the group after getting funded?

Very Active ( ) Fairly active ( ) Dormant ( )

b) Have you ever had conflicts in your group on utilization of the funds? Yes ( )

No ( )

2. In what areas in group management did you have conflicts?

Decision making ( ) Loan repayment ( ) Leadership position ( )

Resource Sharing.

3. What do you consider to be your greatest challenge in loan repayment by your group? Tr.

### **Training**

1. Was your group trained by YEDF before funding? Yes ( ) No ( )

If yes in which specific areas.

Proposal writing ( ) Financial management ( ) Entrepreneurship. ( )

Records keeping. ( ) Others Specify ( )

2. How has your group benefited from the training?

---

### **Loan Repayment**

1. a) How much was your group loaned 50000 ( ) 100000 ( ) Over 100000 ( )

- b)How did you utilize the funds Start up ( ) Expansion ( ) Others ( )
2. What was your repayment period 3 months ( ) 6 months ( ) 12 months ( )
3. What was your monthly repayment installments\_\_\_\_\_?
4. Has your group ever defaulted? Yes ( ) No ( )
5. If Yes what was the reason how do you rate the factors below contribution to default cases?

	Highly	Moderate	Neutral	Low
Group conflicts				
Political interference				
Inadequate information on repayment				
Accessibility to repayment points				
The business collapsed				

6.What was the mode of loan repayment

M Pesa ( ) Bank deposit ( ) Cash ( ) Post office ( )

### **APPENDIX III INTERVIEW SCHEDULE FOR THE CDYFOs**

1 .For how long has the fund been in operation in Chepalungu constituency?

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2.In your own opinion what are the major challenges experienced by youth in

i)Accessing youth fund loans as groups?

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ii)Accessing youth fund loans as a Individuals

---

3.How has the repayment rate be in the constituency?

---

4.a)What are the challenges faced by groups in loan recovery process?

---

b)What are the challenges faced by groups in loan  
repayment\_\_\_\_\_

5. In your own opinion what do you think can be done to improve loan recovery rate in the  
constituency?

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