DETERMINANTS OF LOAN REPAYMENT OF GOVERNMENT FUNDING TO VULNERABLE GROUPS, A CASE OF BIASHARA FUND IN KIAMBU COUNTY, KENYA

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A RESEARCH PROPOSAL SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS IN PUBLIC POLICY AND ADMINISTRATION. SCHOOL OF HUMANITIES AND SOCIAL SCIENCES. DEPARTMENT OF PUBLIC POLICY AND ADMINISTRATION, KENYATTA UNIVERSITY

November, 2019

DECLARATION

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C153/OL/31322/2015

This research project has been submitted for the review with my approval as University supervisor. I confirm that this project was carried out by the candidate under my supervision.

………………………………………… **DATE: ………………………………**

DR. GEORGE KOSIMBEI

DEDICATION

I dedicate this project to the men and women who have believe in empowering the vulnerable groups through creation of self-employment opportunities. To those to have contributed in one way or another in training, transforming and helping the youth, women and persons living with disability realize their potential.

To the first County Executive Committee Member in Charge of Youth Affairs, Sports and Communication in Kiambu County- Machel Waikenda, thank you for your resilience in empowering youth.

ACKNOWLEDGEMENT

I would first like to thank my supervisor Dr. George Kosimbei, your door was always open whenever I ran into a trouble spot or had a question about my research. You consistently allowed this paper to be my own work, but steered me in the right direction whenever you thought I needed it.

I must express my very profound gratitude to my parents Rahab and Joseph, my sisters Grace and Nish for providing me with unfailing support and continuous encouragement and prayers in the last three decades of study and especially through the process of researching and writing this project.

To my lovely daughters Lerato and Lindiwe, and my husband Wanda, for your patience and love as I studied through the night and gave little attention to you all. I am forever grateful.

This accomplishment would not have been possible without you. Thank you!

ABSTRACT

In an attempt to alleviate poverty and empower the vulnerable population, many non-governmental organizations and government line agencies have provided revolving funds to its citizens. The County Government of Kiambu introduced Biashara Fund to empower its youth. The major challenge has been identifying the most deserving beneficiary and minimizing the risk of loan non-repayment. Such, has however not been possible as at times, the rate of defaulters has been reported to be substantially high, leading to writing off such debts at the expense of the revolving funds. The role of the government in providing start-up funds and ensuring sustainability is crucial. Ideally when such funds are borrowed, it is expected that they are repaid in order to empower another beneficiary thus creating a revolving fund and ensuring sustainability of the fund. However, this is often not the case as change of the government of the day at times leads to higher default rate of such funds. This study focused on determinants affecting loan repayment of government funding to venerable groups, a case study of Biashara Fund in Kiambu County, Kenya. The study specifically evaluated the influence of amount of credit borrowed, legislation put in place on loan repayment, borrowing process set and group leadership on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County. Descriptive survey was adopted for this study. The study targeted youth, women and persons with disability with emphasis on 60 groups and 865 individuals drawn across the 10 sub-counties in Kiambu County. The target category had advanced loans by the Biashara Fund from 2014 to 2017. A sample of 274 participants was used and was selected using stratified and simple random sampling. The study used a questionnaire as the sole primary data collection instrument. Data was analyzed using the Statistical Package for Social Sciences where both descriptive and inferential statistics were employ yed. A univariate analysis was done to get standard deviation, means frequency tables, histogram pie chart, graphs and percentages. Further inferential statistics were applied using regression analysis. The study established a relationship between group leadership and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County. The study findings show that there is a significant negative relationship between the amount of credit borrowed and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County. The study concludes that there is a relationship between loan size and capacity to repay. The study also concludes that most of the youth, women and persons with disability were partially conversant with the Biashara loan rules. Policy makers need to come up with viable interventions to stimulate and create an enabling economic environment for innovation and business competitiveness, hence inducing performance of youth, women and disabled business projects. The youth, women and disabled problem thus requires properly planned well-structured and broad based programs. The study recommends that adequate liquidity should be ensured as depositors and borrowers should be able to access funds without subjecting the institutions to solvency and attainment of acceptable rates of return. Research and academicians with an interest in entrepreneurship and startup funding as they will understand the issues raised for future research.

LIST OF ABBREVIATIONS AND ACRONYMS

KIPPRA: Kenya Institute for Public Policy Research and Analysis

KNBS: Kenya National Bureau of Statistics

MFIs: Microfinance Institutions

OLS: Ordinary Least Square

SACCO: Savings and Credit Cooperative Organization

SPSS: Statistical Package for Social Sciences

UNDP: United Nations Development Programme

UNOPS: United Nations Office for Project Services

WBG: World Bank Group

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OPERATIONAL DEFINITIONS

Biashara Fund:	Refers to the Kiambu County Youth, Women and Persons with Disability Enterprise Development Fund.
Entrepreneur:	A small business founder/owner with a mind of investing or innovating.
Loan Utilization:	Refers to how the Biashara fund money is invested by the beneficiaries
Micro Finance Institutions:	Small scale or informal sector where micro enterprises are designed as any business employing 1-10 persons, has low capital investments, uses simple technology and local materials and utilizes low skills.
Loan Repayment:	Act of paying back monies advanced as loan with interest as and when it falls due.
Youth:	Persons aged between 18 to 35 years according to the Kenya constitution 2010
Borrowing process:	This is how loans are applied, verified, issued and modalities used to set the payments.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Governments have continued to focus on enhancing access to funds among vulnerable groups to drive small and medium sized businesses to promote economic growth (UNDP, 2014). The importance of using other forms of credit and financial services which is easily accessible and friendlier for small businesses growth among vulnerable groups is quite significant. Thus, new, innovative and pro-poor models for financing youth, women and persons with disability upcoming businesses have been developed in Kenya (Oduol, 2013).

Globally, most formal financial sectors like banks have been unwilling to offer credit to start-ups, medium and small enterprises due to lack of collateral or security to support such loans, thus resulting to high transaction costs, lower education levels and high cost of monitoring (UNOPS, 2012). Such upcoming businesses are often categorized as high risk due to low revenue or collapse within the first year of establishment, hence financial institutions shy away from lending these groups of people. Microfinance programs provide small scale financial services to low income individuals. Loans are designed to foster sustainable economic empowerment and capacity building for people in developing economies in order to increase capacity and their profits, thus better financial performance. However, microfinance and microcredit programs have been under critism recently due to uncontrolled lending practices by unmonitored and irresponsible organizations. Access to microcredit is a major constraint for small scale entrepreneurs sector and a complicated challenge. For this reason, governments have over the years shown interest and efforts have been made to improve access to funds for low income earners and consequently expanded policies for previously marginalized groups (WBG, 2016).

The Kenya National Bureau of Statistics (2017), report stipulates that out of 60% youth population, 75% are either jobless or in the non-formal employment sector. These figures, are exclusive of women and persons with disability considered as vulnerable groups and are above the age of 35 years. The government therefore saw the need to have a revolving fund aimed at empowering the youth as well as venerable groups thus the launch of Uwezo Fund. Uwezo Fund is a flagship programme for Vision 2030 aimed at enabling women, youth and persons with disability access finances to promote enterprises at the Constituency level, thereby enhancing economic growth towards the realization of the same and Millenium Development Goals Number 1 (Eradicate extreme poverty and hunger) and 3 (promote gender equality and empower women) (KIPPRA, 2016).

This Fund was launched in September 2013 and enacted through a Legal Notice No. 21 of the Public Finance Management Act, 2014 and published in February 2014 (Mutuku, 2014). The Fund seeks to expand access to finances and promote women, youth and persons with disability led enterprises at the Constituency level. It also provides mentorship opportunities to enable the beneficiaries take advantage of the 30% government procurement preference through its capacity building program. It is among other funds like Youth Enterprise Fund and Women Enterprise Fund an avenue for incubating enterprises, catalyzing innovation, promoting industry, creating employment and growing the economy (Wanjohi, 2013).

Since 2013, the Kenyan government has an account of Kshs 5.2 billion. Out of this figure Kshs 545.3 million has been given to 12,407 group projects country wide and the remaining Kshs 54.2 million has been distributed to 2111 individual youth enterprises at the constituency level (World Bank Report 2015). Furthermore, the Youth Enterprise Development Fund booklet (2016), points out that the fund facilitates the marketing of products and services of youth, youth, women and persons with disability enterprises both in domestic and the international markets and provides more business development services to young entrepreneurs and facilitates the employment of youth in the international labor market. However the repayment of loans has proved more difficult among the beneficiaries of this funds. Both the National and the county government have put effort to reduce the default rate without any success. The rate of defaulters by youth, women and persons with disability who have benefited from government revolving funds is alarming and the bad debtors will negatively affect the purpose of such funds if left unchecked as these are public funds which need to be safeguarded (KIPPRA, 2016).

Kiambu County has adopted a similar revolving fund from the year 2013 dubbed as Kiambu County Youth, Women and Persons with Disability Enterprise Development Fund, popularly known as Biashara Fund that set aside 300 million shillings in the financial year 2014/15 with an additional allocation of 100 million shillings every year (RoK, 2016). The loan is given at a very low interest rate and is supposed to be serviced on monthly basis for a stipulated time but not more than five years. Loan repayment is a necessary ingredient for sustaining such government funding. However the default rate has been over 60% hence influencing the aimed purpose of the fund at the county level. This makes the county government to shy away from loaning other emerging apart from those with a history of not defaulting. This thus may create a gap if a government chooses not to provide monies towards a revolving fund as this will mean less affordable financing or capital for small and medium sized enterprises funding. The far reaching effects are less opportunities for the creation of self – employment and thus a weaker economy as those in the age bracket that are able to work will remain unemployed. There is therefore need to investigate the This study focuses on determinants affecting loan repayment of government funding to venerable groups, a case study of Biashara Fund in Kiambu County, Kenya.

1.2 Statement of the Problem

The default rate of Biashara Fund currently stands at 68% (Kiambu Biashara Fund Office). This figure in comparison to 60% default rate nationally an indication that Kiambu has a high default rate. The factors that have led to the high default have been cited by KNBS and SID (2017) report as lack of business empowerment training programs, high number of groups sourcing for funds thus resulting to minimize funding resulting to poor project planning, lack of project management skills, poor legislation and process of recovering the loans and corruption in favor of certain political leadership interest. There is therefore need to investigate the determinants that contribute to repayment and non- repayment of public funds.

Studies previously conducted have found that determinant of loan repayments are varied (Chulkov and Desai, 2014; Otuki, 2014). There is need to focus more on government funding institutions to enhance their effectiveness in the provision of revolving funds to vulnerable groups. However, proper policy, legal and regulatory frameworks have not been put in place to promote viable and sustainable revolving funds. Besides there is little empirical evidence available on determinants affecting loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County. This study will examine the determinants affecting loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County, a County Government initiative in order to fill this gap.

1.3 Objectives of the Study

The Objectives of this study were to:

i. To evaluate the determinants of amount of credit borrowed on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County.
ii. To assess the effectiveness of legislation put in place on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County.
iii. To determine the determinants of borrowing process set on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County.
iv. To examine the determinants of group leadership on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County.

1.4 Research Hypotheses

The study tested the following null hypotheses

Ho_1: Amount of credit borrowed significantly influence repayment of loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County

Ho_2: Legislation put in place significantly on the repayment of loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County

Ho_3: Borrowing process set significantly influence loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County

Ho_4: Group leadership significantly influence loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County

1.5 Significance and Justification of the Study

This study aims to assist governments recover monies lend out for purposes of establishing businesses to vulnerable groups through loan repayment. This is due to the high number of youth, women and persons with disability unemployment rate and such vulnerable groups have been assisted to create employment opportunities by starting out businesses financed at an affordable interest rate by the government. However, most of this groups have recorded the highest default rate in terms of repayment of government funded loans. Kiambu County has been identified as the area of study due to its proximity to the capital, Nairobi and it is a peri-urban county that provides an incubation hub which includes agricultural and non-agricultural business opportunities as compared to other counties. This study aims to contribute to wealth of information concerning determinants of loan advanced to vulnerable groups by the government through Biashara Fund in Kiambu County and in Kenya. Such information will be valuable to the following stakeholders: Conclusions/ findings made will assist government policy makers who also control other government funds improve their overall loan repayments process.

County governments who have or intend to introduce a revolving fund to benefit youth, women and persons with disability. They will find this study useful as knowledge on factors affecting loan repayment of government funding at the County level will be shared. Specifically the County government of Kiambu- Biashara Fund Office will find this study useful for purposes of scaling loans in subsequent loan cycles. It will serve as a determinant as to whether or not the beneficiaries are able to service subsequent higher loans as an indicator of future sustainability of the fund. Lenders and Financial Institutions for Small and Micro Enterprises as the study outlines risk factors to consider for start-ups and individuals. This study has not been previously conducted for government based funds as they target group beneficiaries.

Research and academicians with an interest in entrepreneurship and startup funding as they will understand the issues raised for future research.

1.6 Scope of the Study

This study covered the determinants affecting loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County, Kenya. Biashara fund was the focus area where youth, women and persons with disability who had access to the Biashara fund. Factors evaluated include amount of credit borrowed, legislation, borrowing process and group leadership.

1.7 Limitations of the Study

Uncooperative respondents were encountered due to the suspicion on the real motive of the researcher. Most of the suspicious respondents were from groups which had not cleared their loan repayment. This was mitigated by working closely with group leaders where the researcher convinced and explained to them that the sole purpose of the study was purely for academic purposes.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter commences with a section that reviews literature on amount of credit borrowed, loans legislation, borrowing process and group leadership in relation to loan payment as done by other scholars. Summary of the literature is presented and gaps drawn. Theories that underpin the study are presented under the theoretical framework section. A diagrammatical linkage of variable sis presented under the conceptual framework section.

Loan repayment

Loan repayment is considered as the act of paying back monies advanced as loan with interest as and when it falls due. Often delays and default occur in government funded loans which may lead to non-performing loans or loss of funds when the monies are not repaid at all.

2.2 Amount of Credit Borrowed and Loan Repayment

A study by Rodrý´guez (2011) in Yugoslavia shows that youth funds and other associated funds face the challenge of inconsistency in budgetary allocation from the government which makes it unable to adequately fund the growing number of venerable groups on the enterprise development mandate. Some of the identified challenges include:-high cost of providing business development services, which include mentorship and business coaching to young entrepreneurs due to large number of beneficiaries' involved and increasing demand. The main one being the amount of credit borrowed by beneficiaries leading to high rates of defaulting.

According to Pratten and Ryan (2014), those borrowers who apply for bigger loan amount and longer loan repayment period could have a problem in their loan repayment unlike those who get small amount and be improved in order to encourage the borrower to pay back their loan. Failure to pay back their loan is divided into two different issues namely not paying back the loan at all and delayed loan repayment.

Kourilsky (2013) noted that the loan interest rate and the amount lent are the main factors affecting repayment of the loans. Using the interest rate that an individual or group is willing to pay by most of the financial institution poses a serious challenge as individual as a device to identified borrower with a high probability of loan repayment. This may be dangerous since high risk-takers are the worst rate payers.

Bapuji and Crossan (2014) assert that, non-supervision of borrowers influences the loan repayment. Cherry (2014) postulates that, the general problem for lack of supervision of a member, affects the loan utilization and makes the members to absent themselves from group meetings. Again, if the loan is not supervised regularly, it encourages misuse of loan and members are not able to pay up their instalments, confidence on each other and the discipline of the group is hampered. Additionally, a lot of work will be created for the staff as they try to follow-up the loan defaulters, the members also lose confidence with the revolving fund institution and conceive wrong ideas of revolving fund borrowing and eventually, the individual group member loses his/her social status.

Adeoye and Elegunde (2012) studied on loan repayment of Loan Beneficiaries by the ministry of youth in Southeast States of Nigeria used a multistage sampling technique to select a total of 144 loan beneficiaries who were randomly interviewed. An ordinary least square (OLS) multiple regression analysis was carried out to isolate and examine the determinants of loans. The findings of the study indicated that loan size was significant at 5% level of significance and was positively related to loan repayment rate. This implies, that the greater the size of the loan, the lower the default. This was true up to a certain point though as there was an optimum amount of loan (or funds) that would be required to break even in projects. Moreover, it is contended that bigger loans make possible larger investments with potentially higher returns. About 75% of the loan beneficiaries indicated that the sizes of their loans were inadequate, thus supporting this viewpoint.

Hoque and James (2011) studied on economic analysis of loan repayment capacity by venerable groups focusing on the disabled in Zimbabwe. The result revealed a strong positive and significant relationship between loan size and capacity to repay. By implication, given that beneficiaries did not have the tendency to divert, if substantial amount was approved as loan, they would use the funds to acquire the basic tools, equipment, and improved technology to enhance their operational and marketing efficiency and make positive returns. In other words, larger loan sizes would enhance the beneficiary access to basic inputs and improve the project management opportunities, which would lead to higher productivity, reduced per unit cost and increased income. The investment would be able to pay back itself and consequently support them to repay the borrowed fund within the specified period. Similar positive influence of loan size on loan repayment performance had been variously reported in separate studies (Bell, 2012; Khalif, 2016; Nokes, 2014).

2.3 Legislation and Loan Repayment

Charles (2012) posits that legislations by the funders of youth, women and people with disability are a key hindrance to them repaying their loans. The study which was conducted in Pakistan recommends that legislations should be accompanied with a combination of skills training (usually non formal education), mentoring and guidance combined with helping beneficiaries gain access to financial capital. Skills training programs should provide beneficiaries with opportunities to master core literacy and numeracy skills, vocational as well as life skills. Funds for this category of beneficiaries should focus mainly on knowledge and experience gaining rather than loan repayment process.

Wabwire (2015) posits that favorable policies are very important for policy makers, as an attempt to understand categories of youth entrepreneurial behavior characteristics enables the policy makers to come up with viable interventions to stimulate and create an enabling economic environment for innovation and business competitiveness, hence inducing performance of youth, women and disabled business projects. The youth, women and disabled problem thus requires properly planned well-structured and broad based programs. So far the government seems to be tinkering at the superficial level without a long term, comprehensive plan. Accelerating economic growth is central to creating employment opportunities for youth, women and disabled as well as providing market drives education and training and life skills.

A study by O’Sullivan and Abela (2016) in Bosnia show that the important factors that contribute to loan repayment performance are the design features of the loan. They categorize the design features into three categories namely access methods, screening methods and incentive to repay. Shields and Rangarjan (2013) stated that the characteristics of legislation of youth funds and other related funds products should include: small amounts of loans and savings, short loan terms, payment schedules featuring frequent installments, easy access to the intermediary, simple application forms which are easy to complete, availability of repeat loans in higher amounts for clients who pay on time.

Friedman (2015), suggests that lenders should look at the borrowers past record and economic prospects to determine whether the borrower is likely to repay or not. Besides characters of borrowers, collateral requirements, capacity and ability to repay and condition of the market should be considered before giving loans to the borrowers. The factors affecting loan repayment performance of MFIs can be divided into four factors namely individual/ borrowers factors, firm factors, loan factors and institutional/lender factors (Robbin and DeCenzo, 2015).

Sekaran and Bougie (2011) highlights that the main reasons for the existence loan faults among the borrowers is that the financial institution are not keen on their terms of loan repayment since most borrowers may take advantage of the loophole and hence they are unwilling to repay and also the financial institution's staffs are not responsible to shareholders a and if loans are given without the proper evaluation of the borrowers business. The loan repayment mechanism and infrastructures put in place in some part of the country especially in rural areas poses serious challenges to disbursement of loan and inability to repay due to lack of financial intermediaries and loan repayment avenues disadvantages the youth in those areas (Suddaby, 2011).

According to Youker (2011) those participating in legislating in empowerment program management forums should understand that; each member of the team understands how His or Her individual piece of the project fits to the big picture. More ideas are generated; better decisions are made; participation creates ownership, which strengthens commitment and accountability, team morale is usually higher, there is less rework and individual and team performance is used. According to Wheelen and Hunger (2016) participatory approach provides better youth, women and disabled empowerment program results. Fletcher (2011) further indicated that planning the project consists of determining which tasks needs to be completed to achieve youth, women and disabled empowerment program objective and allows the youth, women and disabled empowerment program manager to draw the empowerment plan.

Raynor and Ahmed (2013) undertook a study in Ethiopa to analyze and identify the major factors that determine loan repayment performance of the youth, women and disabled and to identify the major challenges of the MFI's in the Wolaita and Dawuro area. Repayment period was found to be a significant determinant of loan repayment performance of borrowers. Suitability of loan repayment period for borrowers was found to significantly increase the probability of repaying loan. Therefore, the institution has to give enough time to clients so that they will be able to work with the loans they have borrowed and arrange the time to collect loan that will be suitable for them to sell their business output

Greenwood and Suddaby (2016) studied Essays on Group Lending: Evidence from Jordan, in this study data from a self-designed survey of 160 borrowing groups of the Micro fund for Women in Jordan was used to test the effect of screening, peer monitoring, group pressure, and social ties on borrowing groups' behavior. If the primary penalty for default or delinquency is denial of future loans, clients will presumably be more willing to risk bad behavior as their outside options expand. In such cases, factors such as loan repayment schedule may have a marginal impact on delinquency and default

A study by Hodgetts and Luthans (2013) shows that in an attempt to address the theme on youth, women and disabled unemployment and empowerment, the Government of Tanzania has come up with various policy documents such as Poverty Reduction Strategy Paper which extensively elaborates on youth, women and disabled empowerment legislated strategies through training on entrepreneurship, vocational training as well as career guidance service development. This has boosted the loan repayment to a 12% increase from 43% in the previous years.

2.4 Borrowing Process and Loan Repayment

Kerr and Slocum (2015) on their study on the determinants of loan repayment performance of youth and disabled in Ghana where a multiple regression was employed shows that, low level of education, lack of alternative source of income, difficult loan processing procedures are the main causes of high loan default. They also identified the incomes that are generated from projects and the sizes of loan invested are the significant indicators' of loan repayment.

Leonard, Scholl and Kowalski (2015) study in Norway shows that easy and proper regulation of revolving fund are expected to lead to quality growth, broaden the funding base from revolving fund institutions eligible to minimize and administer deposits, broaden credit facilities and initiate process of integrating the institutions in the formal financial institutions. The regulation of the government revolving funds enable the government to define procedures for her operations, entrance and exit of firms and groups; and ultimately create an environment for fair competition and efficiency in the sector. The study recommends that adequate liquidity should be ensured as depositors and borrowers should be able to access funds without subjecting the institutions to solvency and attainment of acceptable rates of return.

Suleiman (2012) carried out a research on factors influencing the loan repayment of youth and women fund in China. The research targeted 52 groups' officials and adopted a descriptive survey design where data was collected from fifty youth groups funded through the development fund. The findings revealed that if borrowing process if they become bureaucratic find clients in a full of unpredictable crises, then such funds results towards personal use rather than the intended project. Muya and Wesonga (2012) reported that most of the default arose from delayed receipt of borrowed funds as a resulting to poor management procedures, loan diversion and unwillingness to repay loans. Therefore, lenders must devise various institutional mechanisms aimed at reducing the loan diversion.

According to Tay and Diener (2011), inadequate and prolonged borrowing process, awareness and information technology and appropriate education are some of the discouraging factors for business ideas. Others are cultural taboos, legal systems that fail to protect innovations and competitive business enterprises as well as small weak markets and excessive regulations that frustrate the implementation of business ideas into reality. The findings show that beneficiaries face a lot of challenges in accessing finances to inject in their business both as startup, seed capital and finance expansion of the businesses. This is because of many factors which make their businesses less attractive in terms of lending. Due to the lack of self-sustaining resources, the absence of a substantive credit history, sufficient collateral or guarantees to secure loans or lines of credit, young people are often seen as particularly risky investments and therefore face difficulties in accessing finance. Operations of many financial institutions are tailored to offer credit to formally registered businesses which meet criteria such as proper maintenance of books of accounts and verifiable asset base.

Purcell and Kinnie (2016) isolated borrowing process, among two other variables, that are important and have positive relationship with loan repayment in Imo State. Sollund (2016) in his study on the impact of borrowing process, agreed with this view point. Another perspective to this variable was the loan process whether borrowing or refunding the loan, the higher is the borrower's cost of delaying payment. A larger loan is more difficult to repay if allowed to accumulate especially where there are compounding interest and sanctions. This view puts pressure on the borrower to reduce late payments and serious default. In the sample, recorded incremental penalty rate of interest for delay payment was minimal.

Cropanzano and Rupp (2012) observed that; unlike formal finance, informal lenders often attach more importance to loan screening than to monitoring the use of credit. The screening process usually involves the lender's assessment of the prospective borrower through non-credit transactions over a number of seasons, asking for references or personal sureties, asking questions from other people from the lender's village, and visiting the applicant's farm or business. In group lending, screening practices include group observation of individual habits, personal knowledge by individual money-lenders and recommendations by members of the group. In this lending programme, members are made jointly liable for the loans given and the joint liability plus the threat of losing access to future loans motivates members to perform the function of screening of loan applicants, monitoring borrowers and enforcing loan repayment.

A study by Kourilsky (2013) in South Africa shows that youth, women and disabled persons often have difficulties in meeting strict credit scoring criteria as the revolving funds often deal arbitrarily with terms and conditions. There is a lack of binding rules and clear general terms ensuring the transparency of rating procedures and credit scoring systems for youth, women and disabled persons. They are easily put off by the documentation procedures and information required by many lenders of credit. Particularly funds requiring less or no collaterals but that charge very high interest rates and fees often have more complex documentation procedures. The disadvantaged groups are often not aware of all available types of finance, funding forms and special support programmes. They often do not understand the concept, the benefits, the possibilities and the drawbacks of the numerous forms of debt and equity financing.

2.5 Group Leadership and Loan Repayment

Leadership has been defined as the process of directing or influencing the behaviour of another person or persons towards the accomplishment of some objective. According to Hussain (2015) youth should be seen as experts who are very much aware of what occurs among peers within their communities. Service to the community can move young people beyond their idealistic worlds, thus allowing them to be empathetic to the needs of others. As a result, there is a sense of urgency to embrace the concept of being a leader. While many youth programs should be commended for the support they provide, several struggle with capitalizing on the intrinsic leadership abilities possessed by group leaders. There is often a focus on building skills instead of giving an opportunity to assess how much their leadership abilities have progressed within a given period of time. Their perspective on what young people need is invaluable and should be considered by those youth, women and persons with disability development specialists who have the task of planning programs. Accordingly Kusters et al., (2016) posits that most of the youth participants are given opportunities to practice and refine those skills while building confidence and stronger positive relationships with peers.

Delaney and Huselid (2016) argued that for the lenders to ensure that there is no default on the loan repayment they have advanced to the borrowers they must device structure and mechanism to monitoring borrowers' actions though the use of innovative mechanisms such as regularly scheduled repayments which may indirectly enhances the way lenders get an informed decisions thus ensuring that moral hazard are prevented.

Jassawalla and Sashittal (2015), on his study assessed the factors affecting the loan repayment performance of group lending in Tunisia. The results reveal that internal rule of conduct in the group, the way the business is managed, the knowledge of the other members of the group before formation, the peer pressure within the group, the self-selection, the sex, the education level of the group members. However, the homogeneity and the marital status are among the main factors negatively impact on the loan repayment performance of groups.

Woods and Joyce (2014), study factors that influence loan repayment performance in microcredit institutions (MFIs) in Tanzania. Their findings revealed that experience, training time and sanctions within the group have significant effects and thus the rate of default on loan repayment among group clients of MFIs is low, but transaction costs and the size of the group had negatively and significant effects on loan repayment performance.

However, Ober (2012) found that the number of years of experience with credit has significantly positive influence on loan repayment. In a study that investigated the borrower's socio-economic determinants of loan repayments in microcredit programmes that applied the group lending in the US, Mnkandla and Marnewick (2014) found that repayment increased with the level of education. On the other hand, the study found that the level of household income, business type and borrower's experience were not significant predictors of loan repayment.

Munusamy et al., (2015) argued that group lending by the financial institutions has improved loan repayment performance by the borrowers as oppose to individual lending. He further explains that the support and guidance within the group provides a strong incentive for each individual to operate effectively due to one's personal reputation within the group. Furthermore, since groups generally are formed by members from the same village or community which have a common goal and objective thus loan can be repaid in time as this may affect the credibility and accountability within the community at large. However, this social effect can favour the outcomes for the microfinance institutions, some researchers believe that it can lead to an unhealthy social environment within the community at large. Proper utilization of the social capital and the local information within the group reduces the chances of defaulting.

Capusneanu and Lodhi (2012), study factors influencing loan repayment performance by group borrowers in Bungoma County. They found that group meetings with MFIs prior to loan disbursement enhances discipline and order among the members. Proximity of lenders to borrowers is not significant since MFIs have devices other venues such as electronic money transfer and mobile services to minimize travelling challenges among the group. They also found that MFIs schedule meetings with the groups to offer basic training on financial 16 matters before loan disbursement. They also identify politics within the group poses a high risk of defaults. Hatcher (2013) on his research on the determinants of loan repayments in microcredit in group lending approach. They concentrated on the borrower's socio economic factors instead of the elements of group lending for their influence on loan repayment behavior. The results show that a higher educational level is significant and reduces the chances of loan default while female borrowers, level of income, the type of business and the borrowers experience had no significant effects on the loan repayment.

2.6 Theoretical Framework

The study will be anchored on Empowerment Theory which is the main theory supported by Group Lending in Theory and Joint Liability Theory as presented below:-

2.6.1 Empowerment Theory

The key theory to guide this study will be empowerment theory by Zimmerman (2013). The theory is best as it demonstrates the need to empower individuals in the society. Zimmerman and Warschausky (2013) focus on the individual level at which financial empowerment occurs. The theoretical extension moves from financial to psychological which comprises of the intrapersonal and behavioral mechanism. Intrapersonal component refers to how people judge themselves and include domain supposed control and self-efficacy motivation to control and perceive proficiency. Interpersonal component relates to critical awareness and an understanding of the resources needed to achieve a desired goal, knowledge of how to acquire those resources and skills for managing resources one has obtained as well decision making, problem solving and leadership skills.

Empowering the society through set funds ensure they acquire knowledge and skills to prepare them for the labor market and also they create more businesses which can empower others. The kind of knowledge includes human rights, social justice and self-awareness. Psychological empowerment emphasizes an individual knowledge and skills for effective action as well as the individual's capacity and willingness to handle such an effort (Zimmerman, 2013). Knowledge and skills are relevant in the youth acquisition of some form of employment for financial independence. According to Friedman (2015) empowerment has three dimensions which include processes, values and outcomes that differ across levels of study. They contend that an empowerment approach should always reinforce positive values and assist people to become as independent as possible. Independence of the youth can be achieved through financial support offered to them by the government and through education and training for skills.

Funds are important in ensuring the youth, women and disabled population establish their own enterprises for self- employment. Skills such as entrepreneurial skills would facilitate their success in business management (Hennessy, 2015). Education on the other hand would enable the youth find job in the formal sector. When this special category of citizens engage in productive economic activities they will be financially independent (Woods and Joyce, 2014).

This theory is relevant to this study by showing that it is vital to empower individuals and groups to become self-reliant and free from external control. Youth, women and persons with disability after gaining a sense of financial independence will not be easily manipulated or influenced by political elites to carry out activities that are likely to disturb peace since they will exercise personal control (Zimmerman, 2013). An empowered person is then expected to exhibit a sense of personal control, critical awareness and a willingness to work with others to achieve a certain goal. Empowered youth, women and persons with disability will also demonstrate an understanding of who they are, exercise self-control through education for self-awareness, and be able to participate in the development of their country through engagement in productive economic activities and decision making on matters that concern them.

2.6.2 Group Lending in Theory

Group lending in theory as proposed by Ludwig von Bertalanffy (1968) is also known as solidarity group theory which is also most often-discussed as solution to information asymmetries in developing countries. In this theory, as postulated by Jassawalla and Sashittal (2015), adverse selection and moral hazards are dealt with by effectively changing the responsibility of enforcement, monitoring, screening and from the lender to youth, women and persons with disabilities. The peer group, who usually consist of a number of individual who come together as a group, borrow a loan together in solidarity. Members are self-selected based on their reputation and relationship with each other.

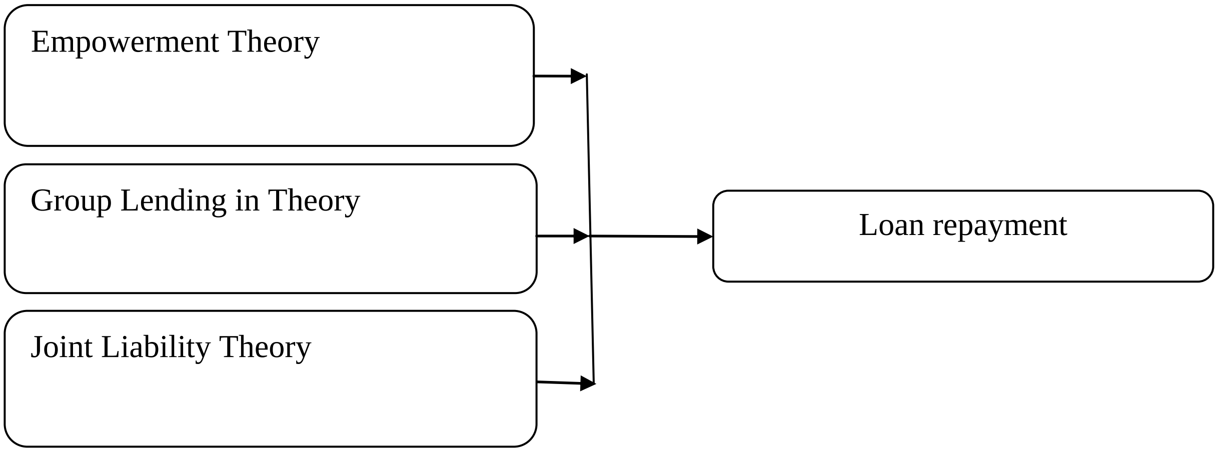
Group liability requires that in case one group member defaults, the fellow group members will be responsible for his/her payment Gebremedhin, Getachew and Amha (2015). Under group liability funds then, youth, women and persons with disabilities groups have an inducement to screen other interested groups so that only the trustworthy individuals are allowed into the programme. This theory is important to this study as the theory portrays group lending as a means of addressing moral hazard by providing incentives for youth, women and persons with disabilities groups to employ peer pressure to ensure that funds are invested properly and effort exerted until the loans are repaid in full. By lowering default, the expected total cost of borrowing for borrowers can be condensed, improving welfare especially for households without collateral.

2.6.3 Joint Liability Theory

This theory is applied to government lending agencies, SACCOs and MFIs (Microfinance) who practice group lending in a bid to minimize the risks of by default and delinquency by the borrowers (Robbin and DeCenzo, 2015). O'Sullivan and Abela (2016) stress that through joint liability the financial institutions have been able to reach to many people such as the un- bankable and the poor that does not have collaterals to secure loans. This theory support unconventional lending practiced by the Munusamy, Chelliah and Mun (2015), the Joint liability lending institutions ask borrowers to form groups in which all borrowers are jointly liable to one another. These lenders are also characterized by intensive monitoring of the borrowers and rely heavily on past borrowers to ensure compliance.

Capusneanu and Lodhi (2012) puts it that for the lending institutions to experience high loan repayment rates from borrowers there is need to encourage the borrowers to form groups such that the paying members can pressurize the non-paying, or those on the verge of defaulting to honour their contractual obligations. The foremost bond of allegiance is between the borrowers whereby a case of default is treated as a departure from the set norms and ideals of the group. In this the lending institution is able to follows on its clients and ensures that constant monitoring on their loan repayment behaviour can is achieved (Delaney and Huselid, 2016). This thus ensures that there are costs sharing between the borrowers and the lending organization.

2.6.4 Theoretical Framework

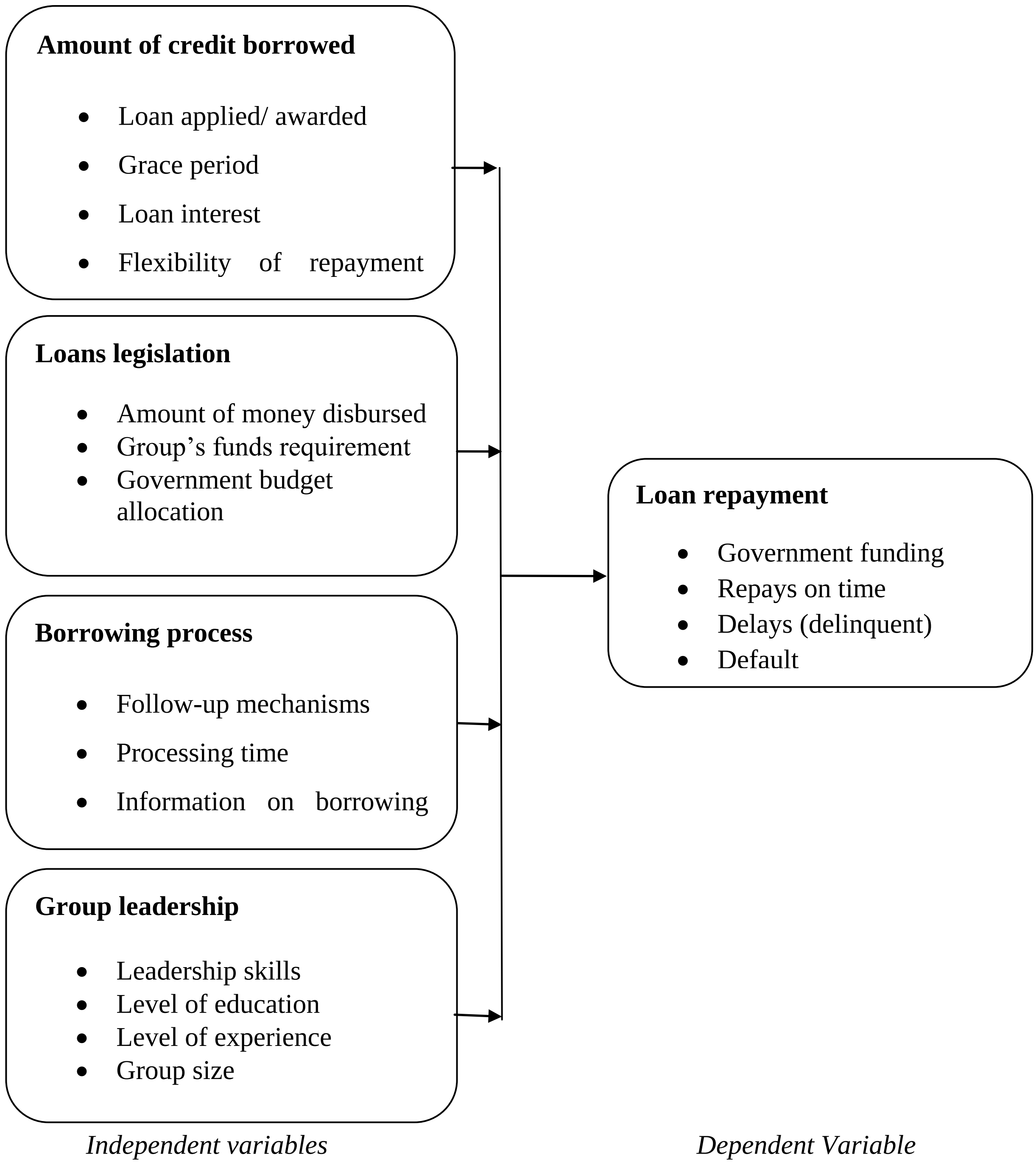


2.7 Conceptual Framework

The independent variables according to the conceptual framework as shown in figure 2.1 will tend to stand in the way in loan repayment of government funding. In other words the loan repayment of the revolved funds like Biashara Fund will be enhanced and improved when these factors are in low percentages. A positive index on the variables will escalate loan repayment of government funding. The more effective the following factors are enhanced which are credit borrowed, loans legislation, borrowing process and group leadership the more loan repayment will be effective by the youth, women and persons with disabilities groups. The effectiveness of loan repayment of government funding will be measured in terms of number of repays on time, delays (delinquent) and default rate.

Figure 2.1: Conceptual framework

Source: Researcher (2018)



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Descriptive survey was adopted for this study. This design is most appropriate given the exploratory and descriptive nature of this study (Kothari, 2008). As explained by Hatcher (2013) it helps in collecting data concerning behaviour, attitude, values and characteristics. Thus, the research design aimed at obtaining the most recent, relevant and in-depth information about the determinants affecting loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County, Kenya.

3.2 Site of the Study

Kiambu County covers an area of about 2,543.5 km^2. It borders the Counties of Nairobi and Kajiado to the South, Machakos to the East, Murang'a to the North and North East, Nyandarua to the North West, and Nakuru to the West (Ministry of Devolution and Planning, 2013). Kiambu County is divided into ten (10) sub-counties namely: Gatundu North, Gatundu South, Ruiru, Thika East, Thika West, Githunguri, Kiambu, Limuru, Kikuyu and Lari. Lari sub-county is the largest in size while Thika East is the smallest. The sub-counties are further subdivided into 29 divisions, 95 locations and 236 sub-locations. The county has 12 parliamentary constituencies: Gatundu South, Gatundu North, Juja, Ruiru, Thika Town, Kiambu, Kabete, Githunguri, Limuru, Kikuyu, Kiambaa and Lari. Kiambu town is the county headquarters. According to the Kenya Population and Housing Census (KPHC) of 2009, the county's population was 1,623,282.

3.3 Study Population

Population refers to the entire group of people or things of interest that the researcher wishes to investigate (Mugenda and Mugenda, 2003). The study targeted youth, women and persons with disability with emphasis on 60 groups and 865 individuals drawn across the 10sub-counties in Kiambu County. The target category had been advanced loans by the Biashara Fund from 2014 to 2017as presented in Table 3.1.

Table 3.1: Target Population

		Category	
Area	**Women**	**People with disability**	**Youth**
Gatundu North	55	8	41
Gatundu South	56	13	66
Ruiru	25	4	54
Thika East	28	7	42
Thika West	36	5	46
Githunguri	45	9	25
Kiambu	64	17	78
Limuru	14	6	25
Kikuyu	23	14	27
Lari	11	6	15
Total	**357**	**89**	**419**

Source: Biashara Fund data base (2018)

3.4 Sampling Procedures and Sample Size

According to Kothari (2008) sampling is the process by which a relatively small number of individuals, objects or events is selected in order to find out something about the entire population from which it was selected. Accordingly an optimum sample is the one that fulfills the requirements of efficiency, representativeness, reliability and flexibility.

To get a representative sample, Nachmias and Nachmias's (2008) formula was adopted. A 95% confidence level and P = 0.05 was chosen in view of social science nature of the study

$$n = \frac{N}{1 + N(e)^2}$$

Where n = Sample size

N = Population

e = Level of significance

$$\frac{865}{1+865(0.05)^2} = 274$$

The sample distribution is as presented in Table 3.2

Table 3.2: Sample Distribution

	Category		
Area	**Women**	**People with disability**	**Youth**
Gatundu North	17	3	13
Gatundu South	18	4	21
Ruiru	8	1	17
Thika East	9	2	13
Thika West	11	2	15
Githunguri	14	3	8
Kiambu	20	5	25
Limuru	4	2	8
Kikuyu	7	4	9
Lari	3	2	5
Total	**113**	**28**	**133**

The researcher used stratified and simple random sampling to sample out the 274 participants. The choice for this sampling techniques is preferred as it gives each item in the population an equal probability of being selected (Saunders, Lewis and Thornhill, 2007).

3.5 Instruments for Data Collection

The study used a questionnaire as the sole primary data collection instrument. The questionnaire contained both open and closed ended questions. Closed ended questions only allowed specific types of responses such as the five likert scale questions while open ended questions enabled respondents to give detailed qualitative responses (Mugenda and Mugenda, 2003). Structured questions were used in an effort to conserve time and to facilitate an easier analysis as they were in immediate usable form. The unstructured questions were used so as to encourage the respondents to give in-depth and subjective response without feeling held back in revealing of any information.

3.6 Pre testing

To ensure the study achieved its objective, the instrument was piloted. The pilot study was conducted on a randomly picked 10 participants at an interval of two weeks. The members of the pilot team did not form part of the sample in the main research.

3.6.1 Validity

To uphold the content validity, the researcher discussed the content of the questionnaires with the supervisor before going to the field. These ensured that vague and unclear questions were eliminated or corrected before the actual study was conducted.

3.6.2 Reliability

Consistencies of the test items was measured by the degree to which the test items attracted similar and related responses from the samples in the pilot testing exercise by the use of Cronbach's Alpha Coefficient. A reliability of at least 0.70 at α=0.05 significance level of confidence is acceptable (Cronbach, 1951).

3.7 Data Collection Procedures

The questionnaire was self-administered using drop and pick letter method. The researcher exercised care and control to ensure all questionnaires issued were received and to achieve this the researcher maintained a register of questionnaires released and those received.

3.8 Data Analysis and Presentation

Data was analyzed using the Statistical Package for Social Sciences (SPSS version 22). All the questionnaires received were referenced and items in the questionnaire coded to facilitate data entry. After data cleaning which entailed checking for errors in entry, descriptive statistics and frequencies were obtained for all variables and information presented in form of frequency tables and graphs.

Both descriptive and inferential statistics were employed. Questions used to collect qualitative data were aligned to the research objectives. The responses were summarized into most occurring in categories according to research objectives. These qualitative findings were integrated with the quantitative findings in discussions. Variable aggregation to come up with indices for different variables was undertaken. A univariate analysis was done to get standard deviation, means frequency tables, histogram pie chart, graphs and percentages.

Inferential statistics provide the basic features of data collected on the variable and provide the impetus for further analysis on the data (Sekaran and Bougie, 2011). Regression analysis was adopted using the below model;

$$Y= \beta_0 + \beta_1 \chi_1 + \beta_2 \chi_2 + \beta_3 \chi_3 + \beta_4 \chi_4 + \epsilon$$

Where:

Y = Loan repayment

X_1= Amount of credit borrowed

X_2= Loans legislation

X_3= Borrowing process

X_4= Group leadership

$\beta_0 =$ the constant

ϵ = error term

3.9 Data Management and Ethical Considerations

This was done through the introductory and consent letter whereby respondents were required to sign to express their willingness to participate. Oral consent was obtained from each respondent before the questionnaires were issued. They was informed on the nature and purpose of the study. Respondent's confidentiality was ensued by ensuring that they didn't indicate their names, contacts or any personal details that could reveal their identity.

The researcher applied permit to carry out the research from the National Council for Science, Technology and Innovation (NACOSTI). Their authorization letters were collected by the researcher before administering the instruments.

CHAPTER FOUR

ANALYSIS AND PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter provides the results and findings of the study. This study focused on the determinants affecting loan repayment of government funding to venerable groups, a case study of Biashara Fund in Kiambu County, Kenya**.** The chapter begins by presenting a descriptive analysis of the general information from the respondents. The rest of the chapter is thematically organized according to the specific objectives. The analyzed data was presented in frequency and percentage tables to enhance easier interpretation and understanding of the research findings.

4.1.1 Response Rate

Two hundred and seventy four (274) questionnaires were administered to the youth, women and persons with disability in Kiambu County out of which 200 were properly filled and returned, representing a response rate of 73%as shown on Table 4.1. Mugenda and Mugenda (2013), specified that a survey response rate of 50 percent is adequate for analysis and reporting; a rate of 60 percent is good and a response rate of 70 percent and over is excellent for analysis and reporting. Face to face administering of the questionnaires to the respondents by the researcher as well as constant reminders through constant phone calls to the respondents to submit the questionnaires and enquiring on the progress was the reason for the higher response rate.

Table 4.1 Response Rate

Response	**Number**	**Percentage**
Responded	200	73
Not Responded	74	27
Total	**274**	**100**

4.2 General Information of the respondents

This section presents the demographics of the respondents' and background information.

4.2.1 Gender of Respondents

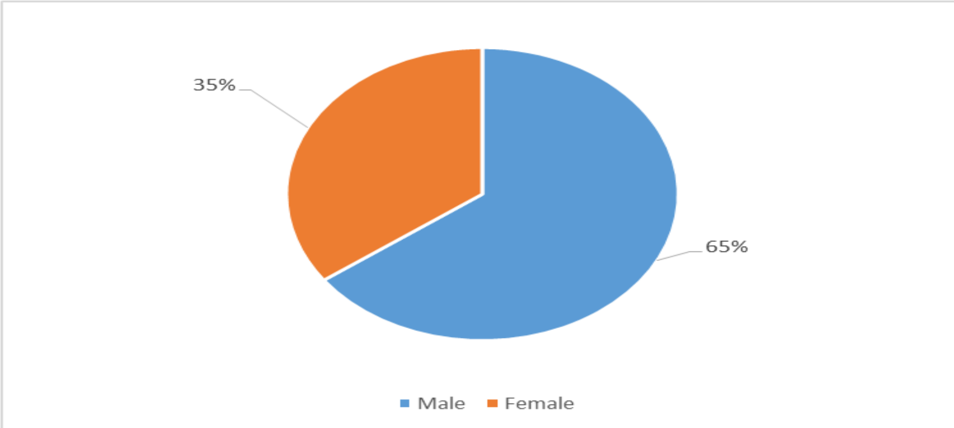


Figure 4.1 Composition of Respondents by Gender

According to Figure 4.1, 65% of the respondents who were the majority were male while 35% were female. This shows that most of the youths, women and persons with disability from Kiambu County who had advanced loans by the Biashara Fund were of male gender.

4.2.2 Age of Respondents

Age of the respondent's was evaluated and presented as below;

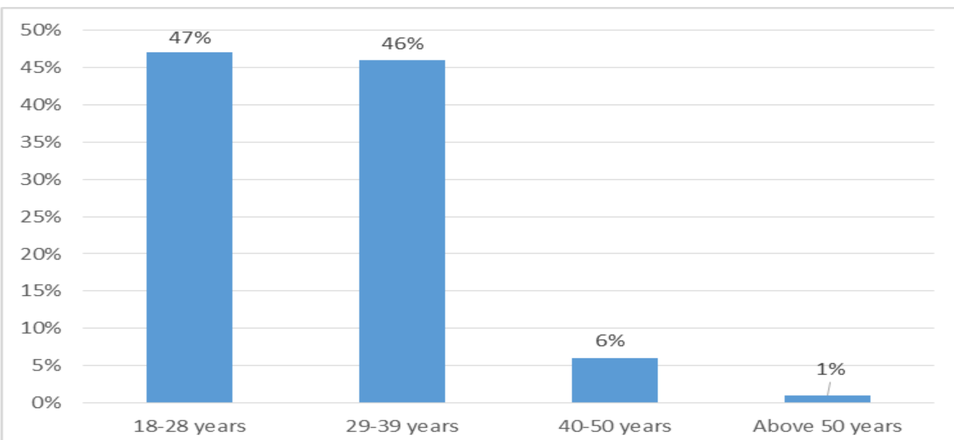


Figure 4.2 Distribution of Respondents by Age

From the findings in Figure 4.2 above, majority (47%) the respondents were in the age bracket of between 18-28 years, 46% were between 29 and 39 years and 6% were between 40-50 years while 1% were above 50 years. This shows that the youths were the most who had accessed Biashara Fund in Kiambu County.

4.2.3 Respondents Level of Education

Respondents' level of education is presented in Table 4.2 below;

Table 4.2 Distribution of Respondents by their Level of Education

	Frequency	Percent
Primary	21	10.5
Secondary	52	26.0
Diploma	93	46.5
Degree	29	14.5
MASTERS	2	1.0
PHD	3	1.5
Total	**200**	**100.0**

The tabulations show that; majority of the respondents as presented by 47% possessed a diploma, 26% possessed a secondary certificate, 15% had a degree, 11% had a primary certificate and 2% had a PHD while 1% had a Master's Degree besides being the minority. This findings shows that the respondents were literate and understood the issues involving borrowing and payments of loans and thus could effectively respond to the questionnaire.

4.2.4 Biashara Fund Period of Operation

Table 4.3 presents the respondents' period they had operated with the Biashara Fund in terms of years.

Table 4.3 Distribution of Respondents by their Biashara Fund Period of Operation

	Frequency	Percent
Less than 2 years	18	9.0
Between 3 and 5 years	25	12.5
More than 5 years	157	78.5
Total	**200**	**100.0**

As per the response, 79% of the respondents who were the most indicated that they had operated with the Biashara Fund for a period of more than 5 years, 13% indicated that they had operated with the Biashara Fund for a period between 3 and 5 years whereas 2% indicated that they had operated with the Biashara Fund for a period less than 2 years. The study shows that majority of the respondents had vast experience in operating with the

Biashara Fund and thus fully understood the determinants affecting loan repayment of government funding.

4.2.5 Respondents Category in Accessing Biashara Fund

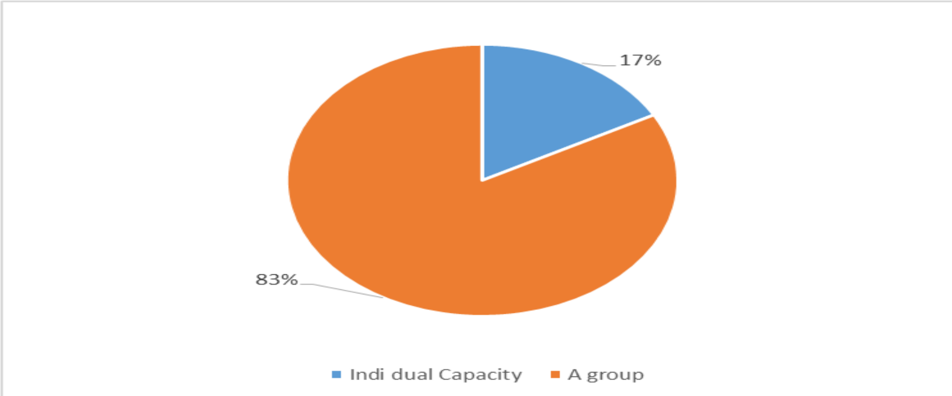


Figure 4.3 Composition of Respondents by Category of Accessing Loan

Figure 4.2 illustrates that majority (83%) of the respondents belonged to individual category in accessing Biashara Fund while 17% belonged to a group category in accessing Biashara Fund.

4.2.6 Respondents Position in Category

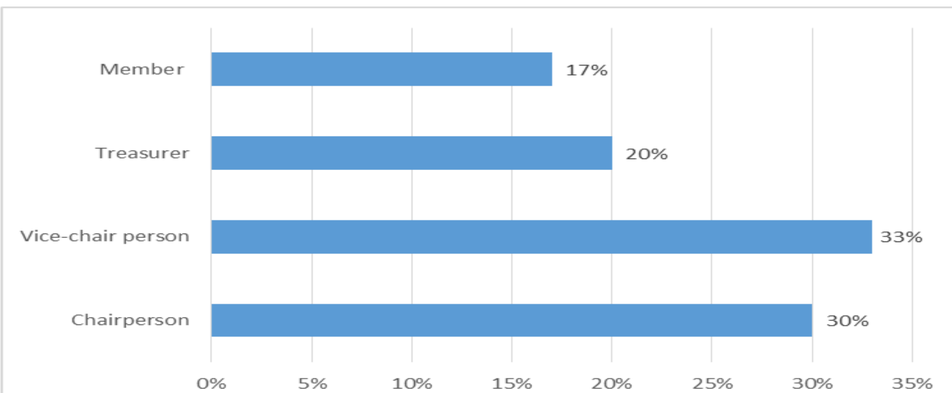


Figure 4.4 Distribution of Respondents by their Positions

According to Figure 4.4, 33% of the respondents were vice chair persons, 30% were chairpersons, 20% were treasurers whereas 17% were just members. This shows that most of the respondents were chair persons of the groups they belonged to.

4.3 Amount of Credit Borrowed

This section presents findings on the amount respondents borrowed.

4.3.1 Last Figure That Respondents Accessed From Biashara Fund

Respondents indicated that 10000, 15000, 25000, 30000, 40000, 80000, 100000, 120000, 130000, 140000, 150000, 175000, 180000, 200000, 210000, 212000, 220000, 230000, 236487, 240000, 250000, 250387, 260000, 270000, 270500, 280000, 290000, 300000, 310000, 311000, 320000, 330000, 340000, 350000, 360000, 370000, 380000, 390000, 400000, 410000, 412000, 420000, 430000, 440000, 450000, 470000, 480000, 480300, 490000, 500000, 510000, 520000, 530000, 540000, 550000, 560000, 600000 and 850000 were the last figures they had accessed from Biashara Fund.

4.3.2 Amount Borrowed on Loan Repayment

Table 4.4 shows how the amount respondents borrowed influenced the rate of their loan repayment.

Table 4.4Amount Borrowed on Loan Repayment

	Mean	Std. Deviation
High loans are exhausting to pay resulting to defaulting	3.38	.787
Loan applied in relation to loan awarded should be balanced	3.92	.693
Grace period offered should be longer	4.13	.763
Loan interest should be per the individual or group capability	4.06	.716
Flexibility of loan repayment frequency should be extended	4.13	.900
Total	**19.62**	**3.859**
Average	**3.92**	**0.771**

Findings show that the amount respondents borrowed influenced the rate of their loan repayment to a great extent as shown by an average score of 3.92. Flexibility of loan repayment frequency ought to be extended to a great extent as shown by a mean score of 4.13, grace period offered needed to be prolonged to a great extent as shown by a mean score of 4.13, loan interest ought to be per the individual or group capability to a great extent as shown by a mean score of 4.06, loan applied in relation to loan awarded ought to be balanced to a great extent as shown by a mean score of 3.92 and high loans were exhausting to pay resulting to defaulting to a moderate extent as shown by a mean score of 3.38.

4.4 Loans Legislation

This section presents findings on the rules and regulations of loan legislation.

4.4.1 Biashara Loan Rules

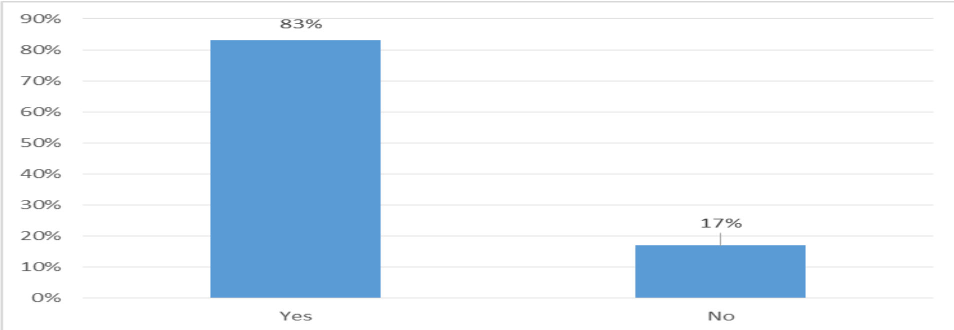


Figure 4.5 Biashara Loan Rules

Figure 4.5 illustrates that majority of the respondents 83%, were conversant with the Biashara loan rules to a moderate extent.

4.4.2 Recommendations on Learning about the Biashara Loan Rules

Majority of the 17% of the respondents who indicated that they were not conversant with the Biashara loan rules recommended that partnership with bank consultants (9%), networking with others (7%), regular visits by the Biashara Fund officials (2%) and organized and monitored training by the Biashara Fund officials (1%) were measures that could help them in learning about the Biashara loan rules.

Table 4.5 Recommendations on Learning about the Biashara Loan Rules

	Frequency	Percent
Regular visits by the Biashara Fund officials	4	2.0
Networking with other	13	6.5
Partnership with bank consultants	17	8.5
Organized and monitored training by the Biashara Fund officials	2	1.0
Total	**36**	**17.0**

4.4.3 Loan Laws on Loan Repayment Rate

Table 4.6 shows findings on the extent these factors of loan laws influenced respondents' loan repayment rate.

Table 4.6 Loan Laws on Loan Repayment Rate

	Mean	Std. Deviation
Amount of money disbursed	3.47	.751
Group's funds requirement	3.91	.586
Government budget allocation	4.34	.858
Total	**11.72**	**2.195**
Average	**3.90**	**0.731**

According to the findings, the factors of loan laws influenced respondents' loan repayment rate to a great extent as shown by an average score of 3.90. Government budget allocation influenced respondents' loan repayment rate to a great extent as shown by a mean score of 4.34, group's funds requirement influenced respondents' loan repayment rate to a great extent as shown by a mean score of 3.91 and amount of money disbursed influenced respondents' loan repayment rate to a moderate extent as shown by a mean score of 3.47.

4.5 Borrowing Process

This section evaluates the Biashara Fund borrowing process.

4.5.1 Loan Acquisition of Biashara Fund

Respondents indicated that form bank officials group meeting awarded, see notices, website and wwww.kiambu.go.ke were the processes of loan acquisition of Biashara Fund.

4.5.2 Borrowing Process of Biashara Fund

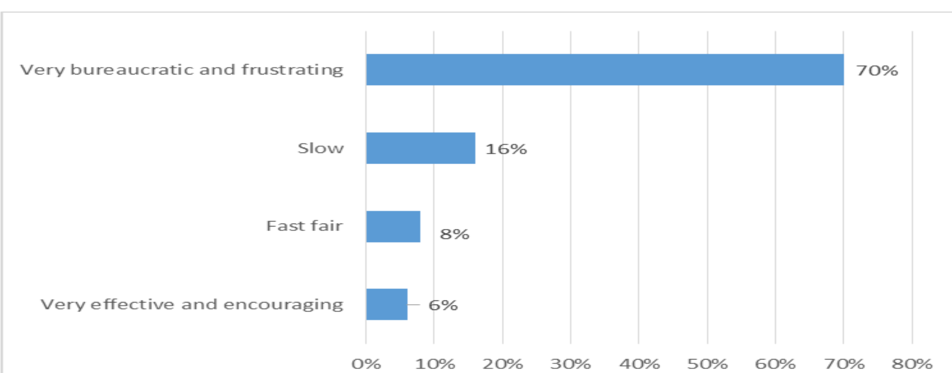


Figure 4.6 Borrowing process of Biashara Fund

Figure 4.6 shows that 70% of the respondents who were the majority indicated that the borrowing process of Biashara Fund was very bureaucratic and frustrating, 16% indicated that the borrowing process of Biashara Fund was slow, 8% indicated that the borrowing process of Biashara Fund was fast and fair while 6% indicated that the borrowing process of Biashara Fund was very effective and encouraging.

4.5.3 Borrowing Process on Loan Repayment Rate

Table 4.7 below shows findings on the extent these factors of borrowing process influenced respondents' loan repayment rate.

Table 4.7 Borrowing Process on Loan Repayment Rate

	Mean	Std. Deviation
Follow-up mechanisms	3.14	.545
Processing time	3.92	.563
Information on borrowing policy	4.58	.648
Total	**11.64**	**1.756**
Average	**3.88**	**0.585**

Tabulations illustrate that information on borrowing policy influenced respondents' loan repayment rate to a great extent as shown by a mean score of 4.58, processing time influenced respondents' loan repayment rate to a great extent as shown by a mean score of 3.92 and follow-up mechanisms influenced respondents' loan repayment rate to a moderate extent as shown by a mean score of 3.14.

4.6 Group Leadership

This section presents findings on the groups' leadership.

4.6.1 Respondents Leaders

Table 4.8 shows how respondents rated their leaders.

Table 4.8 Respondents Leaders

	Mean	Std. Deviation
They are active in lobbing for Biashara Fund	3.43	.756
They understand where to invest the loan received from Biashara Fund	3.89	.680
They are fully informed on consequences of defaulting	4.22	.706
We go for the loans as the last result	4.04	.763
They are fearful of loans and we distance ourselves from the loans as much as possible	4.10	.758

The progress we have made is as a result of our leaders	4.20	.833
Total	**23.88**	**4.496**
Average	**3.98**	**0.749**

Findings show that respondents rated their leaders to a great extent as shown by an average score of 3.98. Respondents' leaders were fully informed on consequences of defaulting to a great extent as shown by a mean score of 4.22, the progress respondents had made was as a result of their leaders to a great extent as shown by a mean score of 4.20, respondents' leaders were fearful of loans and distanced themselves from the loans as much as possible to a great extent as shown by a mean score of 4.10, respondents went for the loans as the last result to a great extent as shown by a mean score of 4.04, respondents leaders understood where to invest the loan received from Biashara Fund to a great extent as shown by a mean score of 3.89 and the leaders were active in lobbing for Biashara Fund to a moderate extent as shown by a mean score of 3.43.

4.6.2 Group Leadership on Loan Repayment Rate

Table 4.9 shows the respondents extent group leadership factors influenced respondents' loan repayment rate.

Table 4.9 Group Leadership on Loan Repayment Rate

	Mean	**Std. Deviation**
Leadership skills possessed	3.41	.770
Level of education of the leaders	3.98	.685
Level of experience in leadership	4.31	.717
Group size management	4.05	.801
Total	**15.75**	**2.973**
Average	**3.93**	**0.743**

The tabulations show that leadership factors influenced respondents' loan repayment rate to a great extent as shown by an average score of 3.93. Level of experience in leadership influenced respondents' loan repayment rate to a great extent as shown by a mean score of 4.31, group size management influenced respondents' loan repayment rate to a great extent as shown by a mean score of 4.05, level of education of the leaders influenced respondents' loan repayment rate to a great extent as shown by a mean score of 3.98 and leadership skills influenced respondents' loan repayment rate to a moderate extent as shown by a mean score of 3.41.

4.7 Loan Repayment Rate

This section presents findings on the extent loan repayment factors influenced the sustainability of Biashara Fund loan repayment.

Table 4.10 Loan Repayment Rate

	Mean	Std. Deviation
Time of loan repayment	3.69	.828
Amount in circulation	4.08	.698
Default rate	4.29	.686
Laws governing the loan uptake	4.20	.749
Loan repayment procedures	4.28	.828
Total	**20.54**	**3.789**
Average	**4.10**	**0.757**

Table 4.10 illustrates that loan repayment factors influenced the sustainability of Biashara Fund loan repayment to a great extent as shown by an average score of 4.10 in that; default rate influenced the sustainability of Biashara Fund loan repayment to a great extent as shown by a mean score of 4.29, loan repayment procedures influenced the sustainability of Biashara Fund loan repayment to a great extent as shown by a mean score of 4.28, laws governing the loan uptake influenced the sustainability of Biashara Fund loan repayment to a great extent as shown by a mean score of 4.20, amount in circulation influenced the sustainability of Biashara Fund loan repayment to a great extent as shown by a mean score of 4.08 and time of loan repayment influenced the sustainability of Biashara Fund loan repayment to a great extent as shown by a mean score of 3.69.

4.8 Regression Analysis

To estimate the relationship between the study variables, the researcher conducted a multiple regression analysis whose results are as shown in Table 4.11.

Table 4.11 Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	
(Constant)	2.921	.406		7.188	.000
Amount of credit borrowed	-0.633	-0.109	-.136	5.807	.000
Loans legislation	0.407	0.135	.117	3.015	.003
Borrowing process	0.388	0.118	.140	3.288	.001
Group leadership	0.158	.056	.196	2.803	.006

The study findings show that there is a significant negative relationship between the amount of credit borrowed and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County (β = -0.633, sig. value = 0.000). The findings indicate that a unit increase in the amount of credit borrowed would lead to a decrease in loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County by 0.633 units. This implied that as the amount of credit borrowed increased, there was increased risk of defaulting on loan repayment of government funding by the venerable groups accessing Biashara Fund in Kiambu County.

The study findings show that there is a significant positive relationship between loans legislation and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County (β = 0.407, sig. value = 0.003). The findings indicate that a unit increase in loans legislation would lead to an increase in loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County by 0.407 units. This implied that better loans legislation was positively related to loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County.

The study findings show that there is a significant positive relationship between borrowing process and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County (β = 0.388, sig. value = 0.001). The findings indicate that a unit increase in the borrowing process requirements would lead to an increase in loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County by

0.388 units. This implied that a more stringent borrowing process was positively related to loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County.

The study findings show that there is a significant positive relationship between group leadership and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County ($\beta = 0.158$, sig. value = 0.006). The findings indicate that a unit increase in group leadership would lead to an increase in loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County by 0.158 units. This implied that better group leadership was positively related to loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The objectives of the study were to evaluate the influence of amount of credit borrowed on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County, to assess the effectiveness of legislation put in place on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County, to determine the influence of borrowing process set on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County and to examine the influence of group leadership on loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County. Here, discussions of the findings are shown as well as the comparison of the findings presented in chapter four with the literature studied in chapter two.

5.2 Discussion of Findings

5.2.1 Amount of Credit Borrowed

The study found that flexibility of loan repayment frequency ought to be extended, grace period offered needed to be prolonged, loan interest ought to be per the individual or group capability and loan applied in relation to loan awarded ought to be balanced to a great extent. The study also established a significant negative relationship between the amounts of credit borrowed and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County. These findings are in line with Kourilsky (2013) who noted that the loan interest rate and the amount lent are the main factors affecting repayment of the loans. Using the interest rate that an individual or group is willing to pay by most of the financial institution poses a serious challenge as individual as a device to identified borrower with a high probability of loan repayment. This may be dangerous since high risk-takers are the worst rate payers.

5.2.2 Loans Legislation

The study also found that majority of the respondents were conversant with the Biashara loan rules to a moderate extent. Those who were not conversant with the Biashara loan rules recommended that partnership with bank consultants, networking with others, regular visits by the Biashara Fund officials and organized and monitored training by the Biashara Fund officials were measures that could help them in learning about the Biashara loan rules. In addition, the study found that factors of loan laws influenced respondents' loan repayment rate to a great extent. The study also established a significant positive relationship between loans legislation and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County. This is supported by Charles (2012) who posits that legislations by the funders of youth, women and people with disability are a key hindrance to them repaying their loans. The study recommends that legislations should be accompanied with a combination of skills training (usually non formal education), mentoring and guidance combined with helping beneficiaries gain access to financial capital. Skills training programs should provide beneficiaries with opportunities to master core literacy and numeracy skills, vocational as well as life skills. Funds for this category of beneficiaries should focus mainly on knowledge and experience gaining rather than loan repayment process.

5.2.3 Borrowing Process

The study further found that majority of the respondents indicated that the borrowing process of Biashara Fund was very bureaucratic and frustrating. Information on borrowing policy and processing time influenced respondents' loan repayment rate to a great extent. The study also established a significant positive relationship between borrowing process and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County. These findings correspond Kerr and Slocum (2015) who contends that determinants of loan repayment performance of youth and disabled shows that, low level of education, lack of alternative source of income, difficult loan processing procedures are the main causes of high loan default. They also identified the incomes that are generated from projects and the sizes of loan invested are the as significant indicators' of loan repayment.

In addition, Tay and Diener (2011) stresses that inadequate and prolonged borrowing process, awareness and information technology and appropriate education are some of the discouraging factors for business ideas. Others are cultural taboos, legal systems that fail to protect innovations and competitive business enterprises as well as small weak markets and excessive regulations that frustrate the implementation of business ideas into reality. The findings show that beneficiaries face a lot of challenges in accessing finances to inject in their business both as startup, seed capital and finance expansion of the businesses. This is because of many factors which make their businesses less attractive in terms of lending

5.2.4 Group Leadership

Respondents’ leaders were fully informed on consequences of defaulting, the progress respondents had made was as a result of their leaders, respondents’ leaders were fearful of loans and distanced themselves from the loans as much as possible, respondents went for the loans as the last result and respondents leaders understood where to invest the loan received from Biashara Fund to a great extent. The study also established a significant positive relationship between group leadership and loan repayment of government funding by venerable groups accessing Biashara Fund in Kiambu County.

The findings are supported by Hussain (2015) in that leadership has been defined as the process of directing or influencing the behaviour of another person or persons towards the accomplishment of some objective. Youth should be seen as experts who are very much aware of what occurs among peers within their communities. Service to the community can move young people beyond their idealistic worlds, thus allowing them to be empathetic to the needs of others. As a result, there is a sense of urgency to embrace the concept of being a leader. While many youth programs should be commended for the support they provide, several struggle with capitalizing on the intrinsic leadership abilities possessed by group leaders. There is often a focus on building skills instead of giving an opportunity to assess how much their leadership abilities have progressed within a given period of time. Their perspective on what young people need is invaluable and should be considered by those youth, women and persons with disability development specialists who have the task of planning programs. Most of the youth participants are given opportunities to practice and refine those skills while building confidence and stronger positive relationships with peers (Kusters et al., 2016).

5.2 Conclusions

The study concludes that there is a relationship between loan size and capacity to repay. This is because those borrowers who apply for bigger loan amounts and longer loan repayment period could have a problem in their loan repayment unlike those who get small amount and be improved in order to encourage the borrower to pay back their loan.

The study also concludes that most of the youth, women and persons with disability were partially conversant with the Biashara loan rules. This thus shows that there is need to consider legislations should be accompanied with a combination of skills training (usually non formal education), mentoring and guidance combined with helping beneficiaries gain access to financial capital. Skills training programs should provide beneficiaries with opportunities to master core literacy and numeracy skills, vocational as well as life skills. Funds for this category of beneficiaries should focus mainly on knowledge and experience gaining rather than loan repayment process.

The study further concludes that the borrowing process of Biashara Fund was very bureaucratic, frustrating and slow. This is need for easy and proper regulation of revolving funds so as to lead to quality growth, broaden the funding base from revolving fund institutions eligible to minimize and administer deposits, broaden credit facilities and initiate process of integrating the institutions in the formal financial institutions.

The study finally concludes that leadership factors influenced respondents' loan repayment rate to a great extent. Level of experience in leadership, group size management, level of education of the leaders and leadership skills influenced respondents' loan repayment rate influenced respondents' loan repayment rate to a great extent.

5.3 Recommendations

i. Policy makers need to come up with viable interventions to stimulate and create an enabling economic environment for innovation and business competitiveness, hence inducing performance of youth, women and disabled business projects. The youth, women and disabled problem thus requires properly planned well-structured and broad based programs.

ii. The study recommends that adequate liquidity should be ensured as depositors and borrowers should be able to access funds without subjecting the institutions to solvency and attainment of acceptable rates of return.

iii. Lenders should ensure that there is no default on the loan repayment they have advanced to the borrowers, they must device structures and mechanisms to monitor borrowers' actions though the use of innovative mechanisms such as regularly scheduled repayments which may indirectly enhance the way lenders get informed decisions thus ensuring that moral hazards are prevented.

5.5 Areas of Further Study

The outcome of this research shows a comprehensively integrated framework to understand how amount of credit borrowed, loans legislation, borrowing process and group leadership affected repayment of government funding. However, further research efforts are needed to examine these factors in all the other counties since much emphasis was placed in Kiambu in order to compare findings.

Future studies should also look into how aspects like demographics influence government funding in Kenya in order to widen the scope of study. There is further need for use of other data collection instruments example focus group discussion where the respondent's will not be limited on their responses in order to capture the various groups' arguments in relations to the topic under discussion.

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APPENDICES

Appendix I: Introduction Letter to the Respondents

Dear Sir/Madam,

I am Keziah Njoki Mbugua astudent from Kenyatta University, carrying out a research to determine what affects loan repayment of government funding to venerable groups accessing Biashara Fund in Kiambu County, Kenya**.** The results of this study will be used purely for academic purposes. You will remain anonymous throughout the entire questionnaire so please volunteer as much information relevant to this study as possible. Please give answers in the spaces provided and tick (√) the box that matches your response to the questions where applicable. You need not indicate your name

Appendix II: Questionnaire

Please supply the required data by filling in the blanks where space is provided or by ticking [√] against the most appropriate answer**.**

Section A: RESPONDENT BACKGROUND INFORMATION

1. Gender

   Female [ ]   Male [ ]

2. How old are you?

   18 – 28 years [ ]   29 – 39 years [ ]

   40 - 50 years [ ]   Above 50 years [ ]

3. What is the highest level of education attained?

   Primary [ ]   Secondary [ ]

   Diploma [ ]   Degree [ ]

   Others (Specify) ....

4. For how long have you operated with Biashara Fund?

   Less than 2 years [ ]

   Between 3 and 5 years [ ]

   More than 5 years [ ]

5. Within which category do you access Biashara Fund?

   Indi dual capacity [ ]

   A group [ ]

6. If in a group in which position are you in?

   Chairperson [ ]   Vice- chairperson [ ]

   Treasurer [ ]

7. How many members does you group have?

NB: <u>*SECTION E*- belongs to group only</u>

Section B: AMOUNT OF CREDIT BORROWED

8. List the last figure that you (or your group) accessed from Biashara Fund? …………….. (Ksh)
9. To what extent does the amount borrowed influence the rate of your loan repayment of Biashara Fund in the given statements?Use a scale of 1-5 where:- 1 No extent, 2 Low extent, 3 Moderate, 4 Great extent and 5 Very great extent

	1	**2**	**3**	**4**	**5**
High loans are exhausting to pay resulting to defaulting					
Loan applied in relation to loan awarded should be balanced					
Grace period offered should be longer					
Loan interest should be per the individual or group capability					
Flexibility of loan repayment frequency should be extended					

Section C: LOANS LEGISLATION

10. Are you conversant with the Biashara loan rules?

    Yes [ ] No [ ]

11. If yes to what extent

    Very great extent [ ] Moderate extent [ ] Low extent [ ]

12. If no what would you recommend to be done

    Regular visits by the Biashara Fund officials [ ]

    Networking with other [ ]

    Partnership with bank consultants [ ]

    Organized and monitored training by the Biashara Fund officials [ ]

    Other specify ………………………………

13. To what extent do the following factors of loan laws influence your loan repayment rate of Biashara Fund? Use a scale of 1-5 where:- 1 No extent, 2 Low extent, 3 Moderate, 4 Great extent and 5 Very great extent

	1	**2**	**3**	**4**	**5**
Amount of money disbursed					
Group's funds requirement					
Government budget allocation					

Section D: BORROWING PROCESS

14. Kindly explain the process of loan acquisition of Biashara Fund……………………

……………………………………………………………………………………………
…………………………………………………………………………………………….

15. How would you rate the borrowing processof Biashara Fund?

Very effective and encouraging [ ]

Fast Fair [ ]

Slow [ ]

Very bureaucratic and frustrating [ ]

16. To what extend do the following factors of borrowing process influence your loan repayment rate of Biashara Fund? Use a scale of 1-5 where:- 1 No extent, 2 Low extent, 3 Moderate, 4 Great extent and 5 Very great extent

	1	**2**	**3**	**4**	**5**
Follow-up mechanisms					
Processing time					
Information on borrowing policy					

Section E: GROUP LEADERSHIP

17. How can you rate your leaders in the following? Use a scale of 1-5 where:- 1 No extent, 2 Low extent, 3 Moderate, 4 Great extent and 5 Very great extent

	1	2	3	4	5
They are active in lobbing for Biashara Fund					
They understand where to invest the loan received from Biashara Fund					
They are fully informed on consequences of defaulting					
We go for the loans as the last result					
They are fearful of loans and we distance ourselves from the loans as much as possible					
The progress we have made is as a result of our leaders					

18. To what extend do the following factors of group leadership factors influence your loan repayment rate of Biashara Fund? Use a scale of 1-5 where:- 1 No extent, 2 Low extent, 3 Moderate, 4 Great extent and 5 Very great extent

	1	2	3	4	5
Leadership skills possessed					
Level of education of the leaders					
Level of experience in leadership					
Group size management					

Section F: LOAN REPAYMENT RATE

To what extent do the following factors influence the sustainability of Biashara Fund loan repayment? Use a scale of 1-5 where:- 1 No extent, 2 Low extent, 3 Moderate, 4 Great extent and 5 Very great extent

	1	2	3	4	5
Time of loan repayment					
Amount in circulation					
Default rate					
Laws governing the loan uptake					
Loan repayment procedures					

THANK YOU FOR YOUR TIME AND PARTICIPATION

Appendix III: Research Budget

Item/ Description	Unit Cost (Kshs)	Quantity	Total Cost(Kshs)
Review of Secondary data and related costs(Travel to libraries and organizations)	2000	Lump sum	40,000
Stationery and related costs(printing, photocopies, photography)	25000	Lump sum	25,000
Purchase of supplies – Flash disk Modem and Airtime	10,000	2	20,000
Transport costs – To sites, & accommodation	10000	2	20,000
Engagement of 3 Research Assistants (Data Collection, sorting and quality assurance) for 10 days	30000	3	90000
Supervisor's related costs	40,000	2	40000
Contingency (10%)			23,500
Total Cost			**258,500**

Appendix IV: Work Plan

The following work plan gives the details of the activities the researcher is to engage in during the study period.

Activity	**Task performed by**	**Dates**
Developing concept paper	Researcher	
Concept Presentation/ Corrections	Researcher/ Supervisor	
Proposal and developing research instruments	Researcher/ Supervisor	
Presentation/ Defence & correction of proposal	Researcher	
Training of Research Assistants & Pre-testing of instrument	Researcher / Research team	
Main field Data collection	Researcher /Research team	
Data entry and Cleaning	Researcher /Research team	
Data analysis and interpretation	Researcher	
Writing of draft research report Discussion and Presentations/ Defense	Researcher	
Submission of final Report	Researcher	