INFLUENCE OF BANK LOAN FINANCING ON PROJECT PERFORMANCE: A CASE OF KENYA COMMERCIAL BANK FINANCED YOUTH GROUPS' PROJECTS IN IMENTI SOUTH DISTRICT-KENYA

BY

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DECLARATION

This research project report is my original work and has not been presented for a degree award in any other university or institution.

Signed …………………….. **Date………………………….**

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

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DEDICATION

I dedicate this project to my Dad and Mum Mr. and Mrs. Henry Gichuru for their immense sacrifice towards my academic progress throughout the many years of sacrifice and guidance.

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ABBREVIATIONS AND ACRONYMS

ANOVA:	Analysis of Variance
CBK:	Central Bank of Kenya
CBO:	Community Based Organization
CDF:	Constituency Development Fund
CRB:	Credit Reference Bureau
GDP:	Gross Domestic Produce
GOK:	Government of Kenya
KCB:	Kenya Commercial Bank
KSH:	Kenya shilling
MPC:	Monetary Policy Committee
SMEs:	Small and Medium business Enterprises
SPSS:	Statistical Package for the Social Scientists
UN:	United Nations
UNCDF:	UN Capital Development Fund
WEDF:	Women Enterprise Development Fund
YEDF:	Youth Enterprise Development Fund

ABSTRACT

The purpose of this study was to investigate the influence of KCB bank loan financing on project performance. A case of KCB bank financed youth groups' projects in Imenti South District. The objectives of this study were to establish influence of KCB bank loan interest rates on the performance of Youth groups' projects, establish how collateral requirements by KCB bank influence the availability of loans and hence the performance of youth groups' projects, to establish how loan repayment influence the performance of youth groups' projects and to assess the influence of financial management training by KCB bank on the performance of youth groups' projects. This research was undertaken by use of descriptive method which was cross sectional because it was most suitable for the data type collected and analyzed. The questionnaires used were designed to incorporate both the closed ended and open ended questions; the closed ended questions had the alternatives from which the responded had a variety of answers to choose one from. The open ended questions allowed the respondent an opportunity to provide their own views on how they perceived bank loan financing on the success of youth groups' projects and enterprises performance. The target population of the study comprised members of registered youth groups' funded by KCB bank in Imenti South District and bank officials of KCB bank in Imenti south district, the staff and management team of Nkubu KCB bank branch serving the region of Imenti South District and the officials of the registered youth groups' in Imenti south District. Quantitative and Qualitative methods were employed to analyze the data collected from various sources. This entailed the use of simple descriptive statistics, MS Excel and the Statistical Package for the Social Sciences in data analysis. the study established that high interest rates, coupled with lack of entrepreneurial skills were seen as the major factors that have a direct bearing with the loan repayment among youth groups', youth group owned projects lacked the necessary collateral, and were confronted with a dilemma of obtaining bank finance, most of youth groups' projects were very dissatisfied with loan repayment terms, financial management training promoted group investment culture and simplified the decision making process, including helping members implement their investment plans, enabled group leaders to manage project finances efficiently, prepare for taxes and possible audits, balance their books, predict profits and plan their future accordingly. The study concludes that high bank loan interest rates, lack necessary collateral and lack of flexible repayment terms had a negative impact on access to credit availability and thus adversely affected the performance of youth groups' projects. The study also concludes the financial management training by KCB bank enhanced the performance of youth groups' projects. The study recommends for revision of loan interest rates too in a view of accommodating all borrowers at different economic levels. Organization of financial training seminars and workshops for entrepreneurship skill acquisition and loan investment and servicing, formulation of repayment schedules those are flexible and highly adjusted to accommodate borrower's cash flow pattern and need to reassess on collateral requirements to avoid locking out small borrowers.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Project financing is the art and science that entails the sourcing of financial resources so as to adequately finance all the activities of the project from the inception of the project to the closure and transfer of the complete project to the intended beneficiaries. Nevitt and Fabozzi (2000) defined project financing as: financing of a particular economic unit in which a lender is satisfied to look initially to the cash flow and earnings of that economic unit as the source of funds from which a loan will be repaid and to the assets of the economic unit as collateral for the loan. The art of Project financing can be traced back to 1299 A.D when the English Crown financed the exploration and development of the Devon Silver mines by repaying the Florentine Merchant Bank, Frescobaldi, with the outputs from the mines. In project financing the output cash flow is relied upon to service what had been initially borrowed to finance the project also known as the principal amount plus the accrued interest as per the pre agreed borrowing rates.

The structure of project financing is a complex one but on the broad category it's divided into two major categories namely, Debt financing and Equity financing, Equity financing is the form of financing whereby the shareholders use their Equity capital and retained earnings to finance the activities of the project. On the other hand Debt financing is whereby the capital required to finance the activities of a project is raised through borrowing from lending institutions, capable individuals and other intergovernmental agencies. Debt finances are classified further into sub-categories depending on the lending agreement, the period of repayment, parties involved, the amount in request by the borrower and the duration in which the finances are availed to the borrower. Some of these sources include; Debentures, Deferred credit, fixed deposits, working capital advance and Bank term loans.

In Kenya term loans are common especially to most young entrepreneurs involved in projects due to the fact that there are various banking institutions in the country willing to work with the young entrepreneurs by lending to them finances required to finance their project activities. Some of the local banks in Kenya also have a special loan structure targeting the young people involved in business and projects so as to adequately cover their special need of credit finances. Other banks in Kenya have an open room to negotiate with the young projects entrepreneurs so as to offer them tailor-made financial solutions that fit the various aspects of their projects and also ease the repayment of the borrowed finances together with the accrued interests without financially straining the operations of the ongoing projects.

The banking industry in Kenya is advancing and growing fast with banking intermediaries growing in terms of financial base, lending capacity, geographical coverage and customer base and expansion of services either through self-innovation or through partnership with other corporations and firms. Credit availability to willing parties has of late been made easier with the rising number of these financial institutions, competition between these financial intermediaries has also enabled interests rates to steadily get down to affordable levels by most individuals and groups .

The Kenyan youth owned projects and SMEs have been poised as the remedy to the rising unemployment levels within the country and the major boast to the economic growth of the country. The government is aware of the youth groups' SMEs and the importance of availing financial support to them cannot be overlooked in any case. The argument by Ayyagari, Beck, and Demigurc Kunt (2007) is that SMEs play a role in economic development, diversification and creation of employment and that they are responsible for 49 percent of GDP on average in high-income countries and 29 percent in low-income countries. These SMEs and youth owned projects however have limited access to credit facilities and in most cases opt for bank loan facility to meet their demands for financial requirements.

Deliberate measures by the Kenyan government to set up funds targeting the Kenyan business and projects young entrepreneurs is one major initiative to curb on the rising levels of unemployment through encouraging self-employment among the youths. The Youth Enterprise Fund and Uwezo Fund are some of the initiatives by the Kenyan government to provide soft loans and grants to the youth entrepreneurs so as to carry out their projects and run their SMEs with less financial strain. However these funds have not been able to adequately cater for the large demand by the young people throughout the country who have various viable projects that require funding. This has resulted to young entrepreneurs opting for the commercial bank loans to finance their activities and run their newly formed enterprises .In Imenti South District - Meru County, the situation on credit demand by the youth owned SMEs and projects is similar to other SMEs nationally and competition for the available credit facilities is high amongst the SMEs themselves and other established business firms who also require the credit facilities to meet their operations. Competition for bank credit funding by established firms have really strained the youth owned enterprises to access the required funding and this has directly affected on the bank interest rates, collateral requirements for loans access, loan maturity period , repayment period and the amount to be repaid on every installment.

1.2 Statement of the problem

The government of Kenya is aware of the high levels of unemployment in the country and has therefore put up measures to reverse the situation. Various campaigns targeting sensitization on innovation and entrepreneurship among the Kenyan youths have been launched. The government has come up with measures to avail finances to the young investors and entrepreneurs have been made possible through the UWEZO Fund and Youth Enterprise Development Fund (YEDF) so as to enable the young entrepreneurs' access the finances they require to finance their projects and business activities.

However, the government initiatives have not adequately addressed the needs of all the Kenyan youths due to their huge number and the vast innovative projects they have. As a result of the limited funding through the government initiatives many project owners among the young people opts for the bank loan financing to cater for their project operations and financing. These bank loans have influenced the performance of the youth owned projects due to their features and requirements that the borrowers must always stay put to meet the demands of the lender such as prompt repayment of installments on monthly or any other specified time interval and availing of collateral required by the commercial banks.

Many studies on youth enterprises and projects have favored the finance sources of Constituency Development Fund (CDF), Uwezo Fund, Youth Enterprise Development Fund, and Women Enterprise Development Fund but have not dwelt much on the Bank Loan Financing and its influence on the performance of the youth owned projects and enterprises.

This study focused on how bank interest rates, collateral requirements, loans repayment mode and financial-management training by KCB bank influence the performance of projects financed by bank loans.

1.3 Purpose of the study

The purpose of this study was to investigate the influence of KCB bank loan financing on performance of projects: a case of KCB bank financed youth groups' projects in Imenti South District, Meru County-Kenya.

1.3.1 Objectives of the study

The objectives of this study were;

i. To establish influence of KCB bank loan interest rates on the performance of Youth groups' projects.
ii. To establish how collateral requirements by KCB bank influence the availability of loans and the performance of youth groups' projects.
iii. To establish how repayment mode influence performance of youth groups' projects.
iv. To assess the influence of financial management training by KCB bank on the performance of youth groups' projects.

1.4 Research Questions

The research questions that guided this study were;

i. How does KCB bank loan interest rate influence the performance of youth groups' projects?
ii. How do collateral requirements by KCB bank influence availability of loans and the performance of Youth groups' projects?
iii. How does KCB bank loan repayment mode influence the performance of Youth groups' projects?
iv. How does financial management training by KCB bank influence the performance of Youth groups' projects?

1.5 Significance of the study

Youth self-employment in Kenya through the creation of SMEs and projects by the young people is one of the major solutions to the raging unemployment rates in Kenya. This research and its findings may be useful in highlighting the importance of bank loans to the young entrepreneurs involved in projects and business ventures as it has shed more light on how loans fund by KCB bank can be meaningful in their ventures and projects.

Commercial banks may also find the findings of this research project useful in that the views of projects owners was highly sought, in return banks may adjust their loan structures to best suit the interests of these projects entrepreneurs hence creating a wider and solid customer base. Researchers and learners may also benefit greatly from the findings of this research study and use it as a base for supporting further research and studies related to this research.

1.6 Delimitation of the study

The study was carried out targeting youth groups' projects funded by KCB bank loans in Imenti South District in Meru County. KCB bank is one of the leading financial institutions within the region of study, KCB bank has targeted young entrepreneurs organized into groups and running viable commercial projects that require funding with a view of making profits upon maturity of their projects. For the study, the target respondents comprised of the young people involved in projects and businesses ventures and bank officials from KCB bank. Imenti South district is located south of Meru town bordering TharakaNithi County and Mount Kenya forest. The district headquarters is at Nkubu Town which is also the largest town in the district. The population of Imenti south district as per the 08/09 census was 1,356,301 with the largest portion of the population engaging in agricultural activities ranging from cash crop farming, dairy farming, subsistence farming and the newest practice in the area of agribusiness farming.

1.7 Limitations of the study

Time was a limiting factor in that this is an academic requirement research with fixed and tight deadlines for completion and submission. Banks were reluctant to share information fully and freely especially where they felt that their competitive edge and strategy was under threat. However the researcher convinced and assured them that information obtained was purely for academic purpose and not any other purpose.

1.8 Assumptions of the study

i. It was assumed that respondents gave the correct information without any bias towards the questionnaire questions.
ii. It was assumed that the selected study sample was the best sample in representing the whole population.

1.9 Definition of Significant Terms used in the study

Below are some of the significant terms in this study;

Bank loan financing: This is a form of project financing through debt finance, where the required finances to fund the project are obtained from commercial banks.

Youth groups': These are groups comprising of individuals within the age bracket of 18-35 years with a common business or project agenda.

Bank loan interest rate: This is the amount charged by the bank on the principle amount by the borrower expressed as a percentage.

Loan Collateral: Asset or property required by commercial banks and other lending institutions as a security for the loans fund advanced to the borrower incase the borrower defaults repayment of the loan as agreed upon.

Maturity period: This is the time duration within which the loan is due for bythe borrower after a formal request is made to the bank.

Loan Repayment mode: This is an agreement between the lender and the borrower on the amount and the periodic time periods in which the borrower should remit installments to service the loan.

Financial management training: Education and training on the efficient and effective management of financial resources so as to accomplish the objectives of the project as planned.

1.10 Organization of the study

The research report was organized into five chapters, chapter one comprised of the background of the study, statement of the problem, purpose of the study, research objectives, research questions, and the significance of the study, delimitation of the study, limitation of the study, definition of significant terms and the organization of the study. Chapter two of the study comprised of the literature review expounding on the influence of bank loans on the performance of youth groups' projects, the conceptual framework, the theoretical framework, the explanation of the link between the factors in the conceptual framework and the summary of the literature review.

Chapter three of this research comprised of the research methodology which includes research design, population target, size of the sample, sampling technique, research instruments validity and reliability, data collection procedure and data analysis technique. Chapter four of this study comprised of the data analysis, data presentation and research findings interpretation, chapter five of this study was comprised of the summary of research findings, discussions of the findings, conclusions, recommendations based on the study findings and the suggestions for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, a review of similar literature on the influence of bank loans on the performance of youth owned projects was done with the perspective ranging from global, African, regional, Kenyan and local experiences. The theoretical and conceptual frameworks that were the base for this study were also covered in this chapter.

2.2 The Performance of Youth Owned Projects

The concept of credit is one that existed and was in use almost as long as there has been civilization. It predates, by a considerable length of time the use of money, and written references to it appear as far back as in the code of Hammurabi, established around 1750 B.C. From its beginnings, credit has been used as a selling tool, to bind customers to a particular vendor and allow them to acquire more substantial goods for which they do not have the necessary capital (Mandell, 1994).

According to (Frempong, 2007) lack of access to credit is indicated as a key problem for SMEs worldwide. In some cases, even where credit is available, the entrepreneur may have difficulties because the lending conditions may require collateral for the loan. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. For Kenyan SME's the formal banking system is too expensive and inconvenient. Whereas banks consider SMEs with no transaction history are too risky because their ability to repay loans is not yet known. These unbanked SMEs may also not have collateral to access formal credit. Another issue is that these unbanked SMEs might not have the skills to run the business professionally. They may not have proper bookkeeping procedures, inventory systems, business plans or income statements making it hard for a bank to evaluate them.

Bank loans availability in Kenya have greatly evolved in terms of availability and affordability over time, competition among various banks and new market entry by new commercial banks have greatly influenced how banks are willing to lend credit to willing individuals, entrepreneurs and project owners. Commercial banks are striving to bring down the cost of credit so as to efficiently and effectively administer loans successfully and still maintain on their interest returns without necessarily burdening the borrower. This strategy has enticed young entrepreneurs and project managers to opt for bank loan as a form of financing their activities.

The lack of financial resources by young people is one of the main reasons as to why there is limited participation of the young people in the economy in most developing economies. This is a disadvantage to these economies as the young people are always full of energy and the desire to use their innovations to better their living standards and contribute to the general growth of the economy. In the South African case according to Altman, (2007) the economic participation of youth in the economy is very low and this is a challenge that has been vexing the South African Government for the past 18 years. The low economic participation of young people expresses itself in high levels of unemployment, poverty, illiteracy among youth and lack of exposure to sustainable livelihoods, which in turn exposes young people to social ills. The low levels of economic participation of young people can be attributed in part to the legacy of apartheid. Entrepreneurship is an unlikely route for most young people starting out as experience is generally needed to succeed in business. Moreover, the apartheid past dramatically reduced the culture of entrepreneurship, meaning that young Africans are unlikely to have grown up in households with business people who would have shaped their understanding of market opportunities, their access to networks and know-how.

Many African economies are faced with the challenges of promoting economic development that is sustainable and that can be a tool for absorbing the young people into the various spheres of the economy. This in return has affected the development and growth of enterprises that enable the creation of jobs and wealth among various groups in the economy particularly the African youth, women, the disabled and the people living in the rural areas of the African continent. These challenges that contribute to un sustainable development of the African continent in general range from poor GDP growth rate, lack of transformation of

African economies from primarily raw material producing economies to industrial and market oriented economies, policies that excludes the African youths in economic participation as portrayed by the low youth ratings on the Total Entrepreneurship Activity index and high levels of youth unemployment, lack of critical management skills, and the major problem being the lack of access to finance sources by the young African population and limited economic opportunities. Governments in Africa have responded to the problem of lack of finances to the youths through various legislations, bylaws and partnering with various financial institutions so as to formulate a workable mechanism for availing finances to the youths.

According to a report by UNCDF (2002), to overcome access barriers to finances by the youth, a youth friendly regulatory environment that recognizes the needs of youth and that is both inclusive and protective of youth is essential. Financial education and entrepreneurship development can also assist youths in taking greatest advantage of the financial services available. Government policies and incentives can help stimulate the financial sector to design appropriate financial products as well as innovative delivery channels including low-cost access points such as mobile banking and school banking programmes. Coordination amongst the various policy makers, align ministries, and regulators (e.g., Ministry of Education, Ministry of Youth, Ministry of Finance and Central Bank) can contribute to more effective and closely aligned policies and activities that support financial inclusion of youth. This may include developing a national platform or advisory committee at the country level.

Dermiguc-kunt, (1992) in his study revealed that in most developing countries firms and other project companies rely mostly on internal resources and credit markets for financing. He found out that in most cases Commercial banks were the main financial institutions, He also found out that the loan contracts of most commercial banks in the poor and developing countries mostly in Sub-Saharan Africa and Asia are generally short term in nature and formal direct market for long term debt or equity do not exist, his study revealed that this is huge hindrance to both corporate and economic growth of these developing economies. This problem is also affecting the young generation significantly since they lack the asset base to compete with the already established firms in the struggle to secure bank loan finances.

Allen and Gale (1997) in their study found out that a larger financial system can minimize credit constraints; they argued that the greater the ability of firms and individuals to borrow, the more likely that profitable investment opportunities will not be by-passed because of credit rationing. A large financial system should be more effective at allocating capital and monitoring the use of funds as there are significant economies of scale in this function. This is true because the amount of resources required by commercial banks to administer and monitor few individuals is almost the same amount required to administer and maintain a large portfolio.

Ndwiga (2011) carried out a study on the impact of financial development to economic growth in Kenya. He did this using all the listed banking institutions in Kenya by extracting the variables that are indicators of financial development. He found out that performance of financial institutions contributes positively to economic growth as evidenced by the growth in GDP as the number of financial institutions increased. He noted that increase in financial institutions increases intermediation and hence growth in the GDP-that as the demand for finances increases other factors remaining constant, the lending interest rate is reduced thus increasing the positive change in economic growth. He also found out that financial development can be achieved better through liberalization of the financial sector and review of the laws governing the operation of commercial banks. It is worth noting that increase in intermediation brings about financial deepening and their performance.

Another major problem that deter youth in developing countries from accessing bank loan financing is the lack of bank accounts. This is the case because many banks are located in major cities and towns far away from the rural areas where most of the youth population is based. Travelling to the urban centers to access banking facilities is very expensive and time consuming among the young people. The far distance also inhibits exchange of information between commercial banks and willing borrowers. Limitation of financial information results to low levels of borrowing among the entrepreneurs.

It is also evident that most rural people treat commercial banks with suspicion and mistrust since they are not fully enlighten on how commercial banks operate, bank charges such as minimum operating charges, interest charges on loans and monthly charges on loans also deter many youths from operating formal bank accounts. This further deters borrowing since most banks only lend money to persons and groups operating active bank accounts.

The process of determining credit worthiness by commercial banks is also a cumbersome and a rigorous activity that scares away many willing credit borrowers. According to (Kasper Roszbach.1998) anyone applying for a loan at a bank can count on being subjected to one of the many procedures that exist to assess one's creditworthiness. Some credit institutions continue to analyze applicants' personal characteristics in subjective, non-formalized ways while others use so called credit scoring models. Their varying degrees of sophistication in spite, credit scoring models share a common objective: to separate loan applicants that are expected to pay back their debts from those who are likely to fall into arrears or go bankrupt.

2.3 Interest Rates and the Performance of Projects

Access to financial services, notably credit is particularly important from a standpoint of human and economic development (Mendoza & Vick, 2008). It is common practice in credit financing for close ties to exist between firms and banks, termed relationship lending. Relationship lending exists all over the world and is regarded as a potentially vital instrument linking interests of borrowers with those of lenders (Memmel, Schmeider & Stein, 2007).
Interest rates in most cases tend to go us because transaction costs add to the real rate of interest giving a very high nominal rate of interest. Consequently they are not proportional to the amount lent compared to the cost of funds and the cost of defaults and are therefore a major contributor to high lending interest rates (Shankar, 2007). Lending interest rates arise because borrowers who don’t have money and want it must pay back interest on top of the borrowed principle amount to the lending bank (Kanyegirire, 2003). Financial intermediaries charge an interest rate to compensate them and commensurate with the high transaction costs during the disbursement of loan funds thus making loans very expensive (Nalukenge, 2003).

Lloyd (2006) and McConnell (2009), Defined interest rates as a price paid for borrowing funds expressed as a percentage per year. It also can be defined as the price a borrower needs to pay to the lender for transferring purchasing power to the future. Lloyd (2006) argues that interest rates rank among the most crucial variables with macroeconomic word in the world of finance and banking. This is because the level of economic activity in any economy is directly influenced by the levels of interest rates. When interest rates are low, the levels of borrowing in an economy are high and thus the levels of investments too. Interest rate is also a key tool for controlling the levels of inflation in an economy.

This view has further been strengthened by the findings of Saunder (1995) when he argued that interest rates influence the overall economic activity including the flow of goods, services and financial assets within the economy and as well as the whole world. Saunder points out that interest rates relates to the present value to the future value of money. A high interest rate leads to a high discount rate thus the present value of money. On the other hand, a low interest rate leads to a future cash flow at a lower discount rate.

Bernstein (1996) in his study revealed that most developing countries have liberalized interest rates by allowing the markets forces to determine interest rates. However this has not stabilized the self-setting of interest rates in these developing economies hence uncompetitive banking systems, inadequate regulatory framework and borrowers that are insensitive to interest rates undermine the efficiency of market based credit allocation and disrupt the transmission of monetary signals with adverse consequences for macroeconomic policy. Robinson (1995) in his study revealed that the potential impact of interest rates on commercial banks financial performance has long been a concern for policy makers and bankers, commercial banks and to the extension micro finance institutions revenues are therefore affected by unforeseen changes in interest rates. The exposure of banks profitability and net worth to unanticipated changes in interest rates is what is meant by the term interest rates risk.

With the Kenyan case interest rates are set by the Monetary Policy Committee (MPC) of the Central Bank of Kenya and are used to control inflation. In the year 2013 for example MPC maintained CBR at 18% implying that Kenyan Commercial banks charged loans in excess of this rate (CBK Annual Report, 2012/2013). This is because most commercial banks interest rates exceeded the 21% rate as compared to the CRB rate of 18%.

According to (Ngugi 2006), the interest rates charged by the commercial banks in Kenya have remained high and has faced a lot of criticism from time to time. Despite the efforts by the Government to bring it down they have still remained high. These high interest rates are against the regulation in the current finance bill which proposes that interest rates should be pegged against the Treasury bill /maximum interest rate that a bank or any financial institution may charge for a loan or monetary advance. The bill states that no interest rate should exceed four percent of the base lending rate of the central bank (Finance Bill, 2011).This however may not be applicable if the financial institution that is making losses. Since these rates can be justified by high transaction costs and risks associated with micro lending, it is often difficult to differentiate between sustainability, profitability and greed Fernando (2006). This is because lending to the poor and so the MFIs has to make much more money as possible up front to cover the cost of the loan due to the assumed high likelihood that the borrower will default at some point

According to Saurina (2005), interest rate is a rate which is charged or paid for the use of money. An interest rate is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal. In general, interest rates rise in times of inflation, greater demand for credit, tight money supply, or due to higher reserve requirements for banks. A rise in interest rates for any reason tends to lessen business activity because credit becomes more expensive and the stock market because investors can get better returns from bank deposits or newly issued bonds than from buying shares.

2.3.1 Government interventions to determine interest rate levels

Governments try to control the market interest rates so as to ensure that citizens and business firms pay fair interest rates. This has been implemented through legislations, laws and directives all aimed at regulating the level of interest rates on credit. The intention by most governments to regulate interest loans is to protect credit consumers from abusive bank lending practices.

Due to its historically social and developmental role, “microfinance has been prone to political interference in certain countries.” (Fitch Ratings, 2008,) Populism is often the trigger of inadequate policies and government decisions that adversely impact microfinance. According to Fitch (2008), the most damaging political interferences in microfinance are interest rate ceilings, subsidized financing at below market rates, and the support of the government to micro-borrowers not to repay loans.
The “interest rates” issues have attracted significant attention from political leaders in Latin America (Nicaragua), in Africa (Ethiopia), and particularly in Asia (Bangladesh, Cambodia,

India, Pakistan, and Sri Lanka) (Fernando, 2006) Commercial banks have responded to the unfriendly interest rates controls through various measures all with an aim of retaining their profitability. Some of these measures by most commercial banks are, the setting up of very rigid loan terms, this has scared away small scale borrowers of credit (Fernando 2006) argues that Because small-scale loans are more expensive than large loans, rate ceilings could encourage microcredit lenders to desert poorer, small-scale loan clients. Rate ceilings would change the nature of MFI lending, creating a shift to more short-term loans. As a rate ceiling would increase policy risk, and if inflation were expected to rise, longer-term loans would carry greater risks. Rate ceilings would create an artificially high demand for microcredit relative to supply and encourage credit officers and others to adopt rationing devices that, in turn, create rent seeking opportunities.

On a similar point of argument (Holmes, 2005) noted that Governments must focus on ways to decrease the cost of microcredit without harming MFIs or micro-borrowers. A recurrent proposed government action proposed by practitioners is to create credit bureaus1 in order to reduce information asymmetry, thereby decreasing the risk of lending and the expense of client research, and improving efficiency and lower the related expenses of administering microloans. This might lower barriers to entry in providing microcredit, which can encourage competition further decreasing interest rates.

2.4 Loan collateral influence on bank credit availability and performance of projects

Loan contracts generally require that borrowers post assets that can be taken over by lenders should the borrowers default on the promised payments. An explanation for such contractual arrangements is that borrowers and lenders have asymmetric information about the project that the loan is financing: because borrowers appear to know more about the project than the lender, the borrowers' evaluation of the project tends to be higher than that of the lenders. According to a strand of the literature, collateral in loan agreements in this environment acts as a disincentive for borrowers to default (Mensah, 2003).

Loan collateral if categorized into two groups, namely the inside collateral in which the borrower uses an asset in the project to be financed as collateral, under inside collateral failure by the borrower to honor the repayment of loans leads to the bank taking over the project assets or the whole project so as to recover the unpaid loan arrears. This form of collateral is very risky on the part of the borrower since incase there is a default the lender takes possession of the project.

The second category is referred to as outside collateral, under this category of collateral the borrower uses assets not used in the project are as collateral. Personal property such as land, cars and any other property that is not attached to the project is used as collateral to secure borrowed loans. Under this form of collateral, the project property and the project itself is generally shielded from takeover but the project owners suffer the consequences of loan default. Commercial banks and other lending institutions are very keen when evaluating this form of collateral as they must ensure that the property they tie as collateral has the value capable of repaying the loans they advance to their customers.

Chan and Kanatas (1985) suggest that, in credit markets with moral hazard or adverse selection, outside collateral serves as an incentive, or screening device as it increases the punishment for default. With this in mind the loan client is keen to properly utilize the borrowed finances within their intended purpose after which realized profits can be used to service the loan without much trouble. Bester (1994) suggests that, if a borrower can choose from a variety of risky projects, then collateral ensures that low-risk projects will be chosen. In the case of adverse selection, lenders could offer a menu of contracts that rank loan applicants according to the riskiness of projects.

The use of collateral imposes some economic costs. Chan and Kanatas (1985) suggest that these include legal documentation, monitoring and/or insurance costs, and the implicit costs to the borrower for being forced to relinquish discretionary use of the collateralized asset. In case an asset has been documented as collateral, resale of such asset by the borrower is impossible because doing so would be a breach of the contract between the lending institution and the asset owner. This would again have legal consequences on the side of the borrower and attract more severe penalties.

2.4.1 Collateral as an incentive to investment

Borrowers of bank loans surrender part of the investment of own asset to the bank as security for the borrowed loans, with this in mind the borrower must work hard and channel the borrowed resources to the best use possible so as to be able to meet his/her loan repayment obligations, make profits and repossess back the asset used as collateral. The fear of losing collateral asset by most investors is an incentive to make well informed investment decision and close monitoring of the venture to ensure outputs and productivity are in line with the estimated cash flows. Channeling loan resources into their best use leads to profitability by project firms.

Availability of collateral by the borrower is also an incentive by the lending institutions to easily give loans to the borrowers. Collateral is an assurance to the lending institutions that incase the borrower is incapable of meeting his/her obligations the sale of collateral asset will repay back their funds. When borrowers are willing to surrender their assets as collateral it becomes a positive indicator that the loan resources will be channeled to the best use possible. Commitment by the borrower through collateral is the only measure the bank can use to determine the will of the borrower in investing wisely.

2.4.2 Collateral limitation to young borrowers

Many young entrepreneurs in most cases are college leavers who are eager to implement ideas and projects they perceive to be viable and those that have returns on investments. In most scenarios these ideas go unimplemented simply because the young people lack the financial support to put their ideas into practice. Commercial banks have also in most cases denied these young entrepreneurs the finances they require in terms of loans because of a variety set of factors which range from

i. **Perceived high costs of lending to small businesses and entrepreneurs**

The perceptions and past experiences by commercial banks indicate that small business loans are more expensive to initiate and maintain than loans to larger scale operations. Most young entrepreneurs require startup capital to run their initiated enterprises and projects. Commercial banks in most cases hesitate to finance these startups since they require small loans that are costly in part of the banks to maintain and follow up. (Levitsky and Prasa 1987) noted that Lending to small enterprises is considered to be risky. The uncertainties facing small industry, the high mortality rate of such enterprises and their vulnerability to market and economic changes make banks reluctant to deal with them, and there is a parallel reluctance on the part of small-scale enterprises to borrow from banks.

ii. Limited access to collateral requirements

Young people in most developing countries have limited access to collateral simply because they do not have enough assets to provide as assets to the financial lending institutions. Most youths especially in developing countries seeking bank loans are fresh college graduates who opt to run private enterprises and projects due to the high levels of unemployment in their respective countries.

Young people running Small enterprises and seeking loans are unable or unwilling to provide accounting records and other documentation required by commercial banks or to provide securities or collateral for the loans. In most cases the administrative costs of managing newly induced business ventures by young people proves expensive as the expertise costs such as fees to professional accountants, lawyers and business advisors are also high for the young entrepreneurs to manage.

Young people rely mostly on the inside collateral whereby they risk the whole project to the financing institution in case they are unable to make payments to finance the borrowed loans. In other cases many young entrepreneurs form savings groups, open bank account with commercial banks and jointly apply for bank loans. This however is also challenging since the available collateral through group savings by most young people is only capable of financing small size loans.

2.5 Loan repayment and the performance of projects

Rose (2007), Defines successful loan repayment as the ability to repay the loan as per the loan agreement and loan defaulting as the inability to repay the loan by either failing to complete the loan as per the loan agreement or neglect to service the loan. On her study on the causes of default in government micro credit programs in Kenya, she found a strong relationship between major sources of income, diversion of funds, domestic problems and loan defaulting. The repayment period of loans is determined on the basis of the liquidity position of each borrower and the economic life of the investment. Repayment schedules must be made flexible so that it should be adjusted to borrower's cash flow pattern.

In addition to this credit policy instruments, some relevant lending principles are used by banks as their guiding principles .These include; borrowers perceived need, competence or repayment capacity and personal character.

According to (Okorie 2004) it is important that borrowed funds be invested for productive purposes, and the additional incomes generated be used to repay loans to have sustainable and viable production processes and credit institutions. He also noted in his research that, failure by farmers to repay their loans on time or to repay them at all has been a serious problem faced by both agricultural credit institutions and smallholder farmers. Poor loan repayment in developing countries has become a major problem in agricultural credit administration, especially to smallholders who have limited collateral capabilities

Delivering productive credit to the rural poor has been a hotly pursued but problem plagued undertaking. Providing low cost, efficient credit services and recovering a high percentage of loans granted are the ideal aims in rural finance (Wenner, 1995). This is the case because low repayment performance and default by loan clients discourages the lending institutions to promote and extend credit to large and fragmented farm households. Therefore, a thorough investigation of the various aspects of loan defaults, source of credit and condition of loan provision are of great importance both for policy makers and lending institutions. An understanding of these aspects enables the creation of a wider credit lending base that promotes poverty eradication by means of availing finances for investments in an economy.

Credit default is a major problem that confronts all the financial institutions in the country. All financial houses have similar situations to contend with in terms of credit default. This problem is also real among the rural banks and the micro-finance institutions in the country. Several reasons were seen to be accountable for credit default particularly among our women groups in the country.

In the study they noted that some of the beneficiaries of credit do not use the funds for their intended purposes and that is why it is always difficult for them to repay the loan. Some use the loans to settle an old debt of the business while some use the credit obtained to do unprofitable expenditures which in turn makes it very difficult to pay back the loan

According to (Mead and Liedholm, 1998) Lending to the poor or lower income group raises many debates among practitioners and academicians. The poor are usually excluded from credit facilities because of many reasons. These include insufficient collateral to support their loans, high transaction costs, unstable income, lower literacy and high monitoring costs. Usually they survive through involvement in micro business activities or informal activities that comprises food processing and sales, small scale agriculture, services, crafts and petty trading. However, these activities actually contribute a number of total employment and gross domestic product (GDP) to the country. Micro and small enterprises (MEs) have been recognized as a major source of employment and income in many countries of the Third World

Hulme and Mosley (1996) in their study reveal that that the important factors that contribute to loan repayment performance are the design features of the loan. They categorize the design features into three categories namely access methods, screening methods and incentive to repay. Access methods generally ensure that poor people access the loans not only the richer people and the features include maximum loan ceilings and high interest rate. Screening methods are used to screen out bad borrowers.

(Nduta 2013) in her research argues that financial institutions can mitigate a significant portion of default risk by designing loan products that meet client needs. Loan product features include the loan size, interest rate and fees, repayment schedule, collateral requirements and any other special terms. Loan products should be designed to address the specific purpose for which the loan is intended.

Easily accessible loans in terms of time duration and cost are more friendly as the borrower have enough time to invest the finances that in return lead to gains through profits hat are vital in the repayment of borrowed loans. Screening out bad borrowers by banks is key factor in the growth of the credit market because limited finances are lost to defaulters; defaulters reduce the capacity to increase lending in future to trustworthy customers.

Kohansal and Mansoori (2009) in their study investigated the factors affecting loan repayment performance of farmers in Khorasan-Razavi Province of Iran. Results from a logistic model showed that loan interest rate was the most important factor affecting repayment of agricultural loans. Their study also discovered farming experience, and total application cost as other crucial factors that determined repayment of loans.

From the study is was evident that very high interest rates that would fluctuate from time to time was a major hindrance in the repayment of loans by most farmers. Very high interest rates also discouraged the consumption of credit by most farmers.

According to Million, et al (2012) Education is an important determinant of loan repayment. An educated farmer is able to use modern agricultural technologies, perform farming activities based on cropping calendar, and manage resources properly. All these factors boost production, which improves loan repayment. From their survey, 30.7 percent of the household heads were literate and about 50 percent were non-defaulters while 23 percent were defaulters. The findings of their survey reveal that education in a major tool that determines repayment of bank loans.

Oke *et al*. (2007) argues that in most scenarios firm's profit significantly influenced loan repayment. This is because earnings from profits are used to service the loans borrowed by the firms. Firms and enterprises making profits are more likely to finance and honor their loan obligations holding other factors constant as opposed to firms making a stream of losses.

Khandker *et al*. (1995) raised the question of whether default is random, influenced by erratic behavior, or systematically influenced by area characteristics that determine local productions conditions or branch-level efficiency. Their study on Grameen overdue loans supports the idea of partial influence of area characteristics. Rural electrification, road width, primary educational infrastructure and commercial bank density are positively correlated with a low default rate as well as predicted manager's pay.

The findings of this study can be justified in the sense that individuals living in areas with good developed infrastructure and social amenities are more likely to use their borrowed finances without much divergence to other unplanned activities. Developed infrastructure also reduces the costs and timelines of doing business. A good transportation network for example ensures that perishable commodities reach their destinations efficiently.

The availability of good roads means reduced costs of transportation and efficiency in delivering products to their desired market places. Good health facilities and sanitation implies less incidence of disease and therefore entrepreneurs can focus on their productive activities. A health nation is also a productive nation as labour is always available.

Loan default problem has been a tragedy as it leads to a system failure to implement appropriate lending strategies and credible credit policies. In addition, it discourages the financial institutions from refinancing the defaulting members, which put the defaulters once again into vicious circle of low productivity. Eastern Hararghe is one amongst autonomous zone of Oromiya Regional State. In this administrative zone, the Regional Government through Oromiya Saving and Credit Share Company, and Non-Governmental organizations have extended credit facilities to farming households to narrow the gap between the required and the owned capital to use improved agricultural technologies that would increase

production and productivity. However, there is a serious loan repayment problem in the area. Therefore, this study was undertaken to analyze how non-default and default rates
(Million, et al 2012)

In order to increase loan repayment most of the micro financing schemes in Ethiopia provide loans to organized members, who are not required to put up physical collateral but operate in a group mechanism in which risks of non-repayment are transferred to the group. Essentially, most micro financing schemes in the country have, with slight modifications, adopted the Grameen Bank micro credit mechanisms (Fantahun, 2000). Even if group liability claims to improve repayment rates and lower transaction costs when lending to the poor by providing incentives for peers to screen, monitor and enforce each other's loans, the problem of poor loan repayment performance persists.

Balogun and Alimi (1988) in their study identified the major causes of loan default as loan shortages, delaying time of loan delivery, poor supervision, non-profitability of farm enterprises and undue government intervention with the operations of government sponsored programs. Populist governments hinder loan repayments as they introduce laws that disorient the credit market by trying to overprotect and win the support of the citizens, who in most cases are the borrowers of credit.

Eze and Ibekwe (2007) examined the determinants of loan repayment under the indigenous financial system in Southeast Nigeria. It was discovered that, an amount of loan received, age of beneficiary, householder size, years of formal education and occupation were some of the significant predictors of loan repayment under the system.

2.6 Financial management training by commercial banks and performance businesses and projects

Financial literacy is more important than ever in today's world. Being aware of money management, income, saving, and spending can equip our young people with knowledge to fight fraud and take charge of their finances. We are living in an age of unprecedented debt and students are destined to face challenging times financially. It is imperative that educators begin to equip students with the knowledge and skills to succeed as consumers in today's global economy. It was suggested in an article in the *Chronicle of Higher Education* that the U. S. Secretary of Education's Commission on the Future of Higher Education recommends a promotion of lifelong learning for students so that they are prepared for their entrance into a global economy (Field, 2006).

For the purpose of this study, financial literacy is the achievement of skills necessary to make informed and effective decisions regarding earning, spending, and the management of money. It is a basic term which has to do with processes. Financial literacy is a person's ability to understand and make use of financial concepts (Servon &Kaestner, 2008).

Financial literacy skills enable individuals to navigate the financial world, make informed decisions about their money and minimize their chances of being misled on financial matters (Beal and Delpachitra, 2003). Financial literacy in the modern society is so vital in that most of the decisions people make have financial implications, with the rapid growth of financial products and the vast opportunities presented by the financial markets, financial literacy is paramount in harnessing the benefits that accrue from these financial markets and credit facilities,

(Hogarth, 2002) Defines financial literacy as the ways in how people manage their money in terms of insuring, investing and budgeting. Financial experience, expertise personal needs, and financial education have an impact on involvement of people in financial market and services. People who are financially literate manage and use their financial resources in the best way possible leading to optimal return on investment or leading to optimal satisfaction derived from the acquired goods and services. Financial decisions made by financial literate people yield maximum returns on investments as compared to decisions made through guesswork and trial and error methods

Several studies and surveys have been conducted to determine the degree of financial literacy. A survey by (Lusard and Mitchell,2007) indicates that people with low levels of education, females, African-Americans and Hispanics demonstrates low levels of financial literacy and in return this affects decision making on financial related matters

It is argued that lack of financial literacy leads to financial mistakes and imprudent financial practices. Improving the financial literacy and consumer financial awareness in any given society is a challenging task; it requires that consumers collect, process, and project data on various aspects of compound interest, inflation, risk diversification, and assets. Moreover, simply to avoid making financial mistakes, substantial knowledge and an effective analytical tool-kit is necessary (Ferguson 2002).

In parts of the developing world, countries have sought to increase financial literacy by improving access to financial services and taking steps to ensure they are used appropriately. In other areas efforts have been made to establish statewide financial literacy and credit counseling centers offering cost-free financial counseling and education to both urban and rural populations (Zia 2010). Studies have shown that financial literacy levels are lowest in developing countries (Cole, Sampson and Zia 2009).

According to -European Banking Federation Report on Financial literacy (2009) submitted in Brussels it was noted that financial literacy is central in today's complex financial market. It is an essential component of the empowerment of the consumer as it gives them an understanding of how to manage their finances in the real economy in order to avoid unnecessary risks, excessive debt and possible financial exclusion. Moreover, it enables people to improve their understanding of the financial opportunities that the products which are available to them may offer.

While financial education is crucial, it should clearly not relieve banks of their role of providing the consumer with effective, clear and comprehensible information before contracts are concluded. In addition, the financial industry is accountable for ensuring, through on-going training and education, that employees of the sector, especially those who are in direct contact with consumers, have the appropriate competences and qualification to present in a plain and simple manner, the products they offer and act in the interest of the client.

2.7 Theoretical framework

This study was guided by the Theory of Financial Intermediation and the Theory of loanable funds. The theory of financial intermediation shows the need and the roles of financial intermediaries such as commercial banks in an economy whereas the theory of loanable funds explains interest rate determination on borrowing in an economy. The theory of loanable funds allows us to explore the causes of increasing and reducing interest rates in the economy.

2.7.1 The modern theory of financial intermediation

According to the modern theory of financial intermediation propounded by Modigliani and Miller (1958), financial intermediaries are active because market imperfections prevent savers and investors from trading directly with each other in an optimal way. The most important market imperfections are the informational asymmetries between savers and investors. Financial intermediaries, banks specifically, fill as agents and as delegated monitor information gaps between ultimate savers and investors. This is because they have a comparative informational advantage over ultimate savers and investors. They screen and monitor investors on behalf of savers. This is their basic function, which justifies the transaction costs they charge to parties (Bert and Dick 2003).

They also bridge the maturity mismatch between savers and investors and settlement and clearing system. Consequently, they engage in qualitative asset transformation activities. To ensure the sustainability of financial intermediation, safety and soundness regulation has to be put in place. Regulation also provides the basis for the intermediaries to enact in the production of their monetary services (Bert and Dick 2003).

Historically, banks and insurance companies have played a central role. This appears to be true in virtually all economies except emerging economies which are at a very early stage. Even here, however, the development of intermediaries tends to lead the development of financial markets themselves (McKinnon, 1973).The role or roles played by these intermediaries in the financial sector is found in the many and varied models in the resource allocation based on perfect and complete markets by suggesting that it is frictions such as transaction costs and asymmetric information that are important in understanding intermediation.

Gurley and Shaw (1960) have stressed the role of transaction costs. For example, fixed costs of asset evaluation mean that intermediaries have an advantage over individuals because they allow such costs to be shared. Similarly, trading costs mean that intermediaries can more easily be diversified than individuals.

2.7.2 The Theory of Loanable Funds

The theory of loanable funds as put forward by the Swedish Economist Knut Wicksell can be summarized in the following graphical representation below

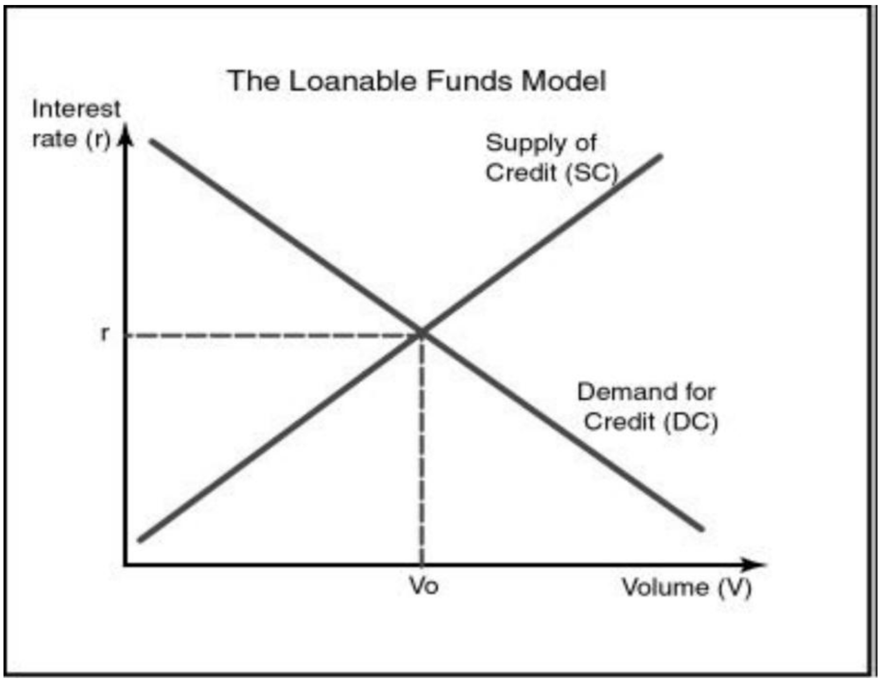

Figure2.1: Loanable Funds Model: Source (Gary R. Evans 2014)

Figure2.1 uses a supply and demand curve to locate a market-clearing equilibrium price. The price in this model is the cost of credit which in the theory is the interest rate prevailing in the money market at a given point in time. ***Interest rate*** in the model is represented by the variable **r**. The ***quantity*** axis of the loanable funds model is labeled with the variable ***volume***. Typically magnitudes of financial flows are labeled as ***volume.*** The demand and supply curves in this model have a special meaning. The demand curve represents the **demand for credit** by **borrowers** while the supply curve represents the **supply of credit** by **lenders**.

Borrowers (represented by the demand curve) include consumer borrowers, businesses of all kinds and government.

Lenders (represented by the supply curve in the loanable funds model) include direct lenders, such as banks, mortgage companies, credit card companies, and auto and equipment leasing companies.

The nation's monetary and credit system is regulated and strongly influenced by the central bank of that country. The central bank of a country however through the reserve system and the application of the open market policy of open market operations has the ability to directly to affect the supply of credit in the economy.

2.8 The Conceptual Framework

A conceptual framework is an interconnected set of ideas (theories) about how a particular phenomenon functions or is related to its parts. The framework serves as the basis for understanding the causal or correlational patterns of interconnections across events, ideas, observations, concepts, knowledge, interpretations and other components of experience (Marilla, 2010).

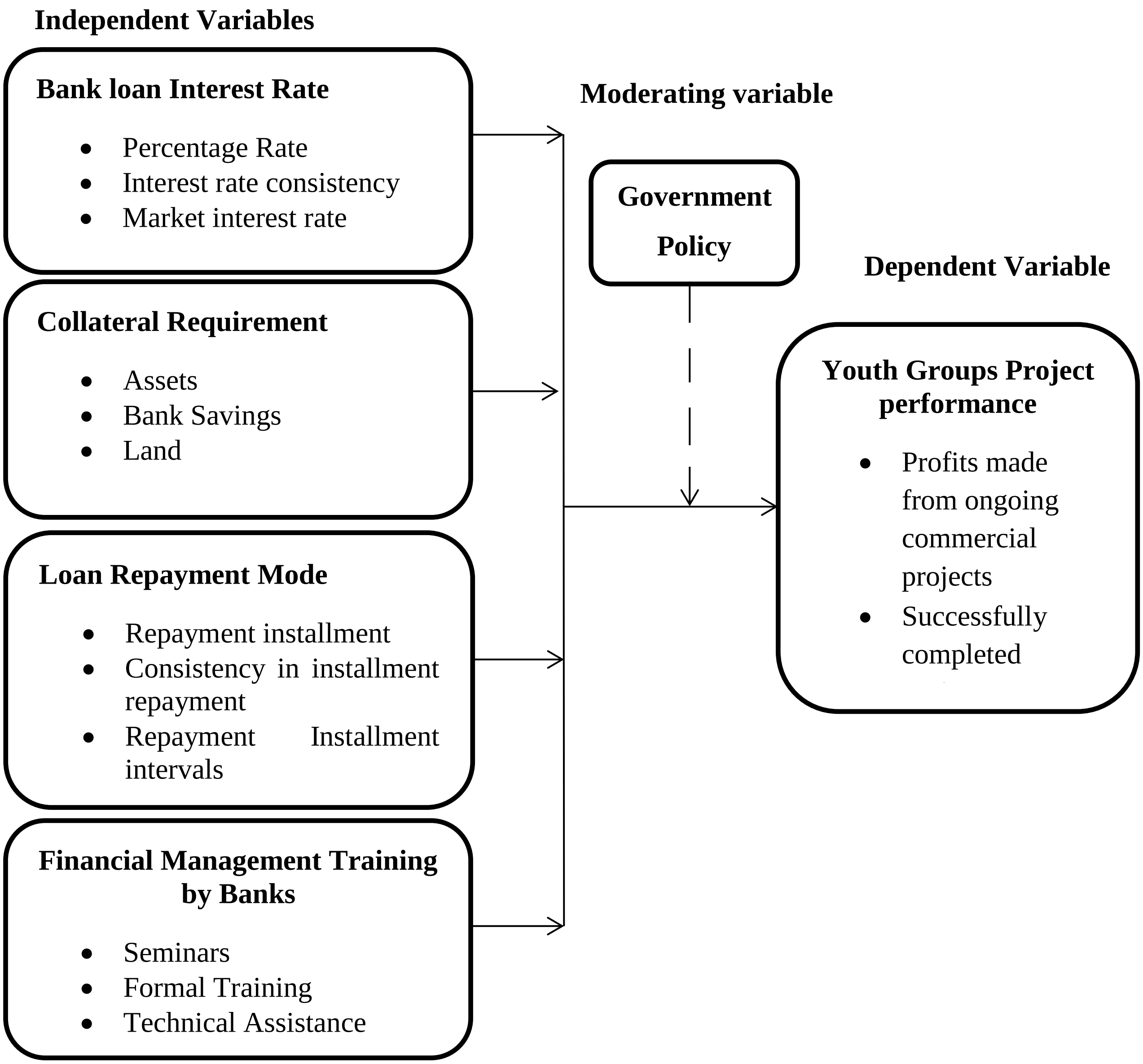

Figure 2.2: Conceptual Framework

The conceptual framework in figure 2.2 is a diagrammatic representation of how the dependent variable “youth groups’ projects performance” is influenced by “Bank interest rates”, “bank collateral requirements”, “financial training offered by commercial banks” and the “loan repayment” which comprise of the independent variables of the study.

The moderating variable, Government policy illustrates how governments intervenes in an economy through legislations and bylaws to control economic factors operations for the general public good and the stability of the economy.

2.9 Summary of literature review

This chapter has discussed in details the concept of project performance based on the finance sources used to finance these projects. Various studies on project performance have been done mainly targeting how donor funding, CDF funding and Women Enterprise Development Fund (WEDF) have influenced the performance of projects and business ventures. The results from these studies have showed the three highly sought finance sources by the youth have not been able to adequately sustain the many projects throughout their lifetime mainly because of the limited amount available for the many groups across the country, the cumbersome process of obtaining these finances and the untimely release of funds. This study sought to establish how bank loan as a source of project finance that is easily available due to the high growth in the number of banking institutions in the economy can be used to finance projects and business ventures. This study focused mainly on the aspects of loan interest rates, collateral requirements, loan repayment mode and financial management training by KCB bank on the influence of project performance in Kenya

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology of application in the study so as to adequately cover the objectives of the research. The research methodology mainly covers the research design, target population, sample and sampling techniques, research instruments, validity and reliability of the instruments, data collection procedures and data analysis .

3.2 Research Design

Research design entails the systematic approach for the collection and data analysis so as to make informed recommendations on the field of study. A research design ensures that the study is relevant to the problem and that it is an economical procedure for acquiring information (Cooper &Schindler, 2003)

This research was undertaken by use of descriptive method which was cross sectional because it was most suitable for the data type collected and analyzed. According to (Orodho& Kombo, 2002) Descriptive survey method entails the use of interviews and questioners as a method of collecting information from a sample of individuals. The choice to use descriptive survey research design was made based on the fact that in the study, the research focused on the state of affairs as they were and no variable was to be manipulated. Descriptive study is concerned with determining the relationship between variables. This choice for descriptive design in this study was based on the fact that this study sought to establish the influence of bank loan financing on the performance of youth groups' projects in Imenti South District. Descriptive study was most suitable for this research because the research aimed to gather information from respondents on their opinion and experiences of how bank loans influences the performance of youth owned enterprises and projects.

3.3 Target Population

Population refers to an entire group of individuals, events or objects having a common observable characteristic (Mugenda & Mugenda, 2003).the target population of the study comprised members of registered fifty youth groups' funded by KCB bank in Imenti South District and bank officials of KCB bank in Imenti south district, the staff and management team of Nkubu KCB bank branch serving the region of Imenti South District and the officials of the registered youth groups' in Imenti south District.

3.4 Sample size and Sampling procedure

The research used 30% of the population because it is an appropriate and an acceptable representation of the total population since the total population is big enough. This is population sample of 30% was in line with the recommendation by (Mugenda & Mugenda 2003)

The research used the 30% of the total 50 youth groups' each group consisting of 10 members funded by KCB bank in Imenti South District. The sample was selected through a stratified simple random sampling technique. For the case of bank officials, the study used the population sample of 30% of the total staff members of KCB bank Nkubu branch with a bias of officials who are assigned to deal directly with the funded youth groups'.

Table3.1: Sampling Table

Sampling frame	Sample	Sample (%)	Sample size	Sample size (%)
Group Members	500	30	150	87.7
KCB Bank staff	70	30	21	12.3
Total	570		171	100.0

3.5 Data Collection Methods

Data collection is the process of acquiring subjects and gathering information that is needed for a study. In the case of this study the study used a semi structured questionnaire and focus group discussions as the tools for collecting primary data required for the study.

The questionnaire administered to the respondents was designed to incorporate both the closed ended and open ended questions; the closed ended questions had the alternatives from which the responded had a variety of answers to choose one from. The open ended questions allowed the respondents an opportunity to provide their own views on how they perceive bank loan financing on the success of youth groups' projects and enterprises performance.

Focus group discussions were conducted involving group members during their weekly meetings to obtain the views of the group members and their differing opinions on bank loans influence on the performance of their group projects.

3.6 Instruments Validity and reliability

According to Patoon (2002) validity and reliability are the two factors that qualitative researches should consider while designing research results and judging research quality.

3.6.1 Instrument reliability

Mugenda and Mugenda (1999) say that reliability is a measure of the degree to which a research instrument yields consistent results when used more than once to collect data from the sample population. . For the purpose of instrument reliability in this research, the study used test-retest procedures whereby a correlation coefficient was calculated using spearman's formulae. The correlation coefficient of 0.81 was obtained on the performance of youth group owned projects. According to (Mugenda and Mugenda 2003), a reliable coefficient of 0.7 and above is acceptable to make inferences that are accurate in social sciences research. The 0.81 correlation coefficient thus ensured that the instruments were reliable and acceptable in the research.

3.6.2 Instrument Validity

Bridget and Lewin (2005) defined instrument Validity as the degree by which the sample of test items represents the content the test is designed to measure. In this study research instrument validation was important as it ensured that the study collected relevant information to specifically address the research questions. Mugenda and Mugenda (2003) suggest that the usual procedure of assessing the content validity of a measure is the use a professional or expert in a particular field. To achieve validity in the research, guidance from research experts and the supervisor was sought. Validity was also ensured by checking whether the questions in the questionnaire were measuring what they were intended to measure. Wording clarity and interpretations of the questions by the respondents to ensure accuracy and understanding of the questionnaire content was also used to ensure validity.

3.7 Methods of Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 20) and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through used of SPSS (Version 20) to communicate research findings.

Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. In addition, the study conducted a multiple regression analysis. The reduced regression equation was:

$$Y_{it} = f\ (X_{1t}, X_{2t}, X_{3t}, X_{4t})$$

The multiple regression equation was

$$\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$$

Whereby Y = Performance of Youth groups' Projects, X_1= Interests rate, X_2= Collateral Requirement, X_3= loan repayment terms, X_4= Financial Management Training Support, while β_1, β_2, β_3 and β_4 are coefficients of determination and ε is the error term. This generated quantitative reports through tabulations, percentages, and measures of central tendency.

3.8 Ethical considerations

For the purpose of upholding ethics in research, the researcher obtained permit from all the institutions and groups that were visited to obtain data from through a written letter of research request. The researcher clearly explained the purpose of the study to the respondents and assured them that the information they were to give was to be treated with confidentiality and was only to be used for the sole purpose of academic research. Anonymity of the respondents was upheld as the research did not require them to indicate their names or any personal information.

3.9 Operational Definition of Variables

Table3.2: operational definitions of variables

Objective	Type of variable	Indicators	Measure	Level of scale	Approach of Analysis	Level of Analysis
To determine how Bank loan interest rate influence performance of projects	**Independent** Loan interest rate	Percentage rate	Bank interest rate Manual	Nominal	Quantitative	Descriptive
		Interest rate consistency	Bank interest terms document	Nominal	Quantitative	Descriptive
		Market Interest rate	Central Bank rate manual	Nominal	Quantitative	Descriptive
To determine how loan repayment mode influence performance of projects	**Independent** Loan Repayment mode	Repayment installment	Bank loan portfolio register	Nominal	Quantitative	Descriptive
		Consistency in installment repayment	Payers Balance sheet evidence	Nominal	Quantitative	Descriptive
		Installment intervals	Loan Statement	Nominal	Quantitative	Descriptive
To determine how Financial Management training by Banks influence performance of projects	**Independent** Financial Management Training	Seminars	Number of seminars held	Nominal	Quantitative	Descriptive
		Formal Training	Number of training sessions	Nominal	Quantitative	Descriptive
		Technical Assistance/Guidance	Documented guidance offered	Nominal	Quantitative	Descriptive
Youth groups' project performance	**Dependent** Project Performance	Profits made from ongoing commercial projects	Balance sheet evidence	Nominal	Quantitative	Descriptive
		Successfully completed projects	Project schedule	Nominal	Quantitative	Descriptive.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATIONS AND PRESENTATION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive statistics have been used to discuss the findings of the study. The study targeted a sample size of 171 respondents from which 156 filled in and returned the questionnaires making a response rate of 91.2 %. This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (1999) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

4.2 Response from Youth groups'' Members

The study sought to establish the background information of the respondents and the companies including respondents' gender, age group, and highest level of education.

4.2.1 Background Information

The researcher sought to establish the demographic information of the respondents based on gender of the respondents, age, educational level and also experience of the respondents. The background information was significant to the study as it helped to understand the logic of the background aspects of the different respondents. However, all the respondents were selected from the study area.

4.2.1.1 Gender category

The study sought to find out the gender of the respondents in order to ascertain whether there was gender disparity in data collection and also to balance the views of both genders based on the study objectives. The findings were as illustrated on Table 4.1

Table 4.1: Gender of the Respondents

Gender	Frequency	Percentage
Male	77	55.3
Female	62	44.7
Total	139	100.0

Investigations on gender category among the selected youth groups' members as shown in Table 4.1 showed that, majority of the respondents as shown by 55.3% were males whereas 44.7% of the respondents indicated that they were females. This implies that respondents were well distributed in terms of their gender.

4.2.1.2 Age group of Respondents

The study sought to determine the age distribution among the youth groups'' members; this was in view of gathering different views as deferent age groups are perceived to have variety opinions regarding the subject under investigation. The findings were as illustrated on Table 4.2

Table 4.2: Age group of Respondents

Age group	Frequency	Percentage
19 to 30 years	38	27.6
31 to 40 years	53	38.2
41 to 50 years	27	19.7
50 years and above	20	14.5
Total	139	100.0

Results obtained on age group as shown in Table 4.2 , show that majority of the respondents as shown by 38.2% were aged between 31 to 40 years, 27.6% of the respondents were aged between19 to 30 years, and 19.7% of the respondents were aged between 41 to 50 years whereas 14.5 % of the respondents was aged 50 years and above. This implies that responders were fairly distributed in terms of their age.

4.2.2.3 Education level of the Respondents

Respondents were requested to indicate their highest level of education attained. This was fundamental in establishing the respondents' level of understanding as well as answering of the questionnaire. The findings on the respondents Education level were as illustrated on Table 4.3.

Table 4.3: Education level of the Respondents

Education level	Frequency	Percentage
University	40	28.9
College	44	31.6
Secondary	48	34.2
Primary	7	5.3
Total	139	100.0

From the research findings as shown in Table 4.3 show that 34.2% of the respondents indicated they held Kenya certificate of secondary school education, 31.6% of the respondents indicated to hold college diploma certificates, 28.9% of the respondents indicated that they held university degree while 5.3% of the respondents indicated to hold Kenya certificate of primary school education. This implies that majority of the respondents were well educated and that they were in a position respond to research questions with ease.

4.2.2 Bank Loan Interest Rate

Youth owned project take out business loans from banks or other lending institutions. Sometimes it is difficult for youth owned project loans to obtain business loans, lending institutions can charge high interest rates, and under this sub section the study investigated the influence of Bank loan interest rates on the performance of Youth groups' projects

4.2.2.1 Mode of project financing

The study sought to establish whether youth groups' members had projects currently being financed through a bank loan. The findings on the mode of projects financing were as illustrated on Table 4.4

Table 4.4: Whether the project was financed through a bank loan

Opinion	Frequency	Percentage
Bank financed	115	82.9
Non-Bank financed	24	17.1
Total	139	100.0

From the research findings as shown in the Table 4.4, majority of the respondents as shown by 82.9% agreed that their projects were financed through a bank loan whereas 17.1% of the respondents indicated otherwise. This implies majority of the youth groups'' members had projects currently being financed through a bank loan.

4.2.2.2 Consideration of interest rate

The study sought to determine whether the group considered the interest rate percentage when choosing on preferred bank. The findings on the consideration of interest rate were as illustrated on Table 4.5.

Table 4.5: Consideration of interest rate percentage charged by the bank

Opinion	Frequency	Percentage
Yes	99	71.1
No	40	28.9
Total	139	100

From the research findings as shown in the Table 4.5, majority of the respondents as shown by 71.1% agreed that the group considered the interest rate percentage when choosing on preferred bank to finance the project, while 28.9% indicated otherwise This implies groups normally considered the interest rate percentage when choosing on preferred bank to finance their project.

4.2.2.3 Level of satisfaction with the current interest rate level

The study sought to determine whether the groups' members were satisfied with the current interest rate level. The findings on the level of satisfaction with the interest rates were as illustrated on Table 4.6

Table 4.6: Level of satisfaction with the current interest rate level

Opinion	Frequency	Percentage
Yes	42	30.3
No	97	69.7
Total	139	100.0

From the research findings as shown in the Table 4.6, majority of the respondents as shown by 69.7% indicated that the group members were not satisfied with the current interest rate level whereas 30.3% indicated otherwise. This implies considerable number of groups' members were unsatisfied with the current interest rate level.

4.2.2.3 Whether the bank vary the interest rate with changes in the market rates

The research sought to determine whether the bank varied the interest rate with changes in the market rates. The findings on whether interests' rates were varied with changes in the market rates were as illustrated on Table 4.7

Table 4.7: Whether the bank vary interest rates with changes in the market rates

Opinion	Frequency	Percentage
Yes	117	84.2
No	22	15.8
Total	139	100.0

From the research findings as shown in the Table 4.7, majority of the respondents as shown by 84.2% agreed that bank varied the interest rate with changes in the market rates whereas 15.8% indicated otherwise. This implies most of the banks financing various youth projects varied the interest rate with changes in the market rates

4.2.2.4 Group awareness of the market rates interest rates

The research sought to determine whether the groups' were aware of the market rates interest rates. The findings on whether group members were aware of the market interest rates were as illustrated on Table 4.8.

Table 4.8: Group awareness of the market rates interest rates

Opinion	Frequency	Percentage
Yes	55	39.5
No	84	60.5
Total	139	100.0

From the research findings as shown in the Table 4.8, majority of the respondents as shown by 60.5% agreed that the groups were not aware of the market rates interest rates whereas 39.5% indicated otherwise. This implies most of the groups' members were unaware of the market rates interest rates.

4.2.2.5 Whether the groups negotiated interest rate reduction with bank

The research sought to determine whether the group negotiated interest rate reduction with bank. The findings on whether the groups negotiated interest rate reduction with bank were as illustrated on Table 4.9

Table 4.9: Whether the group negotiated interest rate reduction with bank

Opinion	Frequency	Percentage
Negotiated interest reduction	46	32.9
Never negotiated	93	67.1
Total	139	100.0

From the research findings as shown in the Table 4.9, majority of the respondents as shown by 67.1% indicated that they did not negotiate interest rate reduction with bank whereas 32.9% indicated that they negotiated interest rate reduction with bank. This implies most of the groups negotiated interest rate reduction with bank, youth group have to pay interest on loans obtained to finance project.

4.2.3 Collateral Requirement

For youth owned projects to secure loan for their projects depends upon how well they sell the project idea to the lending institution as well as the collaterals presented. Banks are often reluctant to lend money for business ventures especially to youth owned projects due to lack of sufficient security or proven track record of project success, under this sub-section the study seeks to establish how collateral requirements by KCB bank influence the availability of loans and the performance of youth groups' projects.

4.2.3.1 Whether the bank required collateral before they issued loans

The research sought to determine whether the bank required collateral for the loans they lend to the groups, the findings on whether the bank required collateral before lending loans were as illustrated in Table 4.10

Table 4.10: Whether the bank required collateral before they issued loans

Opinion	Frequency	Percentage
Yes	115	82.9
No	24	17.1
Total	139	100.0

From the research findings as shown in the Table 4.10, majority of the respondents as shown by 82.9% indicated that the bank required collateral for the loans they lend to the group whereas 17.1% indicated otherwise. This implies that KCB bank always required collateral for the loans they could lend to the group. The study also noted that collateral required by commercial banks in developing countries were contentious issue and thus limited the financing of youth owned projects. The study noted that among the collateral required by the bank included savings and owned valuables owed by group members like land title deeds, log book and pay slip.

4.2.3.2 Whether the group owned land that could be used as collateral

The research sought to determine whether the group members owned land that could be used as collateral for bank loans. The findings on whether the groups land that could be used as collateral for loans were as illustrated on Table 4.11.

Table 4.11: Whether the group owned land that could be used as collateral

Opinion	Frequency	Percentage
Owned land	62	44.7
Never owned land	77	55.3
Total	139	100.0

From the research findings as shown in the Table 4.11, majority of the respondents as shown by 55.3% indicated that the group members never owned land that they can use as collateral whereas 44.**7**% indicated otherwise. This implies that most of the groups' members never owned land that they could use as collateral. The study noted that most of the groups only had insufficient saving which could stand in place of collateral though the study noted that in most cases groups lacked sufficient fund to guarantee the required loan target.

4.2.3.3 Whether KCB bank required the group to have an operational bank account

The research sought to determine whether the bank required the group to have an operational bank account with them before lending loans to the group. The findings on whether the bank required the groups to have an operational bank account before lending were as illustrated in Table 4.12.

Table 4.12: Whether KCB bank required the group to have an operational bank account

Opinion	Frequency	Percentage
Yes	106	76.3
No	33	23.7
Total	139	100.0

From the research findings as shown in the Table 4.12, majority of the respondents as shown by 76.3% indicated that the bank required the group to have an operational bank account with them before lending loans to the group whereas 23.7% indicated otherwise. This implies commonly most of the banks required the group to have an operational bank account with them before lending loans to the group. The study noted that KCB bank required groups to have one year active account before issuing loan to the group.

4.2.3.4 Whether the bank required the groups to have prior savings

The study sought to determine whether the bank required the groups to have prior savings before lending loans them. The findings on whether the bank required the groups to have prior savings before lending loans to them were as illustrated in Table 4.13.

Table 4.13: Whether the bank required the groups to have prior savings

Opinion	Frequency	Percentage
Yes	126	90.8
No	13	9.2
Total	139	100.0

From the research findings as shown in the Table 4.13, majority of the respondents as shown by 90.8 % indicated that the bank required the groups to have prior savings before lending loans to them whereas 9.2% indicated otherwise. This implies commonly most of the banks required the group to have prior savings before lending loans to them. The study noted that the minimum savings in (KSH) the bank require before advancing loans depended on the amount applied for though in common cases not less than 50,000.

4.2.3.4 Level of group's satisfaction with collateral requirements by the bank

The research sought to determine how group members were satisfied with the collateral requirements by the bank. The findings on group members were satisfied with the collateral requirements by the bank were as illustrated in Table 4.14.

Table 4.14: Level of group's satisfaction with collateral requirements by the bank

Opinion	Frequency	Percentage
Satisfied	22	15.8
Fairly satisfied	44	31.6
Dissatisfied	73	52.6
Total	139	100.0

From the study findings as shown in the Table 4.14, majority of the respondents as shown by 52.6% indicated that they were dissatisfied with the collateral requirements by the bank, 31.6% of the respondents indicated that they were fairly satisfied with the collateral requirements by the bank whereas 15.8% of the respondents indicated that they were satisfied with the collateral requirements by the bank. This implies that majority of the respondents were highly dissatisfied with the collateral requirements by the bank.

4.2.4 Bank Loan Repayment

Ensuring favorable loan repayment terms is critical in limiting loan default levels as well as healthy financial performance of the business; however repayment schedules by commercial banks in developing countries are reported to be contentious issue and thus limited the financing to youth owned project. Under this section the research seeks to establish how KCB bank loan repayment influences the performance of youth groups' projects.

4.2.4.1Whether KCB bank loan repayment pattern affected project performance

The research sought to determine whether loan repayment pattern affected their projects performance. The findings on whether loan repayment pattern affected their projects performance were as illustrated in Table 4.15.

Table 4.15: Whether KCB bank loan repayment pattern affected project performance

Opinion	Frequency	Percentage
Yes	88	63.2
No	51	36.8
Total	139	100.0

From the study findings as shown in the Table 4.15, majority of the respondents as shown by 63.2% indicated that loan repayment pattern affected their project performance whereas 36.8% indicated otherwise. This implies loan repayment pattern normally affected the performance of youth projects. the study noted that repayment schedules by commercial banks in developing countries were contentious issue and thus limited the financing of youth owned project and that the duration interval between repayment installments was exactly on monthly but on a reducing balance method.

4.2.4.2 Level of satisfaction with loan repayment terms

The research sought to determine the extent to which group members were satisfied with loan repayment terms. The findings on the extent to which group members were satisfied with loan repayment terms were as illustrated in Table 4.16.

Table 4.16: Level of satisfaction with KCB bank loan repayment terms

Opinion	Frequency	Percentage
Satisfied	35	25.0
Fairly satisfied	40	28.9
Dissatisfied	64	46.1
Total	139	100.0

From the study findings as shown in the Table 4.16, most of the respondents as shown by 46.1% indicated that they were dissatisfied with loan repayment terms. 28.9% of the respondents indicated that they were fairly satisfied with loan repayment terms whereas 25.0% of the respondents indicated that they were satisfied with loan repayment terms. This implies that majority of the respondents were highly dissatisfied with loan repayment terms.

4.2.4.3Whether KCB bank loans repayments intervals were consistent

The research sought to determine whether KCB bank loans repayments intervals were consistent throughout the repayment period. The findings on whether KCB bank loans repayments intervals were consistent throughout the repayment period were as illustrated in Table 4.17.

Table 4.17: Whether KCB bank loans repayment intervals were consistent

Opinion	Frequency	Percentage
Yes	51	36.8
No	88	63.2
Total	139	100.0

From the research findings as shown in the Table 4.17, majority of the respondents as shown by 63.2% indicated that KCB bank loan repayment intervals were not consistent whereas 36.8 % of the respondents indicated that the loan repayment intervals were consistent. This implies that KCB bank loan repayment intervals were not always consistent.

4.2.5 Financial Management Training

Financial management is one of the most important aspects of the business owner's job however, lack of financial management training to the group members has been reported as one of the factors inhibiting growth and performance of youth group owned project. The study under this section investigated the influence of financial management training by KCB bank on the performance of youth groups' projects

4.2.5.1 Whether KCB bank offered financial management training

The research sought to determine whether KCB bank offered any financial management training to the group members. The findings on whether KCB bank offered any financial management training to the group members were as illustrated in Table 4.18

Table 4.18: Whether KCB bank offered financial management training

Opinion	Frequency	Percentage
Yes	113	81.6
No	26	18.4
Total	139	100.0

From the study findings as shown in the Table 4.18, majority of the respondents as shown by 81.6% indicated that KCB bank offered financial management training to the group members whereas 18.4% indicated otherwise. This implies KCB bank offered financial management training to the group members.

4.2.5.2 Whether KCB bank conducted seminars on financial management

The research sought to determine whether KCB bank conducted seminars on financial management and awareness. The findings on whether KCB bank conducted seminars on financial management and awareness were as illustrated in Table 4.19

Table 4.19: Whether KCB bank conducted seminars on financial management

Opinion	Frequency	Percentage
Yes	84	60.5
No	55	39.5
Total	139	100.0

From the study findings as shown in the Table 4.19, majority of the respondents as shown by 60.5% indicated that KCB bank conducted seminars on financial management and awareness whereas 39.5% indicated otherwise. This implies KCB bank conducted seminars on financial management and awareness. The study noted that periodically KCB organized financial trainings seminars to development group's under different CBO umbrella where most of the youth groups' were invited to partake.

4.2.5.3 Whether KCB bank offered formal training to some of the group members

The study sought to determine whether the bank offered any formal training to some of the group members. The findings on whether the bank offered any formal training to some of the group members were as illustrated in Table 4.20.

Table 4.20: Whether KCB bank offered formal training to some of the group members

Opinion	Frequency	Percentage
Yes	80	57.9
No	59	42.1
Total	139	100.0

From the research findings as shown in the Table 4.20, majority of the respondents as shown by 57.9% agreed that KCB bank offered formal training to some of the group members while 42.1% of the respondents indicated otherwise. This implies KCB bank offered formal training to some of the group members. The study noted that groups were selected based on level of prior financial knowledge, position one had in the group, or previous trainings offered to them by the bank.

4.2.5.4 Provision of technical support on financial management from KCB bank

The study sought to determine whether the bank offered any technical support on financial management such as auditing expertise and balance sheet preparation. The findings on whether the bank offered any technical support on financial management such as auditing expertise and balance sheet preparation and tax returns filing were as illustrated in Table 4.21

Table 4.21: Provision of technical support on financial management from KCB bank

Opinion	Frequency	Percentage
Yes	113	81.6
No	26	18.4
Total	139	100

From the research findings as shown in the table 4.21, majority of the respondents as shown by 81.6% agreed that KCB bank offered technical support on financial management whereas 18.4% were of the other opinion**.** This implies KCB bank offered technical support on financial management such as tax filling, auditing expertise, trading profit and loss account preparation and balance sheet preparation.

4.2.5.5 Level of satisfaction with financial management assistance from KCB bank

The study sought to determine whether the group members were satisfied with the level of financial management assistance from KCB bank, the findings on whether the group members were satisfied with the level of financial management assistance KCB bank were as illustrated in Table 4.22

Table 4.22: Level of satisfaction with financial management assistance from KCB bank

Opinion	Frequency	Percentage
Yes	84	60.5
No	55	39.5
Total	139	100.0

From the study findings as shown in the table 4.22, majority of the respondents as shown by 60.5% agreed that they were satisfied with the level of financial management assistance from KCB bank whereas 39.5% were of the contrary opinion. This implies the majority of the group members were satisfied with the level of financial management assistance from KCB bank.

4.3 Response from KCB bank officials

The study sought information from KCB bank officials who in most cases were assigned to various youth groups' undertaking various projects within Imenti South and were funded by means of KCB bank loans.

Gender of the respondents

The study sought to find out the gender of the respondents in order to ascertain whether there was gender disparity in data collection and also to balance the views of both genders based on the study objectives. The findings were as illustrated on Table 4.23

Table 4.23: Gender of the respondents

Gender	Frequency	Percentage
Male	13	75.0
Female	4	25.0
Total	17	100.0

On gender distribution among participants, as shown in the table 4.23 revealed that majority of the respondents as shown by 75.0 percent were males whereas 25.0 percent of the respondents were females. This implies that there was a fair distribution of genders among the participants.

Age group of the respondents

The study sought to determine the age distribution among the KCB Bank officials; this was in view of gathering different views as different age groups are perceived to have variety opinions regarding the subject under investigation and that they have varying job experiences. The findings were as illustrated on Table 4.24

Table 4.24: Age group of the respondents

Age	Frequency	Percentage
19 to 30 years	4	25.0
31 to 40 years	9	50.0
41 to 50 years	4	25.0
Total	17	100

Results on age as shown in the table 4.24 showed that majority of the respondents as shown by 50% of the respondents were aged between 31 to 40 years, whereas 25% of the respondents were aged between 41 to 50 years or19 to 30 years. This implies that respondents were well distributed in terms of their age.

Education level of the respondents

The research sought to determine the education level of the bank officials at KCB Bank, the results of the KCB Bank officials' education level were as illustrated in table 4.25

Table 4.25: Education level of the respondents

Level	Frequency	Percentage
University	13	75.0
College	4	25.0
Total	17	100

Results on respondent's level of education, as shown in the Table 4.25 showed that majority of the respondents75% of the respondents were holders of university degree while 25% of the respondents indicated to hold college diploma certificate. This implies that respondents were well educated and that they were in a position respond to research questions with easy.

Officials Period of service at KCB bank

The study sought to determine the period which the respondents had served for at KCB Bank, the results from the study on the duration period served by the bank officials were as illustrated in Table 4.26.

Table 4.26: officials Period of service at KCB bank

Period of service	Frequency	Percentage
1-4 years	4	25.0
5-8years	9	50.0
9-15years	4	25.0
Total	17	100.0

Results on period of service as shown in Table 4.26 showed that majority of the respondents as shown by 50.0% had served the organization for a period of 5-8years whereas 25% of the respondents had served the organization for a period of 9-15years or 1-4 years. This implies that majority of the respondents had served the bank for a considerable period of time which means that they were in a position to give credible information relating to this study.

4.3.1 Interest Rate

The study investigated the influence of Bank loan interest rates on the performance of Youth groups' projects.

4.3.1.1 Whether KCB bank official was assigned to specific groups

The study sought to establish whether the bank official had been assigned to specifically work with particular youth groups'. The findings on whether the bank official had been assigned to specifically work with particular youth groups' were as illustrated in Table 4.27

Table 4.27: whether KCB bank official was assigned to specific groups

Opinion	Frequency	Percentage
Yes	17	100.0
Total	17	100

From the study findings, as shown in Table 4.27, all respondents as shown by 100 % response rate agreed that they were particularly assigned to specifically work with certain youth groups'. This implies that this implies that most of the bank officials engaged in this research had been assigned to specifically work with particular youth groups'. Further, bank officials reported that High interest rates, coupled with lack of entrepreneurial skills were seen as the major factors that have a direct bearing with the loan repayment among youth groups'. the study noted that much loans have great role in business growth and development and therefore performance, the level of interest rates has a significant effect in premium repayment thus one claim that a loan may not necessarily be solely the paramount factor, the self-efficiency theory clearly shows that enterprise growth and performance is dependent on entrepreneurship skills, which in many cases are equally districted to every person therefore giving loans to people who lack skills to effectively and efficiently invest it is a waste of time.

4.3.1.2 Whether the current interest rates are high for the youth groups'

The study sought to establish whether bank officials could ascertain that current interest rates were too high for the youth groups'. The findings on whether the officials could ascertain that current interest rates were too high for the youth groups' were as illustrated in Table 4.28

Table 4.28: Whether the current interest rates are high for the youth groups'

Opinion	Frequency	Percentage
Yes	13	25.0
No	4	75.0
Total	17	100.0

From the research findings, as shown in Table 4.28, majority of KCB bank officials as shown by 75.0% indicated that the current interest rates were not high for the youth groups' whereas 25.0% indicated that the current interest rates were high. This implies that KCB bank officials were of the opinion that the current interest rates were fair for the youth groups'

4.3.1.3 Whether KCB bank negotiated for interest rates adjustments with the groups

The study sought to determine whether KCB bank negotiated for interest rates adjustments with the youth groups', the findings on whether KCB bank negotiated for interest rates adjustments with the youth groups' were as illustrated in Table 4.29

Table 4.29: whether KCB bank negotiated for interest rates adjustments with the groups

Opinion	Frequency	Percentage
Yes	13	25.0
No	4	75.0
Total	17	100.0

From the research findings as shown in Table 4.29, majority of KCB bank officials as shown by 75% indicated that the bank never negotiated for interest rates adjustments with the youth groups', whereas 25% of KCB bank officials indicated otherwise. This implies that in most cases KCB bank never negotiated for interest rates adjustments with the youth groups'.

4.3.2 Collateral Requirement

The study sought to establish how collateral requirements by KCB bank influenced the availability of loans and the performance of youth groups' projects.

4.3.2.1 Whether KCB bank required collateral for the loans they lend to the group

The research sought to determine whether KCB bank required collateral for the loans they lend to the group. The findings on whether the bank required collateral for the loans they lend to the groups were as illustrated in Table 4.30

Table 4.30: Whether KCB bank required collateral for the loans they lend to the group

Opinion	Frequency	Percentage
Yes	17	100
Total	17	100

From the research findings, as shown in Table 4.30, all the respondents as shown by 100% indicated that KCB bank required collateral for the loans they lend to the group. This implies always the bank required collateral for the loans they could lend to the group. The study noted that the bank accepted collateral such as land title deeds, log books, valuables properties, savings, and pay slips.

4.3.2.2Effect of collateral requirements on borrowing capability

The study sought to determine whether collateral requirements by KCB bank affected the borrowing capability by the youth groups' and the general performance of the youth group owned projects. The findings on whether KCB bank required collateral for the loans they lend to the groups were as illustrated in Table 4.31

Table 4.31: Effect of collateral requirements on borrowing capability

Opinion	Frequency	Percentage
Yes	17	100
Total	17	100

From the research findings as shown in Table 4.31, all the respondents as shown by 100% agreed that collateral requirements by KCB bank affected the borrowing capability by the youth groups' and the general performance of the youth group owned projects. This implies that collateral requirements by KCB bank affected the borrowing capability by the youth groups' and the general performance of the youth group owned projects, access to loans and credit facilities has been and is still a major problem for a large portion of youth group owned projects. The findings are in support of the argument by Levitsky and Prasa (2011) that the problem is most significant amongst the disadvantaged and especially in rural areas where the majority of youth group owned projects don't have access to formal banking services due to lack of collateral security.

4.3.3 Loan Repayment

Under this section the research seeks to establish how loan repayment influences the performance of youth groups' projects.

Investigation from KCB bank officials on effect of loan repayment terms on the performance of bank loan funded projects, showed that unpredicted market changes affected the liquidity position of the project thus negatively influencing the performance of bank loan funded projects owned by the youths, KCB bank officials recommended that repayment schedules must be made flexible so that it should be adjusted to borrower's cash flow pattern.

4.3.3.1 Difficulties in Youth groups' Loan Repayments

The study sought to determine whether the groups experienced difficulties in loan repayment, The findings on whether the groups experienced difficulties in loan repayment were as illustrated in Table 3.32

Table 4.32: Difficulties in Youth groups' Loan Repayments

Opinion	Frequency	Percentage
Yes	13	75.0
No	4	25.0
Total	17	100

From the research findings as shown in Table 4.32, majority of the respondents as shown by 75% agreed that most of the groups experienced difficulties in loan repayment whereas 25% indicated that their groups experienced no difficulties in loan repayment. This implies that most of the groups experienced difficulties in loan repayment.

4.3.3.1.1 Financial Management Training

The study under this section investigated the influence of financial management training by KCB bank on the performance of youth groups' projects.

4.3.1.1 Effect of Financial Management Training on the performance youth groups'

The research sought to determine whether the financial management knowledge by the youths influences the performance of the youth owned projects and enterprises. The findings on whether the financial management knowledge by the youths influenced the performance of the youth owned projects and enterprises were as illustrated in Table 4.33

Table 4.33: Effect of Financial Management Training on the performance youth projects

Opinion	Frequency	Percentage
Yes	17	100
Total	17	100

From the research findings as shown in Table 4.33, all the bank officials as shown by 100% response rate indicated that the financial management knowledge offered to the youths influenced the performance of the youth owned projects and enterprises. This implies financial management knowledge offered to the youths influenced the performance of the youth owned projects and enterprises.

4.3.1.2 Whether KCB Bank conducted training seminars for the youth groups'

The study sought to determine whether the bank conducted seminars on financial management and awareness. The findings on whether the bank conducted training seminars on financial management and awareness were as illustrated in Table 4.34

Table 4.34 Whether KCB Bank conducted training seminars for the youth groups'

Opinion	Frequency	Percentage
Yes	17	100
Total	17	100

From the research findings as shown in Table 4.34, all the bank officials as shown by 100% response rate indicated that the banks conducted seminars on financial management and awareness. This implies KCB bank conducted seminars on financial management and awareness.

4.3.1.3 Whether KCB bank offered any formal financial training

The research sought to determine whether KCB bank offered any formal financial training to some of the group members or representatives of the groups. The findings on whether the bank conducted training seminars on financial management and awareness were as illustrated in table 4.35

Table 4.35: whether KCB bank offered any formal financial training

Opinion	Frequency	Percentage
Yes	17	100
Total	17	100

From the research findings as shown in Table 4.35, all the bank officials as shown by 100% response rate indicated that the bank offered any formal financial training to some of the group members or representatives of the groups whereas 0% indicated otherwise. This implies the offered any formal financial training to some of the group members or representatives of the groups.

4.3.1.4 Level of satisfaction with the financial management training by KCB Bank

The study sought to determine whether the bank officials were satisfied with the financial management training offered by KCB Bank to loan financed groups. The findings on the level of satisfaction with the financial management training by KCB bank was as illustrated in Table 4.36

Table 4.36: Level of satisfaction with the financial management training by KCB Bank

Opinion	Frequency	Percentage
Yes	13	25.0
No	4	75.0
Total	17	100

From the research findings as shown in table 4.36, majority of the respondents as shown by 75% indicated that that they were dissatisfied with the financial management training offered by KCB bank to loan financed groups' whereas 25% indicated that they were satisfied with the financial management training offered by KCB bank to loan financed groups. This implies that majority of the bank officials were satisfied with the financial management training offered by KCB bank to loan financed groups.

4.2.6 Regression analysis

Regression analysis is concerned with estimating the value of one variable when the value of the other variable is known.

Table 4.37: Regression Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.889	.0790	0.736	.32561

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in Table 4.37 the value of adjusted R squared was 0.736 an indication that there was variation of 73.6 percent on performance of youth groups' projects due to changes in interest rate, collateral requirement, loan repayment terms and financial training support at 95 percent confidence interval. This shows that 73.6 percent changes in performance of youth groups' projects could be accounted to interest rate, collateral requirement, loan repayment terms and financial management training. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in Table 4.37 is notable that there extists strong positive relationship between the study variables as shown by 0.899.

4.2.7 Analysis of Variance

Analysis of Variance (ANOVA) is a statistical method used to test differences between two or more means. In analysis of variance a comparison of the variability between the groups (how far apart are the means?) to the variability within the groups (how much natural variation is there in the measurements?). This is why it is called analysis of variance, abbreviated to ANOVA.

Table 4.38: Analysis of Variance (f-test)

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	1.724	4	.431	3.814	.001[b]
1	Residual	17.063	151	.113		
	Total	18.787	155			

Critical value =1.997

From the ANOVA statics, the study established the regression model had a significance level of 0.3% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (3.184>1.997) an indication that interest rate, collateral requirement, loan repayment terms and financial management training support all affects the performance of youth groups' projects. The significance value was less than 0.05 indicating that the model was significant in this study.

Table 4.39: Coefficients Analysis Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.508	1.131		1.333	.001
	Interests Rate	-.481	.228	-.203	2.110	.002
1	Collateral Requirement	-.347	.127	-.217	2.732	.003
	Loan Repayment Terms	.416	.115	.316	3.617	.001
	Financial Management Training Support	.267	.103	.125	2.592	.000

From the data in table 4.39 the established regression equation was

$Y = 1.508 + (- 0.481X_1) + (- 0.347X_2) +0.416 X_3 + 0.267 X_4$

From the regression equation it was revealed that holding interest rate, collateral requirement, loan repayment terms and financial management training to a constant zero, the performance of youth groups' projects would be at 1.508, a unit increase in interest rate would lead to an decrease in performance of youth groups' projects by a factors of -0.481, a unit increase in collateral requirement would lead to decrease in performance of youth groups' projects by factors of -0.347, a unit increase in loan repayment terms lead to increase an in performance of youth groups' projects by a factor of 0.416, and a unit increase in loan repayment terms would lead to an increase in performance of youth groups' projects by a factors of 0.267 and All the variables were significant as their significant value was less than ($p<0.05$).

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis of data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. The study sought to analyze the influence of bank loan interest rates on the performance of youth groups' projects, to establish how collateral requirements by KCB bank influence the availability of loans and the performance of youth groups' projects, to establish how loan repayment influence the performance of youth groups' projects and to assess the influence of financial management training by KCB bank on the performance of youth groups' projects

5.2 Summary of the findings

The study sought to establish the influence of KCB bank loan financing on the performance of youth groups' projects

5.2.1 Bank Loan Interest Rate

The study deduces that loans have great role in growth of youth owned group projects, development and therefore performance; there is a close relationship between interest rates and loan repayment in conjunction with growth and performance of owned group projects. The level of interest rates has a significant effect in premium repayment, high interest rates, coupled with lack of entrepreneurial skills were seen as the major factors that have a direct bearing with the loan repayment among youth groups'.

5.2.2 Collateral Requirements

The study noted that loaned youth groups' were highly dissatisfied with the collateral requirements by the bank; KCB bank required the youth groups' to have an operational bank account with them before lending loans to any group, lack of basic collateral requirements by the youths limited the youth groups' from credit access thus affecting their projects negatively. Collateral requirements by KCB bank affected the borrowing capability of the youth groups' and the general performance of the youth group owned projects.

5.2.3 Loan Repayment Terms

The study deduces that most of youth groups' projects were very dissatisfied with loan repayment terms; the study noted inconsistency in loan repayment as per the stipulated terms of loan agreement, the study deduces that repayment schedules should be made flexible so that they can be adjusted to borrower's cash flow pattern. This finding is in line with the findings by Rose (2007) that repayment schedules by KCB bank were a contentious issue and thus limited the financing youth owned projects.

5.2.4 Financial Management

KCB bank conducted seminars on financial management and awareness, they offered formal financial training to some of the group members or representatives of the groups, financial training support promoted group investment culture and simplified the decision making process, including helping members to implement their investment plans. According to Beal and Delpachitra, (2003), knowledgeable about finance prepared youth group members to take on challenges that come their way, enables group leaders to manage project finances efficiently, prepare for taxes and possible audits, balance their books, predict profits and plan their future accordingly and also created spheres of financial literacy

5.3 Discussion of the Findings

This section discusses the findings in the study in relation to other findings as per the objectives set for the purpose of this study. The findings discussed herein are based on the questionnaires used to gather information from the respondents on the influence of bank loan financing on project performance, a case of youth groups' projects.

5.3.1 Bank Loan Interest Rate

This study clearly shows that there is close relationship between interest rates and loan repayment in conjunction with project growth and performance. High interest rates, coupled with lack of entrepreneurial skills were seen as the major factors that have a direct bearing with the loan repayment among youth groups'. The study noted that loans have great role in project growth and development and therefore performance, the level of interest rates has a significant effect in premium repayment (Memmel, Schmeider & Stein, 2007).

Further the research revealed that considerable numbers of groups were unsatisfied with the current interest rate level the findings are in line with the research findings by Thordsen and Nathan (1999), who asserts that when interest rates are low, people are willing to borrow because they find it relatively easy to repay their debt. When interest rates are high, youth groups’ were reluctant to borrow because repayments on loans cost more, some youth groups’ even found it difficult to meet their existing loan repayments, especially if interest rates increase faster than the rise in a consumer's income. The higher the interest, the less money youth group pockets. The study findings are in line with the research by Sandberg, (2002) that credit terms are standards applied by commercial banks in determining the ability to repay loans. If interest rates rise sharply and stay high for a long period, some consumers will default on their loans.

5.3.2 Collateral Requirements

On the how collateral requirements, the study noted that youth group owned projects lacked the necessary collateral and were confronted with a dilemma of obtaining bank finance, collateral requirements by KCB bank affected the borrowing capability by the youth groups’ and the general performance of the youth groups’ projects, access to loans and credit facilities has been and is still a major problem for a large portion of youth groups owned projects. the findings are in support the literature by Levitsky and Prasa (2011) that collateral problem is most significant amongst the disadvantaged and especially in rural areas where the majority of youth group owned projects don’t have access to formal banking services due to lack of collateral security.

The study also noted that considerable number of youth groups’ were highly dissatisfied with the collateral requirements by KCB bank; the bank required the youth group to have an operational bank account with them before lending loans to the group. The study noted KCB bank required groups to have one year active account before issuing loan with the group, mostly KCB bank required the group to have prior savings before lending loans them. the study noted that the minimum savings in Kenyan shillings the bank require before advancing loans dependent on the amount applied for though in common cases not less than 50,000. The findings are in line with the research by Hulme and Mosley (1996) that collateral requirements by commercial banks affected the borrowing capability by the youth groups’ and the general performance of the youth group owned projects, access to loans and credit facilities has been and is still a major problem for a large portion of youth group owned projects.

5.3.3 Loan Repayment Terms

Investigation from bank officials on effect of loan repayment terms on the performance of bank loan funded projects, showed that unpredicted market changes affected the liquidity position of the project thus negatively influencing the performance of bank loan funded projects owned by the youths, bank officials recommended that repayment schedules must be made flexible so that it should be adjusted to borrower's cash flow pattern. The findings are in line with the research by Rose (2007) that repayment schedules by commercial banks in were contentious issue and thus limited the financing youth owned projects.

Further the study revealed that most of youth groups' projects were very dissatisfied with loan repayment terms, the study noted inconsistency in loan repayment as per the stipulated terms of loan agreement. This findings supports argument by Katarikawe *et al*, (2004), that unfavorable loan repayment patterns was likely to result to loan default.

5.3.4 Financial Management Training

Investigation results on the role of financial training support by KCB bank on the performance of youth groups' projects showed that financial management knowledge offered to the youths influenced the performance of the youth owned projects and enterprises. Knowledge offered to the youths influenced the performance of their projects and enterprises. The move by KCB bank is in line with self-efficiency theory which clearly shows that enterprise growth and performance is dependent on entrepreneurship skills, which in many cases are equally restricted to every person therefore giving loans to people who lack skills to effectively and efficiently invest it is a waste of time.

Further the research revealed that KCB bank conducted seminars on financial management and awareness. KCB bank offered formal financial training to some of the group members or representatives of the groups. The findings are in support of the literature by Hogarth, (2002) many of youth engaging in group projects have very little understanding of finances, how credit works and the potential impact on their financial well-being for many. The findings are in support of the research by Lusard and Mitchell, (2007) that the lack of financial understanding has been signaled as one of the main reasons behind savings and investing problems faced by many youth engaging in group projects in Kenya. the findings supports the argument by Servon & Kaestner, (2008) that financial literacy enhances person's ability to understand and make use of financial concepts justly, therefore the research concludes that financial management training by KCB bank enhanced the performance of youth groups' projects.

The study also noted that financial training support promoted group investment culture and simplified the decision making process, including helping members to implement their investment plans. The findings are in support of the literature by Beal and Delpachitra, (2003). That knowledgeable about finance prepared youth group members to take on challenges that come their way, enables group leaders to manage project finances efficiently, prepare for taxes and possible audits, balance their books, predict profits and plan their future accordingly and also created spheres of financial literacy.

5.4 Conclusions of the study

The study established that KCB bank charged high loan interest rates which were unfavorable to most of the Youth groups' owned projects, high interest rates make it more expensive for youth groups' projects to borrow money to finance their operations, high rates also eventually discourage consumers from buying project products because of the expense involved, which chokes off project economic activity, thus the study concludes that high bank loan interest rates had a negative impact on access to credit availability and thus the performance of youth groups' projects.

Investigation of the study on the effect of collateral requirements by KCB bank on the availability of loans and the performance of youth groups' projects showed that most of the youth groups' projects lacked basic collateral requirements by KCB bank thus limiting the groups from credit access. Thus the study concludes that lack of collateral requirements by KCB bank had a negative influence on the availability of loans and thus the performance of youth groups' projects.

The study revealed that most members of youth groups' projects were very dissatisfied with loan repayment terms of the bank. Majority indicated that the huge sums of repayment required within monthly installments significantly affected their projects daily operations. Therefore the study concludes that failure to have a favorable common standardized loan repayment patterns negatively affected the performance of youth groups' projects.

Investigation of financial management training by KCB bank showed that provision of financial management training by KCB bank to loaned youth groups' provided project managers with the prerequisite financial training necessary for smooth running of project activities thus eliminating poor utilization of project funds.

5.5 Recommendations of the study

Based on the research findings, the study recommends that;

1. Financial institutions should revise their interest rates to such amount affordable by borrowers at different economic levels. Further suggestions were that things like assessment fees should be abolished completely or reduced so as to enable youth groups' intending to access micro-credit facility to do so at a reasonable and affordable cost.

2. Financial institutions in collaboration with county governments should formulate associations and organize seminars and/or workshops for entrepreneurship skill acquisition and loan investment and servicing. Further, ministry of devolution and planning should put a mechanism that will support its youth group training programmes and enforce them on how to use and manage loans and their enterprises so as to ensure growth and continuity of their projects businesses. This will also help them taking up opportunity cost while dealing in business and avoid diversification of funds to non-profitable business ventures like for home consumption and other domestic (social problem solving).

3. The study noted that repayment schedules by KCB bank in were contentious issue and thus limited the financing youth owned projects. Most of the respondents were

dissatisfied with loan repayment terms and this could probably lead to default in repayment therefore the study advices for formulation of Repayment schedules that are flexible and highly adjusted to accommodate borrower's cash flow pattern.

4. Financial institutions should consider reassessing on collateral requirements. This should be done in a view of making credit provision more affordable to the less advantaged individuals.

5. The researcher's advice is that youth groups' should commit all their efforts and resources to profitable business ventures other than diverting loans for consumption purposes and solving domestic problems if their enterprises are to perform and grow and should endeavor to attend entrepreneurship skills workshops and/or short training programmes.

5.6 Recommendations for further studies

The study sought to investigate the influence of bank loan financing on the performance of youth groups' projects; the study proposes the following topics for further research

1. The effect of market risks on performance of youth groups' projects.
2. Challenges facing the sustenance of youth owned ventures.

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APPENDICIES

Appendix I: Letter of Transmittal

Gichuru Mwenda Brayan

P.O BOX 225, 60402

0719-499 933

EMAIL: bgmwenda@gmail.com

Dear respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN A RESEARCH SURVEY

Hello, my name is Gichuru Mwenda Brayan a student at the University of Nairobi number L50/79780/2015 pursuing a Master degree in Project Planning and Management. (MA-PPM)

I am conducting a research study to establish the Influence of Bank loan financing on the Performance of Youth groups' projects; a case of KCB bank financed youth group projects in Imenti south district –Kenya

This study is for academic purpose but will be useful for the young project entrepreneurs, commercial banks, government and other policy makers involved in the promoting creation of employment through the creation of youth owned commercial projects and business enterprises. Your participation in the study survey is voluntary and the results of this research will be completely confidential as no identification will be required.

Feel comfortable while answering the questions and seek clarification where you do not fully understand. Your cooperation will be highly appreciated.

Yours faithfully

Gichuru Mwenda Brayan

L50/79780/2015

Appendix II: Research Questionnaire for youth groups'' members

INSTRUCTIONS

Please tick or comment on the provided booklet below

SECTION A: PERSONAL DETAILS

1. Please indicate your Gender

Male ( ) Female ( )

2. Please indicate your age

Below 19 ( )

19-30 ( )

31-40 ( )

41-50 ( )

Above 51 ( )

3. Please indicate your Education level

University ( )

College ( )

Secondary ( )

Primary ( )

SECTION B: Bank Loan Interest Rate

4. Is your project financed through a bank loan?

Yes ( ) No ( )

5. Did you consider the interest rate percentage when choosing on your preferred bank?

Yes ( ) No ( )

6. Are you satisfied with the current interest rate level?

Yes ( ) No ( )

7. Does your bank vary the interest rate with changes in the market rates?

Yes ( ) No ( )

8. Are you aware of the market rates interest rates?

Yes ( ) No ( )

9. Do you negotiate interest rate reduction with your bank?

Yes ( ) No ( )

10. In what ways does interest rate influence the performance of your projects?

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SECTION C: Collateral Requirement

11. Does your bank require collateral for the loans they lend you?

Yes ( ) No ( )

12. If yes, what do they prefer as collateral?

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13. Do you own land that you can use as collateral?

Yes ( ) No ( )

14. What other assets do you own that you can you use as collateral?

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15. Does your bank require you to have an operational bank account with them before lending loans to you?

Yes ( ) No ( )

16. If yes, for how long?

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15. Does your bank require you to have prior savings with them before lending loans to you?

Yes ( ) No ( )

16. If yes, what is the minimum savings in Kenyan shillings does the bank require before advancing loans to you?

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17. How satisfied are you with the collateral requirements by your bank?

Satisfied ☐

Fairly satisfied ☐

Dissatisfied ☐

SECTION: D Bank Loan Repayment

18. Does bank loan repayment affect your project performance?

Yes ( ) No ( )

19. Explain your answer.

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……………………………………………………………………………………………

20. What is the duration interval between repayment installments?

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21. How satisfied are you with this interval duration?

Satisfied ☐

Fairly satisfied ☐

Dissatisfied ☐

22. Are the repayments intervals consistent?

Yes ( ) No ( )

23. Where do you normally get the installment repayment funds from?

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SECTION D: Financial Management Training

24. Does your bank offer any financial management training to your group members?

Yes ( ) No ( )

25. If yes, who does the training?

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26. Does your bank conduct seminars on financial management and awareness?

Yes ( ) No ( )

27. If yes, how often do they conduct the seminars?

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28. Does your bank offer any formal training to some of your group members?

Yes ( ) No ( )

29. If yes, what is the criterion for selection?

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30. Does your bank offer any technical support on financial management such as auditing expertise and balance sheet preparation?

Yes ( ) No ( )

31. Are you satisfied with the level of financial management assistance from your bank?

Yes ( ) No ( )

Thank you for your time and co-operation.

Appendix III: Questionnaire for KCB bank officials

INSTRUCTIONS

Please tick or comment on the provided booklet below

SECTION A: PERSONAL DETAILS

1. Please indicate your gender category

Male ( ) Female ( )

2. Please indicate your age category

Below 19 ( )

19-30 ( )

31-40 ( )

41-50 ( )

Above 51 ( )

3 Please indicate your Education level

University ( )

College ( )

Secondary ( )

Primary ( )

4 Please indicate your work experience

Below 1year ( )

1-4 years ( )

5-8years ( )

9-15years ( )

16 and above ( )

Section B: Interest Rate

5 For how long have you worked for KCB bank?

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6 What is your current position in KCB bank?

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…………………………………………………………………………………………………

7 Have ever been assigned to specifically work with youth groups'?

Yes ( ) No ( )

8 If yes, how do you feel that interest rates affect the performance of the youth groups' projects?

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9 Do you feel that your current interest rates are high for the youth groups'?

Yes ( ) No ( )

10 How do you compare KCB bank interest rates for the youth groups' to the current market interest rates?

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…………………………………………………………………………………………………
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11 Do you negotiate for interest rates adjustments with the youth groups'?

Yes ( ) No ( )

Section C: Collateral Requirement

12 Do KCB bank require collateral for the loans advanced to the youth groups'?

Yes ( ) No ( )

13 If yes, what do you accept as collateral from the youth groups'?

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…………………………………………………………………………………………………
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14 Do you feel that collateral requirements by KCB bank affect the borrowing capability by the youth groups' and the general performance of the youth group owned projects?

Yes ( ) No ( )

15 If yes, what in your view and experience do you think can be done to streamline borrowing by young project entrepreneurs?

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Section D: Loan Repayment

16 How do you feel loan repayment requirements on regular basis affect the performance of bank loan funded projects owned by the youths?

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17. What duration interval does KCB Bank require that repayment intervals be submitted to the bank?

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18. What methods does KCB bank use to collect installments from borrowers?

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20 Do you find difficulties in youth groups' loan repayments?

Yes ☐

No ☐

21 If yes, how does KCB bank deal with these difficulties?

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Section E: Financial Management Training

22 From your experience, do you feel that financial management knowledge by the youths influences the performance of the youth owned projects and enterprises?

Yes ( ) No ( )

23 Do KCB Bank conduct training seminars for the youth groups' you lend loans?

Yes ( ) No ( )

24 If yes how often do you conduct them?

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25 Does your Bank offer any formal financial training to some of the group members or representatives of the groups you fund?

Yes ( ) No ( )

26 If yes, what are the selection criteria?

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27 Are you satisfied with the financial management training KCB Bank offers to its loan financed groups?

Yes ( ) No ( )

28 If no, what areas do you think should be done by the bank to improve on the financial trainings they offer to the youth groups'?

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Thank you for your time