

**FACTORS AFFECTING THE REPAYMENT OF
CONSTITUENCY YOUTH ENTERPRISE SCHEME LOAN IN
KIRINYAGA CENTRAL DISTRICT, CENTRAL PROVINCE,
KENYA.**

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**A Research Project Report Submitted in Partial Fulfillment of the
Requirements of the Award of the Degree of Master of Art in Project
Planning and Management of the University of Nairobi.**

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DECLARATION

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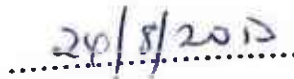
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ABBREVIATIONS AND ACRONYMS

YEDF	-	Youth Enterprise Development Fund
C-YES	-	Constituency Youth Enterprise Scheme
GOK	-	Government of Kenya
UNDP	-	United Nations Development Programs
NGO	-	Non-Governmental Organization
KKV	-	Kazi kwa Vijana
MOYAS	-	Ministry of Youth Affairs and Sports

ABSTRACT

The Youth Enterprise Development Fund was conceived by the Kenyan Government in June 2006 as one of the strategies of addressing youth unemployment. The fund provides a means of livelihood, employment and income to alleviate poverty conditions among the Kenyan youths and hence a road map towards achieving the Millennium Development Goals. However, loan default remains a challenge.

This study sought to assess the factors affecting the repayment of Constituency Youth Enterprise Scheme in Kirinyaga Central District. The study aimed at achieving the following specific objectives in Kirinyaga Central District; To find out how availability of resources affect the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District; to determine how time taken between application and receiving of funds affect the repayment of constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District; to determine how amount of loan given affect the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District; to determine how employees training influences the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District; to find out how follow-up measures influences the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District. The findings of the study would be significant to the management of YEDF in designing support mechanisms for enhancing youth development in entrepreneurship.

The study adopted survey research design. It employed both stratified sampling and simple random sampling. The data collection instrument was a questionnaire that was self-administered with the help of research assistants. The collected data was analyzed by the use of Statistical Package for Social Sciences (SPSS) and was presented by use of frequency tables.

The main findings of the study were that there are no adequate resources to follow up on Constituency Youth Enterprise Scheme Loan (C-YES) defaulters. It took the youths above 5 months after application to receive the funds which adversely affected their businesses. The amount of loan given is also too little to start a business. Employees lacked adequate skills to carry out duties related to micro-credit. The main recommendations from the study were that adequate resources should be provided to enable smooth monitoring of all funded youth groups, fast processing of cheques, employee training and setting up of legal framework on how to handle defaulters.

The researcher suggests that further research be done on :- Investigate the sustainability of Constituency Youth Enterprise Scheme in Kenya. Also, the impact of the Youth Enterprise Development Fund on the lives of Kenyan youths and a similar study can also be carried out in other districts in the country to establish whether the findings are similar to those generated by this study.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

There is a rapidly growing population of the youth that not only exerts greater pressure on employment but also poses a serious socio-economic problem to policy makers (UNDP, 2000). Unfortunately many are not meaningfully engaged in National Development due to lack of employment opportunities and high unemployment remains one of the greatest challenges to Africa's development and hence a major concern to policy makers and other stakeholders in Africa (ILO, 2008).

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In South Africa, the Umsobomvu Youth Fund (UYF) was established and capitalized by the South African government to facilitate and promote the creation of jobs and skills development and transfer among young South Africans between the ages of 18 and 35 years. However, the fund is faced with challenges that results in clients defaulting or dropping from the loan agreement. The causes for these challenges are not yet clear, nor is it possible to determine during the application stage or during the implementation stage that clients will experience problems that would negatively impact their ability to pay off their loans (UYF Strategic Plan, 2001).

In Botswana, having realized that Botswana's population is dominated by young people (67.6%) who are mostly affected by a variety of challenges, the government came up with the initiative of introducing Citizen Entrepreneurial Development Agency (CEDA) Young Farmers Fund (CYFF). It was established to reverse some challenges facing Botswana such as poverty, unemployment, rural-urban migration, low participation of youth in agriculture, low contribution of agriculture to GDP. The loan is for all Botswana citizens aged between

18-40 years and attracts an interest rate of 5%. However, there is still the challenge of default (CYFF Strategic Plan, 2001).

The Youth Enterprise Development Fund (YEDF) was conceived by the Kenyan Government in June 2006 as one of the strategies of addressing youth unemployment. The fund was officially launched by His Excellency President of Kenya on 1st February 2007 and transformed into a state corporation on 11th May 2007 (Youth Enterprise Development Fund Strategic Plan year 2008-2011).

Under the guidance of the youth officers, the fund has lent out through the C-YES a total of Ksh. 376,923,810 countrywide to 8,586 groups distributed as per the summary in table 1.1 as at 30th October 2009 (YEDF Report, 2009).

Table 1.1 Provinces and their Repayment analysis.

PROVINCE	NO. YOUTH GROUPS	OF.	TOTAL DISBURSEMENT	AMOUNT REPAID	Outstanding Balance
Central	1,107		49,412,796.00	13,682,307.40	35,730,488.60
Coast	802		37,946,127.00	5,208,367.00	32,737,760.00
Eastern	1,503		68,666,887.00	21,358,696.00	47,308,191.00
N/Eastern	469		18,845,000.00	2,362,798.00	16,482,202.00
Rift valley	1,981		86,257,529.00	20,967,897.85	65,289,631.15
Western	1,094		42,746,865.00	6,032,862.33	36,714,002.67
Nyanza	1,299		58,649,607.40	10,694,089.70	47,955,517.70
Nairobi	331		14,398,999.50	3,425,067.00	10,973,931.50
TOTAL	8,586		376,923,810.90	83,732,085.88	293,191,724.62

SOURCE: YEDF Report, (2009).

It can be noted from table 1.1 that the repayment of the loan is poor and if the trend continues, the fund may not revolve as it was intended to. This may lead to its eventual total collapse.

1.2 Statement of the Problem.

The Youth Enterprise Development Fund (YEDF) was conceived by the Kenyan Government as one of the strategies of addressing youth unemployment. Studies carried out in Kenya show that government micro-credit programs perform poorly in terms of slow repayment and high default rates (Wakuloba, 2008). In Kenya, only 23% of Ksh. 376,923,810 of the Constituency Youth Enterprise Scheme Loan (C-YES) disbursed in 2007 and 2008 has been repaid (YEDF Report, Oct 2009). YEDF continues to lend more money through C-YES component that is meant to be a revolving fund and if the trend continues there may be no more money to lend in the near future. However, factors affecting its repayment have not been studied adequately. The overall research problem addressed in this study is that despite the increased non-repayment of the Constituency Youth Enterprise Scheme Loan (C-YES), not much has been done to analyze the factors affecting its repayment.

It is therefore against this background that this study intended to find out the factors affecting the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District and provide appropriate suggestions to improve the repayment rate.

1.3 Purpose of the Study.

The purpose of this research was to find out factors affecting the repayment of Constituency Youth Enterprise Scheme (C-YES) in Kirinyaga Central District.

1.4 The Objectives of the Study

This study was guided by the following objectives:

- (a) To find out how availability of resources affect the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District.
- (b) To determine how time taken between application and receiving of funds affect the repayment of constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District.
- (c) To determine how amount of loan given affect the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District.
- (d) To determine how employees training influences the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District.
- (e) To find out how follow-up measures influences the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District.

1.5 Research Questions

This study sought to answer the following research questions:

- (a) How does availability of resources affect the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District?
- (b) How does time taken between application and receiving of funds affect the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District?
- (c) How does the amount of loan given affect the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District?
- (d) How has employee training influenced the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District?

(f) How does follow-up measures influence the repayment of Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District?

1.6 Significance of the Study

The findings of the research will benefit the management in YEDF for it will provide part of the body of evidence necessary for revision of policies regarding the administering of YEDF. Again, the government, as a prime mover of the fund through budgetary allocation, will benefit from the findings of the research especially in policy matters on how to improve and modify business training programmes to suit, not only the entrepreneurial challenges of the day, but also anticipate more in a fast-evolving technological world in business.

The findings will also benefit the donors and other stakeholders who may want to fund youth activities in the model of YEDF or in grants in implementation of their programmes especially in monitoring and evaluation of their credit facilities for sustainability purposes.

The findings of the research will benefit the youths by being conscious of the socio-economic factors hindering the smooth repayment of C-YES.

Again, the research will add value to the body of knowledge and understanding of Constituency Youth Enterprise Scheme Loan (C-YES). This will be beneficial to researchers who may want to research more on this area.

1.7 Assumption of the Study

The following assumptions regarding various outcomes of this study were made:-

- ❖ The sample size chosen was adequate to help in drawing valid conclusions.
- ❖ The respondents were truthful when responding to questions on the research.

1.8 Limitations of the Study

The research sought the views of all the sampled employees and youths in Kirinyaga Central District, time could not allow paying particular attention to all of them individually, use of research assistants helped a lot in this area. They helped the researcher to distribute questionnaires and collecting them therefore overcoming the challenge of time.

The research intended to cover all the five locations within the District; this needed a lot of travelling. Funds were not adequate to cover all the intended areas. The effects of inadequate funding was reduced by partnering with the Ministry of Youth Affairs and Sports in Kirinyaga Central District especially in providing means of transport to the desired destinations and smoothed the acquisition of necessary information regarding the repayment of C-YES.

1.9 Delimitations of the Study

The study was only carried out in Kirinyaga Central District. It focused on the funded youth groups from all the 5 locations which are; Kerugoya, Kanyeki-ini, Koroma, Inoi and Mutira. The study delimited itself to the use of survey as the research design. The researcher felt that this design best explains in details the variables of this study and therefore able to answer the research questions of the study.

1.10 Definitions of Significant Terms

Youth: These are young persons out of school male or female, single or married aged 15-35 years.

Employee Training: This refers to needs assessment of the organization in terms of skills required and provision of necessary capacity building seminars and workshops.

Availability of resources: This is both personnel and financial allocations to implementing components in the organization.

Kazi kwa Vijana: It is a Kenyan government programme that provides short term employment opportunities for the youth through labour intensive projects and its expected that the programme would address the challenges of famine, unemployment and poverty.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on youth unemployment. The chapter contains review of literature on factors affecting the repayment of Constituency Youth Enterprise Scheme and factors affecting repayment of government micro-credit programmes. It also presents gaps to be filled by the study and the conceptual framework.

2.2 Youth Unemployment

A 2005 study by the United Nations Economic commission for Africa stated that the employment rate among the African youth was 21 percent compared with a rate of 14 percent for the rest of the world. It also indicated that despite a wealth of human and natural resources, a lack of sustained economic growth in many African countries has diminished the employment prospects available for young people (UNDP,2000).

According to Samuel (2009) the number of unemployed youth in Kenya could rise to 14 million over the next seven years. It is feared that this high number of jobless youths could spark off a peoples' revolution if it is not tamed. Though the specific data of youth unemployment might not be available, barely 125,000 are annually absorbed into formal employment which today has nearly 1.8 million employees. The informal sector, which has about eight million workers, absorbs the most. Kenya is not alone, of the six billion people in the world; nearly one billion comprises the youth and over 850 million of these live in developing countries. There are calls for the Kenyan Government to map its human resource because this will enable her tell which skill is found where and direct special programmes to that area.

Akama, (2009) notes that most projects by the government are introduced without consulting the youth or sensitizing them about the projects. He adds that it has been argued that the Government's action to tame the unemployment monster has been slow but noticeable. The creation of the Ministry of Youth Affairs in 2005 is an indication that it appreciates the problem.

The Youth Enterprise Development Fund (YEDF) came legally into operation on 8th December 2006 through legal notice No. 167. It was transformed into a state corporation on 11th May 2007 through legal notice No. 63. Its main purpose was to create employment for the youth of Kenya and a vision of a sustainable and growing fund economically empowering Kenyan youth (YEDF Strategic plan, 2008-2010).

2.3 Factors affecting Loan Repayments

According to Vivek, (2007) the problem of recovery of overdue loans depends upon the respective nature of loans and cites the following as some of the main factors affecting loan repayment. To start with, improper selection of an entrepreneur where two major criterions namely the intention to repay and the capacity to repay should be properly dealt with in credit evaluation. The entrepreneurs who have the willingness, capabilities, qualities and the requisite expertise for successfully setting up and running an enterprise should be identified with proper prudence and judiciousness. This is the best way of safeguarding the investment of a financier thereby ensuring proper and timely repayment. Secondly, deficient analysis of project viability is an important reason for proper recovery of loan attributable to wrong selection of projects. Success of any project depends upon the viability of the project, and the viability in turn, depends upon the easy availability of raw material, transportation, skilled labour, communication facilities, market among others. If any of the above is not easily

available to the entrepreneur, it results in an increase in the cost of the project and also in delay of production. This inevitably affects the repayment of loans.

Khare, (2007) says that inadequacy of collateral security/Equitable mortgage against loan affects repayment. Collateral security by way of mortgage of immovable property or other fixed assets, thereby creating a charge, trains the mind of the borrower to be prepared to pay the dues to the lenders. But when he is free from this fear of losing his encumbered asset in the event of his/her defaulting in the payment of dues, he/she often takes the liberty, and tends to weigh the pros and cons vis-a-vis default. Security against loan, though at times may fall harsh on the borrower, serves a worthwhile purpose in that it creates promoters' stake in the borrower and thus, discipline the borrower to be more committed in paying the dues to lenders.

2.3.1 Availability of Resources and Follow-up Measures

Khare, (2007) cites that lack of follow up measures and resources to follow up affects loan repayment. Follow up measures taken regularly and systematically keep the borrowing unit under constant vigil of the lender. Many ills can be checked through such follow up measures by keeping the borrowing units on their alertness and guiding them to rectify their mistakes in the first opportunities or extending them a helping hand in tiding over their tight times. Normally, such close follow-up programmes are conspicuous by their absence. In the result, the borrowing units not only ignore payment of their dues to the lenders but also often tread on wrong tracks. Performance of borrowing units, if carefully and systematically monitored through regular inspections by scrutiny of returns, annual balance sheet and inspection of site, can be significantly improved. Naturally, such inspections prevent the borrowers from deviating from the terms and conditions of the loan or from diverting any fund for purpose

other than those earmarked in the sanction letter and keep the financial health of the units in good order.

Gupta, (2007) agrees with Vivek and Khare and adds that fluctuations in statutory regulations and norms affect loan repayment. Certain unforeseen, unpredictable and unexpected fluctuations in the statutory regulations such as change in the exercise rates, commercial tax, electricity tariff and other revenue tools of the government tend to throw the entire planning of the industrialist out of gear. It has been observed that these fluctuations are of such a magnitude and are so unpredictable as to be beyond the comprehension of the most skeptic and apprehensive of entrepreneur. In order to cope with these unforeseen variations, which force the entrepreneur to put additional burden on his financial resources, the natural and convenient remedy that comes to his/her mind is to delay the repayment of the loan.

2.3.2 Time Taken Between Application and Receiving of Funds

According to Abraham, (2008) time taken between application and receiving of funds can affect loan repayment. Occasions are not few when there develops a tendency on the part of the financiers to paint a rosy picture of the project at the time of appraisal. If the sanctioning authority is guided by considerations of personal interests, many things may happen. The break-even point of a project may be shown at an unrealistically low level of operation, or profitability may be shown at an unduly high level just to brighten the chances of acceptability of the project by the lender, or cash inflow may be shown in an unduly optimistic manner and therefore, Debts Service Coverage Ratio (DSCR) worked out incorrectly, fixing unrealistically high installments and conservative schedule of repayments. These inner pulls and pressures may find reflection in fixing excessive amounts of installments in order to show an early period of repayment. The borrower at this stage finds himself in an unenviable position of a 'yes master' and nods his/her head at whatever

conditions are attached or whatever repayment schedule is fixed in all probability, covering up his/her design to evade payment of the future dues. The real problem surfaces when repayment of installments/interest falls due and the borrower conveniently and blissfully ignores calls for clearance of the said dues not so much due to his/her intention to defraud the loans as due to him already bleeding white to keep his/her concern going. He also adds that a certain proportion of default can be attributed to natural calamities such as floods, earthquakes, storms etc. prima-facie this would seem to be a factor beyond human control. A more detailed insight, would however, suggest that certain precautionary preventive measures such as proper meteorological and topographical analysis of the industrial site can go a long way in reducing this element of risk. Natural calamities not only affect the unit directly but also exert additional burden on the government in terms of relief measures, waivers etc. A further fraction, albeit nominal, is of such borrowers who tend to take undue advantage of such natural calamities in order to avoid repayment, thereby increasing the magnitude of default.

Krishna Chaitanga, (2000) classifies the reasons for loan default as follows:-

2.3.3 Training of Employees and its Effects on Management of C-YES

Training is the process of acquiring knowledge and skills by target groups that enables them to operate effectively and efficiently (Landale, 2006). Training also enables the target groups to acquire new set of values and attitudes towards the appreciation of their inherent but untapped potential and reinforce their self-confidence and sense of autonomy as opposed to dependency (Osborn et al, 2003). For any project to be successfully implemented, people working in it must be trained on all necessary tasks identified during planning (Westland, 2007). The training offered should be of quality to ensure effective and efficient

implementation of the project .If this lacks, the project might be adversely affected (Hubbard and Bolles, 2007).

According to Hamel and Prahalad (1994) and Bryson (1989), human resource is the ultimate resource. Thus a strong organization must be supported by an effective HR management. Organizations' successful at any strategy implementation consider the human resource factor in making strategies happen.

Robertson, (2008) says that recovery of loans is always an erroneous task. Unscrupulous borrowers prefer to expand or diversify their businesses in preference to honouring their repayment obligations. If the present level of computerization were not attained, it would be a Herculean task for the lenders to handle the huge volume of accounts and render prompt customer service as well as recover the dues in time.

Westland, (2007) says that default arises due to counter party's inability and/or unwillingness to meet commitments in relation to lending. Colin Kidd (1999) says that people do not simply decide not to pay their loans; it is a result of some other circumstances that puts them into this situation. He cites divorce, sickness or inability to work, failed business and over commitment by high interest debts as the various situations that may put you to risk.

In these situations there is usually a loss of an income, but in the case of divorce there is an emotionally devastating event that affects how a person operates in their everyday life. There may be a change in living situation for both parties with a breakdown in communication; a ripe situation to cause a credit default.

Rosenberg, (2009) says that micro credit is a high touch business where collection depends strongly on the borrower's relationships with individual loan officers, and most importantly on borrower's expectation that their faithful repayment on their current loan will be rewarded by continued access to loans when they want them in the future.

Micro- finance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfers. Those who promote micro finance generally believe that such access will help poor people out of poverty.(Yunus, 1999)

Table 2.1 Factors Affecting Loan Repayments

Those attributable to Borrower	Causes attributable to lenders	Other causes
(a) Failure to bring in required capital	(a) Wrong selection of borrower	(a) Lack of infrastructure
(b) Too ambitious project	(b) Poor credit appraisal	(b) Fast changing technology
(c) Longer gestation period	(c) Unhelpful in supervision	(c) Un helpful attitude of Government
(d) Unwanted expenses	(d) Tough stand on issues	(d) Changes in customer preferences
(e) Over trading	(e) Too inflexible attitude	(e) Increase in material cost
(f) Imbalances of inventories	(f) Systems overloaded	(f) Government policies
(g) Lack of proper planning	(g) Non-inspection of units	(g) Political hostility
(h) Dependence on single customer	(h) Lack of motivation	(h) Sluggish legal system
(i) Improper working capital management	(i) Delay in Sanction	
(j) Mismanagement	(j) Lack of trained staff	
(k) Diversion of funds	(k) Lack of delegation of work	
(l) Poor quality management	(l) Sudden credit squeeze by lenders	
(m) Heavy borrowings	(m) Lack of commitment to recovery.	
(n) Poor credit collection		
(o) Lack of quality control		

Source : (Chaitanga, 2000)

Identification of the right attitudes and behaviour of the people is essential towards achieving strategy and objectives (Hamel and Prahalad: 1994).

Gupta, (2007) cites willful and default malaise by the borrowing units as genre of industrial units, which are in the habit of making willful default in payment of their dues. There are instances where an industry is doing rather well, but the promoter would not pay the dues of the lending institution deliberately and would rather invest the available resources in some other venture. It can be seen that most chronic of defaulters lead personal lives of utmost lavishness and luxury. The basic intention to repay is missing in such cases and these are the defaulters who not only hamper the recovery of the lender's money but also set a bad precedent for the others to follow. Employees require skills and knowledge to empower them carry out micro-credit duties (Vivek, 2007).

Table 2.2 Characteristics and Traits Essential for Entrepreneurship.

Characteristics	Traits
Self confidence	- Confidence
	- Independence
	- Optimism
	- Individuality
Task – Result oriented	- Need for achievement
	- Profit oriented
	- Persistence
	- Perseverance
	- Determination hard work, drive, energy, initiative
Risk taker	- Risk-taking ability
	- Likes challenge
Leadership	- Leadership behaviour
	- Flexible (openness of mind)
	- Resourceful
	- Knowledge
	- Versatile

Source: Hisrich and Peters, (1996)

2.4 Government policies as regards government micro- credit.

Omino, (2005) says that provisions of financial services to the low-income households and micro and small enterprises (MSEs), provide an enormous potential to support the economic activities of the poor and thus contribute to poverty alleviation. Widespread experiences and research have shown the importance of savings and credit facilities for the poor and MSEs. This puts emphasis on the sound development of micro finance institutions as vital ingredients for investment, employment and economic growth. The potential of using institutional credit and other financial services for poverty alleviation in Kenya is quite significant. About 18 million people, or 60% of the population are poor and mostly out of the scope of formal banking services. (National Micro and Small Enterprise Baseline Survey of 1999).

The Government of Kenya recognizes that greater access to and sustainable flow of financial services, particularly credit to the low-income households is critical to poverty alleviation. Therefore, an appropriate policy, legal and regulatory framework to promote a viable and sustainable system of micro finance in the country has been developed via the proposed Deposit Taking Micro Finance Bill. In drafting the bill, the Government has consulted with stakeholders to get their views on the best way to create the required enabling environment for the micro finance sub-sector. In addition, full fledged micro finance units have been established in the Ministry of Finance (the Treasury) and the Central Bank of Kenya to formulate policies and procedures to address the challenges facing micro finance institutions, especially in the rural areas and to build a database to facilitate better regulation and monitoring their operations. (Omino, 2005).

Gupta, (2007) says that various state Governments have enacted laws of recovery of dues in pursuance of the Talwar committee recommendations but enforcement of these laws has remained dismally fruitless. Siddiqui, (2008) suggests that the simple solution of recovering default loan is by enacting more strong law

2.5 Causes of Default in Government Micro Credit Programmes

Micro –credit are small loans extended to the poor to undertake self-employment projects that would generate income and enable them to provide for themselves and their families and default is the inability to repay the loan by either failing to complete the loan as per the loan agreement or neglect to service the loan (Yunus, 1999). Government provides alternative credit to most vulnerable to provide them an opportunity to gain commercial experience and attain the standard of credit worthiness required by commercial lending institutions.

The following are Kenyan examples of Government micro-credit programs: District Trade Development Joint Loan Board Scheme launched in 1954 and formalized through legal notice No. 265 of 1963, local Government Regulation 104, whose aim was to provide loans to assist in business expansion. Rural Enterprise Fund – established in 1991 with the aim of increasing productive capacity of the borrowers, create employment and income generating opportunities and District Poverty Eradication Program – rolled out in 2002 whose aim was to provide and promote access to affordable credit, strengthen the existing alternative credit among the poor communities and to promote innovative approaches to the provision of basic social services. Wakuloba, (2008) observes that Government micro-credit programs perform poorly in terms of slow repayment and high default rates.

Table 2.3 Performance of Joint Loan Board Schemes in Kenya (2000-2004).

Financial year	Loan Disbursed (Ksh)	Amount recovered (Ksh)
2000/01	23,684,000.00	17,438,003.83
2001/02	5,385,000.00	717,455.65
2002/03	1,336,557.00	14,215,918.22
2003/04	18,585,000.00	15,431,083.18
2004/05	21,227,000.00	11,543,646.59
Total	90,217,577.00	73,345,107.47

Source: Joint Loan Boards Scheme M&E of Joint Loan Boards Report, 2005

It can be noted from the table that there are huge outstanding balances that are likely to adversely affect the board.

Table 2.4 Rural Enterprise Fund Outstanding Balances.

Final year	Cumulative repayment (Ksh)	Outstanding (Ksh)
1995/96	1,309,020.50	4,482,072.00
1996/97	1,467,543.70	6,625,890.00
1997/98	1,467,923.10	6,805,901.60
1998/99	1,566,296.30	7,400,312.10
1999/00	153,682.60	6,647,900.60
2000/01	256,284.60	8,821,774.60
TOTAL	6,220,750.8	40,783,850.9

Source: Compiled from Rural Enterprise Fund Records: Uasin Gishu District.

It is clear from the table that there is poor repayment of the fund.

Due to poor repayment, a number of Joint Loan Boards are dormant with substantial amounts in non-performing loans. Rural Enterprise Fund Scheme collapsed with substantial outstanding balances. Others such as Kenya Industrial Estates (KIE), business does not pay their loans on time or at all, constraining KIE's ability to assist other enterprises with dismal performance, most government programs have resulted to:-

- i. Failure in achieving their predetermined objectives and
- ii. Huge monetary losses (Wakuloba 2008).

A study conducted by Wakuloba (2008) to determine the causes of loan default in Uasin Gishu District Trade Development Joint Loan Board Scheme came up with the following findings: -

Figure 2.1 Causes of Default Among Defaulters

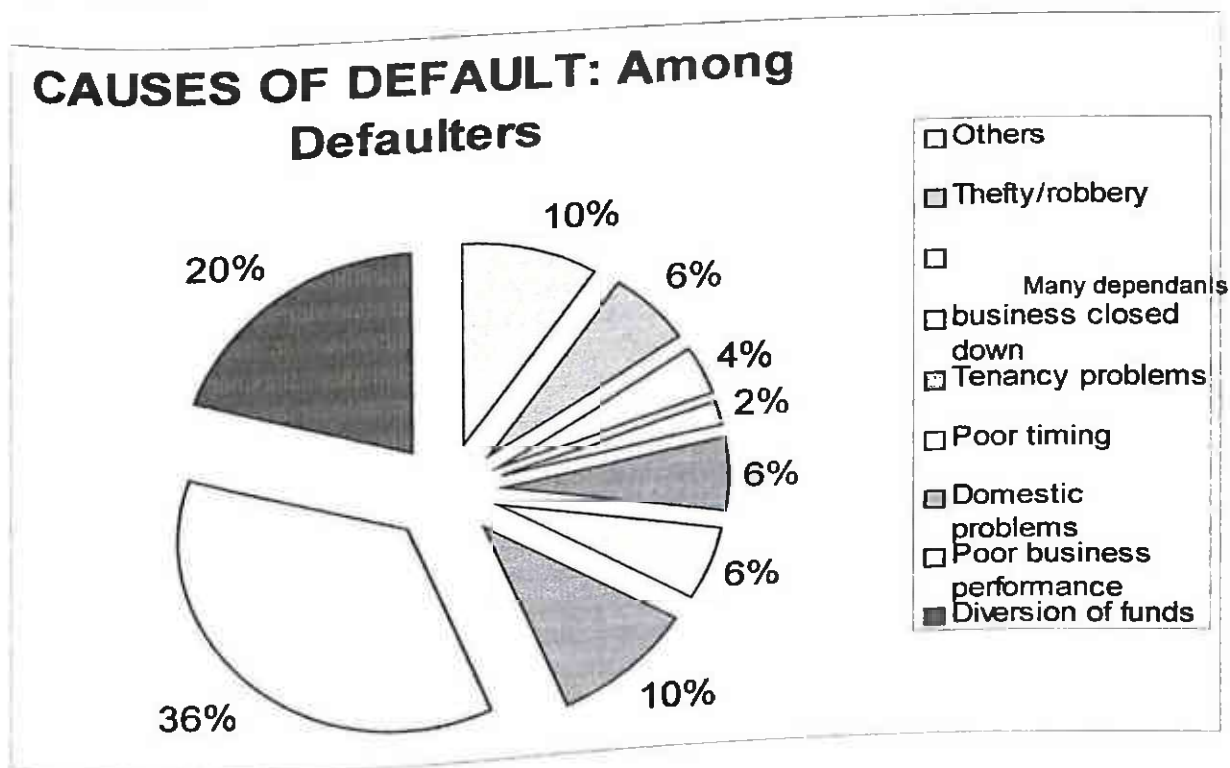
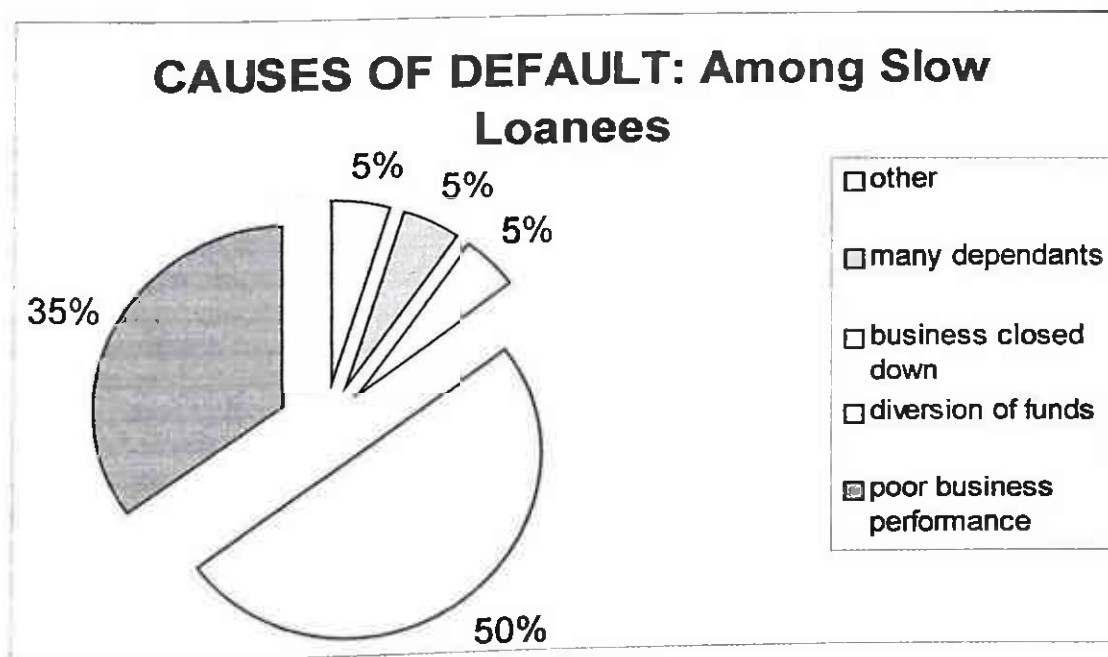


Figure 2.2 Causes of Default Among Slow Loanees



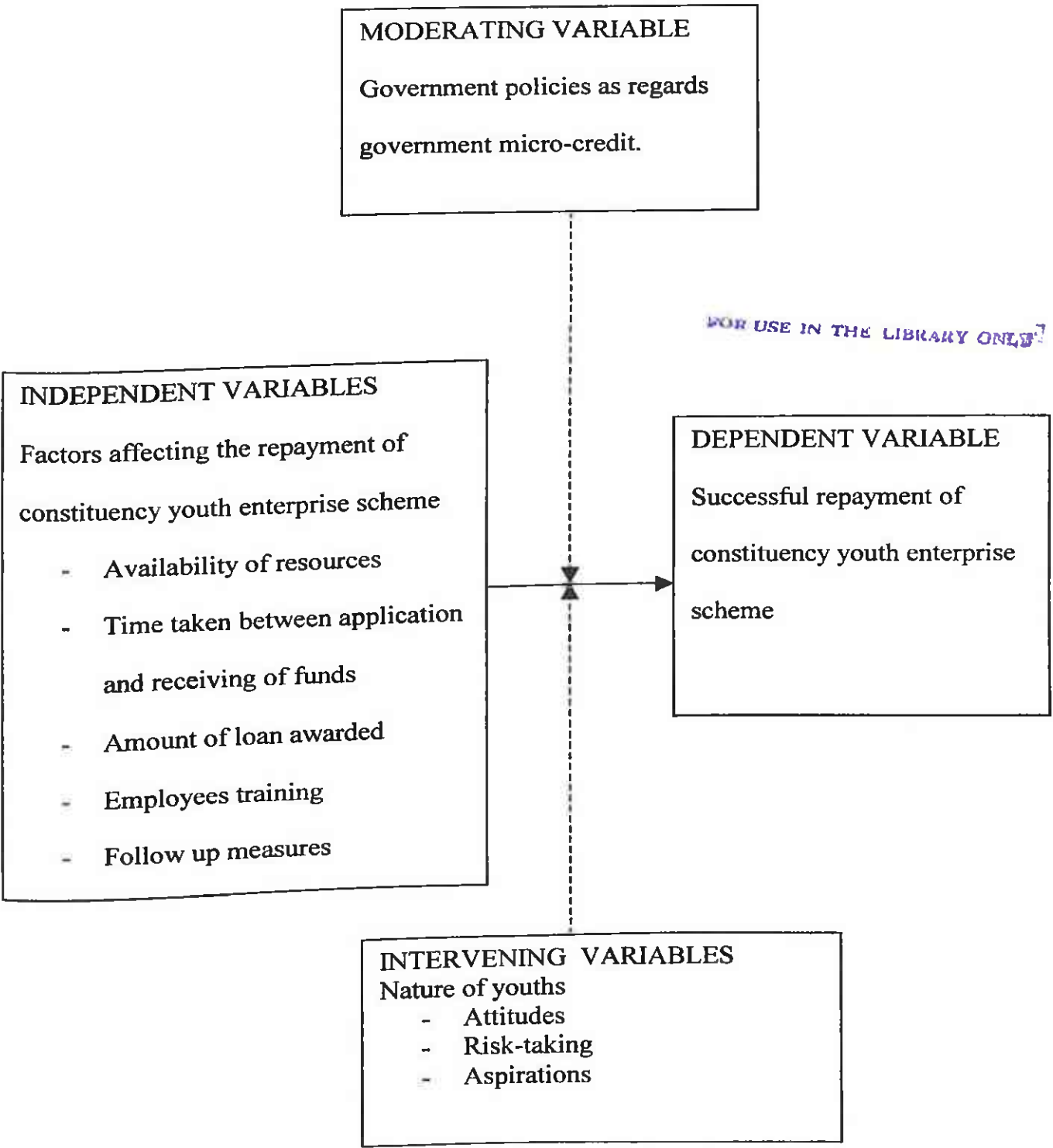
The study found a strong relationship between major source of income and cause of default. Loanees who depended on their businesses that performed poorly, defaulted. Other findings included the fact that the Board lacks capacity (staffing) to handle core functions, It takes at least 6 months for an applicant to apply and get the loan which was found to contribute to loan diversion, the board receives inadequate funds for operation and maintenance (O&M), manual record keeping by the Board is not suitable for effective management of the loan scheme. Board cannot detect slow loanees and potential defaulters. Also, it leads to over-and under repayment of Board loans. Finally, non- prosecution of defaulters is contributing to the rising trends in default. The main causes of default are poor business performance, diversion of funds and domestic problems.

2.6 Conceptual Framework of the Study

The main objective of the study is to analyze the factors affecting the repayment of Constituency Youth Enterprise Scheme in Kirinyaga Central District. The research shall adopt the conceptual framework illustrated in the figure 2.2 shown below. The dependent variables identified are availability of resources, follow-up measures, collateral/security, loan

amount, employee training, time taken between applications and receiving the loan shall be studied to identify their significance to achieve successful repayment of C-YES as illustrated in the diagram below.

Figure 2.3 The Conceptual Framework



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2.7 Summary

It can be observed that many studies have assessed the factors affecting the repayment of loans. Wakuloba (2008) attempted to investigate some of these factors. The researcher captured factors such as poor business performance, diversion of funds, time taken between loan application and receiving it and domestic problems as contributing socio-economic factors leading to default. It can be noted that availability of resources, disbursement strategies and loan amount are missing. This study shall extend Wakuloba's study and aims to capture more factors affecting the repayment of Constituency Youth Enterprise Scheme fund in Kirinyaga Central District.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology that was used in gathering information for purpose of completing the study. This was done in terms of introduction, research design, target population, sample size and sampling technique, data collection procedures, methods of data collection, instrument validity, instrument reliability and data analysis.

3.2 Research Design

In this study survey research design was used. According to Mugenda and Mugenda, (2003) survey research could be descriptive, exploratory or involving advanced statistical analysis. The researcher used descriptive survey. Descriptive research determines and reports the way things are and attempts to describe such things as possible behaviour attitudes, values and characteristics. Schindler and Coopers, (2003) says that descriptive studies are structured with clearly stated investigative questions. Descriptive studies serve a variety of research objectives including description of phenomena or characteristics associated with subject population, estimate of proportion of population that have similar characteristics associated and discovery of association among different variables.

Survey research design was chosen in this study because the researcher aimed at identifying the prevalence of factors in successful repayment of C-YES and to establish any relationship between the factors identified.

3.3 Target Population

The target population consisted of all the 58 youth groups funded through Constituency Youth Enterprise Scheme Loan (C-YES) in Kirinyaga Central District. The researcher targeted the group officials, members and the six employees of the Ministry of Youth Affairs and Sports working in Kirinyaga District.

3.4 Sample Size and Sampling Technique

Sampling is the process of selecting a number of individuals or objectives from a population such that the selected group contains elements representative of the characteristics found in the entire group (Mugenda & Mugenda, 2003). The study used probability sampling technique. All categories of employees of the Ministry of Youth Affairs and Sports and group members were sampled. The study employed both stratified random sampling and simple random sampling. Stratified random sampling was suitable in this case because the population was divided into different strata or sub groups. The aim of stratified sampling was to achieve an even representation of the subgroups of the population in the selected sample (Mugenda & Mugenda, 2003). In this study, the population was stratified into chairmen of groups, secretaries, treasurers and members. The researcher targeted 20% of the population although in descriptive study 10% of accessible population is enough (Mugenda & Mugenda, 2003). This is summarized in table 3.1.

Table 3.1 Sample Size

Category	Number In Category	Proportion Of Population	Sample Size
MOYAS Staff	6	90%	5
Group Chairpersons	60	20%	6
Group Secretaries	60	20%	6
Group Treasurers	60	20%	6
Group Members	400	20%	80
Total			101

3.5 Methods of Data Collection

The researcher carried out a pilot study of a selected sample to test the validity of the research instruments so that the right information could be obtained. Data was collected using closed and open-ended questionnaires. These questionnaires were administered by the researcher with the help of research assistants to the respondents on a drop and collect later basis. Because of its descriptive nature, the use of the technique was more economical and providing a safe basis for generalization (Kothari, 2004). There were two sets of questionnaires whereby one was administered to the youth groups to solicit information on the effects of the Constituency Youth Enterprise Scheme (C-YES) on their day to day activities while the other one to the Ministry of Youth Affairs and Sports employees to solicit information on how they administer Constituency Youth Enterprise Scheme (C-YES) in their areas of jurisdiction.

3.6 Validity of the Research Instrument

According to Mugenda and Mugenda, (2003) validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained

from the analysis of the data actually represent the phenomenon under study. Content validity was used. The researcher used her supervisors who were professionals and experts in research who fine-tuned the instrument. This ensured that the measures included an adequate and representative set of items that tapped the dimension and elements of concepts under study. The researcher also gave a professional in the field of micro-credit and requested her to access what concept the instrument was trying to measure and determine whether the set of items accurately represented the concept under study.

3.7 Reliability of the Research Instrument

According to Mugenda and Mugenda, (2003) reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. This was measured through test-retest technique, where the questionnaire was administered to a group of individuals with similar characteristics as the actual sample. The test was repeated after one week. The Spearman's Rank Correlation Coefficient was used to compute the correlation of the results of the two tests. A correlation coefficient of 0.7 was obtained. The objective was to establish if the instrument was consistent and stable in measuring what it was intended to measure. It was also used to establish the appropriateness and meaningfulness of inferences, conclusions, and decisions made on the basis of the tests scores to what the study intended to achieve.

3.8 Data Collection Procedures

A research permit was obtained. The researcher did data collection with the help of two research assistants who were trained and the actual collection of data took two weeks. Primary data was obtained from group officials and members. Secondary data was obtained from existing literature. Before undertaking the research in the field, an informed consent was

obtained from the respondents. This was to allow the subjects to participate on voluntarily basis. The aims and objectives of the research were explained and expounded properly by the researcher, before and after undertaking the research as this would help in attaining an informed consent from the subjects (respondents).

3.9 Data Analysis

The raw data collected was first pre-processed. This included editing of data to detect errors and omissions and correct where possible. This involved a careful scrutiny of the completed questionnaires to ensure that the data was accurate, consistent with all facts gathered and uniformly entered.

The researcher then coded the data for efficiency in order to reduce the several replies to a small number of classes.

Finally, the data was classified on the basis of common characteristics and attributes. After the mass of raw data were assembled, they were tabulated in form of statistical tables in order to allow further analysis. This in turn facilitated the summation and the detection of errors and omissions. The data was then analysed by use of frequency distribution tables. This was facilitated by the use of computer software for statistical analysis which is Statistical Package for Social Sciences (SPSS).

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter reports the major findings of the study which were collected using questionnaires that targeted funded youth group members and employees of the Ministry of Youth Affairs and Sports. Data was analysed separately for each set of questionnaires and presented in the form of frequency distribution tables. This has been used to infer into the factors affecting the repayment of Constituency Youth Enterprise Scheme in Kirinyaga Central District.

4.2 Questionnaire Return Rate

Out of the 101 respondents, five were Ministry of Youth Affairs and Sports staff, six group chairpersons, six group secretaries, six group treasurers and seventy-eight group members. The response rate of all the questionnaires stood at 99.0%. This high return rate was attained through consensus with the youths who participated on voluntarily basis and the questionnaires were issued by the researcher with the help of research assistants on a drop and collect later basis.

4.3 Demographic Characteristics of the Respondents

This section will discuss the age of respondents, gender of respondents and the level of education of the respondents.

4.3.1 Age of the Respondents

The analysis of the ages of the youths funded through the C-YES were between 19-24 years, followed by those aged between 25-29, 30-35 years and 15-18 years respectively as indicated

in table 4.1. Majority of youths who access credit are below 30 years of age and may require entrepreneurship training in order to succeed.

Table 4.1 Distributions of Youths Respondents by Ages

Age	Frequency	Percentage (%)
15-18 years	7	6.9
19-24 years	40	39.6
25-29 years	35	34.7
30-35 years	19	18.8
Total	101	100.0

4.3.2 Gender of the Respondents

From table 4.2, the C-YES target more males than females. This could be because many females shy away from joining youth groups within the District. However, 52.5% males and 47.5% females was a fair representation of the C-YES beneficiaries.

Table 4.2 Distributions of Youths Respondents by Gender.

Gender	Frequency	Percentage (%)
Male	53	52.5
Female	48	47.5
Total	101	100.0

4.3.3 Level of Education of Youths

Majority of the respondents represented by 49.5% of the 101 respondents were secondary school leavers followed closely by Primary school leavers who were 47.5% while University

graduates were represented by 3.0%. This is shown in Table 4.3 This group requires training so as to be able to start entrepreneurship and succeed as they do not have many responsibilities and some of them are very irresponsible.

Table 4.3 Youths Level of Education

Highest Level Completed	Frequency	Percentage (%)
Primary School	48	47.5
Secondary School	50	49.5
University	3	3.0
Total	101	100.0

4.3.4 Distribution of the Ministry Employees by Gender

Government policies are followed in the employment of government officers. This is indicated in table 4.4 where 60.0% of the respondents were males while 40.0% were females. This indicates that there is balance in employment of both male and female.

Table 4.4 Gender of the Ministry Employees.

Gender	Frequency	Percentage (%)
Male	3	60.0
Female	2	40.0
Total	5	100.0

4.3.5 Highest Level of Education of the Ministry Employees

As regards the level of education, all the ministry employees within the District are university graduates as indicated in table 4.5. This could be due to stiff competition as there are many citizens graduating from universities.

Table 4.5 Highest Level of Education of the Employees

Highest level of education	Frequency	Percentage (%)
University	5	100.0
Others	0	0.00
Total	5	100.0

4.4 Availability of Resources and Follow-up Measures

Respondents were asked to comment about the availability of resources and follow-up measures and how it affects the repayment of Constituency Youth Enterprise Scheme (C-YES).

4.4.1 Repayment of the Constituency Youth Enterprise Scheme

Respondents were asked to comment about the repayment of the Constituency Youth Enterprise Scheme (C-YES). 80.0% of the respondents indicated that the repayment of the C-YES was below average, while 20.0% of the respondents indicated that it was not up to date as shown in table 4.6. This indicates that there is a problem in the repayment of C-YES. This problem requires to be addressed in order to make the C-YES sustainable.

Table 4.6 Comments on Repayment of the Constituency Youth Enterprise Scheme.

Comments	Frequency	Percentage (%)
Below average	4	80.0
Not up to date	1	20.0
Total	5	100

4.4.2 Factors that Hinder Repayment of C-YES Among Youth Groups

From table 4.7 its clears that most of the factors hinder the repayment of loans among youth groups which results to the poor repayment rate of the C-YES.

Table 4.7 Factors that Hinder Repayment Among Youth Groups.

Factors that Hinders Repayment of C-YES	Frequency	Percentage (%)
Politics	28	27.6
Attitude of members	12	11.8
Trust among members	2	2.0
Planning of activities	2	2.0
Competition	1	1.0
Coordination of activities	8	7.9
Management of the group	16	15.9
Training of members	15	14.9
Management	9	8.9
Economic situation	4	4.0
Mobility and commitment of members	3	3.0
New ways of doing business	1	1.0
Total	101	100.0

4.4.3 Resources to Perform YEDF Activities

Table 4.8 shows that 100.0% of the respondents indicated that there are no adequate resources to perform YEDF activities. Inadequate resources like funds to the management team has been cited as one of the factors that affect loan repayments and if not addressed it may lead to it's eventual total collapse of the fund.

Table 4.8 Adequate Resources to Perform YEDF Activities.

Yes/No	Frequency	Percentage (%)
NO	5	100.0
YES	0	0.0
TOTAL	5	100.0

4.4.4 Follow-up on C-YES Without Adequate Resources

Table 4.9 indicates that 40% of the respondents use opinion leaders and influential people, 60% use Provincial administration, 40% talk to the youths and persuade them to pay while 80% stopped follow-ups. This could be one of the reasons as to why there is high default rate in C-YES. Follow-up of loans is very crucial in loan repayment as is keeps the borrowing units on their alertness and guiding them to rectify their mistakes in the first opportunities or extending them a helping hand in tiding over their tight times.

Table 4.9 Follow Up on C-YES Without Adequate Resources.

How officers follow up on C-YES	Frequency	Percentage (%)
Stopped follow ups	4	80.0
Talking to youths and persuading them	2	40.0
Through provincial Administration	3	60.0
Using opinion leaders and influential people	2	40.0
Total	11	220.0

4.4.5 Factors Contributing to High Default Rate in C-YES

Table 4.10 indicates that all the five factors contributed to high default rate with lack of resources being the main factor. This indicates that if adequate resources are allocated to the management team, it can curb the high default rate.

Table 4.10 Factors Contributing to High Default Rate in C-YES According to Youth Officers.

Factors contributing to high default rate	Frequency	Percentage (%)
Group disintegration	4	80.0
Lack of resources	2	40.0
Political perception that the money is free government money	2	40.0
No clear mechanism on how to deal with defaulters	3	60.0
Poor monitoring and evaluation	12	240
Total		

4.4.6 Facts to Reduce the High Default Rate in C-YES

Table 4.11 indicates that if capacity building among youths on financial management is done plus increasing loan amount, setting up legal framework on how to handle defaulters allocation of adequate resources and timely release of cheques can reduce the high default rate in C-YES. On the other hand capacity building among the youths will equip them with the necessary skills to manage their businesses effectively and be able to repay their loans.

Table 4.11 Facts to Reduce the High Default Rate in C-YES

How to reduce default rate	Frequency	Percentage (%)
Capacity building among youths on financial management	1	20.0
Increase loan amount	1	20.0
Set up legal framework on how to handle defaulters	1	20.0
Allocation of adequate resources	1	20.0
Timely release of cheques	1	20.0
Total	5	100.0

4.5 Time Taken Between Application and Receiving of Funds

The researcher wanted to find out the duration of time taken between application and receiving of funds and its effects on the repayment of C-YES. The following analysis was done to gather relevant information.

4.5.1 Economic Activities Carried Out by Youths

Table 4.12 indicates that 91% of the respondents are engaged in farming as an economic activity while 2.0% are engaged in motor cycle transportation 2.0% in pig rearing, 3.0% in poultry rearing and 3.0% in tree planting. This indicates that in case the climatic conditions are not favourable many youth groups can be adversely affected as they are mainly in farming. This calls for capacity building among the youths to diversify their activities so as not to be affected by changes in climatic conditions.

Table 4.12 Project Economic Activity Carried Out by Youths

Economic activity	Frequency	Percentage (%)
Farming Including Horticulture and French Beans Farming	91	90
Motor Cycle Transportation	7	2.0
Pig Rearing	2	2.0
Poultry Rearing	3	3.0
Tree Planting	3	3.0
Total	106	100.0

4.5.2 Problems in Borrowing Money

Table 4.13 indicates that 96.0% had problems in borrowing money while a negligible 4.0% did not have problems. This clearly indicates a challenge in the way money is borrowed. Some of these challenges include long duration taken between application and receiving of funds and the small amount of loans awarded. This can be addressed by the management of YEDF through making funds available in time and allocating funds according to the businesses that the youths intend to start.

Table 4.13 Problems in Borrowing Money

Yes/No	Frequency	Percentage (%)
Yes	97	96.0
No	4	4.0
Total	101	100.0

4.5.3 Problems Faced in Borrowing Money

Table 4.14 indicates that the main problem faced by loan applicants is the long time taken between application and receiving of funds. Majority of them are engaged in farming and they rely on the weather pattern of the area. If the funds delay and the rainy season is over they end up losing. This in turn affects the repayment of the loan because they are expected to use the proceeds of their businesses to repay the loan.

Table 4.14 Problems Faced in Borrowing the Money

Problems Faced	Frequency	Percentage (%)
- Cumbersome procedures	0	0
- Long time taken between application and receiving of funds	54	53
- Small loans affected by YEDF	48	46
- Lack of Collateral	1	1
Total	103	100.0

4.5.4 Challenges in Applying for the Loan

From table 4.15 respondents cited different challenges that they are facing in repayment of the loan. One of the challenges cited by the majority was that members thought that it was

free money. This mentality makes people relax and not work hard towards achieving set objectives. This could be the main reason as to why some groups collapsed. Reasons cited as others include among them high cost of feeds, lack of markets, local politics and poor business performance.

Table 4.15 Challenges in Applying for the Loan.

Challenges Faced	Frequency	Percent (%)
Collapse of the business	8	8.0
Disagreement by members	2	2.0
Group disintegrated	2	2.0
High prices of farm inputs	8	7.9
Inadequate funds	4	4.0
Insecurity	2	2.0
Lack of market	7	6.9
Lack of skills and knowledge	5	5.0
Low production	11	10.9
Poor market	3	3.0
Poor weather conditions	4	4.0
Members thought it was free money	27	26.8
Withdrawal of members	4	4.0
Others	14	14.0
Total	101	100.0

4.5.5 Reasons for Applying for the Loan

From table 4.16, 27.7% of the 101 respondents indicated that they applied for the loan to benefit from government free funds followed by 15.9% of the respondents who indicated that local politics influenced them to apply for the loan. Others indicated various reasons as indicated on the table 4.16.

Table 4.16 Reasons for Applying for the Loan

Main Reasons for Loan Application	Frequency	Percent (%)
Benefit from government free Funds	28	27.7
Enlarge the business	15	14.9
Finish loan repayment in other banks	1	1.0
Grow economically	8	7.9
Have a starting capital for our business	1	1.0
Improve business income	3	3.0
Improve farming	12	11.9
Influence from other Youths	2	2.0
Job creation	9	8.9
Local politics	16	15.9
Self employment	2	2.0
To attain capital for farming	2	2.0
Uplift our group activities	2	2.0
Total	101	100.0

4.5.6 Time Taken Between Application and Receiving of Funds

Majority of the respondents represented by 96.0% of the 101 youth respondents indicated that it took them above 5 months between application and receiving of funds while 4.0% indicated that it took between 2 months – 3 months between application and receiving of funds. The long duration taken to receive funds is likely to adversely affect majority of youths who are in farming. In turn this also affects the repayment because the loan beneficiaries are expected to use the proceeds from the activities that they are undertaking to repay the loan.

Table 4.17 Time Taken Between Application and Receiving of Funds

Time Taken between application and receiving of funds	Frequency	Percentage (%)
2 months – 3 months	4	4.0
Above 5 months	97	96.0
Total	101	100.0

4.5.7 Effects of the Mentioned Duration on Youth's Businesses

As regards the effects of the duration taken between application and receiving of funds 56.4% indicated that it led to collapse of the business, 11.9% indicated that there was poor market while 9.9% incurred losses. Others gave various reasons clearly indicating that the long duration negatively impacted on their businesses. This is indicated in table 4.18.

Table 4.18 Effects of the Mentioned Duration on Youth's Businesses

Duration	Frequency	Percent (%)
Collapse of the business	57	56.4
Delay in loan disbursement	1	1.0
Delay in starting of the business	1	1.0
Group collapsed during this period	1	1.0
Lack of market	1	1.0
Led to poor harvest	1	1.0
Members became impatient	9	8.9
Mistrust among members	2	2.0
Poor harvest	2	2.0
Poor market	12	11.9
The delay led to late planting	3	3.0
We incurred loss	10	9.9
Withdrawal of members	1	1.0
Total	101	100.0

4.5.8 Problems Faced in Starting the Business

As regards the problems faced in starting the business 22.8% of the respondents indicated that there was collapse of the business, 13.9% cited low funding which includes under-funding of the intended business while others cited various challenges like high prices of farm inputs, inadequate capital, lack of market, members attitude, political influence and poor climatic conditions among others which is a clear indication that most of them faced challenges in starting the business.

Table 4.19 Problems Faced in Starting the Business

Problems	Frequency	Percent (%)
Collapse of the business	23	22.8
Competition	2	2.0
Disagreement among the group members	2	2.0
High cost of feeds	3	3.0
Insecurity	12	11.9
Lack of commitment	5	5.0
Lack of cooperation from members	12	11.9
Lack of customers	2	2.0
Lack of skills and knowledge on how to start a business	4	4.0
Lack of skills and knowledge	2	2.0
Low funding	14	13.9
Poor harvest	6	6.0
Withdrawal of members	4	4.0
Others	10	10.0
Total	101	100.0

4.6 Amount of Loan Given

The researcher sought to find out if the amount of loan given has any effect on the repayment of C-YES. To start with, the researcher wanted to find out from the respondents if they were facing challenges in repayment of C-YES

4.6.1 Challenges in Loan Repayment

Table 4.20 indicates that 99.0% of the respondents indicated that they are facing challenges in loan payment while a negligible 1.0% indicated no challenges. These challenges need to be addressed so as to achieve sustainability of the C-YES.

Table 4.20 Challenges in Repayment of Loans

Whether there are challenges or no in loan repayment	Frequency	Percentage (%)
YES	100	99.0
NO	1	1.0
Total	101	100.0

4.6.2 Sources of Funds for Re-paying Loan

Table 4.21 indicates that 88.2% of the respondents repay their loan from business proceeds while 11.8% repay their loan from member's contribution plus sales of products. This indicates that if the business is not profitable the returns will not be adequate to repay the loan and therefore default arises.

Table 4.21 Sources of Funds for Re-paying loan

Source of Funds for Paying Loan	Frequency	Percentage (%)
Business proceeds	89	88.2
Contribution from members plus sales of products	12	11.8
Total	101	100.0

4.6.3 Amount of Loan Awarded by YEDF to Engage in Business

Table 4.22 indicates that 67.3% received between 20,001-30,000, 17.8% received amounts below 20,000, 11.9% received between 30,001-40,000 while 3 % had received between 40,001-50,000. This indicates that the amount given to majority of the youth groups is little. Inadequate funding in any activity makes it not realize its full potential and this might adversely affect it.

Table 4.22 Amount of Loan Awarded by YEDF to Engage in Business

Economic activity	Frequency	Percentage (%)
Below 20,000	18	17.8
20,001-30,000	68	67.3
30,001-40,000	12	11.9
40,001-50,000	3	3.0
Total	101	100.0

4.7 Employees Training

The respondents were asked to comment on how often they attend training on micro-credit and whether the training content enable them to improve their performance on their C-YES duties.

4.7.1 Frequency of Trainings on Micro-Credit

60% of the respondents indicated that they rarely attend training while 40% indicated that they attend training annually. Relevant training is important for it equips the personnel with the relevant skills and knowledge to be able to handle the task at hand.

Table 4.23 Trainings on Micro Credit.

Training	Frequency	Percentage (%)
Annually	2	40.0
Rarely	3	60.0
Total	5	100.0

4.7.2 Effects of Training Content on Ministry Employees

Table 4.24 indicates that 80.0% of the respondents felt that the training content does not enable them to improve their performance of their C-YES duties while 20.0% indicated that the training content enabled them to improve their performance of their C-YES duties. This is a challenge to the management of YEDF to equip their staff with the relevant skills that will enable them follow-up on loan repayment.

Table 4.24 Effects of Training Content on Employees

Yes/No	Frequency	Percentage (%)
YES	1	20.0
NO	4	80.0
Total	5	100.0

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction

This chapter summarizes the research findings, discussions, conclusions drawn and the researcher's recommendations to the management of Youth Enterprise Development Fund and other stakeholders.

5.2 Summary of Findings

In the researcher's endeavor to establish whether availability of resources affected the repayment of C-YES, 100% of the respondents indicated that there were no adequate resources to follow up on C-YES funded groups and as a result, some of them stopped to follow-up completely on C-YES funded groups. Therefore availability of resources could be contributing to poor repayment of the C-YES. Therefore, this could be one of the main hindrances in the repayment of C-YES.

The researcher further sought to find out if time taken between application and receiving of funds affected the repayment of the C-YES. A majority 96% indicated that it took them above five months between application and receiving of funds. It was also observed that the duration taken adversely affected their businesses with 56.4 % indicating that this eventually led to collapse of their businesses. Therefore, time taken between application and receiving of funds is a challenge in the successful repayment of C-YES.

The study further sought to find out if the amount of loan given contributed to the poor repayment of C-YES. Among those interviewed, 27.7% indicated that their main reason of applying for the loan was to benefit from government free funds while 68% indicated that

they received between 20001-30000 which was too little to start their business and 46% cited inadequate funding as a challenge in their businesses. Therefore, this could be one of the challenges in the repayment of C-YES.

The study sought to find out if employee training affects the repayment of C-YES. Respondents were first asked if they attended training on micro-credit. Among those interviewed, 60% of the respondents indicated that they rarely attended training while 40% indicated that they attended the training annually. Another group of 80% of the respondents indicated that the training content did not enable them to improve their performance on the C-YES duties while 20% indicated that the training content enabled them to improve their performance on their C-YES duties. Therefore, employee training is a challenge in the successful repayment of C-YES which is currently not up to date in all the constituencies within the country.

5.3 Conclusions of the Study

Based on the findings from the study, it concludes that youth entrepreneurs are ready to grow if supported to grow and expand. It was noted that Constituency Youth Enterprise Scheme (C-YES) is faced with numerous challenges in its attempt to empower the youths and sustain itself in repayment. Availability of resources which includes funding was identified as a main factor affecting the repayment of the Constituency Youth Enterprise Scheme (C-YES). It was established that some officers stopped completely to follow-up on C-YES defaulters due to lack of funds. Government policies on government micro-credit are only on papers and not implemented at all and this makes it even worse when it comes to following up of defaulters.

Most of the respondents felt that a long time was taken between application and receiving of funds which impacts negatively on their businesses. Most of the youths are mainly in Agriculture and do not diversify. In case they receive the funds late and start farming, challenges in climatic conditions adversely affects them and this in turn affects their ability to repay the loan. There is need to adequately train them to diversify and venture into other areas.

Most of the respondents felt that, the amount of loan given was too little to enable them start businesses during the hard economic times. Some felt that they were under-funded. Inadequate funding has been cited as a factor contributing to any economic activity not to realize its full potential and this negatively affects it.

Finally, the study also established that the employees of the Ministry of Youth Affairs and Sports were from diverse careers and some lacked skills as far as micro-credit was concerned. These employees were required to head committees to vet the groups to be funded and follow-up on them to repay their loans without adequate skills. This is an area that needs to be looked into if the C-YES is to achieve the desired sustainability. If all these areas are not addressed by the management of the YEDF, the much money invested by the government to empower the youths may be a waste. The C-YES could also collapse like the Rural Enterprise Fund Scheme that collapsed with substantial outstanding balances.

5.4 Recommendations

From the results of the study, the researcher makes the following recommendations to the management of YEDF. Adequate resources should be provided to enable smooth monitoring of all funded youth groups; there should be fast processing of cheques to reduce the time

taken between application and receiving of funds which was indicated as having adverse effects on the businesses of youths; employees should be trained on the required skills of micro-credit so as to perform their duties efficiently. Set up a legal framework on how to handle defaulters. There should also be capacity building among the youths so as to empower them.

5.5 Suggestions for Further Research

The researcher suggests that further research be done on :-

- (i) Investigate the sustainability of Constituency Youth Enterprise Scheme in Kenya.
- (ii) The impact of the Youth Enterprise Development Fund on the lives of Kenyan youths.
- (iii) A similar study can also be carried out in other districts in the country to establish whether the findings are similar to those generated by this study.

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**APPENDIX I
INTRODUCTION LETTER**

ANNE WAMBUI MWANGI
P.O. BOX 925-10300
KERUGOYA.
28/04/2010.

THE.....
.....
.....

Dear Sir/Madam,

RE: ACADEMIC RESEARCH.

I am a student of the University of Nairobi pursuing a Masters Degree in Project Planning and Management. I am conducting an academic research on Factors Affecting the Repayment of Constituency Youth Enterprise Scheme in Kirinyaga Central District in Central Province.

I am kindly requesting for your assistance in responding honestly to the interview questions.

Looking forward for your cooperation.

Thank you.

Anne W. Mwangi.
Cellphone:0721265685

APPENDIX II

QUESTIONNAIRE FOR YOUTHS

The purpose of this questionnaire is to collect data on the factors affecting the repayment of constituency youth Enterprise scheme in Kirinyaga Central District. The information provided through this questionnaire will be used purely and exclusively for academic purpose and will be treated with top most confidentiality. Please feel free to give your answers and all will be considered right.

Please tick in the spaces provided. You need not to write the respondent's name. Your co-operation and assistance will be highly appreciated.

SECTION A: Personal Information

1. Age

(a) 15 – 18 years

(b) 19 – 24 years

(c) 25 – 29 years

(d) 30 – 35 years

2. Gender

(a) Male

(b) Female

3. Marital status

(a) Married

(b) Single

(c) Windowed

(d) Divorced

(e) Separated

(f) Others specify.....

4. Highest completed level of education

(a) Primary

(b) Secondary

(c) University

(d) Others specify.....

5. Age of eldest child under your care

a) None

b) Under 5 years

c) 5 – 10 years

d) 11 – 15 years

e) 16 – 20 years

f) Above 20 years

6. Name of the group.....

7. Location of the group.....

8. Project economic activity.....

9. Your position in the group

a) Chairperson

b) Vice chairperson

c) Secretary

d) Treasurer

e) Vice Secretary

f) Member

10. Amount awarded by Youth Enterprise Development Fund to enable you engage in business (Ksh).

- a) Below 20,000
- b) 20,001 – 30,000
- c) 30,001 – 40,000
- d) 40,001 – 50,000
- e) Above 50,000

11. Weekly income (Ksh)

- a) Below 1,000
- b) 1,001 – 2,000
- c) 2,001 – 3,000
- d) 3,001 – 4,000
- e) 4,001 – 5,000
- f) Above 5,000

12. How much money have you been able to repay to date?

.....

13. Have you faced any problems in borrowing money from Youth Enterprise Development Fund?

Yes (1)..... No (2).....

14. If the answer is YES, which problems did you face? (Select all applicable)

Problems (Challenges	
Cumbersome procedures (Please specify)	
Long time taken between application and receiving funds.	
Small loan sizes offered by YEDF	
Lack of collateral	
Other (specify)	

15. List of sources of funds for loan repayment in order of preference

1.
2.
3.
4.
5.
6.

16. Do you repay your loan from your business proceeds?

- YES.....
- NO.....

17. If NO, list other sources of funds

- (i)
- (ii)
- (iii)

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

- YES.....
- NO.....

19. If yes, list the challenges in order of priority and explain how they affect your business

1.
2.

SECTION B: Starting and Developing the Business

20. What were the main reasons for applying for the loan? (up to 3 reasons)

- (a)
- (b)
- (c)

21. How long did it take between application and receiving the funds

- | | |
|-------------------------|--------------------------|
| (a) Below 1 month | <input type="checkbox"/> |
| | <input type="checkbox"/> |
| (b) 1 month – 2 months | <input type="checkbox"/> |
| (c) 2 months – 3 months | <input type="checkbox"/> |
| (d) 3 months – 4 months | <input type="checkbox"/> |
| | <input type="checkbox"/> |
| (e) 4 months – 5 months | <input type="checkbox"/> |
| (f) Above 5 months | <input type="checkbox"/> |

22. How did the above mentioned duration affect your business (Please explain)

.....
.....
.....

23. What were the main problems faced in starting this business?

.....
.....
.....

24. In the list below tick all the factors that hinder or support fast repayment of your loan.

	Support	Hinders
(a) Local politics	<input type="checkbox"/>	<input type="checkbox"/>
(b) Attitude of the members & officials	<input type="checkbox"/>	<input type="checkbox"/>
(c) Trust among members	<input type="checkbox"/>	<input type="checkbox"/>
(d) Risk planning and management	<input type="checkbox"/>	<input type="checkbox"/>
(e) Competition	<input type="checkbox"/>	<input type="checkbox"/>
(f) Co-ordination of activities	<input type="checkbox"/>	<input type="checkbox"/>
(g) Management	<input type="checkbox"/>	<input type="checkbox"/>
(h) Training	<input type="checkbox"/>	<input type="checkbox"/>
(i) Economic situation in the area	<input type="checkbox"/>	<input type="checkbox"/>

(j) Mobility and commitment of members and officials

(k) New ways of doing business

(l) Resource planning in business

(m) Any other (Specify).....

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THANK YOU VERY MUCH FOR YOUR COOPERATION.

APPENDIX III

QUESTIONNAIRE FOR EMPLOYEES IN THE MINISTRY OF YOUTH AFFAIRS AND SPORTS

The purpose of this questionnaire is to collect data on the factors affecting the repayment of constituency youth Enterprise scheme in Kirinyaga Central District. The information provided through this questionnaire will be used purely and exclusively for academic purpose and will be treated with top most confidentiality. Please feel free to give your answers and all will be considered right.

Please tick in the spaces provided. You need not to write the respondent's name. Your co-operation and assistance will be highly appreciated.

A DEMOGRAPHIC DATA

1. Gender

Male

Female

2. Age

20-29 years

30-39 years

40-49 years

50-59 years

3. Number of years in public service

1-2 years

3-4 years

Above 5 years

4. Number of years in the department

1-2 years

3-4 years

5. Number of years in the District

1-2 years

3-4 years

Above 5 years

6. Your highest completed level of education

Secondary

University

Others (Specify).....

B EMPLOYEES TRAINING

7. How often do you attend training on micro-credit?

.....

8. Does the training content enable you to improve your performance on your duties on C-

YES?

Yes

No

9. How has the training helped you in the area of micro-credit and default follow-up?

.....

.....

.....

C. RESOURCES AND FOLLOW-UP

10. Are there adequate resources to perform YEDF activities?

Yes No

11. If yes, how often do you follow up on C-YES defaulters?

.....

12. If no, how do you follow up on C-YES defaulters?

.....
.....

13. Comment on the repayment of the Constituency Youth Enterprise Scheme

.....
.....

14. In your own opinion what are the main factors contributing to the high default rate in C-YES (Please arrange them in order of priority)

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

15. In your own opinion what can be done to reduce the high default rate in C-YES (Please arrange them in order of priority).

.....

.....

.....

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THANK YOU VERY MUCH FOR YOUR COOPERATION.



OFFICE OF THE PRESIDENT
PROVINCIAL ADMINISTRATION AND INTERNAL SECURITY
KIRINYAGA CENTRAL DISTRICT

Telegrams: "DISTRICTER", Kerugoya
Telephone 21053 Kerugoya

DISTRICT OFFICER
CENTRAL DIVISION
P.O BOX 1
KERUGOYA

REF: ADM.15/6/53

22.06.2010


TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION - ANNE WAMBUI MWANGI
ADM.NO.I.50//72593/2008

The above named person is in the process of completing her further studies from University of Nairobi.

In this regard, she intends to undertake a research "Factors affecting the repayment of Constituency Youth enterprise Scheme Loan in Kirinyaga Central District".

This office has no objection and would wish to request any concerned party to accord her all the necessary support and cooperation.


S.A. WANJIRI
DISTRICT OFFICER
CENTRAL DIVISION