

**YOUTH FINANCIAL EMPOWERMENT PROGRAMMES AND SOCIO-  
ECONOMIC DEVELOPMENT OF RURAL AREAS IN NYERI COUNTY, KENYA**

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**DECLARATION**

This research project is my original work and has never been submitted to any other University for assessment or award of a degree.

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I confirm that the work in this project was done by the candidate under my supervision.

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## **DEDICATION**

I dedicate this research project to my family for their continuous prayers, support and encouragement.

## **ACKNOWLEDGEMENT**

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## OPERATIONAL DEFINATION OF TERMS

<b>Financial Empowerment Programmes</b>	These are programmes created to help the next generation make informed financial decision today and tomorrow through financial literacy and microloans on micro-enterprises (Levin, 2002).
<b>Gross Domestic Product</b>	This is the monetary value of the finished goods and services produced within a country borders within a specific time period (World Bank, 2009).
<b>Rural Areas</b>	This is an area located in the countryside, outside urban areas or centers. They have a low population density and small settlement and the main predominant economic activity is agriculture (Odingo, 2005).
<b>Socio-Economic Development</b>	This is the process of socio and economic improvement in a society which is measured in term of gross domestic product, literacy levels, employment levels (Ghirmay, 2004).

## **ABBREVIATIONS AND ACRONYMS**

<b>FEP</b>	Financial Empowerment Programmes
<b>GDP</b>	Gross Domestic Product
<b>GOK</b>	Government of Kenya
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>MDG</b>	Millennium Development Goals
<b>MOA</b>	Ministry of Agriculture
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>VAR</b>	vector Auto Regressions
<b>YFEP</b>	Youth Financial Empowerment Programmes

## ABSTRACT

There have been numerous policies and programmes on growth, development and improvement of people and society welfare. This is through empowering the youth by providing them with the necessary resources and a platform for creating awareness on available opportunities. Most of these policies and programmes are directed toward a specific sector, industry or an area with an aim of creating a positive impact in the short or long run to that sector and the overall economy. This has led to the government and other stakeholders focusing in the rural areas by using the youths as an instrument of change but the question was if there is any change despite pumping a lot of resource in these areas. The purpose of this study was to determine the effects of government and non-governmental organization intervention through youth financial empowerment programmes on socio-economic development of rural areas of Nyeri County by providing credits, bringing new technology, markets provision and finally through imparting them with financial knowledge. The study adopted a descriptive survey research design. The population of the study was 2 persons from 63 registered youth groups from Nyeri County, totaling to 126 respondents to represent the whole population of youth. Purposive sampling was employed to all the targeted respondent making the study sample size 126 who were beneficiaries of the youth financial empowerment programmes. Data collection was through primary methods such as interviews and questionnaire and secondary methods such as journals and government publications. Reliability and validity of the questionnaire was tested through piloting while ethical considerations were observed by treating responses with confidentiality. Multiple Regression Analysis and descriptive statistics (such as mean and standard deviation) were used in the analysis of data. Data presentation was done by using tables for ease of understanding and interpretation. From the study findings youth financial empowerment programmes had varying impact on development. Adoption of current technology was significant in influencing socio-economic development of rural areas. Credit provision and market provision were also found to have high effect while financial knowledge was found to have a moderate effect on socio-economic development of rural areas. In conclusion, to improve productivity and living standard of rural areas of Nyeri County youth financial empowerment programmes through adoption of new technology, credit provision, market provision and financial knowledge are of significant effect. The study recommended that good financial management knowledge such as budgeting, recording, and reporting are of paramount importance thus more resources such as educative materials should be produced to enlighten the youth. A policy framework that would involve more youth through public participation in coming up with empowerment policies should be put in place and involve a wider net of stakeholders apart from the government, such as private investors and NGO. Lastly, diversified sources of funding or credit should be involved so as to pump more financial capital to youth and rural areas which would have great effect on development

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Socio-economic development is a term that economists, politicians, and others have used frequently in the 20th century but the concept, however, has been in existence in the West for centuries. Whereas socio-economic development is a policy intervention endeavour with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP (World Bank, 2009). Socio-economic development implies an upward movement of the entire social system in terms of income, employment, education, savings and investment along with progressive changes in socio-economic structure of country institutional and technological changes (United Nation, 2007).

According to Ranis et al (2003), socio-economic growth and development is a two-way relationship. Moreover, the first chain consists of economic growth benefiting human development with the rise in economic growth. He further points out that with the increased consumption, health and education grows also contributing to socio-economic development. In addition to increasing private incomes, economic development also generates additional resources that can be used to improve social services such as healthcare, safe drinking water. Oura (2008), concluded that socio-economic development can be explained in three ways ie .the increase in household income, savings, employment and literacy levels.

Financial empowerment programmes (FEP) can play either a leading role in Socio-economic development or it may take a more passive role (derived demand) in response to expanding economics needs (Levine, 2005). This study examined these relationships, addressing issues of causality and controls for financial and non-financial factors which have impact on economic

development. Past studies by Odedokun (2005) indicated a strong supply-leading relationship between FEP and aggregate output. At the same time, the results suggested that the impact of FEP is less pervasive today than in the earlier studies. This evidence of a reduced emphasis on a “supply-leading” relationship may reflect a changing role for FEP in the economic development process. Furthermore, the results indicated that at some point in the socio-economic development cycle, the driving force turns into a “demand-following” relationship.

Empirical investigations have documented the relationship between FEP and socio-economic development. Some of the earlier efforts were relatively crude. Odedokun (2005), analyzes the socio-economic development and FEP status of a number of less-developed countries from mid-1960 to the late 2000. In 2005, he confirmed that FEP plays a leading role in socio-economic development. Levine (2005) study provided an extensive and in-depth review of the literature regarding the relationship between socio-economic development and financial empowerment programmes. In his review by employing a wide range of time-series and cross-country data, the study revealed a strong positive link between financial sector empowerment and long-run socio-economic development. More recently, Jung (2003), explored the causality issue in both developed and developing countries and obtained a supply-leading relationship, irrespective of the stage of economic development.

The government has put several policies as starting point to take a course of action intended to make a real life change by tackling a wide range of issues such as poverty reduction and food security for its citizens. Environmental factors influence adoption of certain decisions through ability to predict and respond to market and industry changes, while sometimes external pressures such as competition and globalization may also favour innovation adoption

### **1.1.1 Youth Financial Empowerment Programmes**

The Youth Financial Empowerment Programmes (YFEP) provides essential financial knowledge to youth, new technology advancement and also helps in provision of credits at low interest and marketing products. According to Levin (2002), the need for financial knowledge among the youth is often demonstrated with alarming rates of bankruptcy, high consumer debt levels, low savings rates, and other negative outcomes that may be the result of poor financial management and low financial education levels. The collective response by public and private organizations to the accepted and often demonstrated need for financial education has been impressive in size and scope, (Kasekende, 2008). Millar (2004), noted that credit which is an important element in empowerment is the trust which allows one party to provide money or resources to another party where that second party does not reimburse the first party immediately thereby generating a debt, but instead arranges either to repay or return those resources or other materials of equal value at a later date.

The resources provided in financial empowerment programmes such as new technology adoption plays an important role in development has been around for a long time. Theoretically, the gross capital formation affects the economic growth either increasing the physical capital stock in domestic economy directly or promoting the technology indirectly (Clowley, 2007). According to this way of thinking, technology is seen as a freely available “public good”, facilitating development everywhere as long as markets are allowed to “do their job” properly. Adrianova (1962), put forward the view that differences in development were mainly caused by technological differences and that technological catch-up by late-comers was far from easy received increasing support. The focus on technology as the driving force of growth and development has been taken up by advocates of the so-called “new growth theory” (Favara, 2003).

### **1.1.2 Socio-Economic Development**

Socio-economic development is the process that seeks to identify both the social and economic needs within a community and create strategies that will address those needs in the best interest of the community over the long run (Ghirmay, 2004). Socio-economic development is measured with indicators, such as GDP, life expectancy, literacy levels and levels of employment, Khan (2004). Changes in less-tangible factors are also considered, such as personal dignity, freedom of association, personal safety and freedom from fear of physical harm, and the extent of participation in civil society. Causes of socio-economic impacts are, for example new technologies, changes in laws, changes in the physical environment and ecological changes (Levine, 2002).

Employment is an economic element that is closely related to the stage of development of a particular country and higher rate of employment are indicators of how the stronger the economy of the state is: high employment rates indicate that a country has well functioning policies for the benefit of the public (Khan, 2001). Social development as a process results in the transformation of social institutions in a manner which improves the capacity of the society to fulfill its aspirations thus implying a qualitative change in the way the society shapes itself and carries out its activities such as progressive attitudes and behaviour by the population, the adoption of more effective processes or more advanced technology (Miller, 2004). The term economic development on the other hand, implies much more. It is the process by which a nation improves the economic, political, and social wellbeing of its people (Levin, 2002).

### **1.1.3 Rural Areas of Nyeri County, Kenya**

Agriculture, handicrafts, fisheries, poultry, and dairy farming are the fundamental occupation of the rural people of Nyeri County and form the basis of rural economy (Nyeri County Strategic Plan, 2013). The rural people of Nyeri County lack an equitable and sustainable allocation of natural, physical, human, technological and social capital, services, and control over productive capital in financial or economic and political forms that can enable them to



improve their livelihoods on a sustainable and equitable basis (Odingo, 2005). Poverty remains a predominantly problem of rural areas of Nyeri County due to lack of access to markets, limited education, or insufficient information which prevents access to both labour and capital (Nyeri County Strategic Plan, 2013)).

There are few job opportunities outside of agriculture, often resulting in food and income insecurity due to the precarious nature of farming and rural workers are largely concentrated in jobs such as owners-cultivators, tenant farmers, agricultural day-labourers, and livestock herders (Alila, 2005). Lack of access to other labour markets, rural population continue to work for extremely low wages in agricultural jobs that tend to have seasonal fluctuations and thus little income security and in addition to labour, the rural poor often lack access to capital markets and financial institutions, hindering their ability to establish savings and obtain credit that could be used to purchase working capital or increase their supply (Njeru, 2005).

According to Nyeri District Development Plan(2008-2012) the rural areas of Nyeri County is where majority of the Nyeri County youth population dwells and it have large reserves of natural resources thus possess the potential of raising socio-economic development of the county and the economy of Kenya in general due to existence of large vast of land for agricultural oriented activities. Agriculture being the backbone of the country's economy then a lot of emphasis should be put in place towards rural areas in order to improve the economy in terms of socio-development so as to achieve MDG/vision 2030 (Vision 2030 blueprint, 2009). Agriculture contributes directly and indirectly in GDP and for the rural sector it accommodates 80% of the country population who derive their livelihood from agriculture and this calls for a lot of focus on rural areas for overall economic and social development for a third world country like Kenya which heavily depends on agriculture (MoA Report, 2009).

Although the rural areas are endowed with various resource they have been lagging behind in terms of growth and development due to poor utilization or lack of factors of production which can be tapped to improve socio- economic situation of this has led to stakeholders in this sector of rural areas and agriculture especially the government since it is a key player to come up with policies and strategies aimed at achieving socio-economic development the country in the future (UNDP, 2006).

## **1.2 Statement of Problem**

There have been several programmes and policies directed towards the rural areas which have been marginalized with an aim of improving them in socially and economically. Through the provision of the necessary resources in these programmes and policies it is viewed as a potential solution to improving the status of rural areas through creating employment and improving incomes (kimenju, 2008). Most rural areas are still lagging behind in terms of socio-economic development despite being endowed with a lot of natural resources and labour supply is plenty (Harris, 2008). The rural population majority of whom are youths are languishing in poverty and to them meeting basic necessity is a hurdle (Davis, 2004). The youth have the right to enjoy benefits and opportunities for advancement but the high poverty levels have made them unable to sustain their livelihoods and enjoy their day to day undertakings and this has impeded negatively on socio-economic development. Approximately half of the population of rural areas earn incomes of less than one dollar a day and as such are defined as poor by the UN. African poverty is predominantly a rural phenomenon and the key to improving the livelihoods of the poor must be sought in the rural areas of the continent (Lanjouw, 2001).

According to Sen (1983), sustainable approach to development by taking into account of economic and social factors produces projects and programmes which have good results by using the natural resources that the local environment can supply and also have the necessary

support from the community, government and other stakeholders to carry on indefinitely (UNDP,2006). According to Republic of Kenya (2004), most of the rural population is composed of smallholder farmers thus, increased agricultural productivity is necessary to increase incomes of most of the poor directly and to stimulate the socio-economic development of the rural areas. Without such impetus, broader development in the rural economy will be constrained and poverty reduction much more difficult to achieve. The Kenyan government has come up with various empowerment programmes directed towards the youth so as to engage them more constructively for the overall benefit of the nation's economy given their huge potential.

Several empirical studies have been carried out on socio-economic aspect and most of them tend to rely on economic aspect without linking the same to sustainable development. Although, various strategies and policies are being employed for sustainable development they may still be ineffective in reaching out and helping the youth improve their life thus facing socio-economic constraint (Ghirmay, 2004). There is inadequate empirical literature on socio-economic development and FEP but this study has provided an extensive and in-depth review of the literature regarding the relationship between socio-economic development and financial empowerment in regard to rural areas. In his review, Levine (2000) study concludes that a growing body of empirical work reveals a strong positive link between financial sector development and long-run socio-economic growth. Odedokun(1998), confirms that FEP plays a leading role in socio-economic development. Although, empirical evidence of the relationship between FEP and economic socio-development has been mixed since a study by Bhatia and Khatkhate,(1975) of less-developed African countries found no evidence to support the role of FEP on socio-economic development. Hence, it is on this basis this study seeks to determine the effect of FEP on Socio-Economic development of rural areas in Nyeri County, Kenya.

The rural areas of Nyeri County was a good context for this study since it is still underdeveloped even though they it is richly endowed with natural resources. The rural population majority of whom are youths are still living in level below poverty line, drug and alcohol abuse, high crime rates, rural urban migration and disputes for resources such as water, land and pastures despite the facts that there is a lot of resources and the government and other stakeholder are pumping a lot of finances on empowerment programmes to these region (UNDP, 2006).

### **1.3 Objectives of the Study**

The study was guided by general and specific objectives captured below.

#### **1.3.1 The General Objective**

To determine the effect of youth financial empowerment programs on social-economic development of rural areas of Nyeri County, Kenya

#### **1.3.2 Specific Objectives**

The specific objectives informing the study include:

- i). To determine the effect of adoption of new technology on socio-economic development of rural areas of Nyeri County, Kenya.
- ii). To establish the effect of provision of credit on socio-economic development of rural areas of Nyeri County, Kenya.
- iii). To determine the effect of marketing of product on socio-economic development of rural areas of Nyeri County, Kenya.
- iv). To establish the effect of financial knowledge on social-economic development of rural areas of Nyeri County, Kenya.

## **1.4 Research Questions**

The study sought to answer the following questions in view of the specific objectives:

- i. How does adoption of new technology affect socio-economic development of rural areas of Nyeri County?
- ii. How does provision of credit affect socio-economic development of rural areas of Nyeri County?
- iii. How does marketing of product affect socio-economic development of rural areas of Nyeri County?
- iv. How does financial knowledge affect socio-economic development of rural areas of Nyeri County?

## **1.5 Significance of the Study**

This study is expected to be of great value to various concerned parties; to government agencies and policy makers the study will help them know how well to incorporate the sector and how effectively to ensure its full participation within the economy. This study would go a long way in helping youth entrepreneurs of Nyeri County know how well to incorporate the YFEP in rural areas and the society in large thus empowering them economically.

To researchers and academicians, the findings from the study will highlight the effects that YFEP has and its relationship with socio-economic development of rural areas in Kenya. The study could also add value to the body of knowledge in the area of youth financial empowerment programmes and socio-economic development, serve as a literature in other studies related to it, provide useful reference to future studies and also form a basis for further research in the same field.

## **1.6 Scope of the Study**

The research was carried out in rural areas of Nyeri County. Nyeri County is located in the former Central Province of Kenya, about 150 kilometers north of Nairobi. Nyeri Town is the largest town and also acts as the capital of the county. The county has a population of 661,156 and covers an area of 3,356 km<sup>2</sup> (KNBS, 2009). It shares its borders with five other counties; Kirinyaga to the east, Nyandarua to the west, Muranga to the south, Laikipia to the north and Meru to the north-west.

The research mainly focused on financial empowerment programmes directed towards the youth (adoption of new technology, provision of credits, market creation and financial knowledge) by analyzing their effects on socio-economic development of rural areas through income levels, employment and education levels. The study confined itself to Nyeri County and targeted a population of 126 youths in youth groups and enterprises. The study covered a period of four years from 2012 to 2015 for socio-economic development.

## **1.7 Limitations of the study**

The researcher encountered a number of challenges which might be beyond his control. Some respondent took quite some time before returning back the questionnaires thus the researcher might be forced to make follow up of the questionnaires. At times, some of the respondents were not be available necessitating a second or third visit to the groups. Furthermore, the groups in Nyeri County were geographically dispersed and this posed delays in data collection. However, the study overcame this limitation by engaging research assistants to administer the research instruments to respondents in each sub-county and by conducting interview by use of phone.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

These chapters will reviews literature on Financial Empowerment Programmes and Socio-Economic development of rural areas in Kenya. Both theoretical and empirical literature will be reviewed. Theoretical review will help in getting an in-depth understanding of the current body of knowledge on the research topic. Empirical literature will help in understanding studies that have been done on the same area by other researchers and the recommendations therein. The chapter further contains the conceptual framework.

#### **2.2 Theoretical Review**

This chapter contains a review of literature on the theoretical relationships between financial empowerment programmes and socio-economic development which guided the study.

##### **2.2.1 Supply – Leading Theory**

This theory was proposed by Schumpeter (1939) and postulates that the activities of the financial institutions serve as a useful tool for increasing the productive capacity of the economy. A country with a better developed financial system tends to grow faster in terms of socio-economic development.

First, the conventional view of the supply-leading theory postulates that the direction of causality flows from financial development to socio-economic development. In a world without frictions caused by transaction, information and monitoring costs, no financial intermediaries are needed. If those costs are sufficiently high, no exchanges among economic agents will take place. The need to reduce those costs for exchanges to take place has led to the emergence of financial institutions and markets constituting the financial sector (Davis, 2004).

According to Favara (2003), a well-developed financial sector provides critical services to reduce those costs and thus increases the efficiency and intermediation which mobilizes savings, identifies and funds good business projects. Hence, facilitates trading and exchange of goods and services. This results in a more efficient allocation of resources, a more rapid accumulation of physical and human capital and faster technological innovation, thus inducing faster long-term socio-economic development. This theory is relevant to the study as it indicates the driver of socio-economic development and their influence.

### **2.2.2 Demand – Following Theory**

The theory postulates that socio-economic growth and development is a causal factor for financial empowerment programmes development. According to this theory as the real sector expands, it leads to increase in demand for financial services which stimulates the financial sector to develop and expand (Shaw 1973).

Robinson (1952) was the first of the opinion that economic activity propels banks and other financial institution to finance enterprises. Following the same line of argument was Goldsmith (1969) who used an alternative view of emphasizing the role of capital accumulation in economic development. The, overall financial development matter a lot for socio-economic success as it lowers market friction which increases the domestic savings rate and attracts foreign capital.

Financial policies such as direction of credit to sectors itself do not seem to matter much but this theory is of the opinion that policy makers can achieve greater returns by focusing less on the extent to which their country is bank based or market based and more on legal, regulatory and policy reforms that boost the functioning of the markets and financial institution. This theory is relevant to the study as it indicates how improvement in socio-economic development will increase demand of FEP.



### **2.2.3 Theory of Dependency**

The foundations of this theory emerged in the 1950s from the research of the Economic Commission for Latin America and the Caribbean -ECLAC-. One of the most representative authors was Raul Prebisch. The principal points of the Prebisch model (1950), are that in order to create conditions of socio-economic development within a country, it is necessary: to promote a more effective governmental role in terms of national development by creating a platform of investments, giving a preferential role to national capitals and developing a more effective coverage of social services from the government, especially to impoverished sectors in order to create conditions for those sectors to become more competitive.

According to Cardazo (1979), the theory of dependency embodies how to develop an important internal effective demand in terms of domestic markets and promotion of a more effective government role in order to reinforce national development conditions and to increase national standards of living. The dependency movement considers ties with transnational corporations as being only important to countries, when actually these links can be used as a means of transference of technology. Thus, the dependency movements have focused attention mostly on the international connections among countries, especially those related to trade, the international financial system, world technology and military cooperation (Falleto, 1980). This theory is relevant to the study as it indicates there exist a positive relationship between the FEP and development.

## **2.3 Youth Financial Empowerment Programmes on Socio-Economic Development of Rural Areas**

### **2.3.1 New Technology Adoption**

Product or process new technological adoption incorporates new technical, functional or esthetic solutions which is very important for businesses and economies to maintain their competitiveness under circumstances of constant changes and it can be generated by the

innovating company itself, by an external source or by a combination of both (Geroski, 2000). In deciding whether or not to adopt a technological innovation one must take several factors into account, such as the innovation's attributes, the external environment and the suppliers, as well as organizational characteristics.

The innovation's attributes, according to Rogers (1995), consist of its qualitative relative advantage and the degree to which it is perceived as better than whatever exists already. The relative advantage, from the economic and financial point of view, takes into consideration the expected returns resulting from adopting the innovation. The decision to adopt a new technology or not depends on the benefits to be gained by incorporating new technical, functional or esthetic solutions, in order to attain the company's competitive positioning; this decision also depends on the costs and risks involved. The new technology might help to solve certain challenges the company faced in its printer plant, by increasing efficiency and cutting costs.

The contribution of new technology to economic growth and development can only be realized when and if the new technology is widely diffused and used. Diffusion itself results from a series of individual decisions to begin using the new technology, decisions which are often the result of a comparison of the uncertain benefits of the new invention with the uncertain costs of adopting it (Stoneman, 2001). According to Strang and Soule (1998), unlike the invention of a new technology, which often appears to occur as a single event or jump, the diffusion of that technology usually appears as a continuous and rather slow process. Yet it is diffusion rather than invention or innovation that ultimately determines the pace of economic growth and the rate of change of productivity. Until many users adopt a new technology, it may contribute little to our well-being.

### **2.3.2 Credit Provision**

Credit provision has impact on businesses and economies by facilitating growth and development. The economic giants of the world developed their economies by relying on formal credit institutions through the development of their capital markets (Von Pischke, 1991). Businesses require an adequate amount of capital to fund startup expenses or pay for expansions. As such business and individuals are provided with credit to gain the financial assistance they need.

Credits allow companies to have a chance at success. As such, credits are in high demand, but not every firm, group or individual that applies for them will receive. When applying for a credit lenders evaluate the company's or person history, the amount of debt he has and whether the business seems risky. Risky businesses, such as startup companies, are often not the winning recipients of credit (Brainard, 2015).

### **2.3.3 Financial Literacy**

Is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources (Arthur, 2012). Financial literacy also involves the proficiency of financial principles and concepts such as financial planning, compound interest, managing debt, profitable savings techniques and the time value of money. The lack of financial literacy or financial illiteracy may lead to making poor financial choices that can have negative consequences on the financial well-being of an individual.

Financial literacy acts as the confluence of financial, credit and debt management and the knowledge that is necessary to make financially responsible decisions that are integral to our everyday lives. A lack of financial literacy is not a problem only in emerging or developing

economies (Lucey, 2012). Understanding basic money management skills such as living within a budget and handling credit and debt is very important. Having little or no knowledge regarding financial management can affect youth in many different aspects of their life. Financial illiteracy affects all ages and all socioeconomic levels. Financial illiteracy causes many people to become victims of predatory lending, subprime mortgages, and fraud and high interest rates, potentially resulting in bad credit, bankruptcy or foreclosure (Shawn, 2008).

#### **2.3.4 Market Provision**

This involves product promotion through orderly marketing and distribution of all the products to ensure their availability in the market for consumption in adequate and continuous supply. This helps in administrative regulations, Pooling Plan, Stabilization and Marketing Plan provisions (Simon and Stephen, 2005). In market provision strategies and preparation are done to get the products or service ready to sell and identifying the target customers for the product. Marketing is a long term forward looking process whereby you determine how you're going to package and brand your product and design it to appeal to the target market you seek to capitalize on (Colander, 2005).

#### **2.4 Empirical Review**

An extensive number of empirical investigations have been conducted, aimed at testing the conflicting theoretical developments using different techniques. These empirical investigations can be classified into two major groups. The first group consists of those studies that used cross-country growth regression methods in which the average growth rate of per capita output over some period is regressed on some measure of financial development and a set of control variables (King & Levine, 1993; Levine & Zervos, 1998; DeGregorio & Guidotti, 1995; Ndikumana, 2000, among others). The second group consists of those studies that used the time

series data of individual countries to investigate the causal relationship between the two variables.

The results of these studies provide evidence of a strong connection between the exogenous components of financial development and long-run economic growth. This is more or less consistent with the classical view on the relationship between growth and financial development. The analysis of the causal relationship between FEP and economic development was subjected to a more advanced econometric treatment in a paper by Levine et al (2000). They examined the role of FEP in a pooled cross-section setup using averaged data spanning the period 1960-1995. Using a GMM estimator, the authors show that the exogenous component of financial development is positive, significant and robust in the standard growth regressions. The authors therefore conclude that “the data suggest a strong, positive link between FEP socio- economic development” (Levine et al, 2000, p. 54).

Principal among existing econometric studies is the seminal paper by King and Levine (1993a), which they constructed four different financial development indicators and based on data for 77 different countries covering the period 1960- 1989, they found that “higher levels of financial assistance has significant and robust correlated with faster current and future rates of socio- economic development, physical capital accumulation, and economic efficiency improvements. In addition, King and Levine conclude that the link between socio-economic development and FEP is not just a contemporaneous correlation. Instead, “FEP seems importantly to lead economic growth” (King & Levine, 1993a, p. 730).

The cross-country study started by Goldsmith (1969), which shows a graphically positive association between FEP and socio- economic development, has subsequently been followed by several cross country studies. These added more countries and more variables for FEP and economic development that were observed over longer periods. All these studies found a positive association between financial empowerment programmes and socio economic

development. Khan and Senhadji (2000), in a cross-country and panel study, using data for 159 countries over the period 1960-1999, found that the effect of FEP on socio-economic was positive. Beck, Levine and Loyaza (2000) investigated not only the relationship between FEP and socio-economic development but also the relationship between financial development and the sources of development in terms of private saving rates, physical capital accumulation and total factor productivity. Once again the authors concluded that higher levels of FEP lead to higher rates of socio-economic development and total factor productivity improvement.

Jung (1986) used more standard indicators of output and financial development and conducted causality tests using level vector auto regressions (VAR) for 56 developed and developing countries. Jung found uni-directional causality from FEP and development for the developing countries and the reverse causality from growth to FEP in developed countries.

Demetriades and Hussein (1996) and Thornton (1996) are among the few studies that have tested the financial-led hypothesis on several Asian countries. Using annual data from 1965 to 1992, Demetriades and Hussein found that among the Asian countries covered by the study, only in the case of Sri Lanka did the evidence support the FEP-led growth theory. For Pakistan, their result indicates that economic growth causes financial development. Further, Demetriades and Hussein's study suggests that bi-directional causal relationships are evident for India, South Korea and Thailand. Thornton (1996) provides some empirical evidence on the supply-leading hypothesis in several Asian countries.

The supply-leading theory is also supported by more recent studies by Calderon and Liu (2003) on 109 developing and developed countries, and Christopoulos and Tsionas (2004) on 10 developing countries. Both studies conclude that the supply-leading hypothesis is the dominant force behind the relationship between finance and the sources of development; in particular, financial depth contributes more to the causal relationship in developing countries. For example Ghirmay, (2004) examined the causal link between the level of FEP and Socio-economic

development in 13 sub-Saharan African countries. The results of the co-integration analysis provide evidence of the existence of a long-run relationship between FEP and socio-economic development in almost all (12 out of 13) of the countries. With respect to the direction of long-term causality, the results show that FEP plays a causal role on socio-economic development, again in eight of the countries. At the same time, evidence of bi-directional causal relationships is found in six countries. The findings imply that African countries can accelerate their economic development by improving their financial empowerment systems.

Odhiambo (2005) investigated empirically the role of FEP on socio-economic development in Tanzania. The study used three proxies of financial empowerment against real GDP per capita (a proxy for economic development), the empirical results of this study, taken together, reveal a bi-directional causality between FEP and socio-economic development growth in Tanzania although a supply-leading response tends to predominate. Odhiambo (2008), attempted to examine the dynamic causal relationship between FEP and socio-economic development in Kenya by including savings as an intermitting variable thereby creating a simple tri-variate causality model. The empirical results of this study reveal that there is a distinct unidirectional causal flow from socio-economic development to FEP. The results also reveal that economic development causes savings, while savings drive the development of the financial sector in Kenya. The study, therefore, warns that any argument that FEP unambiguously leads to socio-economic development should be treated with extreme caution.

## **2.5 Summary of Literature Review and Research Gaps**

In summary, the picture that emerged from the different econometric studies is blurred. In cross-section studies there is a positive correlation between FEP and socio-economic development, but in the poorest countries the correlation is negative. In individual-country studies, different causal patterns between FEP and Socio- economic development. In some

countries, financial empowerment seems to lead growth and development, while there is reverse causality or no clear causal link elsewhere. Moreover, conclusions are very sensitive to the type of estimator used and slight changes in nuisance parameters often change the results. The evidence from empirical work support the fact that both FEP and socio-economic development are positively related to each other, the relationship is country specific and one should not extrapolate one country's experience to another. Based on this assertion, this research will examine the causal relationship that exists between FEP and socio-economic development in Nyeri County, Kenya.

The review on FEP was not conclusive since the knowledge level of a country population in efficient and effective allocation of resources needs to be established as well as its effects and impact on socio-economic development. As regards to social-economic effects, it would be imperative to establish those of particular regions due to diversity in terms of resource endowments and social culture. The reviews noted government and non-government tackled since contributions policies and programs were inadequately enumerated. This was not adequately reviewed by the past researchers and a further study is crucial.

## **2.6 Conceptual framework**

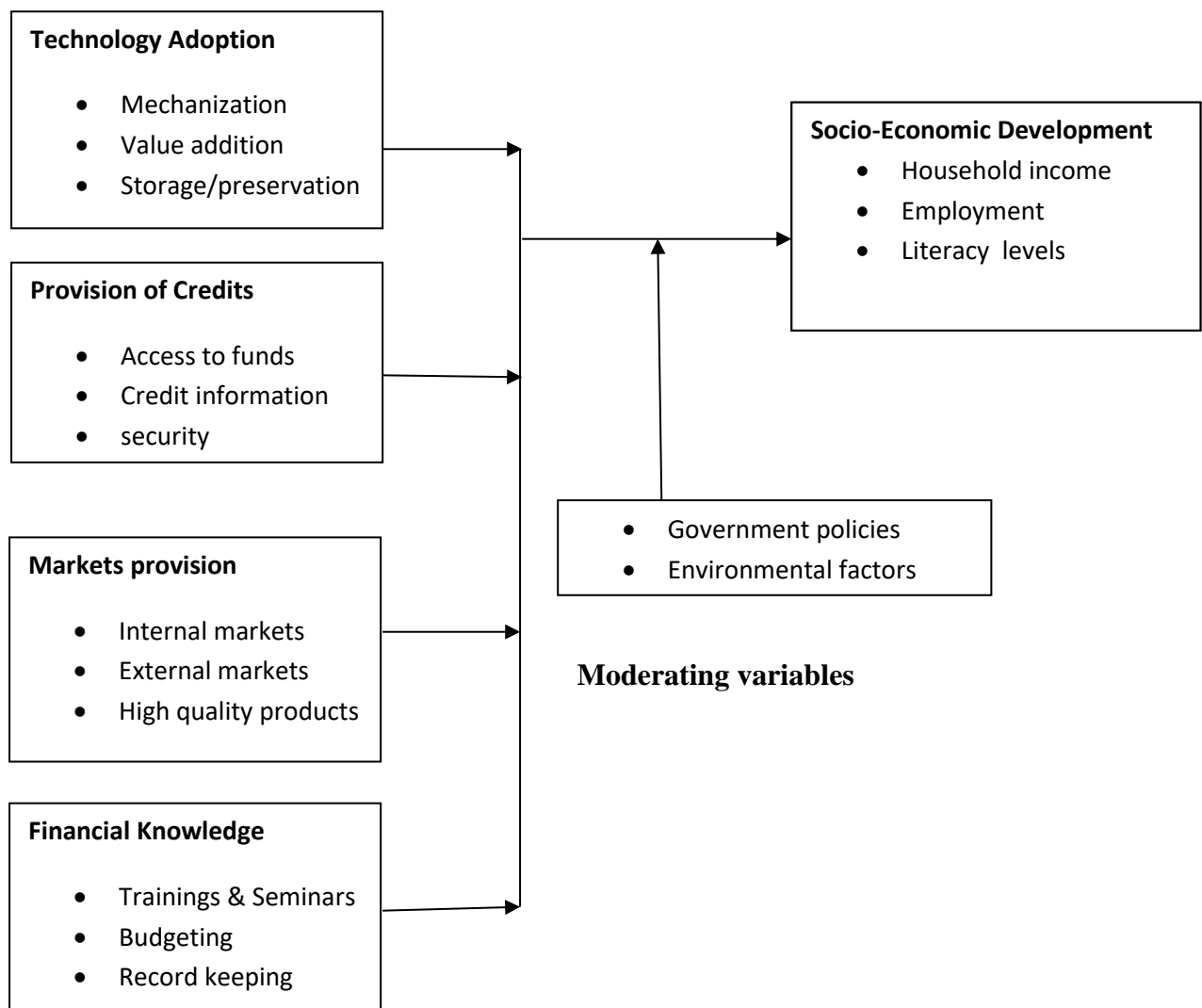
The conceptual framework detailed how the dependent variable relates with the independent variables in the study. The independent variables in the study were adoption of new technology, provision of credit, market provision and financial knowledge while the dependent variables were income levels, employment and education level. The relationship between the independent and the dependent variable can be summarized in a schematic diagram that illustrates graphically the relationship between the two concepts as shown in the figure below.

### **Financial Empowerment Programs**



**Independent variable**

**Dependent variable**



**Figure 2.1: Conceptual framework**

**Source: Research Data, 2016**

The policies and programmes directed to the youths in rural areas such as credit provision, adoption of new technology, market provision and financial knowledge to the youth will have implications by improving the standards of rural areas by empowering them with resources and also create a platform to the youth to utilize the available resources in the society. Hence, up lifting the socio-economic development of rural areas through creation of employment, improved literacy levels and increase in household income.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This research aimed at collecting information from respondent/youths on opinions and facts concerning YFEP in relation to Socio-economic development of rural areas of Nyeri

County. This section acts as a blueprint for the collection, measurement and analysis of data. Specifically the following sub-sections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

### **3.2 Research Design**

A research design is a scheme, outline or plan that is used to generate answers to research problems in a coherent and logical way, thereby ensuring the researcher will effectively address the research problem (Creswell, 2003). The design of the study define the study type whether descriptive, correlation, semi-experimental, experimental, review and meta-analytic. For the purpose of this study, the researcher used the descriptive research design. According to Mugenda and Mugenda (2008), descriptive research is used when the problem has been well designed and involves fact finding and enquiries so as to address the “what” question about the characteristics of the population, individual or situation by use of questionnaire with open and close ended question. This design obtain information that describes existing phenomena by asking individuals about their perceptions, behaviour, attitudes or values. It explains a state of affairs as it exists and designed for providing repeated measurements of an event over a period of time.

### **3.3 Target Population**

Target Population is a group of individuals, objects, or items from which samples are taken for measurement (Kothari, 2006). Thus the population should fit a certain specification, which the researcher was studying and the population should be homogenous. The target population for this study was 63 registered youth groups within Nyeri County as per KNBS STATISTICS (2010) and which were beneficiaries of youth financial empowerment programmes in Nyeri County. The group should have been in existence for a minimum period of three years. The

target respondent was 2 active members who were direct beneficiaries of financial empowerment programmes within the selected group in Nyeri County.

### **3.4 Sampling Design**

A sample is a small proportion of a target population which is selected for analysis so that results may later be generalized to that target population (Mugenda, 1999). Due to the size of the population and the fact that the researcher is limited by resources and time as major constraints in deciding on the sample size to use. To come up with the sample size befitting the study, the researcher used purposive sampling method. This helps in coming up with a non-probability sample that is selected based on characteristic of a population and the objective of the study by selecting people based on particular purpose of the experiment or study. For each youth group 2 respondents who are active members and beneficiaries of youth financial empowerment programmes were selected to participate in the study as respondent within the group making the sample size 126. The selection becomes free of personal bias since the investigator did not exercise his discretion of preference in the choice of items (Saleemi, 2010).

### **3.5 Data Collection Procedure**

According to Kothari (2004), there are many methods of data collection and the choice of the tool and instrument used depends mainly on the attributes of the subjects, research topic, problem question, objectives and design. In this study the researcher and the assistant planned for this by having all the relevant information about the group such as contact persons, physical location and address. The data collection instrument was then sent to the respondents through hard copy together with a cover letter specifying the research topic and guarantee of confidentiality of the same to every individual respondent.

### **3.6 Data Collection Instrument**

Questionnaires were used since they are more appropriate when addressing sensitive issues and provides anonymity as well as reduce reluctance or deviation from respondents. Also it can be administered to a number of respondents at the same time and maintains uniformity from one measurement to another. They were distributed to the respondents through dropping and mailing by the researcher and the assistant (enumerators).The respondents were given time to complete answering questionnaires and thereafter the questionnaires were gathered after stipulated time response is over.

### **3.7 Validity and Reliability**

Sound measurement must meet the tests of validity and reliability. These are the major considerations that should be used in evaluating a measurement tool. Hence, validity and reliability of research instrument is described below.

#### **3.7.1 Validity**

Validity is the degree by which the sample of test items represents the content the test is designed to measure (Berg and Gall 1989). Validity of the instrument was conducted through a pre-test. Validity was analyzed using one or more of the following validity constructs: Face validity which was used to ascertain that the measure appears to be assessing the intended construct under study; construct validity which was used to ensure that the measure actually measures what it was intended to measure and not other variables; criterion-related validity which was used to predict future or current performance, correlates test results with another criterion of interest; and sampling validity which ensures that the measure covers the broad range of areas within the concept under study.

#### **3.7.2 Reliability**

Reliability refers to the consistency of measurement and is frequently assessed using the test-retest reliability method. It refers to the relationship between the data and the variable being measured (Mugenda and Mugenda, 2003). This is consistency and dependability of data collected through repeated use of a scientific instrument or data collection procedure under the same conditions.

### **3.8 Data Analysis and Presentation**

Upon collection of data the researcher edited questionnaires for completeness and consistency, coded, processed and tabulated the information. To analyze the information the study used descriptive statistics (means and standard deviation) and multiple regression analysis. To ease analysis of both the descriptive and inferential statistics, the Statistical Package for Social Sciences (SPSS) application version 2.1 was applied.

The regression model adopted is captured below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

**Where:**

Y=Socio-Economic Development

X<sub>1</sub> = Adoption of New Technology

X<sub>2</sub> = Provision of Credits

X<sub>3</sub>= Markets provision

X<sub>4</sub> = Financial Knowledge

β<sub>1</sub>, β<sub>2</sub>,β<sub>3</sub> and β<sub>4</sub>are the variable coefficients

ε is the error term

### **3.8 Ethical Considerations**

These are rules of behaviour based on ideas about what is morally good or bad and usually acts as a guide on ones conduct in a given field (Cooper, 1997). For the purpose of this study, approval was sought from Kenyatta University and a letter granted to allow the researcher to carry out the research. The researcher further sought approval from the leaders of each youth group. The study ensured integrity and that the dignity of the respondents was protected at all times with the data collection tool designed to be objective. The participants were expected to provide information voluntarily and to ensure confidentiality the data was secured throughout the research period. A verbal consent will was sought from the respondents before data collection sheets were administered. The findings of the study were not doctored to meet any preconceived or commercial ends. Materials and citations from other scholars were duly acknowledged.

## **CHAPTER FOUR DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

### **4.1 Introduction**

Chapter four contains data analysis, presentation and interpretation of findings. The general objective of the study was to determine the effects of youth financial empowerment programmes on socio-economic development of rural areas of Nyeri County, Kenya. Questionnaires were used to collect data from the respondents in youth group in Nyeri County.

Data was then coded, analyzed and the results obtained using descriptive and inferential statistics guided by the research objectives and hypothesis. The findings were presented in form of frequency tables, mean and standard deviation and their implications explained. Multiple regression analysis was used to determine the extent of the relationship between the dependent and independent variables.

## 4.2 General Information

### 4.2.1 Response Rate

**Table 4.1 Response rate**

<b>Response Rate</b>	<b>Number</b>	<b>Percentage</b>
Questionnaire filled	86	76%
Unfilled Questionnaire	40	24%
Total	126	100.0%

Source: Researcher, 2016

Out of the 126 questionnaires sent to the targeted respondents in youth groups, 86 responded by sending back the questionnaires. This gave the study a response rate of 76% with the other 24% not responding either because they were not in a position to give information relating to their group or could not timely fill the questionnaire.

### 4.2.2 Validity and Reliability

Instrument validity was tested by doing a pre-test amongst 3 respondents selected from 5 different groups as well as expert analysis to confirm the adequacy of the instrument. The study reliability was measured using Cronbach-Alpha test to measure the degree by which the sample of test items represents the content the test is designed to measure. The test indicated a Cronbach Alpha value of 0.79 indicating that 79 % of the variance are ‘true scores’ or reliable which confirms the instrument reliability.



### 4.2.3 Numbers of years in the Project

The study sought to establish the number of years the respondents has been in the project and results are shown in the table below.

**Table 4.2 Years in the project**

	Frequency	Percentage
Less than 1 year	25	29.1%
1-2 years	26	30.2%
3-5 years	23	26.7%
Over 5 years	12	14.0%
Total	86	100.0%

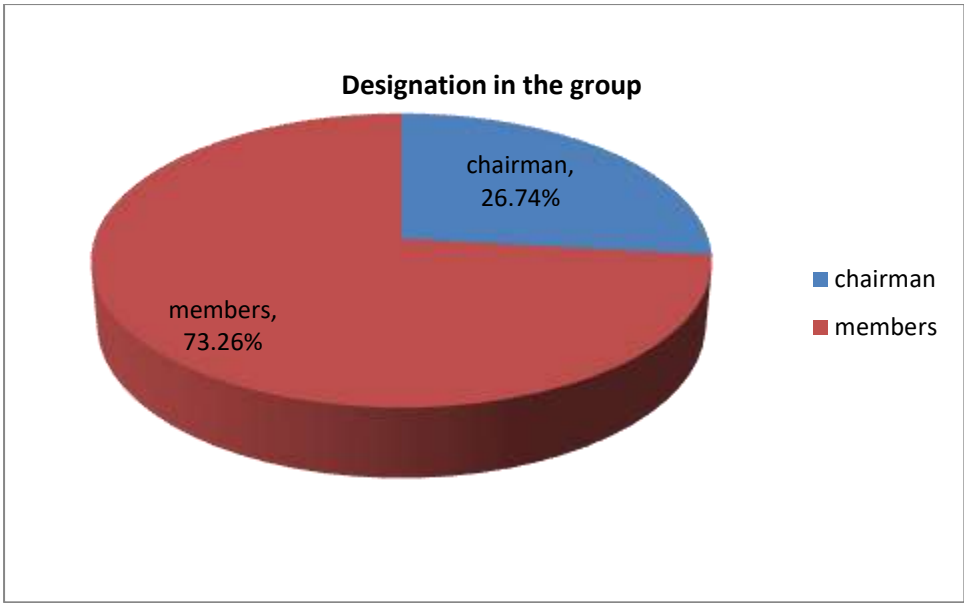
**Source: Research data, 2016**

The study sought to find out respondents years in the project. From the study findings 30.2% of the respondents indicated that they have 1-2 years, 29.1% indicated less than a year, 26.7% indicated 3-5 years and 14% indicated over 5 years in the project

### 4.2.4 Designation

The study sought to establish the Position held by the respondent in the organization and results shown in figure 4.1 below.

**Figure 4.1 Designation in the Group**



**Source: Research data, 2016**

The study sought to find out respondents designation in the group. From the findings as shown in the figure 4.1, 73.3% of the respondents indicated that they were members whereas 26.7% indicated that they were chairmen of the groups.

**4.2.5 Current Project**

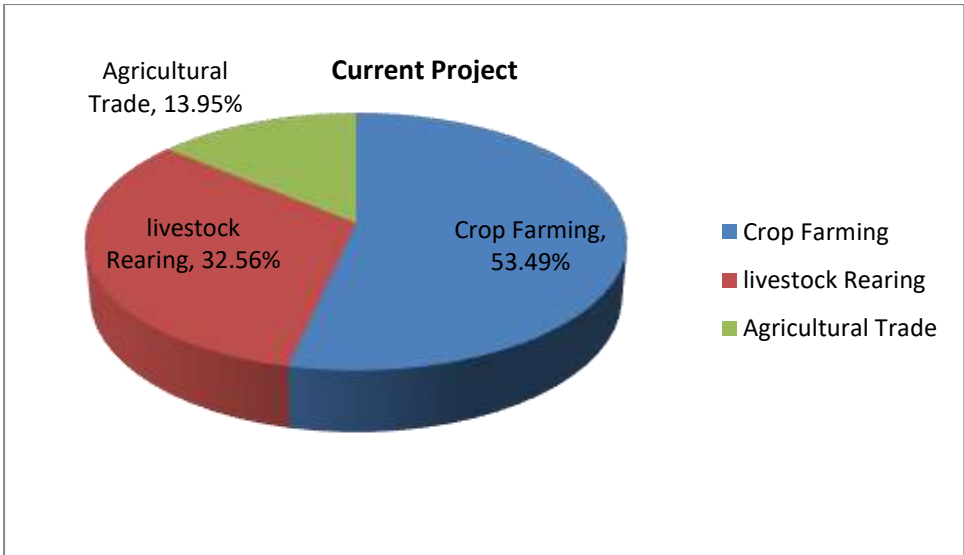
The study sought to establish the current project carried out by the group. Results are shown below.

**Table 4.4 Current Project**

	Frequency	Percentage
Crop farming	46	53.4%
Livestock rearing	28	32.6%
Agricultural trade	12	14.0%
Total	86	100.0%

**Source: Research data, 2016**

**Figure 4.2 Current project**



**Source: Research data, 2016**

The study sought to find out respondents current project. From the study findings 53.5% of the respondents indicated that they were in crop farming, 32.6% indicated livestock rearing and 13.9% indicated they were in agricultural trade.

**4.2.6 Response by Review of YFEP**

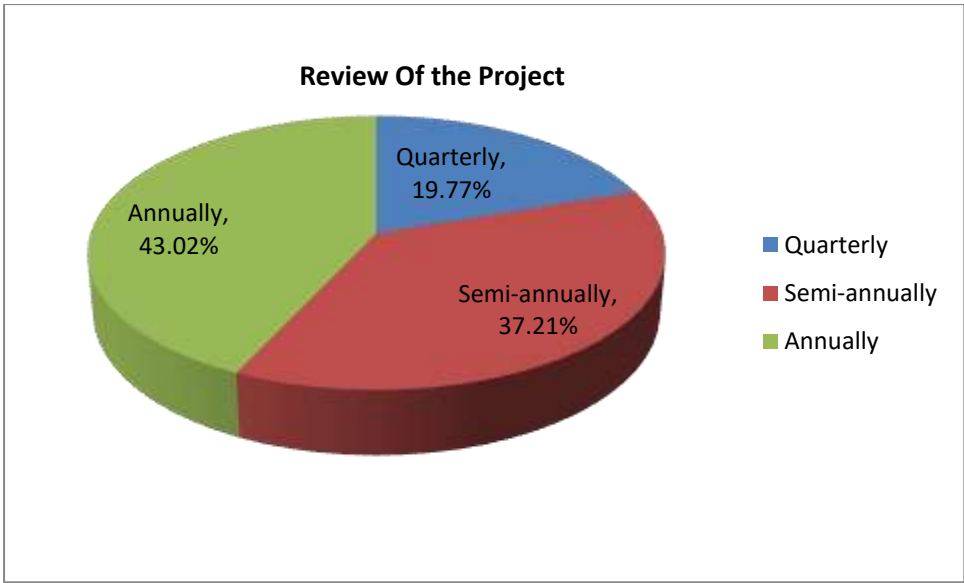
The study sought to establish how often the YFEP were reviewed by the respondents. The results are shown below.

**Table 4.5 Review of YFEP**

	Frequency	Percentage
Quarterly	17	19.8%
Semi-annually	32	37.2%
Annually	37	43.0%
Total	86	100.0%

**Source: Research data, 2016**

**Figure 4.3 Review of the project**



**Source: Research Data, 2016**

The study sought to find out how long the respondents take to review the project. From the study findings 43% of the respondents indicated annually, 37.2% indicated semi-annually and 19.8% indicated quarterly.

**4.3 Adoption of New Technology**

The first objective of the study sought to determine the effects of new technology adoption on socio-economic development of rural areas.

**4.3.1 Contribution of New Technology on Cost**

The study sought to establish if new technologies adoption have contributed to savings some of the cost involved in firms operation through a more efficient use of the limited resources thus achieving the maximum results possible.

**Table 4.6: New technologies on cost savings**

	N	Mean	Std. Deviation
	86	2.21	.24

**Source: Research data, 2016**

Table 4.6 above indicated the extent of how current technology can reduce the costs involved in doing business. The study findings indicated that new technology adoptions are of moderate extent important in managing and reducing cost.

#### 4.3.2 New Technology adoption for improved Production

The study sought to establish the effect of adoption of new technology through mechanization on production of outputs especially in farming and manufacturing.

**Table 4.7 New technology adoption for improved production**

	N	Mean	Std. Deviation
	86	1.2	.17

**Source: Research data, 2016**

Table 4.7 above indicated the extent of how current technology has improved production. The study findings indicated that new technology adoptions are of great significant in achieving a high output of production in any given firm and economy.

#### 4.3.3 New Technology contribution on Value Addition

The study sought to establish if new technology adoption has led to new and innovative ways of adding values to commodities.

**Table 4.8 New technology adoption on value addition**

	N	Mean	Std. Deviation
	86	2.6	.35

**Source: Research data, 2016**

Table 4.8 above indicated the extent of how new technology adoption has led to various ways of adding value to commodities. The study findings indicated that new technology adoptions

are of moderate extent in adding value to commodities thus achieving high revenues through better pricing to sellers and the overall economy at large.

#### 4.3.4 New Technology adoption on Storage and Preservation

New technology has led to improved storage and preservation of commodities.

**Table 4.9: New technology adoption on storage and preservation**

	N	Mean	Std. Deviation
	86	4.1	.25

**Source: Research data, 2016**

Table 4.9 above indicated the extent of how new technology adoption has improved storage and preservation of commodities. The study findings indicated that new technology adoptions are of low extent in preservation and storage of commodities.

#### 4.4 Credit Provision

##### 4.4.1 Credit access on Improved Income

The study sought to establish effects of credit access by youth groups on incomes.

**Table 4.10: Credit access impact on income**

	N	Mean	Std. Deviation
	86	2.5	.15

**Source: Research data, 2016**

Table 4.10 above indicated the impact of credit availability on income. The finding indicates that availability of credits leads to moderate generation of income to the groups and this shows how presence of cash as a working capital is important in any project

#### 4.4.2 Credit Provision on Timely Starting of project

The study sought to establish if credits provision by the groups at the right time has led to timely initiation of project.

**Table 4.11 Credit provision on timely initiation of project**

	N	Mean	Std. Deviation
	86	3.6	.25

**Source: Research data, 2016**

Table 4.11 above indicated the extent of how timely provision of credits effects project initiation. The study findings indicated that timely provision of credits have a low impact on the time the project will start thus not of high consideration

#### 4.4.3 Low Security Credits for Competition

The study sought to establish whether availability credits with low security has improved performance of youth projects.

**Table 4.12 Low security credits on competition**

	N	Mean	Std. Deviation
	86	2.2	.27

**Source: Research data, 2016**

Table 4.12 above indicated the extent of how availability of credits of low security impacts projects. The study findings indicated that low security credits are of moderate significance in achieving good performance thus improving on competition especially on groups with low security.

## 4.5 Market Provision

### 4.5.1 Internal markets for Speedily Delivery of Products

The study sought to establish if presence of internal organized markets have impact on products delivery.

**Table 4.13 Internal markets on speedily delivery**

	N	Mean	Std. Deviation
	86	2.5	.23

**Source: Research data, 2016**

Table 4.13 above indicated the extent of how availability of markets impacts timely delivery of product. The study findings indicated that presence of internal markets has moderate impact on timely delivery of products.

### 4.5.2 External Markets on Income

The study sought to establish whether external markets have led to generation of more income.

**Table 4.14: External markets on income generation**

	N	Mean	Std. Deviation
	86	1.9	.24

**Source: Research data, 2016**

Table 4.14 above indicated the extent of how presence of external markets impacts on income. The study findings indicated that external markets contributes a lot on generation of high incomes especially through better pricing.



## 4.6 Financial knowledge

### 4.6.1 Financial knowledge on Cost Management

The study sought to establish whether financial knowledge has contributed to managing of cost through tracking and record keeping.

**Table 4.15: Financial knowledge on cost management**

	N	Mean	Std. Deviation
	86	2.7	.25

**Source: Research data, 2016**

Table 4.15 above indicated the extent of how financial knowledge effects managing of cost. The study findings indicated that financial knowledge are of moderate extent in managing cost through concepts such as cost tracking and record keeping.

### 4.6.2 Financial knowledge on Output and Income

The study sought to establish the effect of financial knowledge on the level of output production and income.

**Table 4.16: Financial knowledge on output and income**

	N	Mean	Std. Deviation
	86	2.7	.19

**Source: Research data, 2016**

Table 4.16 above indicated the extent of how financial knowledge on output and income. The study findings indicated that financial knowledge has a moderate impact on output and income and this is through marketing, budgeting and entrepreneurial knowledge which is imparted on the groups.

## 4.7 Test of Correlation

Test of correlation shows whether there exist any relationship between the dependent and independent variables. This study sought to establish if there is relationship between youth financial empowerment programmes and socio-economic development of rural areas.

#### 4.7.1 Relationship between adoption of new technology and socio-economic development

**Table 4.17 adoption of new technology and social economic development**

Chi-square tests			
	Value	df	Asymp. sig. (2-sided)
Pearson Chi-Square	46.741 <sup>a</sup>	12	.0001
Likelihood ratio	22.711	12	.032
Linear-by-linear Association	5.333	1	.024
N of Valid cases	86		
a. 18 cells (90.0%) have expected count less than 5. The maximum expected count is .06			

**Source: Research data, 2016**

The study sought to establish whether there exists a relationship between adoption of new technology and social economic development. The computed chi-square value (46.741) at 12 degrees of freedom the study found that there is a significant relationship between adoption of new technology and social economic development since the computed p-value (0.0001) was less than 0.05 at 95% confidence level.

#### 4.7.2 Relationship between provision of credit and socio-economic development

**Table 4.18 Provision of credit and socio-economic development**

Chi-square tests
------------------

	Value	df	Asymp. sig. (2-sided)
Pearson Chi-Square	23.117 <sup>a</sup>	12	0.012
Likelihood ratio	22.279	12	.005
Linear-by-linear Association	5.161	1	0.012
N of Valid cases	86		
a. 18 cells (90.0%) have expected count less than 5. The maximum expected count is .09			

**Source: Research data, 2016**

The study sought to establish whether there exists a relationship between provision of credit and socio-economic development. The computed chi-square value (23.117) at 12 degrees of freedom the study found that there is a significant relationship between provision of credit and socio-economic development. Since the computed p-value (0.012) was less than 0.05 at 95% confidence level.

#### **4.7.3 Relationship between market provision and socio-economic development.**

**Table 4.19 Market provision and socio-economic development.**

<b>Chi-square tests</b>			
	Value	df	Asymp. sig. (2-sided)
Pearson Chi-Square	27.277 <sup>a</sup>	16	.005
Likelihood ratio	26.787	16	.032
Linear-by-linear Association	5.999	1	.014
N of Valid cases	86		
a. 23 cells (92.0%) have expected count less than 5. The maximum expected count is .06			

**Source: Research data, 2016**

The study sought to establish whether there exists a relationship between Marketing of the product and socio-economic development. The computed chi-square value (27.277) at 12 degrees of freedom the study found that there is a significant relationship between market

provision and socio-economic development since the computed p-value (0.005) was less than 0.05 at 95% confidence level.

#### 4.7.4 Relationship between financial knowledge and social-economic development

**Table 4.20 Financial knowledge and social-economic development**

Chi-square tests			
	Value	df	Asymp. sig. (2-sided)
Pearson Chi-Square	26.991	16	.0012
Likelihood ratio	25.128	16	.015
Linear-by-linear Association	2.707	1	.015
N of Valid cases	86		
a. 24 cells (96.0%) have expected count less than 5. The maximum expected count is .06			

**Source: Research data, 2016**

The study sought to establish whether there exists a relationship between financial knowledge and social-economic development. The computed chi-square value (26.991) at 16 degrees of freedom the study found that there is a significant relationship financial knowledge and social-economic development since the computed p-value (0.0012) was less than 0.05 at 95% confidence level.

#### 4.8 Regression Analysis

Multiple regression analysis was used in predicting the Effect of Youth Financial Empowerment Programmes on Socio-Economic Development of Rural areas of Nyeri County,

Kenya and also determines the direction and magnitude of the relationship between the study variables and the results are shown in the table below

**Table 4.21: Summary Table.**

model	R	R Square	Adjusted R Square	Std. Error of the Estimate
<b>1</b>	<b>.851<sup>a</sup></b>	<b>.724</b>	<b>.712</b>	<b>.29</b>

a. Predictors: (Constant), Adoption of new technology, Provision of credits, Provision of markets, Financial knowledge.

**Source: Research data, 2016**

The summary table shows R, R<sup>2</sup>, Adjusted R-Square and the standard error of the estimates. R represents multiple correlation coefficients while R-Squared represents the proportion of variance in the dependent variables that can be explained by the independent variables while Adjusted R-Square is a modified version of R-Squared for the number predictors in a model. From the regression results above, the R value was 0.851 indicating that there is a strong positive relationship between Youth Financial Empowerment Programmes and Socio-Economic Development of rural areas. The R-squared (R<sup>2</sup>) value of 0.724 shows that 72.4 percent of Socio-Economic Development of rural areas can be explained by Youth Financial Empowerment Programmes and the remaining 27.6 percent can be explained by other factors beyond the scope of this study. The value of adjusted R squared was 0.712 an indication that there was variation of 71.2% on Socio-Economic Development of rural due to credit provision, market provision, new technology and financial knowledge collectively at 95% confidence interval

**4.9 ANOVA**

This is used to test differences between two or more means by analyzing variance

**Table 4.22: ANOVA**

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	32.924	4	8.231	12.433	.038 <sup>b</sup>
Residue	110.044	82	1.342		
Total	142.968				

a. Dependent Variable: socio-economic development of rural areas

b. Predictors: (Constant), adoption of new technology, provision of credits, provision of market and financial knowledge.

**Source: Research data, 2016**

The ANOVA model tells us whether the overall regression model is a good fit for the data and if the independent variables predict the dependent variable by interpreting the p-value in the table.

The model was significant with the F ratio = 12.433 and p value  $0.038 < 0.05$ . Since P is less than 0.05. This indicated that the regression model is a good fit in prediction of socio-economic development of rural areas. Hence, YFEP have a positive and significant effect on Socio-economic development of rural areas in Nyeri County, Kenya.

**4.10: Coefficient**

This shows the slope of the linear relationship between the criterion variable and the part of a predictor variable that is independent of all other predictor variable. The beta values indicate the direction of the relationship

The regression coefficients table indicates the slope of both the standardized and

**Table 4.23: Regression Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.231	.341	2.131	4.023	.025
1 Adoption of new technology	.362	.056	.176	2.332	.032
Provision of credits	.473	.064	.341	3.564	.026
Provision of markets	.212	.141	.216	4.217	.017
Financial knowledge	.324	.211	.371	2.578	.043

**a. Dependent Variable: Socio-Economic Development**

**Source: Research data, 2016**

unstandardized coefficients of the variables. Table 4.27 above presented results on coefficients, betas and p-values

Thus the regression function above on extraction becomes

$$Y = 3.231 + 0.362X_1 + 0.473X_2 + 0.212X_3 + 0.324X_4$$

The above regression equation implies that by taking all the independent constant socio-economic development will be 3.231. The findings also indicated that by taking a unit increase in adoption of new technology leads to an increase in socio-economic development by 0.362 all other factors held constant; a unit increase in provision of credits leads to an increase in socio-economic development by 0.473 all other factors held constant, a unit increase in provision of markets and holding leads to an increase in socio-economic development by 0.212

all other factors held constant and a unit increase in financial knowledge leads to an increase in socio-economic development by 0.324 all other factors held constant.

The significant values (P-value) under sig. column indicate the significance of the effect of each YFEP component on Socio-economic development. A p-value of less than 0.05 is recommended as it implies a high degree of significance. A value above 0.05 indicates a statistically insignificant relationship. Adoption of new technology had p-value of .032 which is less than 0.05 hence was found to be significant in predicting the socio-economic development of rural areas. Provision of credit had p-value of .026 which is less than 0.05 hence was found to be significant in predicting the dependent variable. Provision of markets had p-value of .017 which is less than 0.05 thus was found to be significant in predicting socio-economic development of rural areas. Financial knowledge had p-value of .043 which is less than 0.05 hence was found to be significant in predicting the socio-economic development of rural areas. From the p-value results above, it was evident that at 95% confidence level, all the variables produced statistically significant values with  $p\text{-value} < 0.05$  thus they were statistically significant in predicting socio-economic development of rural areas.

#### **4.11 Summary of Key Findings and Discussion**

Data after being analysed brought various aspects from descriptive statistics to inferential statistics. The first objective of the study was to determine the effect of adoption of new technology on socio-economic development of rural areas of Nyeri County. From the study findings it revealed that presence of current technology is of great impact on socio-economic development given by its mean of 1.2 and a positive regression value of 0.362 implying that its increase leads to an increase in socio-economic development of rural areas.

These results were consistent with a study carried by World Bank (2008), whereby several research findings pointed to the fact that adoption and use of new technologies especially in agricultural, such mechanization and use of high yielding varieties kick-started the Green



Revolution in Asia, and this could lead to significant increase in agricultural productivity in Africa and stimulate the transition from low productivity subsistence agriculture to a high productivity agro-industrial economy. Datt and Ravallion (1996) also carried out a similar study and concluded that agricultural productivity growth and development will not be possible without developing and disseminating cost effective yield-increasing technologies, since it is no longer possible to meet the needs of increasing numbers of people by expanding the area under cultivation or relying on irrigation.

The second objective was to establish the effect of provision of credit on socio-economic development of rural areas of Nyeri County. The study findings indicated that credit provision was significant influencing socio-economic development by having a mean of 2.5 and also had a positive impact given by a positive value on its regression model of 0.473. The results were in line with those results put by Akram & Hussain (2011), that credit has been used as a tool to gear up the living standard of poor people . Agricultural credit provides financial resources to the farming community particularly for the purchase of primary inputs like fertilizer, seeds, pesticides, machinery, equipment etc. credit is thus considered an important instrument for achieving higher production. Hence, a high priority is attached to it so as to ensure its timely availability to the farmers. Credit requirements of the farming community have shown an increasing trend over in recent decade (Khan et al)

The third objective was to determine the effect of market provision on socio-economic development of rural areas of Nyeri County. The study findings indicated that market provision has a significant impact on socio-economic development by having a mean of 1.9 and a positive value of 0.212 on its regression analysis. Market provision has helped to create competition and brings about a continuous change and improvement in rural areas. Groups can lower costs, be more efficient, and can deliver quality products, thus prosper more. Those that have high

costs, fail to adapt to changes in market demand and provide poor qualities are often forced out of business. Agricultural market provision brings support to farmers through market information development, marketing extension, training in marketing and infrastructure development and this trend have seen the growing importance by bringing socio-economic development in rural areas.

The last objective was to establish the effect of financial knowledge on social-economic development of rural areas of Nyeri County. The study findings indicated that financial knowledge had moderate impact on socio-economic development by having a mean of 2.7 and also positive value on its regression model of 0.324. This has led to making more informed investment decision about utilization of finances since its costly and scarce. It has also led to concepts such as efficiency and effectiveness in its use thus achieving maximum gains possible.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

The study entailed youth financial empowerment programmes and socio-economic development of rural areas. The chapter presented a summary and the conclusion of the study based on the results of the findings. Finally the study gave the recommendations and highlighted the areas that require further research.

## **5.2 Summary**

Growth, development and improvement of people and society welfare can only be done through empowering the people by providing them with the necessary resources and a platform for creating awareness on available opportunities and wealth. The main goal is to create a positive impact in the short or long run to the society and economy at large. This study aimed at examining the effects of government and non-governmental organization intervention through youth financial empowerment programmes on socio-economic development of rural areas of Nyeri County doing analysis on credit provision, new technology adoption, markets provision and financial knowledge.

The population of the study was 2 persons from 63 registered youth groups from Nyeri County, totaling 126 respondents to represent the whole population of youth but only 86 responded. Purposive sampling was employed to the targeted respondent making the study sample size 126 who were beneficiaries of the youth financial empowerment programmes. Data collection was through primary methods such as interviews and questionnaire and secondary mean from journals and government publications. The research employed descriptive survey to analyze the relationship between youth financial empowerment programmes and socio-economic development on rural areas of Nyeri County, Kenya.

Multiple Regression Analysis and descriptive statistics (such as mean and standard deviation) were used. Data presentation was done using charts and tables for ease of understanding and interpretation. From the study findings, it was indicated that each independent variable had a

varying degree of impact on socio-economic development of rural areas of Nyeri County. From the study findings, it was indicated that adoption of new technology adoption, provision of credit and market had significant impact on socio-economic development while financial knowledge had moderate impact. Thus, to achieve socio-economic development of rural areas of Nyeri County the above independent variables are significant

### **5.3 Conclusion**

Firstly, the study sought to determine the effect of adoption of new technology on socio-economic development of rural areas of Nyeri County. From the study findings it was concluded that adoption of new technology influences greatly socio-economic development of rural areas and this is through improved production on mechanization, cost savings due to efficiency and effectiveness and also leads to value additions and proper storage thus minimising losses thus fetching more income.

Secondly, the study endeavoured to establish the effect of provision of credit on socio-economic development of rural areas of Nyeri County. From the study findings it is concluded that provision of credit has led to initiation of income generating projects in a timely manner and this have improved people income positively. Also, due to low security it has helped more youths accessing thus improving on their livelihood and society. From regression analysis it indicates a positive value thus a unit increase in credits leads to a 0.473 increase in socio-economic development of rural areas.

Thirdly, the study sought to determine the effect of market provision on socio-economic development of rural areas of Nyeri County. From the study findings it concluded that market provision has a significant impact on socio-economic development of rural areas of Nyeri County, Kenya in that it helps in speedily delivery of product thus avoiding losses associated with wastages and poor quality. Also through having organized markets there is better pricing of goods hence achieving a higher income to both the individual and economy at large.

Finally, the study sought to establish the effect of financial knowledge on social-economic development of rural areas of Nyeri County. From the study findings the study concludes that financial knowledge contributes in minimizing costs and management of resources such as labour. It also imparts concepts such as budgeting, marketing and entrepreneurship which help to improve productivity hence gaining higher income.

#### **5.4 Recommendations**

From the study findings and conclusions, the researcher recommends that: good financial management such as budgeting, recording, and reporting are of paramount importance thus more resources to be put such as educative materials and manpower so as to train and enlighten the youth in that area. New technology should be encouraged so as to improve production by using less resources and credit should be provided in a timely manner and also should be of low security so as to make them available to majority of rural youths.

Policy makers should come up with a policy framework that will involve the youth more through public participation in coming up with empowerment programmes, development youth agendas by involving a wider network of stakeholders such as private investors and NGO apart from the government. Also diversified sources of funding or credit should be involved so as to pump more financial capital to rural areas which would have direct impact on socio-economic development and also remove stringent mechanism revolving around the YFEP for better outcome in future.

#### **5.5 Limitation of the Study**

The study experienced challenges during the research period, but this did not significantly affect the quality and outcome of the final study. Among the limitations the study encountered

is collection of data is that some of the groups were not comfortable providing complete information especially on incomes.

The study also experienced difficulties on timely accessing the respondent and timely filling of the questionnaire due to remote location of youth groups thus affecting data collection period which was not adequate for an exhaustive study like this. The study however had a timetable and schedule which was extended to ensure collection and analysis is done rightly and in stipulated periods.

### **5.6 Area of Further Research**

The study suggests that more research should be done on other factors affecting socio-economic development of rural areas in Nyeri County. Since from R-squared results shows that a proportion of 27.6% which is not explained by YFEP. Thus, another study needs to be done to explain the remaining proportion

Also a similar study should be carried out in another county for comparison purposes and also can be repeated in Nyeri County some other time latter to assess the changes that might have occurred. Finally, a study should be carried out to assess challenges involved in implementing YFEP projects in the rural areas of Nyeri County and Kenya at large.

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## **APPENDICES:**

### **APPENDIX I**

#### **Nyeri County**

<b>Sub-Counties</b>	<b>Population*</b>	<b>RuralPop.*</b>	<b>Headquarters</b>
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Kieni east	83,635	80,992	NaroMoru
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Kieni west	68,461	63,444	Mweiga
Mathira	150,998	144,723	Karatina
Mukurwe-ini	87,447	85,922	Kiahungu
Nyeri Municipality	101,238	60,741	Nyeri
Othaya	88,291	84,445	Othaya
Tetu	80,100	77,748	Giakanja
<b>Total</b>	<b>660,100</b>	<b>598,015</b>	

Sources: KNBS, 2009 census.

## **APPENDIX II**

### **YOUTH GROUPS IN NYERI COUNTY**

1. THIOTAINI SELF EMPOWERMENT YOUTH GROUP
2. JASHO DAIRY PROJECT
3. KAIGURI YOUTH DEVELOPMENT GROUP
4. JIKAZE JIINUE YOUTH SELF HELP GROUP
5. KAMENYI SELF-EMPOWERMENT YOUTH
6. HUBU-INI EVERGREEN SELF HELP GRO
7. SMART ENTREPRENEURS YOUTH SELF
8. GURA YOUTH DEVELOPMENT GROUP
9. JEMU UMOJA GROUP
10. GATHUTHI STARS YOUTH GROUP
11. HIGH & RISE YOUTH GROUP
12. KIMATHI YOUTH PROG. INIT.SHG
13. SUCCESS VISION DEVELOPMENT YOUT
14. GITUNGURU INVESTMENT GROUP
15. KARIUMBA YOUTH SELF HELP GROUP
16. SMART KIANJOGU YOUTH GROUP
17. BIDII WELFARE YOUTH GROUP
18. PRECIUOS DEVELOPMENT YOUTH GROUP
19. MWEIGA ZINDUKA YOUTH GROUP
20. JITEGEMEE YOUTH SELF HELP GROUP
21. CHAKA JISAIDIE S.H.G
22. RAGATI YOUNG HORT.GROWERS
23. HUHO-INI MOONLIGHT YOUTH GROUP

24. KIDASITE TREE NURSERY S.H.Y.G
25. BIRICHA MWIRERI YOUTH S.H.G
26. MWEIGA BUSINESS YOUTH GROUP
27. BIDII DAIRY YOUTH WELFARE GROUP
28. CENTRAL FISHERIES
29. MWERERI YOUTH HORTICULTURE SELF HELP GROUP
30. YOUNG FARMERS SELF HELP GROUP
31. CHIENI CATTLE REARING SELF HEL
32. MUKIAMBUKA YOUNG HORTCULTURE SELF HELP
33. MARIA YOUTH BEE KEEPING
34. KANYAMA YOUTH FOR DEVELOPMENT S. H.G
35. YUCCA HORTICULTURAL GROWERS
36. SAMAKI SELF HELP GROUP
37. MAHIGA YOUTH ENTERPRISE&ENVIRONMENTAL
38. KAGERE JIINUE SELF HELP
39. SPARKS YOUTH GROUP
40. SUNSHINE YOUTH KARIKO S.H.G
41. MUTHARE BLESSED GROUP
42. VICTORY FARMERS SHG
43. OTHAYA SHARKS SELF HELP
44. KIRAI YOUTH DEVELOPMENT SELF HELP GROUP
45. KAMUYU YOUTH SELF HELP GROUP
46. MUMBUI-INI WEST YOUTH GROUP
47. KIRITI TUMAINI
48. GACHIKA SELF-EMPOWERMENT YOUTH GROUP

49. THANGATHI BEE KEEPING YOUTH GROUP
50. KARIA INI EMPOWERMENT YOUTH GROUP
51. YOUNG-STARTERS YOUTH ENTERPRISE
52. NYARIBO YOUTH EMPOWERMENT GROUP
53. KIHUYO POULTRY KEEPING PROJECT
54. KAMAKWA DESTINY SELF HELP
55. WITIKIO YOUTH GROUP
56. IMPACT YOUTH GROUP
57. NEEMA TUJIVUNIE KAMUYU
58. KAHIGA YOUTH FOR DEVELOPMENT
59. KAMUYU GREEN LIFE YOUTH GROUP
60. ZAWADI YOUTH ENTERPRISES PROGRAM
61. GITATHI-INI UNITED YOUTH GROUP
62. NYERI YOUTH FOR DEVELOPMENT
63. KIRIRA YOUTH SELF HELP GROUP

Sources: KNBS (2015)



## **APPENDIX III**

### **QUESTIONNAIRE**

I am a postgraduate student at Kenyatta University, Nyeri campus taking MBA (finance option).

I am currently carrying out a research on the **Youth Financial Empowerment Programmes and Socio-Economic Development of Rural areas in Nyeri County, Kenya..** I therefore request you to complete the attached questionnaire for me. Any information given will be treated in confidence for the purpose of this research alone.

Your effort will be highly appreciated

James Waweru

Reg No: D53/NYI/PT/28423/2014

### **SECTION A:GENERAL INFORMATION**

1. Your gender

Female ( )                      Male ( )

2. Please indicate your age bracket

18 years ( ) 26-30 years ( )

18-25 years ( )                      31-35 years ( )

35 years and above ( )

3. What is your education level

Primary ( )    Diploma ( )

Secondary ( ) University ( )

4. How long have you been with this group project

Less than 1 year ( )

Between 3 and 5 years ( )

Between 1 and 3 years ( )

Over 5 years ( )

5. What is your designation at the group

Chairman ( )

Treasurer ( )

Member ( )

6. What is your current agriculture project? (tick one)

Crop farming ( )

Livestock rearing ( )

Agricultural trade

( )

7. How often do you review your Youth Financial Empowerment Programmes

Quarterly ( ) Semi-annually ( )

Annually ( )

**SECTION B: ADOPTION OF NEW TECHNOLOGY**

Adoption of new technology contributes to the socio-economic development of rural areas. In your opinion, indicate by ticking in an appropriate column to evaluate how Adoption of new technology contributes to the socio-economic development of rural areas.

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1.	New technology adoption has contributed to cost savings through a more efficient use of the limited resources					
2.	Adoption of new technology through mechanization has improved production					
3.	The groups through introduction of technology has contributed to value addition of products					
4.	New technology has led to improved storage and preservation					

4. To what extent does your group review the current trend in technology in your field?

Rarely ( )                      Once in a while ( )                      More often ( )

5. Kindly indicate how the group chooses the best technology out of existing alternatives

.....

.....

.....

**SECTION C: PROVISION OF CREDITS**

Provision of credit contributes to socio-economic development of rural areas.

To what extent do you agree to the following regarding the Provision of credit contributes to socio-economic development of rural areas? Indicate your response based on the 5-point scale by using a tick (√) or (X) to mark the applicable category.

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1.	Due to access to credits groups income have improved positively					
2.	Through provision of credits groups are able to initiate projects timely					
3.	Provision of credits with low security have provided an equal platform for competition between rural youth groups and well established business					

4. Kindly indicate on average how much credit your group receives.....

**SECTION D: PROVISION OF MARKETS**

Provision of markets contributes to the socio-economic development of rural areas. In your opinion, indicate by ticking in an appropriate column to evaluate how provision of markets contributes to the socio-economic development of rural areas.

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1.	Provision of internal markets has improved on speed and delivery of products thus less wastage					
2.	Through market provision of external markets more income is generated					
3.	The organized markets contributes more incomes through better prices due to better quality					

4. How does your group source markets for their product?

.....

.....

.....

**SECTION E: FINANCIAL KNOWLEDGE**

Financial knowledge and skills contributes to the socio-economic development of rural areas.

In your opinion, indicate by ticking in an appropriate column to evaluate how financial knowledge & skills contributes to the socio-economic development of rural areas.

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1.	Financial knowledge and skill has contributed to concepts such as record keeping and cost tracking with aim of managing cost					
2.	Through financial knowledge and skills, marketing, entrepreneurial and budgeting skills are imparted improving on output and income					

3. How often does your group engage trainer in finance or attend seminars on the same?

Monthly ( )      Quarterly ( )      Semi-Annually ( )      Annually ( )

**SECTION F: FINANCIAL PERFORMANCE OF THE GROUP**

		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
1.	Output: (units.)				
2.	Turnover: (Ksh.)				
3.	Net Income/Profit (end of year)				

**THANK YOU**

