

**SOCIAL-ECONOMIC, BUSINESS LOAN AND FOLLOW-UP CHARACTERISTICS  
AND REPAYMENT OF YOUTH ENTERPRISE DEVELOPMENT FUND OFFERED BY  
COMMERCIAL BANKS IN TRANS-NZOIA COUNTY, KENYA**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,  
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**JUNE, 2024**

## **DECLARATION**

### **Student Declaration**

This project is entirely original to me and has never been submitted to another institution for a degree.

.....

.....

Signature

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### **Supervisor Declaration**

I declare that the student completed the work in this project while working under my supervision.

.....

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Date

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## **DEDICATION**

I dedicate this task to my dear wife Naomi Kamau, who has supported, prayed for, and encouraged me, as well as to my kids, Treasure Kamau, Gideon Kamau, and Wisdom Kamau.

## **ACKNOWLEDGEMENT**

I want to express my gratitude to God Almighty for providing me the energy to complete my project as well as the gift of life. I appreciate my supervisor's competent and knowledgeable assistance with this job. My profound gratitude goes out to Kenyatta University's administration and professors for their perseverance and efforts to help me get through the course. My thanks also go out to my employer, Equity Bank Kenya Ltd for helping employees advance their careers. With sincere appreciation, I'd want to thank the entire credit team at the Kitale branch, especially my team leader Rael Tuiyot.

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## OPERATION DEFINITION OF TERMS

<b>Business Characteristics</b>	These are elements pertaining to the activity or undertaking being done including several aspects such as the type of business, success, location, age and size.
<b>Commercial Banks</b>	Financial institutions that accepts deposits, offers checking account services, makes business, personal and mortgage loans, and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses
<b>Loan Characteristics</b>	Loan characteristics refer to the various attributes of loans such as loan size, interest rates, sufficiency, mode of disbursement, repayment period.
<b>Loan Follow-up</b>	Putting in place proper follow-up mechanism such as regularly visiting the groups to assess the performance of their business and reminding them on loan repayment.
<b>Loan Repayment</b>	Act of paying back monies advanced as loan with interest as and when it falls due
<b>Policies and Regulations</b>	This comprises lending policy, credit standard policy, credit term policy, and collection policy, as well as any other factors that are developed, authorized, and utilized to evaluate credit distribution
<b>Social economic Factors</b>	The factors inherent to the borrowers who in this study are the youth groups. Common parameters in group characteristics that are mostly studied are respondents' gender, age, level of education, training, political mindset, group size.
<b>Youth Enterprise Development Fund</b>	This is a fund from the Government of Kenya through commercial banks to the youth aimed at funding youth-owned enterprises and to enable other youth to start small businesses, thus, creating employment

## **LIST OF ABBREVIATIONS/ACRONYMS**

<b>CYES</b>	Constituency Youth Enterprise Scheme
<b>EYES</b>	Easy Youth Enterprise Scheme
<b>GDP</b>	Gross Domestic Product
<b>KWFT</b>	Kenya Women Finance Trust
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>MFI</b> s	Micro Finance Institutions
<b>MSMEF</b>	Micro Small and Medium Enterprise Fund
<b>NGO</b>	Non-governmental Organization
<b>SACCOS</b>	Savings and Credit Cooperatives
<b>SME</b> s	Small and Medium Enterprises
<b>WEF</b>	Women Enterprise Fund
<b>YEDF</b>	Youth Enterprise Development Fund

## ABSTRACT

Youth empowerment is vital for any nation. The Kenyan Government initiated the Youth Enterprise Development Fund (YEDF) to empower the youth. The objective of the fund was to provide loans for the youth to start income generating activities. Access to finances among the youth, women and many individuals in the informal sector running micro enterprises remains a great challenge at local, national and international levels. In Kenya, access to finances to individuals and groups who do not have conventional securities remains a great challenge. The Youth Enterprise Development Fund, the Women Fund and the Micro Small and Medium Enterprise Fund are among government initiatives established with an aim of making finances available and easily accessible in partnership with commercial banks to this class of the more vulnerable groups who would otherwise not be in a position to access bank loans. Statistics show that despite the uptake of these loans by youth enterprises, repayment is a big problem as many of them default. National loan recovery currently stands below 25% for the youths for the last 13 years the programme has been in place. However, there is limited evidence on factors behind higher rates of loan default among loan borrowers in Kenya. The purpose of the study was to investigate these factors focusing on youth enterprises in Trans Nzoia County in Kenya. Specifically, the study sought: to ascertain the borrower's social economic characteristics that influence loan repayment of Youth Enterprise Development Funds in Trans-Nzoia County, to ascertain how loan characteristics influence Youth Enterprise Development Funds payback in Trans-Nzoia County, to ascertain how business performance characteristics impacts repayment of Youth Enterprise Development Funds in Trans-Nzoia County, and to evaluate how repayment structure and follow-up measures impacts the repayment of Youth Enterprise Development Funds in Trans-Nzoia County. Information asymmetry, the moral hazard, experiential learning and planned behavior theories were adopted by the study to understand factors influencing loan repayment. The study employed a descriptive survey design. The study targeted youth enterprises in Trans Nzoia County together with the commercial banks which lend them money. The study employed stratified sampling design to select a total of 65 individuals who were interviewed with the use of a questionnaire. These individuals included: 5 bank officials, 5 group leaders and 55 group members. The study used primary data to source for information from the respondents. The questionnaire was utilized to collect data. The collected data was analyzed through the use of SPSS version 20.0 for windows and a panel regression model. Descriptive statistics was employed by the study to analyze data. Among the diagnostics tests conducted include normality tests, heteroskedasticity test, and multicollinearity. The study ensured that ethical considerations were adhered to. The study findings indicated that social economics factors, loan characteristics and business performance characteristics influenced repayment of YEDF and that borrower' follow-up characteristics do not influence repayment of YEDF. The regression results showed a slight increase of units in the loan repayment as social economic factors, loan characteristics and business performance characteristics increased, holding all other factors constant hence suggesting that borrower, social economic factor, loan characteristics and Business performance characteristics statistically influence loan repayment of YEDF. The regression results showed a slight decrease of units in the loan repayment, holding all other factors constant hence suggesting that follow-up measures do not statistically influencing loan repayment of YED.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

Numerous nations, including Kenya, have been implementing financial system reforms and deregulation. These reforms aim to enhance the effectiveness of financial institutions and their ability to provide sustainable financial services to all sectors of the economy and all segments of the population. In an effort to reduce poverty, financial institutions have attempted to expand their reach through affordable lending, institutional strategies, and a financial systems approach (Omino, 2005). This has resulted in the creation of new funding opportunities for marginalized and disadvantaged groups in the population, such as youths, women, and individuals with disabilities.

In the past, credit has been limited to a select few individuals throughout society. Obtaining loans from traditional financial institutions in Kenya has been a significant challenge for young people due to credit limitations and the reluctance of lenders to grant loans without collateral. The Kenyan government, led by President Mwai Kibaki during the Narc era, implemented programs to offer low-cost and accessible loans to specific demographic groups in response to these difficulties. This initiative was also perceived as a means of addressing the problem of unemployment in the country by empowering the youth, who make up 61% of the national population, as well as women and individuals with disabilities (KNBS, 2014).

According to the World Bank, the unemployment rate among Kenyan youths of working age is 17%, which means that one in every five youths in this age group is unemployed. The unemployment rate among youths of working age in this country is three times higher compared

to neighboring Uganda and Tanzania, where just one in twenty youngsters are unemployed (World Bank, 2016). The government has implemented youth empowerment programs to address the issue of young unemployment, which has led to societal problems such as security concerns. Idle youths have been joining gangs like Al-Shabaab and other local terrorist groups.

The Youth Enterprise Development Fund (YEDF) is a governmental program that was started in 2006 in an effort to increase economic prospects for and involvement of Kenyan youth through entrepreneurship growth and strategic collaborations. On February 1st, 2007, Mwai Kibaki, the president at the time, officially announced the creation of the fund. On May 11, 2007, it changed its status to become a state corporation. This fund is a crucial part of the Marshall Plan of the former Ministry of Youth Affairs, which is later part of the Ministry of Devolution. This plan is aimed at providing Kenyan youth with work possibilities and is also one of the social pillar's most prominent initiatives of Vision 2030. It was started to give young people, who are largely jobless, economic opportunities. The fund places a strong emphasis on enterprise development as a critical method to expand Kenyan youth participation in nation-building and their access to economic possibilities. The fund's mission includes expanding young entrepreneurs' access to capital in addition to business development services, supporting distribution network links, facilitating access to both domestic and international markets for products and services offered by start-up enterprises, and enabling the construction of commercial infrastructure to facilitate their expansion (YEDF, 2009). The fund is meant for Kenya's 13 million youth between the ages of 18 and 35, as reported by the country's National Bureau of Statistics (KNBS, 2009). One billion Kenya shillings served as the starting capital when the YEDF, Kenya was founded in 2007. Similar fund, the Women Enterprise Fund (WEF), Kenya, was added to by the Treasury in the 2008–2009 budget cycle; the WEF was first included in the budget in 2007–2008. Its goals

are to support women's empowerment, reduce poverty, and advance national development. The important roles that women play in families have made them targets. Numerous studies demonstrate the essential influence these initiatives have on reducing poverty and improving the global economy. With an initial Shilling 1 billion allocation, the fund was established with a billion Kenyan Shillings in kitties. Following the presentation of their company concepts to the Women Enterprise Fund, women entrepreneurs obtain loans from designated banks and financial institutions. This study sought to determine why these loans are defaulting while being managed by commercial banks with extensive and varied lending experience.

Sub-counties committees and financial intermediaries are the two routes through which the Youth Enterprise Development Fund lends money to young businesses. The money is distributed through two components under district committees. Initially, there was the Constituency Youth Enterprise Scheme (C-YES), which provides funding to youth organizations' businesses throughout all constituencies. It offers services to young people, especially inexperienced individuals at the barest minimum in commerce and interacting with financial institutions. The committees that oversee the C-YES are fundamentally societal systems, with government representatives, various religious groups, young people, and other society leaders. Next, the Easy Youth Enterprise Scheme (E-YES), which was introduced in April 2009 and focuses on individual young people within groups, relies on the support of the group as a whole for guarantees. EYES first sought out members of organizations who had paid off their C-YES debt so as to advance them into taking out larger loans for small enterprises. However, It introduced a brand-new service that lets those with innovative ideas to independently lend from the Fund without joining any organizations.

Consequently, financial intermediaries manage funds provided to the subcounty from which the youths would have direct access to funding to start or expand profitable businesses, whether individually or as formal organizations. They consist of financial institutions such as banks, SACCOs, and NGOs, as well as non-profit organizations (MFIs). In conclusion, the fund emphasizes enterprise creation as a crucial tool to expand Kenyan youths' access to the economy and their involvement in nation-building. Small and Medium Sized Businesses (SME) could be a form of enterprise development.

However, repayment of these loans has been a big challenge since the inception of YEDF. Several factors have been attributed to low repayment of loans. Some of the factors include socioeconomic, loan characteristics, repayment terms and conditions and the performance of the firm (Gebredhin, 2010; Kosen, 2013; Haile, 2015). Studies have revealed a strong connection between business performance and loan repayment (Bichanga, & Aseyo, 2013), while others have noted mixed findings with regard to the influence of age on loan repayment (Haile, 2015). However, the discussion on the determinants of loan repayment with regard to YEDF is not clear due to scanty literature in the Kenyan case.

### **1.1.1 Socio Economic, Business Loan and Follow-up**

Small and micro businesses are crucial to the economies of many nations, including Kenya. The Economic Survey 2006 reported that the sector was in charge of creating half of all new jobs in 2005. Despite their importance, historical data shows that three out of every five firms fail during the initial months of operation (Kenya National Bureau of Statistics, 2007). These difficulties appear to alter or develop in response to various macro- and micro-environmental factors. The following issues confront young people: rivalry between themselves and from big businesses; lack of loan availability; low-cost imports; insecurity; and debt collection. Business success is

positively correlated with relevant training or education. One of the biggest issues, according to Amyx (2005), is the unfavorable perception of young people. Prospective customers believe small businesses lack the ability to provide quality service and manage several crucial projects at once. Larger companies are frequently selected and awarded contracts based simply on their standing in the profession and reputation.

Establishing and running a small business entails both the potential for success and failure. Because of their smaller size, small enterprises are more likely to collapse as a result of a simple management mistake, which prevents them from being able to learn from past failures. According to reports, inadequate planning, bad funding, and subpar management are the primary reasons why small businesses fail (Longenecker, et al, 2006). One of the critical barriers to the expansion of SMEs has been highlighted is a lack of credit (Oketch, 2000; Tomecko &Dondo, 1992; Kiiru, 1991).

One aspect that influences the growth of businesses favorably is education (King and McGrath, 2002). The ability to adapt an enterprise to ever-changing business settings is better suited to those business owners who possess greater human capital reserves in terms of qualifications and/or professional training. Infrastructure, namely; the accessibility of roadways, sufficient electricity, water, sanitation, and communication channels, has been a significant barrier to the growth of SMEs (Bokea, Dondo, &Mutiso, 1999).

Young entrepreneurs and managers often have too little managerial training and expertise. Usually, small business owners and managers experiment with many management strategies before settling on one that works best for them. They are consequently tend to have a management style that is theoretically more pragmatic than strategic, more instinctive than

analytical, and oriented on short-term concerns rather than long-term ones (Hill, 1987). However, notwithstanding the fact that this mentality is the company's greatest asset at the beginning because it fosters creativity, it could pose issues when difficult decisions need to be made. Young entrepreneurs are ill-equipped due to poor managerial skills to cope with changes in the business world and to plan relevant technical developments. Small business owners tend to be members of the common populace with little educational backgrounds. As a result, they might not be adequately prepared to perform managerial duties for their businesses (King and McGrath, 2002).

Small businesses confront a number of additional financial difficulties. They include exorbitant bank fees and levies as well as the high cost of credit. The situation that occurred in Kenya, especially during the year's peak in 2008, illustrates how loans are required by small, low-income firms. Small investors are encouraged by the proliferation of lending institutions operating under the cover of pyramid schemes in the belief that they may be able to become financially independent by borrowing money at low interest rates. Many business owners use these strategies as a last resort, to find soft loan with low interest rates while maintaining profitability. Financial hardship Youth unemployment in Kenya is still a serious issue (Wanjohi and Mugure, 2008). According to Mead (1998), the state of the micro- and small-enterprise sector has a significant impact on the overall health of the economy. contrary, there are less prospects for successful employment expansion in SMEs when the macroeconomic environment is less favorable. This is especially true for young people who are connected to bigger businesses and the whole economy. In light of this situation, it is essential to comprehend the dynamics of young entrepreneurs in order to establish support programs for young businesses as well as the overall growth of the economy.

Debates on lending to low-income or poor people are frequent among academics and practitioners. For a variety of reasons, financial facilities typically do not extend to the impoverished. They comprise poor literacy, high monitoring costs, variable income, inadequate collateral to support the loans, high interest rates, and low income. They typically make a living by taking part in microbusiness ventures or unofficial operations like Small-scale farming, food manufacturing and sales, services, crafts, and modest trade. However, these activities actually make up a significant portion of the nation's overall employment and gross domestic product (GDP). In many Third World nations, small and micro companies (SMEs) are acknowledged as a significant source of employment and revenue (Mead and Liedholm, 1998). According to a 1997 assessment by the Inter-American Development Bank, microbusinesses significantly contribute to overall employment, production, and national revenue in the Caribbean and Latin America. According to Budiantoro (2004), SMEs in Indonesia contributed 30% of the country's GDP. SME production of essential items and services, like traditional foods, generates income and employment for a sizeable portion of the population in both rural and urban locations.

### **1.1.2 Loan Repayment**

The issue of the borrower's loan repayment capacity is a significant concern that demands consideration. Some borrowers have the potential to repay their debts, while others may choose not to pay, leading to a situation known as 'loan default'. According to Berhanu & Fufa (2008), loan defaulting can be classified as voluntary, which is linked to the borrower's morality and behaviors. The borrower possesses the capacity to repay, although they opt not to do so due to insufficient or absent law enforcement procedures employed by the credit-granting institution. On the other hand, involuntary defaulting occurs when unanticipated circumstances beyond the

borrower's control, such as decreasing business revenue, natural disasters, or the borrower's illness, impact the firm.

Borrowers who borrow larger sums of money and have longer durations to repay their loans are more likely to encounter difficulties in making their repayments, in contrast to borrowers with smaller loan amounts and shorter repayment terms, which incentivize timely repayment. When the loan amounts are small, it is probable that the borrower will repay the loan promptly and advance to a larger loan amount. Loan default can be categorized into two types: defaulting on the principal amount and interest, and delayed repayment. Prior to extending credit, lenders should thoroughly assess the borrower's credit history, economic outlook, collateral provided, capital invested in the business, the borrower's character, loan terms favoring the applicant, and the borrower's ability to repay the loan.

### **1.1.3 Commercial Banks in Trans Nzoia County**

Trans-Nzoia County is located in Kenya's productive North Rift region, sandwiched by the western slopes of the Cheranganyi Hills and the eastern foot of Mount Elgon. The county shares borders with West Pokot County to the east, Bungoma to the west, Uganda to the north, and Uasin-Gishu to the south. North of Nairobi, the capital of Kenya, is roughly 370 kilometers in Trans Nzoia County. The youth fund is being provided by the government in collaboration with Equity Bank and Cooperative Bank. Trans-Nzoia County has attracted 12 commercial banks and more than 5 non-banking financial institutions because of its abundant resources and status as a centre for agriculture in the North Rift. Additionally, the Kenya Women Finance Trust (KWFT) network provides the youth fund.

## **1.2 Statement of the Problem**

Youth Enterprise Development Fund was founded in December 2006 to provide the youth, who are largely jobless, with economic opportunities. The fund places a strong emphasis on enterprise development as a critical method to expand Kenyan youth participation in nation-building and their access to economic possibilities. The fund's mission includes expanding young entrepreneurs' access to finance in addition to offering assistance for business development, facilitating links in the supply chain, expanding local and international markets for the products and services offered by start - up businesses, and promoting wealth creation.

Even though the YEDF might be a preferable source of funding for young people, getting access to it nevertheless poses significant difficulties. The majority of adolescents are not fully aware of how to use this fund. Due to the low loan recovery, the government's objective to lower youth unemployment through the YEDF appears to have run into a brick wall. The improper management of the projects sponsored by the money resulted in low payback rates. Government microcredit programs in Kenya operate badly, according to studies, with sluggish repayment and high default rates (Wakuloba, 2008). For the last five years the program has been in place, young national loan recovery has been below 25%. Additionally, the fund has had little impact on society and has not been able to redress gender disparities. Due to inadequate payback, the majority of young people have yet to experience the benefits of the program. In reality, the prior beneficiaries' poor financial performance poses a threat to the ability of future potential young people who need the money to obtain it.

Based on the 2011 YEDF Status Report, only Kenya Shilling 149,751,560.40, or 33.8 percent, of the 442,872,291.90 Kenya Shillings distributed to the youth as of November 2011 have been

repaid. In addition, the report notes that a total of 13,087 youth organizations throughout all Kenyan constituencies benefited from this fund, with a repayment percentage of 33.8%.

The study stated that the reimbursement is as follows for Trans Nzoia County, where we have three constituencies: There were 87 groups in the Kwanza constituency, and a total of 2,699,250 Kenya Shillings had been approved; however, only 799,385 Kenya Shillings had been collected, leaving 1,899,865 Kenya Shillings as the balance owing. This represents a recovery rate of just 33.67%. In the Saboti constituency, there were 91 groups with a total allowed value of KES 2,865,000; however, only KES 670,177 had been recovered, leaving KES 2,194,823 as the balance still owing, equivalent to a recovery rate of only 31.56%. Last but not least, the Cherangany constituency had 47 groups and a total allowed amount of 2,090,000 Kenya Shillings, of which 1,942,503 were still owed and only 402,825 had been retrieved, for a recovery rate of only 20.74%. Consequently, based on these figures, the county's overall repayment rate was only 25.32%.

Although it is true that YEDF has a high rate of loan repayment defaults, nothing is known about the causes behind this. Additionally, the majority of global studies have not focused on youth organizations but rather MFIs. Additionally, these research present conflicting results. This study's objective was to identify the socioeconomic, business, and loan follow-up factors influencing the payback of the Youth Enterprise Development Fund in Trans-Nzoia County based on the foregoing information, and to offer pertinent recommendations to increase the repayment rate. Only a small amount of research on default has been undertaken in Trans-Nzoia County; the majority of studies have concentrated on Nairobi County and its vicinity. The county is one of the counties with extraordinarily low YEDF recovery rates, with an average recovery rate of 25%. The findings and suggestions from this study will help to raise the recovery rate.

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

#### **1.3.1 General Objective**

The study's general objective was to identify the factors that influence repayment of Youth Enterprise Development Fund in Trans-Nzoia County, Kenya.

#### **1.3.2 Specific Objectives**

- i. To examine the influence of borrower's social economic activities on loan repayment of Youth Enterprises Development Fund in Trans-Nzoia County.
- ii. To evaluate the effect of loan characteristics on repayment of Youth Enterprises Development Fund in Trans-Nzoia County.
- iii. To assess the influence of the business performance characteristics on repayment of Youth Enterprises Development Fund in Trans-Nzoia County.
- iv. To find out how the repayment of Youth Enterprises Development Fund in Trans-Nzoia County is affected by the follow-up methods implemented and the repayment structure.
- v. To determine the influence of government policies and regulation on loan repayment of Youth Enterprises Development Fund in Trans-Nzoia County

### **1.4 Research Hypothesis**

- i. **H<sub>01</sub>** Social-economic characteristics does not significantly affect repayment of Youth Enterprises Development Fund loan in Trans-Nzoia County.
- ii. **H<sub>02</sub>** Loan characteristics does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County
- iii. **H<sub>03</sub>** Business performance characteristics does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

- iv. **H<sub>04</sub>** Follow-up measures does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County
- v. **H<sub>05</sub>** Government policies and regulations has no moderating effect on the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

### **1.5 Significance of the Study**

The study will be significant for prospective borrowers, financial institution managers of government money, and other officials to implement suitable steps so as to lower default rates. Financial institutions may be reluctant to cooperate with the government in the distribution of funds if there is a high loan default rate since preexisting concerns before the signing of contract prevent the expense of default from being transferred directly on to the borrowers. Value will be contributed to the company by identifying social-economic, business, and loan follow-up aspects affecting YEDF repayment. This is due to the management being well aware of what must be done to lower default rates. The study will also provide advice on what should be addressed in order to strengthen the firm's perspective on loan lending. The project intends to gather sufficient data from all parties involved, particularly young people and women, to better understand the issues affecting loan repayment among them. The study will serve as a resource for academicians and academics in the future who want to advance the research in the field by helping them locate pertinent material.

### **1.6 Study Limitations**

The researcher faced challenges due to the respondents' hesitation from the diverse financial organizations, who felt that doing so would reveal private information about their customers to the public and also group members who indicated tight work schedule and also fearing to

provide their private life information. As a result, the respondents were hesitant to provide the necessary details. Nevertheless, the researcher addressed this by ensuring the respondents that the information was only to be utilized for educational reasons. Given that this is the researcher's first major research project, a restriction for the researcher was a lack of sufficient research experience. This was addressed by the researcher, who worked collaboratively with the supervisor while conducting the study.

### **1.7 Scope of the Study**

This study was conducted to identify the reasons why youth enterprises development fund initiatives in Trans-Nzoia County experience default. The research was conducted in Kitale's Equity and Cooperative Banks. The research focused on 5 people who work for the two banks in the credit department. The chosen bank branches were the subject of the researcher's work because of their proximity and the volume of loan lending activities they do. The research was conducted between April to May 2023.

### **1.8 Study Organization**

This project is organized into five chapters. The study's background, the problem statement, the study's purpose, its objectives, its research questions, its significance, its limitations, its scope, and its organization are all covered in the first chapter. The theoretical and empirical literature is the main topic of the second chapter. The last chapter focused on research methodology and covers study design, population of interest, sampling strategy, justification for sample selection, instruments used to gather data, questionnaires, reliability of the research tool, data analysis, and ethical considerations. Research findings and discussions were presented in chapter four. Chapter five presents the conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter's objective was to summarize the work of other studies on the social and economic variables, business success, and loan follow-up characteristics that affect loan repayment. The review's goal was to make it easier to comprehend how the issue has been addressed in the past. The findings of the review assisted the researcher in identifying knowledge gaps and forming a foundation for this research. It also helped to narrow and broaden the conceptual framework of the research by ascertaining several factors that can affect the ability of banks working with the government to provide micro credit loans. By contrasting multiple related studies in this field, this also assisted in detecting any linkages, analogies, or other links between the various research outcomes.

#### **2.2 Theoretical Review**

Theories discuss the circumstances as it is. This study made an effort to clarify various loan repayment theories. The study used several theories, but two in particular, the theory of planned behavior and experiential learning, were crucial.

##### **2.2.1 Information Asymmetry Theory**

The Market for "Lemons": Quality Uncertainty and the Market Mechanism by Akerlof (1970) was the first study to introduce the idea of asymmetric information theory. The asymmetric information perspective, according to Stiglitz (2000), emphasizes that information is incomplete, gathering information can be expensive, and there are significant asymmetries of information.

It is too expensive for banks to gather precise data on borrowers and to keep track of their behavior in imperfect loan markets that are characterized by information asymmetry. Information

asymmetry happens when one party to a contract is less aware than the other party of the counterparty's genuine intentions and upcoming plans. Additionally, information asymmetry develops when one participant group has more accurate or up-to-date information than the other participant groups. Due to the asymmetry of the information, it is challenging for a prospective creditor or insurance to assess whether or not the seller is accurately describing the anticipated probabilistic model over state-contingent payoffs linked with a contractual commitment (Berhanu, 2005).

When it comes to young people, asymmetric information is predicated on the idea that lenders and insiders have access to information about business characteristics of return streams or investment prospects that financial institutions hardly ever know about. Banks are aware of how much each of their borrowers' default charges will cost them, but they are unable to pinpoint specific amounts due to information asymmetry. Reliable borrowers have reasons for agreeing to varying terms in a credit agreement with the bank (Slazak, 2011). Young people running businesses have high risk and high mortality rates, which is partly due to their businesses' lack of capital and assets. Furthermore, there is a problem with information asymmetry because there is a lack of data availability for youngsters and, when it is, it is frequently unreliable. Youth loan default rates have not decreased despite financial institutions adopting collateralization to solve challenges connected to asymmetric information in business and lending.

### **2.2.2 The Moral Hazards Theory**

This Theory was postulated by Akerlof (1970). Moral Hazard is defined by Trezzini (2005) as the intrinsic problems that occur when a purchaser is not sufficiently wary to investigate the motivations of the supplier. Contractual agreements must be done with integrity; otherwise,

moral hazard applies. The risk arises from the fact that it is challenging to assess the service's quality, that it is irreversible, and that the outcome is unclear due to outside influences (Japelli& Pagano, 2005). Adverse selection differs from moral hazard in that it occurs prior to the transaction as a result of incomplete information about the other party's attributes on the part of the selection party. Moral hazard therefore becomes a factor following contract completion. It is characterized by engaging in distant and obscure operations that the financial intermediary is unaware of (Japelli& Pagano, 2005). Financial intermediaries have faced the ethical hazard issue over the years. The borrower might not behave in good faith and divert money to uses that are not authorized by the loan arrangement. Technically speaking, it would imply that the specific client is behaving outside of bounds.

The moral hazard theory has been put to the test in Kenya by academics looking at repayment performance. Hazard theory was employed in Ndungo, Olweny, and Memba's (2019) study, which found that there are both effective and ineffective moral risks in the Kenyan environment. Additionally, the study demonstrates that efficient moral hazard occurs even when the borrower's behavior doesn't lead to a total loss of prosperity. The research offers proof that Kenyan credit legislation applies the moral hazard principle.

Regarding this study, lending to adolescents may occasionally be done for reasons aside from business endeavors. There are situations where it is impossible to rely on the loanee to fulfill their duty. Failure to abide by the terms of the agreement will make it difficult for lenders to raise the money necessary to recoup the fund.

### **2.2.3 Experiential Learning Theory**

This theory was postulated by Norell (2001). It highlights the fact that lenders might utilize coaching as a strategy to reduce the likelihood that borrowers will default on their loans.

According to the hypothesis, teaching borrowers before providing them with loans can be utilized to instill a culture of debt repayment. Instructors need to take into account the personality of each learner as well as the behavior they want them to adopt. The obligation to borrow from Ugbomeh *et al.* (2008) arises from the recognition of the need to encourage borrowers to demonstrate commitment to loan repayment. The principle of experiential learning can be utilized by all types of organizations and in all facets of daily life.

Experiential learning theory, according to Ugbomeh *et al.*, (2008) has been applied to explain the management process as individualized learning, teams, and organizations to address problems and make decisions, select entrepreneurial possibilities, and explore formulation of strategies. The idea behind the theory is that learning is a healthy adaptive procedure. It goes on to say that learning should encompass a one's entire functioning, including their thoughts, feelings, perceptions, and behaviors, rather than just their cognition. This suggests that in order to build social capital amongst a group of borrowers, lenders anticipate particular actions, mental models and perceptions from borrowers. Additionally, this idea contends that borrowing in groups instead of individually, lowers the chance of default. This theory will be helpful for the study in pinpointing the characteristics or behaviors of borrowers likely to have an impact on young people's loan repayment. The hypothesis will specifically look into whether group financing has the lowest default risk.

#### **2.2.4 The Theory of Planned Behavior**

Ajzen's (1991) works have a connection to this theory. The idea was developed with the intention of delving deeply into the variables influencing loan repayment. Three elements are said to be the main drivers of human behavior according to this hypothesis. The elements are the borrower's behaviors, normative views, and control beliefs. In order to clearly identify particular

characteristics can have an impact on how borrowers and lenders repay loans, it is anticipated that the study would establish a link between planned behavior and the behaviors of borrowers.

Essentially, this theory contends that how a loan is repaid depends on the actions of the borrower, the traits of the business and financial institutions, and the regulatory and legislative frameworks that direct the process. This study is anticipated to rigorously explore the causes of the borrowers' subpar loan repayment. The theory postulates that in order for borrowers to repay their loans, there must be an environment that is favorable to business, including profitability, low risk, training for borrowers, affordable loan interest rates, favorable taxes, reasonable grace periods, and a steady supply (Kuzirwa, 2002).

## **2.3 Empirical Review**

This section reviewed the researches that have been done on the variables affecting loan repayment. These were reviewed in light of the study's goals.

### **2.3.1 Socio-Economic Factors**

Various studies have examined the issue of socioeconomic characteristics in relation to their effect on loan repayment. To begin with Westland (2007) argues that most people default to repay their loans due to lack of commitment. According to this study, certain situations could render individuals unable to service their loans. These situations could include: Divorce, illness or disability from job, failed businesses, and excessive debt with high interest rates. This study found that all of these issues can be resolved by holding business seminars and workshops to increase the capacity of women and young people in managing their enterprises and maintaining daily records. However, this study employed purely descriptive analysis, and not correlation or regression. It therefore follows that no clear relationship can be drawn from these findings. The current study addressed this challenge using both correlation and regression statistics.

D'Espallier, Guerin & Mersland (2011) established that women as opposed to their male counterparts, more inclined to pay back their loans. In a study that involved 350 microfinance institutions in 70 countries around the world, the study concluded the MFIs with more female borrowers had less incidences of loan default than MFIs with more male borrowers. This study therefore concluded that developing financial services tailored towards women will increase repayment to a greater extent than for male. However, findings of this study are limited to MFIs, and thus may not represent the views of YEDF borrowers for which this study investigates. In addition, Kenya was not among the 70 countries included in the study. Findings of this study were not applicable in the Kenyan situation given that Kenya has different social and economic structure as compared to other countries.

A research by Firafis Haile (2015) on determinants of loan repayment performance: case study of Harari microfinance institution Ethiopia contradicted D'Espallier, Guerin and Mersland (2011) arguments. Ethiopia's Harari Regional State's Eastern Hararghe Zone is where the research was carried out. This research sought to assess the variables influencing Harari Microfinance Institution's loan payback performance. By choosing 120 sample houses by a systematic random sampling amongst MFI defaulters and non-defaulters, the survey was carried out in three Kebele Associations with the greatest number of borrowers. Out of 120 debtors, 50% were in default and the other 50% were not. The study reported that being male or female does not have any relationship with loan repayment. Similar findings were established by Brom Tadesse Gebremedhin (2010) who explored the Determinants of Successful Loan Repayment performance of Private Borrowers in Development Bank of Ethiopia, North Region and concluded that the variable gender had insignificant relationship with loan repayment. Same findings were recorded by Angaine and Ndari (2014).

With regard to the age of borrowers, there is no clear relationship that studies have established with loan repayment. For instance, Kosen (2013) argue that young people may be educated, experienced but still default on loan repayment. On the other hand, the study reported that older people (age 55 and above) had minimal rates of loan repayment. This therefore, imply that the debate on age as a determinant of loan repayment is inconclusive. However, Pusha and Negese (2014) established that as loan repayment probabilities increases with the age of the borrower.

Even though theory indicate that education could be directly linked to loan repayment, some studies have found that there is no association between the level of education and the repayment of loans. For example, Kosen (2013) finds that education level is insignificant when it comes to the repayment of loans. However, this study could not explain vividly why education was not significant as the common logic demands. The research have discovered a significant correlation between the main source of income and the reason for default. Loan recipients who were dependent on poorly performing firms defaulted. According to a number of studies, including those by Greenbaum et al. (1991), Hoque (2000), Coyle (2000), and Ozdemir & Boran (2004), loans that are not paid back could be due to the fact that defaulters are unable or unwilling to do so. Prior to processing a loan application, it is crucial to review the borrower's profile in order to assess their moral character and attitude toward themselves. A borrower with excellent moral character would understand their obligations and fulfill them (Rosli, 1998).

### **2.3.2 Loan Characteristics**

Hulme & Mosley (1996) assert that the loan's design features are the key elements that affect how well the loan is repaid. The design aspects are divided into three groups, including access ways, screening methods, and motivation to repay. Maximum loan amounts and high interest rates are

two elements that often ensure that poor people, not the wealthy, have access to loans. Ineffective borrowers are weeded out using screening techniques.

According to Copisarow (2000), defaults typically result from inadequate program design or implementation rather than any fundamental issues with the borrowers.

Groves (1992) provides an overview of some of the causes of the loan payback issue. This includes loans that are too large to be affordable for the borrower, inefficient credit checks on the borrower by financial institutions, and flaws in the follow-up of security documents like land titles or insurance policies. Rosli (1998), assert that borrowers who request larger loan amounts and longer repayment terms may experience repayment issues as opposed to those who receive smaller amounts and are given incentives to make loan payments. Loan non-payment can be broken down into two distinct problems: complete non-payment and partial non-payment. This issue is brought on by having to bear the loan's interest payment load.

Ibeleme, Okpara, & Odionye (2013) looked into the loan amount and repayment behaviour of Nigerian small-scale oil palm producers and processors utilizing a case study of Abia State. 90 respondents—54 producers and 36 processors—were chosen at random and interviewed. The data were analyzed and conclusions were drawn using the Ordinary Least Square approach. Data research showed that processing expertise, gross yearly income, and interest rate strongly influenced the amount of loans made by oil palm processors. Academic achievement and interest rate, which all came in accordance with prioritized intentions as evidenced by the signs of the coefficients of pertinent variables, were the main predictors of loan amount for agricultural borrowers. The data analysis findings on loan repayment rate and credit worthiness rating revealed that the loan-asset ratio and the proximity between the borrower's premises to the issuer of the loan were important predictors of loan repayment rate.

Mensah et al. (2013) evaluated the association between loan default and repayment plan in micro-finance institutions in Ghana with a case study of Sinapi Aba Trust. Clients of the Sinapi Aba Trust's Tema and Lapaz branches were given questionnaires, which were then evaluated using Ordinary Least Square (OLS) Regression. The study's findings showed that there was no correlation amongst loan default and payback schedule in micro-finance institutions. The study did find a substantial link between interest rates on loans, ethical dilemma, and consumer overborrowing. Additionally, it was shown that loans not being secured by collateral and loan officers' reluctance to visit borrowers frequently both had a key role in why consumers experienced loan default.

Amare (2015) conducted an empirical investigation of the variables influencing small-holder farmers' ability to repay loans in North Gondar, Ethiopia. The econometric model took a total of 15 explanatory factors—including loan size—into account (Amare, 2015). According to the study, there is a strong and positive correlation between interest rates and loan payback. Despite being in East Africa, the study in Ethiopia concentrated on small-holder farmers, in contrast to the study in Kenya that focused on the Youth Enterprise Development Fund.

Kwang'a (2017) investigated Loan Characteristics and Repayment Performance of The Higher Education Loans Board in Kenya. In this study, a descriptive research design was employed. The study's sample size included information on how well borrowers of college, bachelor, and postgraduate loans repaid their loans from 2009 to 2018. To draw inferences and conclusions regarding the study demographic, secondary data were employed in the study. The Higher Education Loans Board figures were analyzed using the documents. The tests used in the study were the panel unit root test, heteroscedasticity, multicollinearity, and autocorrelation. The study made use of inferential techniques (multiple regression and ANOVA). According to the

report, there is a substantial correlation between loan amounts, loan terms, and how well borrowers repay loans from the Higher Education Loans Board.

Muturi, Lewa, and Kamau (2017) examined the Influence of Loan Characteristics on Microcredit Default in Kenya. Analyzing the Differences Between Microfinance Institutions and Financial Intermediaries. The study looked into the factors that contribute to loan default in Kenyan MFIs and Financial Intermediaries (FIs). Evaluation of the impact of loan characteristics on default rates in MFIs and FIs was the singular purpose under consideration. According to the study's findings, there were some discrepancies in the metrics used to measure loan characteristics between MFIs and FIs.

### **2.3.3 Business Performance**

Angaine (2014) opines that company characteristics can include elements like location, official or informal registration, size, nature and the kind of business it does. The size of the business in proportion to the number of staff, amount of investment, total assets, and turnover are used to determine business performance. The size of a business and the quantity of revenue it creates are related (Mpunga 2004). According to Mpunga (2004), there is a connection between a company's earnings and the types of collateral it gives to lenders. Mpunga further noted that the performance of a business directed affects the repayment of a loan. This study argued that, it is from performance a business is able to generate cash for loan repayment. It follows that those business with more profit, are more inclined to pay timely loan repayments. Bachanga and Aseyo (2013) contradicted these findings arguing that loan repayment is more of moral and ethics of the business manager or owner.

Horne (2007) asserts that the company trait potentially consist of the level of security it offers the credit. The value of the collateral to the lender fluctuates depending on a number of conditions, according to Horne's (2007) assertion. Low sales, a decline in product pricing, a drop in yield, low product prices, low demand for items, the perishability of such products, pest attacks, and unfavourable weather are some of the reasons for default (especially inadequate rainfall). When a company generates the highest amount of viability feasible considering the available human, financial, capital, and other assets, that company is said to be performing well in the business world.

Sileshi, Nyikal, & Wangia (2012) investigated the factors that influence smallholder farmers' loan repayment capacity in the Kombolcha and Babile districts of Ethiopia's East Hararghe zone. 140 small - scale farmers from two districts were surveyed utilizing structured questionnaire employing the multistage sample method. According to the study, of the overall sample of families, 71.4% were temporary loan defaulters and 28.6% were total non-defaulters, correspondingly. Tobit regression model with two limits was used to find the variables affecting loan repayment. The findings show that the agro-ecological zone, off-farm activity, and technical support from extension personnel all had a favourable impact on smallholder farmers' ability to repay their loans.

Ochillo (2009) conducted an analysis of the variables influencing small-business loan repayment performance with the goal of suggesting policies that could aid in enhancing small-business credit repayment performance. Probit regression, which employs Maximum Likelihood estimates to determine the values of parameter estimation, was applied to evaluate cross-section data gathered from an urban region in Kenya. The independent factors were age, education, loan diversions, number of dependents, business diversification, loan management, entrepreneurs'

attitudes regarding loan payback, and business performance. Loan repayment default was the dependent variable. The study's key conclusions are that firm performance, loan management, entrepreneur attitudes regarding loan repayment, and entrepreneur ages all have statistically significant effects on loan repayment. The study also discovered that loan repayment is impacted by late loan issuance, inadequate supervision, and technical business advice.

Nguta and Huka (2013) investigated the variables impacting loan repayment default in microfinance institutions. Individual recipients of microloans and representatives of microfinance institutions were examined using a descriptive survey design. Using census and cluster sampling techniques for officers of microfinance institutions and loan recipients, respectively, a representative random sample of 400 respondents was chosen from the research population in a case study of Kenya's Imenti North district. Descriptive and inferential statistics were used to examine the data gathered using both structured and unstructured questionnaires. The results of the study revealed a significant relationship between loan repayment default and the type of firm, its age, the number of workers, and its revenue. The research revealed a strong connection between the success of entrepreneurial companies in distant locations and technical training for loan recipients.

#### **2.3.4 Loan Follow-up Activities**

Khieu (2012) claims that the likelihood that a debt will be repaid increases with the order in which it is stated. In conformity with their order of importance, borrowers will pay off debt. Bryson (1989), assert that human resource is the most valuable resource. A strong corporation therefore requires strong human resource management. Successful organizations take into account the role that human resources play in putting strategies into action. According to Robertson (2008), recouping loans is a laborious process that never ends. Unreliable borrowers

prioritize growing or diversifying their enterprises over meeting their debt commitments. The lenders would have a very difficult time managing the enormous number of accounts, offer efficient customer service, and quickly recover the unpaid loans if the current level of computerization were not achieved.

Stearns (2000), opines that high percentages of delinquency in credit programs are either caused by the lender or prevented by the lender, not the borrower. While Awoke (2004) notes that the majority of defaults are brought on by poor management techniques, cash diversions, and refusal to make loan repayments. Lenders must therefore create a variety of institutional measures with the goal of lowering the risk of loan default.

Clarke & Johnston (2000) assert that Contacting the borrower and following up with them could be very helpful in figuring out their capacity and past problems, which could assist in resolving the issue of unpaid debts. To lower the likelihood of future bad debts, the loan might potentially be restructured if necessary. This might help prevent the rise in loan costs, such as interest and legal fees.

The ability of the loan payback scheme might be improved using two key tactics, according to Albrecht and Ziderman (1992). The first tactic was to create a program for staggered debt payback. A positive interest rate should be used to eliminate hidden subsidies, but it may also be used in conjunction with fair repayment. Thirdly, a solid plan of action should be developed to deal with the repayment issue, and if necessary, the ineffective credit collection agency should be shut down. Behrens (1992) highlighted four factors that affect loan issues and payback, including fraud, economic crisis, poor management, and other unavoidable issues like death, illness, accidents, and natural disasters. According to a research by the Robert Morris Associations (1993), mismanagement is the incapacity of the management to coordinate things efficiently and

appropriately. The performance of loan repayment could be improved by a methodical and well-run loan provision agency.

Due to the infrequent 100% guarantee of loan payback, lending is a tricky business (Adams et al, 1992). Amongst other factors, the failure of many state-sponsored agricultural development banks in many emerging economies was brought on by their inability to ensure favourable payback rates for their borrowers. What is being needed for more and more in the area of lending to rural asset-poor people is institutional innovation that integrates prudent banking practices and effective screening and monitoring methods without need on physical collateral like property. Basic sense, commercial banks are financial institutions that accept deposits from both individual and institutional clients and use those funds to provide credit to other clients. They can make money by charging borrowers higher interest than they pay to the depositors whose money they take. Their specialization on the underwriting, marketing, and trading of corporate and municipal securities sets them apart from investment banks and brokerages. The majority of a bank's assets are loans (Saunders & Cornett, 2005). On average, a bank can make 6%–8% more interest on loans than on securities. But there is danger involved with loans. The bank will suffer if it provides faulty loans to customers or businesses since they won't be repaid.

Understanding a bank's book of loans is essential since loans are its main source of income. Only a small portion of assets are other assets, such as real estate and machinery. A bank can make significant profits with a minimum of tangible assets. In certain other businesses, plant, property, and equipment (PP&E) is a significant asset. Unexpectedly, cash only accounts for 2% of total assets. This is so that the bank can invest its funds and earn interest. The bank will struggle to turn a profit if it simply stashes its money in a vault and forgets about it. As a consequence, a bank keeps the majority of its funds invested in loans and other financial instruments known as

earning assets as they generate interest. Due to their low yield, banks do not prefer investing their funds in fixed-income instruments. Contrarily, liquid investment-grade assets provide higher rates than cash, therefore it is generally advisable for a bank to keep securities on hand in the event they ought to discharge some liquidity.

### **2.3.5 Government Policies and Regulations**

Greenwood and Suddaby (2016) conducted a study titled "Essays on Group Lending: Evidence from Jordan." The study utilized data obtained from a self-designed survey of 160 borrowing groups affiliated with the Microfund for Women in Jordan. The objective of the study was to examine the impact of various factors, such as screening, peer monitoring, group dynamics, and social ties, on the behavior of borrowing groups. If the primary consequence for default or delinquency is the refusal of future loans, it may be presumed that customers would exhibit a greater willingness to engage in risky conduct as their alternative alternatives increase. In instances of this kind, variables such as the structure of loan repayment schedules may have a minimal influence on the occurrence of delinquency and default.

Raynor and Ahmed (2013) conducted a research study in Ethiopia with the aim of analyzing and identifying the primary variables that influence the loan repayment performance of selected demographic groups, including the young, women, and handicapped individuals. Additionally, the study sought to identify the main challenges faced by microfinance institutions (MFIs) operating in the Wolaita and Dawuro regions. The duration of repayment was identified as a key factor influencing the ability of borrowers to repay their loans. The study revealed that there is a significant correlation between the length of the loan payback term and the likelihood of borrowers successfully repaying their loans. Hence, it is essential for the institution to provide sufficient time to customers, enabling them to effectively manage the loans they have acquired

and establish an appropriate timeframe for loan repayment that aligns with their ability to sell their company product.

Wabwire (2015) posit that supportive policies are crucial for policymakers because they allow them to develop effective interventions to encourage and create an enabling economic environment for innovation and business competitiveness, ultimately boosting the performance of youth, women, and disabled business projects. Therefore, the issue facing adolescents, women, and the handicapped demands well thought out, well-structured, and widely spread initiatives. The administration seems to be making just cosmetic changes at this time without a long-term strategy. In order to provide young, women, and handicapped people with work possibilities as well as market-driven education, training, and life skills, economic development must be accelerated

## **2.4 Summary of Literature Rreview and Research Gaps**

**Table 2 1 Summary of Reviewed Literature and Research Gaps**

<b>Author</b>	<b>Title</b>	<b>Findings</b>	<b>Research Gaps</b>
D'Espallier, et al (2011)	Women and Microloan Repayment: A Worldwide Analysis	The study concluded the MFIs with more female borrowers had less incidences of loan default than MFIs with more male borrowers	The findings of the study were limited to MFIs, while the current study focused on loan repayment of YEDF in Trans-Nzoia County, Kenya
Firafis (2015)	The factors that affect loan repayment performance: case of Harari microfinance institution Ethiopia	Based on the study, there is no connection between gender and debt payback.	The study was conducted in Ethiopia and focus on entire household while the current study focused on loan repayment of YEDF in Trans-Nzoia County, Kenya
Kosen, (2011).	The impact of demographic attributes on Kenyan commercial banks' loan performance	The research discovered a significant correlation between the main source of income and the reason for default	The study focused on demographic characteristics while the current study focused on Social-Economic, Business and Loan Follow-Up Characteristics
Ibeleme, O. et al (2013)	The loan amount and repayment behaviour of Nigerian small-holder oil palm producers and processors	Data analysis revealed that the loan-asset ratio and the proximity between the borrower's residence and the loan's origin were important predictors of loan payback rate.	The study focused on small-holder oil palm producers and processors in Nigeria while the current study focused on focus on loan repayment of YEDF in Trans-Nzoia County, Kenya
Mensah et al. (2013)	To evaluate the association between loan default and repayment plan in micro-finance	The study found a substantial link between loan interest rates, moral hazard, and consumer overborrowing.	The study used Ordinary Least Square (OLS) Regression model while the current study utilized panel regression model.

	institutions in Ghana		
Amare (2015)	an empirical investigation of the variables influencing small-holder farmers' ability to repay loans in North Gondar, Ethiopia	The study revealed a strong and favourable association between interest rate and loan repayment.	The study focused Small-holder farmers in Ethiopia, unlike the current study, which was carried out in Kenya focusing loan repayment of YEDF in Trans-Nzoia County, Kenya
Kwang'a (2017)	Loan Characteristics and Repayment Performance of The Higher Education Loans Board in Kenya	Based on the analysis, there is a substantial correlation between loan amounts, loan terms, and how well borrowers repay loans from the Higher Education Loans Board.	The study focused on Higher Education Loans Board while the current study focused on loan repayment of YEDF in Trans-Nzoia County, Kenya
Muturi, et al (2017)	The Impact of Loan Characteristics on Microcredit Default in Kenya	The study's findings showed that there were some variances in the metrics used to quantify loan characteristics between MFIs and FIs, but they were nonetheless significant.	The study focused on MFIs and FIs while the current study focused on loan repayment of YEDF in Trans-Nzoia County, Kenya
Sileshi, et al (2012)	The determinants of loan repayment performance among smallholder farmers in East Hararghe zone, Ethiopia specifically Kombolcha and Babile districts	The results indicate that agro ecological zone, off-farm activity and technical assistance from extension agents positively influenced the loan repayment performance of small-scale farmers	A two-limit Tobit regression model was applied by the study while the current study utilized a panel regression model

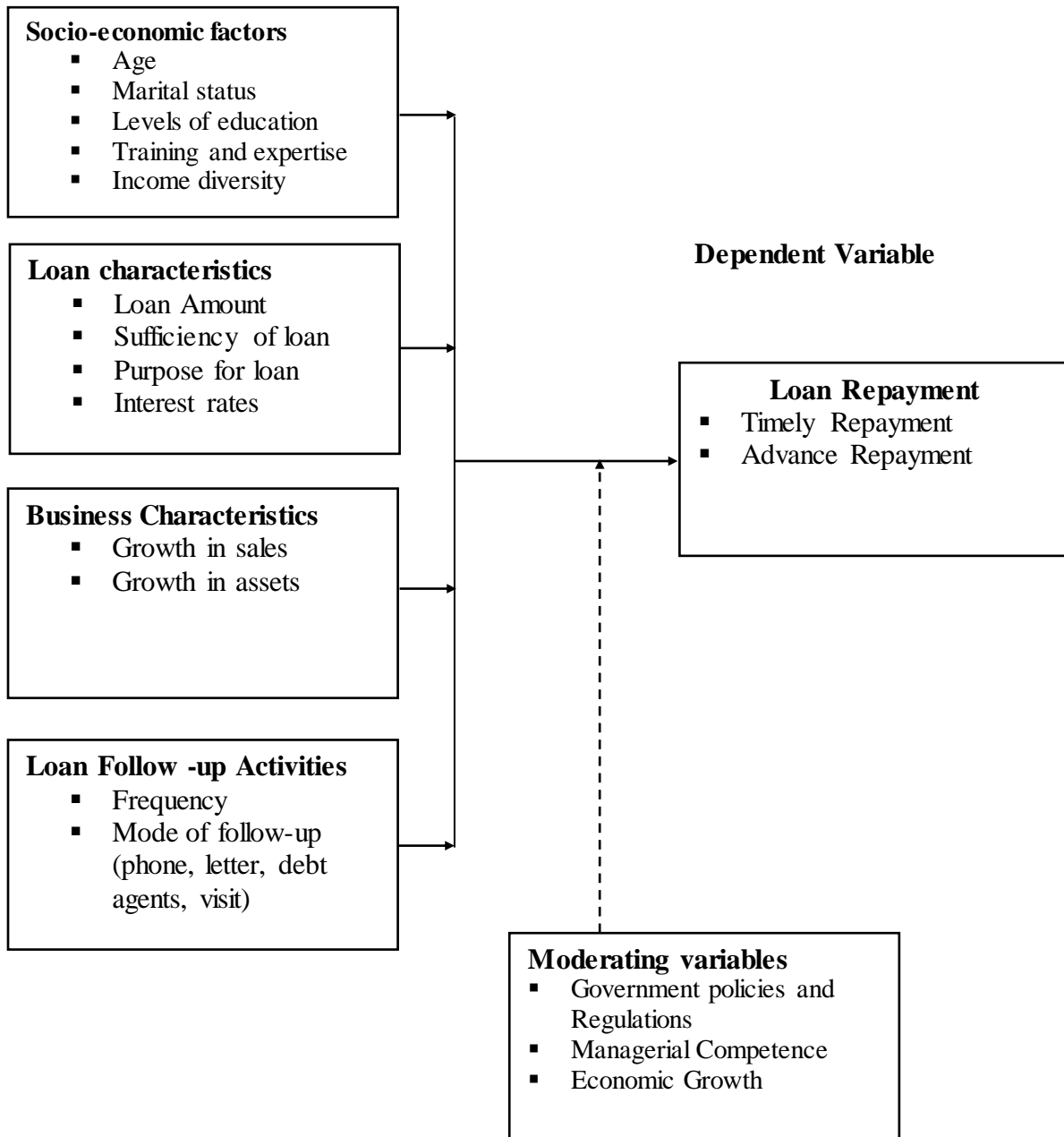
Ochillo (2009)	Small scale business loan repayment performance in Kenya: a study in	The main findings of the study are that the ages of the entrepreneurs, loan administration, attitude of the entrepreneurs towards loan repayment and business performance have statistically significant influence on loan repayment	The study utilized cross-section and analyzed it through Probit regression method, while the current study utilized primary data which will be analyzed through panel regression method
Nguta et al (2013)	The factors influencing loan repayment default in micro-finance institutions: the experience of Imenti north district, Kenya	The study findings revealed that there was significant relationship between the type of business, age of the business number of employees, business profits and loan repayment default	The study focused on micro-finance institutions in Imenti north district, Kenya while the current study focused loan repayment of Youth Enterprise Development Fund in Trans-Nzoia County, Kenya
Raynor and Ahmed (2013)	analyzing and identifying the primary variables that influence the loan repayment performance of selected demographic groups, including the young, women, and handicapped individuals in Ethiopia	The study revealed that there is a significant correlation between the length of the loan payback term and the likelihood of borrowers successfully repaying their loans	The study was carried out in Ethiopia while the current study was undertaken in Kenya

**Source: Reviewed empirical studies**

## **2. 5 Conceptual Framework**

The conceptual framework demonstrates how the independent and dependent variables are related. The conceptual framework shown in Figure 2.1 was adopted in the study. The independent variables were: Social and economic considerations, insufficient disbursements, repayment infrastructure, follow-up procedures, and business performance. The criteria was examined in order to determine their importance in achieving the successful repayment of the Women Fund and the Youth Enterprise Development Fund.

## Independent Variables



**Figure 2.1: Conceptual Framework**

Source: Author (2022)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the study's research methodology. It provides information about the target population, the sample and sampling method, the data gathering tools, data processing, and data presentation.

#### **3.2 Research Design**

The research design for this study was a descriptive survey design. A survey study design may be descriptive, exploratory, or involve sophisticated statistical analysis, according to Mugenda & Mugenda (2003). Descriptive investigations, according to Kerlinger (1969), are not just limited to gathering information; they also frequently lead to the creation of fundamental theories and the answers to important issues. Since they include precise classification, analysis, and interpretation of data, they are more than merely a collection of data. Descriptive research establishes and documents reality and makes an effort to define things like possible attitudes, beliefs, and attributes. Schindler & Coopers (2003) assert that descriptive studies are organized around explicitly stated research topics. They support a number of research goals, such as describing phenomena or features related to the target population, estimating the percentage of the population that shares such qualities, and identifying relationships between various variables. Additionally, it aids in describing the situation of the issue under examination and the connections between the factors. This study employed a descriptive survey approach in order to determine how business success, social and economic conditions, and loan follow-up affect YEDF repayment..

### **3.3 Target Population**

Mugenda & Mugenda (2003), opine that the target population must possess some distinguishing characteristics in order for the expert to provide the study's findings for that group. The target of the researcher's study was the 46 group leaders (chairpersons), 552 members, 102 locals, and 8 workers from financial institutions who participated in Trans Nzoia County's financing for these funds. The study focused on micro and small enterprises operated and managed by youth and who are engaged in a variety of economic ventures across all trade, service, and manufacturing subsectors.

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

A sample was taken from the locals of Trans Nzoia County. Sampling is the procedure of choosing a group of people or things from a demographic so that the group has aspects that are typical of the traits that are with the entire group (Mugenda & Mugenda, 2003). Based on the idea of random selection, the study employed stratified sampling design. It guarantees that every potential sample combination has an equal chance of being selected, as well as an equal likelihood of being selected from the total population (Kothari, 2004). There was sampling of all staff types working for commercial banks and group members. The inquiry included stratified random sampling and simple random sampling. In this situation, stratified random sampling was be appropriate since the population was split up into distinct strata or subgroups that are not homogenous. The purpose of stratified sampling was to ensure that the population's subgroups are fairly represented in the chosen sample (Mugenda & Mugenda, 2003). The participants in this research were divided into subgroup chairmen, administrators, finance managers, and members. Mugenda & Mugenda (2003) assert that 10% of the population is sufficient, thus the researcher focused on that percentage. Table 3.1 exhibits the study's sample size.

**Table 3.2: Sample Size**

<b>Category</b>	<b>Total Number in Category</b>	<b>Population Percentage</b>	<b>Sample size</b>
Bank Staff	5	100	5
Group Chairpersons	46	10	5
Group Members	552	10	55
<b>TOTAL</b>	<b>603</b>	<b>10</b>	<b>65</b>

### **3.5 Data Collection Instrumentation**

A questionnaire was used to obtain the primary data from the bank officials. A questionnaire comprises a series of questions printed or transcribed in a specific order on a sheet or set of sheets and handed to participants. These individuals are required to read, comprehend, and respond to the questions in the spaces designated for that purpose on the questionnaire itself (Kothari,2004). It was designed so that both closed-ended and open-ended questions can be addressed. The organized questionnaire is easy to conduct and its analysis is reasonably priced (Kothari, 2004). The participants were given these questionnaires by the researcher on a drop-and-pick approach, with the assistance of research assistants.

The technique's application is more cost-effective because of its descriptive nature, which also provides a solid foundation for generalization (Kothari, 2004). The study utilized two sets of questionnaires, one of which was given to youth organizations to learn more about the challenges they encounter when trying to apply for and repay Youth Fund and another of which was given to bank team to learn more about how they manage loans and carry out follow-ups in their

respective regions of responsibility. The questionnaires was kept brief and straightforward for an effective data collection.

### **3.5.1 Reliability of the Instrument**

The general definition of reliability is an estimation of how precise and trustworthy a measurement is in producing results (Kimberlin & Winterstein, 2008). According to LoBiondo-Wood and Haber (2014), reliability is the correctness or dependability of a research instrument's measurements. The reliability of the questionnaire was examined utilizing Cronbach Alpha reliability, which quantifies how closely the various replies are correlated. The dependability of the items increases with Cronbach's Alpha coefficient proximity to 1, while reliability decreases with Cronbach's Alpha coefficient proximity to 0. The study classified a Cronbach Alpha of 0.7 and above as dependable, but less than 1 (Tavakol & Dennick, 2011; Drost, 2011).

### **3.5.2 Validity of the Instrument**

Validity is how closely test matches what it promises to examine. (Kombo and Tromp 2011). For this study, content validity was employed to assess the degree to which the questionnaire addressed the research topic. Experts in the field of knowledge management and especially my supervisor were consulted to ensure content validity. Feedback given by the experts aided in establishing the research instrument validity. Recommendations and clarifications were used in making required changes. The pilot questionnaire was conducted to determine items that seem dispensable. Such items were being evaluated and re-written, thereby improving the validity of study tool.

### 3.6 Data Analysis and Presentation

For analysis, the acquired data was processed via editing, coding, tabulation, and categorization (Kothari, 2004). In order to avoid frequent errors like duplicated and ambiguous replies, data editing entailed considerable degree of proofreading. This also involved identifying errors and omissions and fixing them. So as to verify that the data was correct and dependable with all information acquired and consistently input, this required a close examination of the questionnaires that were been filled out. To simplify the quantity of data entering, variables are coded as symbols or numeric characters through the process of coding. Data was organized into tables during tabulation in order to be ready for computer manipulation. To preserve cohesiveness, related objects are grouped into identical categories through classification. Following that, descriptive statistics was employed to analyze the data, including measures of central tendency (mean, mode and median).

A panel regression model was utilized to determine how socio-economics, loan characteristics, business performance and loan follow-up activities influence repayment of YEDF in Trans-Nzoia County, Kenya

The following regression model was applied

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Y= Repayment of YEDF in Trans-Nzoia County

B<sub>0</sub> = Constant

B<sub>1</sub> – β<sub>4</sub> = coefficients of variables

X<sub>1</sub> = Socio-Economics

X<sub>2</sub> = Loan characteristics

X<sub>3</sub> = Business Performance

X<sub>4</sub> = Loan follow-up activities

X<sub>5</sub>=Moderating Variables

$\varepsilon$  = Error Term

### **3.7 Diagnostic Tests**

In estimating the empirical Model, it was necessary to ensure non-violation of the Classical Linear Regression Model (CLRM) assumptions. Violation of CLRM assumptions may cause the estimates produced not to be Best Linear Unbiased Estimates (BLUE). To ensure non violation the study carried out the tests for normality, Multicollinearity and Heteroskedasticity as supported by fadhili *et al.* (2011).

#### **3.7.1 Normality**

Normality was presumed in the study considering that multiple regression analysis was used as a principle data analysis method. Normality can be tested using Shapiro Wilk test, Kolmogorov-Smirnov Test, Normal Q-Q Plot and Jarque-Bera test. The study adopted Shapiro-Wilk test since is more comprehensive compared to others as supported by Field, 2009; Gujarati & Porter, 2004 and Razali & Wah, 2011).

Sample scores were compared to normally distributed scores with similar measures of deviation. Where the coefficient is non-significant ( $p > 0.05$ ), it means that the distribution of the sample is not significantly different from a normal distribution hence would be normally distributed. Conversely, where the test is significant ( $p < 0.05$ ), then the distribution in question is considered non-normal (Jackson, 2009). Where data fails normality test, non-parametric statistics are run since they don't require normality of the data.

### **3.7.2 Multicollinearity**

Multicollinearity is a condition where one or more independent variables are highly correlated such that one can be used to predict the other. Multicollinearity affects almost all aspects of multiple regression analysis and has a negative effect on such analysis especially if the correlation among independent variables is high (Aczel & Sounderpandian, 2009). Failure of this classical assumption causes the regression coefficients to be indeterminate and the resulting standard errors to be infinite hence affecting precision on rejection or failure of rejection of the null hypothesis. Correlation matrix was used in the study to detect Multicollinearity where threshold of Multicollinearity was 0.8 (Blumberg, Cooper & Schindler, 2008). Where Multicollinearity was detected, the variables are centered in order to standardize the predictors. This strategy helps eliminate the Multicollinearity occasioned by interaction and higher-order terms without altering interpretation of the coefficients (William *et al*, 2013).

### **3.7.3 Heteroscedasticity**

According to Baum, Lewbel, Schaffer and Talavera (2012), Heteroscedasticity is the extent to which the data values for the dependent and independent variables have unequal variances. Heteroscedasticity implies that error term among different values of financial leveragedecisions do not have constant variances. Failure of this assumption affects OLS estimator such that it cannot be utilized for hypothesis testing since it would bring inefficient predictions (Dansey & Reidy, 2004).

The study tested Heteroscedasticity using modified Wald test where the null hypothesis was Homoscedasticity while alternative was Heteroscedasticity. Where the P value is less than critical level of significance at 0.05, then the null hypothesis should be accepted and resulting residuals deemed Heteroscedastic (Poi & Wiggins, 2001). Where data is found to be

heteroskedastic, logarithmic transformation can be used to reduce such Heteroscedasticity by compressing the scale in which variables is measured several times.

### **3.8 Ethical Considerations**

Respondents received sufficient and correct information about the study in order for them to make an informed decision about taking part in it. For the purpose of obtaining the participant's explicit consent, the principles of data confidentiality and privacy was also be explained. The researcher considered and appreciated all individuals in the planning and execution of the study, irrespective of their gender.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

The chapter constitutes data analysis, presentation and discussion of findings. It comprises five sections. The first offers the questionnaire response rate. The second section gives the respondents' demographic information. The third section contains findings on the factors that influence repayment of Youth Enterprise Development Fund in Trans-Nzoia County, Kenya. The fifth section includes correlation analysis and regression analysis for the association between the independent and dependent variables. The results are presented in figures, tables and in prose forms. Themes reflecting the objectives of the study were used to organize the analyzed data.

#### 4.2 Response Rate

The study findings were based on questionnaires that were distributed and fully filled. The total questionnaires returned and not returned and the response rate are shown in Table 4.1 below

**Table 4.1 Response Rate**

Questionnaire	Frequency	Percentage
Fully filled and returned	58	89%
Not returned and rejected	7	11%
<b>Total</b>	<b>65</b>	<b>100%</b>

**Source: Field Data (2023)**

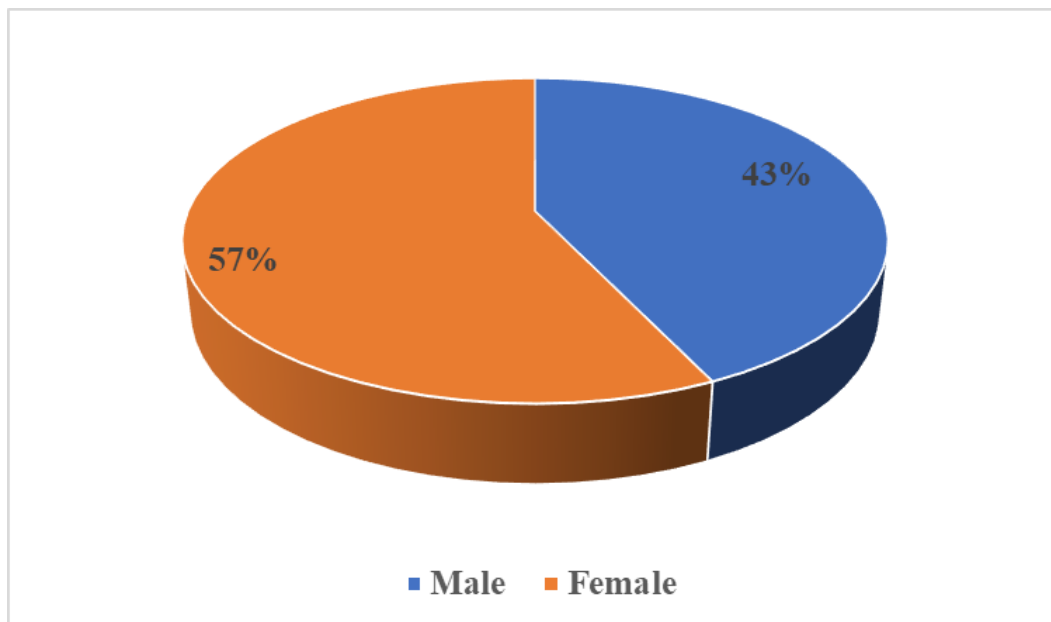
From Table 4.1 above, a total of 65 questionnaires were disseminated to members of youth groups and banks' official out of which 58 were fully filled and submitted while 7 were not resubmitted and some rejected since they were not fully filled. This demonstrated an overall response rate of 89% which according to Kothari (2010) was an excellent response rate which enabled analysis of findings, discussion and drawing inferences from the sampled respondents.

### 4.3 Demographic Characteristics

this section presents the respondents' bio data. The demographic characteristics studied were gender, age, marital status, highest education qualification, training and sources of income.

#### 4.3.1 Gender of the Respondents

The study sought to establish the gender distribution of the respondents. The results were summarized in the Figure 4.1 below.



**Figure 4.1 Gender of the Respondents**

**Source: Field Data (2023)**

The results in Figure 4.1 indicate that 57% of the respondents were female while 43% were male. This shows that more female participated in the study. This implied that both genders were equally represented in the study, and was thus free from bias on the basis of gender.

### 4.3.2 Age of the Respondents

The study sought to determine the age distribution of the respondents. The results were as presented in Table 4.2 below.

**Table 4.2: Age of the Respondents**

	Frequency	Percentage
18-24 Years	12	21
25-29 Years	17	29
30-35 Years	18	31
35 Years and above	11	19
<b>Total</b>	<b>58</b>	<b>100.0</b>

**Source: Field Data (2023)**

The results in Table 4.3 above indicate that 21% of the respondents were aged between 18 to 24 years while 29% were aged between 25 to 29 years. 31% of the respondents were aged between 30 to 35 years and 19% were aged above 35 years. This shows that majority of respondents were in the range of youth age which is between 18 and 35 years.

### 4.3.3 Marital Status

The study sought to determine the marital status of the respondents and the findings were as indicated in Table 4.4 below.

**Table 4.3 Marital Status**

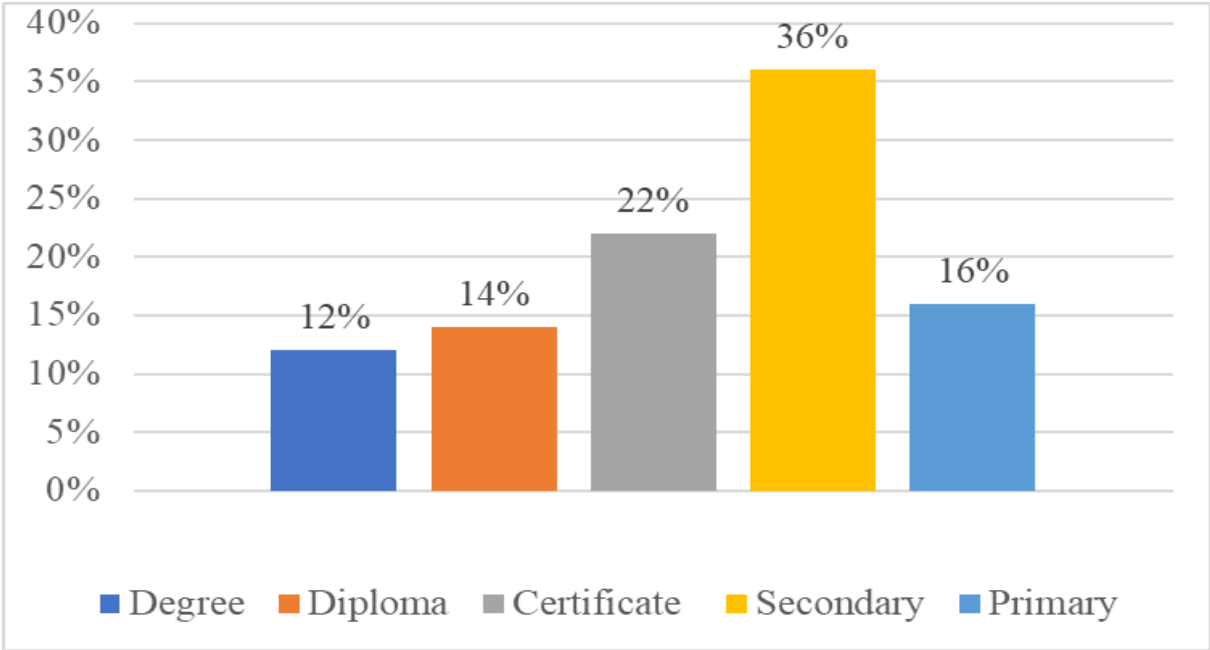
	Frequency	Percentage
Married	26	45
Single	16	28
Widowed	7	12
Separated	9	15
<b>Total</b>	<b>58</b>	<b>100.0</b>

**Source: Field Data (2023)**

The findings in Table 4.3 above shows that 45% of the respondents were married and 28% were single. 12% indicated that they were widowed while 9% indicated that they had separated from their partners.

### 4.3.3 Respondents' Highest Level of Education

The study sought to ascertain the respondents' highest level of education. The findings were as displayed in Figure 4.2 below.



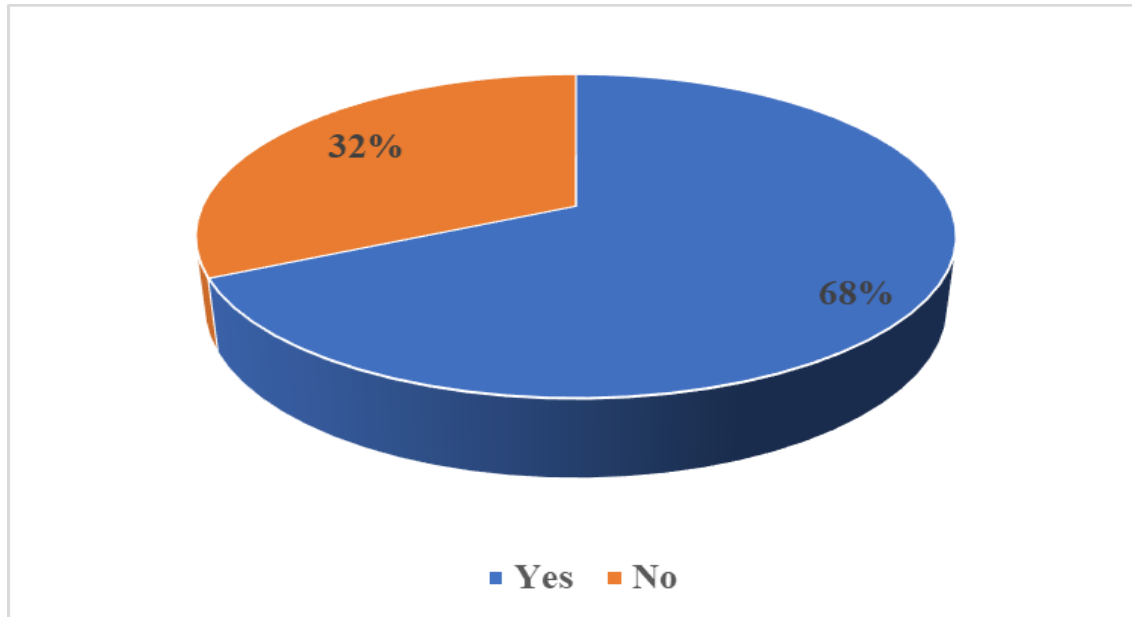
**Figure 4.2 Respondents' Highest Level of Education**

**Source: Field Data (2023)**

The findings in Figure 4.2 above indicates that 12% of the responds had attained a degree level of education while 14% had diploma. The results also showed that 22% had certificate, 36% had secondary school level of education and 16% indicated as primary as the highest level of education.

### 4.3.3 Respondents' Training

The study sought to ascertain if the respondents had received any training relating to loan repayment. The findings were as displayed in Figure 4.3 below.



**Figure 4.3 Respondents' Training of Fund management**

**Source: Field Data (2023)**

The results in Figure 4.3 above shows that majority of the respondents 68% had been trained on issues relating to loan repayment while 32% indicated that they were not trained.

### 4.3.4 Respondents' Source of Income

The study sought to determine the respondent's source of income. The findings were as displayed in Table 4.4 below.

**Table 4.4 Source of Income**

	<b>Frequency</b>	<b>Percent</b>
Farming	22	38
Business	20	34
Formal Employment	16	28
<b>Total</b>	<b>58</b>	<b>100.0</b>

**Source: Field Data (2023)**

The results in Table 4.4 above shows that majority of respondents 45% indicated farming as their main source of income while 34% of the respondents indicated doing business as their main source of income. 28% of the respondents indicated formal employment as the main source of income the results can be attributed to the geographical scope of the study since the research took place in Trans Nzoia County which the main economic activity is farming.

#### **4.4 Descriptive Analysis**

Each of the research variables was given a thorough descriptive analysis. This was done based on data collected from the research. The researcher was able to reach relevant findings by using the frequency, mean, and standard deviation. The study's general objective was to identify the factors that influence repayment of Youth Enterprise Development Fund in Trans-Nzoia County, Kenya. The responders were asked to apply a Likert Scale

##### **4.4.1 Social Economics Factors and repayment of YEDF in Trans-Nzoia County, Kenya**

The study sought to determine how borrowers' social economics factors influence repayment of youth enterprise development fund. The researcher used a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent and the findings were as indicated in Table 4.5 below.

**Table 4.5 Social Economics Factors and repayment of YEDF**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Gender of the group members	58	2.5897	.94045
Age of the group members	58	2.7759	.83861
Level of education of the group members	58	3.1897	.86768
Marital status of the group members	58	2.8793	.99256
Training of the group members	58	3.1207	.85998
Political mindset of the group members	58	2.0517	.75909
Size of the group	58	2.8448	.91386
<b>Aggregate Score</b>		<b>2.7931</b>	<b>.88175</b>

**Source: Field Data (2023)**

The results in Table 4.5 shows that majority of respondents indicated that Level of education of the group members influenced repayment of YEDF to moderate extent as indicated by a mean of 3.1897 and standard deviation of 0.86768 respectively and that training of the group members influence repayment of YEDF to a moderate extent as indicated by a mean of 3.1207 and a standard deviation of 0.85998 respectively. The findings also indicated that marital status of the group members influenced repayment of YEDF to a moderate extent as indicated by a mean of 2.8793 and a standard deviation of 0.99256 respectively, the size of the group influenced repayment of YEDF to a moderate extent as indicated by a mean of 2.8448 and a standard deviation of .91386 respectively and that age of the group members influenced repayment of YEDF to a low extent as demonstrated by a mean of 2.7759 and a standard deviation of 0.83861 respectively. The findings also indicated that gender of the group members influenced repayment of YEDF to a low extent as demonstrated by a mean of 2.5897 and a standard deviation of 0.94045 respectively and that political mindset of the group members influenced repayment of

YEDF to a low extent as indicated by a mean of 2.0517 and a standard deviation of .75909 respectively. The study findings indicated that social economics factors influenced repayment of YEDF to a moderate extent as demonstrated by an aggregate mean score of 2.7931 and a standard deviation of 0.88175 respectively. The findings are consistent with those of Brom Tadesse Gebremedhin (2010) who explored the Determinants of Successful Loan Repayment performance of Private Borrowers in Development Bank of Ethiopia, North Region and concluded that the variable gender had insignificant relationship with loan repayment.

#### 4.4.2 Loan Characteristics and repayment of YEDF in Trans-Nzoia County, Kenya

The study sought to determine how loan characteristics factors influence repayment of Youth Enterprise Development Fund. The researcher used a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent and the findings are as indicated in Table 4.6 below.

**Table 4.6 Loan Characteristics and repayment of YEDF**

	N	Mean	Std. Deviation
Loan amount	58	3.9655	.79396
Interest rates	58	3.9310	.87584
Sufficiency	58	3.8966	.78784
Loan purposes	58	3.9642	.83699
Late disbursement of loans	58	3.8103	.98153
Repayment period	58	3.7586	.97891
<b>Aggregate Score</b>		<b>3.8879</b>	<b>.87585</b>

**Source: Field Data (2023)**

The study findings in Table 4.6 above shows that loan amount, loan purposes and interest rates influenced repayment of YEDF to a great extent as demonstrated by mean of 3.9655, 3.9642 and 3.9310 and standard deviation of 0.79396, 0.83699 and 0.87584 respectively. The findings also

indicated that sufficiency, late disbursement of loans and repayment period influenced repayment of YEDF to a great extent as demonstrated by mean of 3.8966, 3.8103 and 3.7586 and standard deviation of 0.78784, 0.98153 and 0.97891 respectively. These study findings suggests that loan characteristics influenced the repayment of YEDF to a great extent as suggested by an aggregate mean score of 3.8879 and a standard deviation of 0.87585 respectively. The findings are similar to those of Kwang'a (2017) who investigated Loan Characteristics and Repayment Performance of The Higher Education Loans Board in Kenya and found a substantial correlation between loan amounts, loan terms, and how well borrowers repay loans from the Higher Education Loans Board.

#### **4.4.3 Business Performance Characteristics and repayment of YEDF in Trans-Nzoia County, Kenya**

The study sought to determine how business performance characteristics factors influence repayment of youth enterprise development fund. The study used a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent and the findings are as indicated in Table 4.7 below

**Table 4.7 Business Performance Characteristics and repayment of YEDF**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Business failure	58	4.2069	.83264
Type of business	58	4.1897	.78264
Low profit	58	4.2414	.77935
Location of the business	58	3.8966	.83118
Age of business	58	3.8448	.74461
Size of the business	58	3.9828	.78341
<b>Aggregate Scores</b>		<b>4.06037</b>	<b>.79231</b>

**Source: Field Data (2023)**

The results in Table 4.7 above indicate that low profit, business failure and type of business influence repayment of YEDF to a great extent as demonstrated by a mean of 4.2414, 4.2069 and 4.1897 and standard deviation of 0.77935, 0.83264 and 0.78264 respectively, the findings also showed that size of the business, location of the business and age of business influenced repayment of YEDF to a great extent as indicated by a mean of 3.9828, 3.8966 and 3.8448 and standard deviation of 0.78341, 0.83118 and 0.74461 respectively. These study findings suggests that business performance characteristics influenced repayment of YEDF to a great extent as suggested by an aggregate mean score of 4.06037 and a mean score of 0.79231 respectively. The findings concur with those of Nguta and Huka (2013) investigated the variables impacting loan repayment default in microfinance institutions and found a strong connection between the success of entrepreneurial companies in distant locations and technical training for loan recipients.

#### **4.4.4. Level of follow -up Activities and repayment of YEDF in Trans-Nzoia County, Kenya**

The study sought to determine the level at which the following loan repayment activities influence repayment of youth enterprise development fund. The researcher used a Likert scale of 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree and 1=Strongly Disagree and the findings were as indicated in Table 4.8 below.

**Table 4.8 Level of follow -up Activities and repayment of YEDF**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The lender makes regular visits the group members to make follow-up on loan repayment	58	3.3448	.94686
The lender makes phone calls to the group members to make follow-up on loan repayment	58	3.4138	.99180
The lender uses debt collectors to when group fails to repay the loan	58	2.6793	1.02730
The lender writes letter to the group reminding them to repay the loan	58	2.6103	.99551
<b>Aggregate Score</b>		<b>3.1121</b>	<b>.99037</b>

**Source: Field Data (2023)**

The study findings in Table 4.8 above indicated majority of respondents were neutral on statements that lender makes phone calls to the group members to make follow-up on loan repayment as demonstrated by a mean score of 3.4138 and a standard deviation of 0.99180 respectively and that lender makes regular visits the group members to make follow-up on loan repayment as suggested by a mean of 3.3448 and a standard deviation of 0.94686 respectively. The findings also showed that respondent disagreed with statement that lender uses debt collectors to when group fails to repay the loan as demonstrated by a mean score of 2.6793 and a standard deviation of 1.02730 and that lender writes letter to the group reminding them to repay the loan as demonstrated by a mean of 2.6103 and a standard deviation of 0.99551 respectively. These findings suggests that follow-up activities do not influence repayment of YEDF. The findings contradict Clarke & Johnston (2000) findings which stated that Contacting the borrower and following up with them could be very helpful in figuring out their capacity and past problems, which could assist in resolving the issue of unpaid debts. To lower the likelihood of

future bad debts, the loan might potentially be restructured if necessary. This might help prevent the rise in loan costs, such as interest and legal fees.

#### 4.4.4 Repayment of YEDF in Trans-Nzoia County, Kenya

The study sought to determine the respondents' response to the following statements regarding repayment of youth enterprise development fund. The researcher used a Likert scale of 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree and 1=Strongly Disagree and the results are as indicated in Table 4.9 below.

**Table 4.9 Repayment of Youth Enterprise Development Fund**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The group is repaying the loan	58	4.3545	.88289
The group started repaying the loan on time	58	4.4897	.82093
The group is repaying the loan from investments made from loan	58	4.2828	.94110
The group is experiencing challenges while repaying the loan	58	2.5172	.95956
<b>Aggregate Scores</b>		<b>3.9109</b>	<b>.90112</b>

**Source: Field Data (2023)**

The study findings in Table 4.9 above shows that majority of respondents agreed that the group started repaying the loan on time as demonstrated by a mean score of 4.4897 and a standard deviation of 0.82093 and that the group is repaying the loan as indicated by a mean score of 4.3545 and a standard deviation of 0.88289 respectively. Majority of respondents also agreed that the group is repaying the loan from investments made from loan as suggested by a mean score of 4.2828 and a standard deviation of 0.94110 respectively but disagreed with the statement that the group is experiencing challenges while repaying the loan as demonstrated by a mean score of 2.5172 and a standard deviation of 0.95956 respectively.

## 4.5 Diagnostic Tests

Prior to conducting the inferential statistics, the study conducted diagnostics tests to adhere to the assumption of regression analysis. Among the diagnostics tests conducted include normality tests, heteroskedasticity test, and multicollinearity.

### 4.5.1 Normality Test

One-Sample Kolmogorov-Smirnov Test (K-S) was conducted to test the normality of the dependent variable. The Kolmogorov-Smirnov test (also known as the K-S test or one sample Kolmogorov-Smirnov test) is a non-parametric procedure that determines whether a sample of data comes from a specific distribution, such as normal, uniform, Poisson, or exponential distribution. The results are presented in Table 4.10.

**Table 4.10: Normality Test Results**

	<b>Follow-up Activities</b>	<b>Loan Characteristics</b>	<b>Social Economic</b>	<b>Business performance</b>
Kolmogorov-Smirnov Z	1.116	1.178	1.03	0.417
Asymp. Sig. (2-tailed)	0.073	0.087	0.102	0.436

**Source: Field Data (2023)**

The null hypothesis was H<sub>0</sub>: The data is normally distributed while alternative hypothesis was H<sub>1</sub>: the data is not normally distributed. The rule was that if the p-value is greater than 0.05, we fail to reject H<sub>0</sub>, if the p-value is less than 0.05, H<sub>0</sub> is rejected. The results obtained indicate that Kolmogorov-Smirnov Z statistic for all the variables was greater than 0.05, therefore the study failed to reject null hypothesis and concluded that the data for all the variables was normally distributed and therefore fit for linear regression analysis.

### 4.5.2 Heteroscedasticity Test Results

Heteroscedasticity suggests that the dependent variable has an unequal level of variability for each of the values of the independent variables (Garson, 2012). A test for Heteroscedasticity is made to test for variance in residuals in the regression model used. If there exist equal variance of the error term, there is a normal distribution. Lack of an equal level of variability for each value of the independent variables is known as heteroscedasticity. The Breusch-Pagan test developed by Breusch and Pagan (1979) was used to test for homogeneity in a linear regression mode.

**Table 4.11: Test for Homoscedasticity in the Response and Residuals**

Test – Statistic	Degree of Freedom	P-Value
5.9447	3	0.8385

**Source: Researcher (2023)**

The null and alternative hypotheses are stated below.  $H_0$ : The data is not heterogeneous in variance;  $H_1$ : The data is heterogeneous in variance. The rule is that if the p-value is greater than 0.05,  $H_0$  is accepted and  $H_1$  is rejected, if the p -value is less than 0.05,  $H_0$  is rejected and  $H_1$  is accepted. The result of the test is shown in table 4.11, which indicate that the test statistic is 5.9447 (p-value = 0.8385) with the degree of freedom. Since the test –Statistic is small with the p-value greater than 0.05, the null hypothesis was accepted and concluded that there was homoscedasticity in the data (that is, the data is not heterogeneous in variance), which satisfies the assumption of regression.

### 4.5.3 Test for Multicollinearity

To test for multicollinearity the study used VIF. This study adopted the rule of thumb for VIF value of 10 as the threshold. The VIF values of greater than 10 indicated presence of multicollinearity.

**Table 4.12: Test for Multicollinearity Results**

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	Tolerance	VIF
Follow-up Activities	0.412	2.433
Loan Characteristics	0.423	2.364
Social Economic Factors	0.781	1.280
Business Performance Characteristics	0.488	2.053

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**Source: Field Data (2023)**

These results indicated that the VIF values of the independent variables were within the threshold of 10. This indicated that there was no threat of multicollinearity problem and therefore, the study used linear regression model. The tolerance value closer to zero also indicates presence of multicollinearity therefore the tolerance values for the study variables confirmed that there was no threat of multicollinearity

### 4.6 Inferential Analysis

This section discusses the correlation and regression which was utilized to ascertain the correlation between the independent variables (social economics factors, loan characteristics, business performance characteristics and follow-up activities) as well as the dependent variable (repayment of YEDEF).

#### 4.6.1 Correlation Analysis

The correlation results were based on Pearson correlation were the result close to +1 or -1 indicated that the variables were strongly correlated positively or negatively respectively

**Table 4.13 Correlation Analysis**

		Follow-up Activities	Loan Characteristics	Social Economics Factors	Business Performance Characteristics
Follow-up Activities	Pearson Correlation	1			
	Sig. (2- tailed)				
	N	58			
Loan Characteristics	Pearson Correlation	.476**	1		
	Sig. (2- tailed)	.606			
	N	58	58		
Social Economics Factors	Pearson Correlation	.244**	-.023	1	
	Sig. (2- tailed)	.601	.754		
	N	58	58	58	
Business Performance Characteristics	Pearson Correlation	.636**	.754**	.698**	1
	Sig. (2- tailed)	.000	.000	.000	
	N	58	58	58	58

**Source: Researcher (2023)**

The result in Table 4.13 indicates that the correlation between follow-up activities and business performance characteristics was positive and strong (P=0.636, sig<0.05). The relationship between loan characteristics and business performance characteristics was strong, positive and significant (P=0.754, Sig=0.000). The correlation between social economics factors and business performance characteristics was positive, strong and significant (P=0.698, sig<0.05).

#### 4.6.2 Regression Analysis

Regression analysis was utilized to determine how mobile money services can impact SMEs' performance. Results from the ANOVA and coefficient calculations are displayed in Tables 4.14, 4.15, and 4.16 respectively

**Table 4.14 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.605 <sup>a</sup>	.593	.025	.46258

a. Predictors: (Constant), Follow-up activities, Loan characteristics, social economics factors, business performance characteristics

**Source: Field Data (2023)**

The above model summary presents the correlation coefficient (R) and Coefficient of determination adjusted R square. The value of R was 0.605 indicating a strong correlation between variables. The adjusted R square value of 0.595 indicated that 60% changes in the repayment of Youth Enterprise Development Fund was influenced by social economics factors, business performance characteristics, loan characteristics and follow-up activities. The remaining 40% can be ascribed to additional elements not displayed in this study.

**Table 4.15 ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.164	4	.291	1.360	.002 <sup>b</sup>
	Residual	11.341	53	.214		
	Total	12.505	57			

a. Dependent Variable: Repayment of YEDF

b. Predictors: (Constant), Follow-up activities, Loan characteristics, social economics factors, business performance characteristics

**Source: Field Data (2023)**

Table 4.11 indicates a p value of  $0.000 < 0.05$  and a F statistic of 1.360. This suggests that the study model accurately predicted the dependent variable and was statistically significant (good fit). This demonstrates that social economics factors, business performance characteristics, loan characteristics and follow-up activities influenced repayment of youth enterprise fund in Trans-Nzoia County, Kenya.

**Table 4.16 Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	2.258	.507		4.450	.000
	Social economics factors	.012	.119	.153	1.056	.296
	Loan characteristics	.126	.121	.017	.102	.019
	Business characteristics	.227	.146	.269	1.558	.012
	Follow-up activities	-.088	.091	-.149	-.970	.336

a. Dependent Variable: Repayment of YEDF

Source: Field Data (2023)

The model adopted was:  $Y = 2.258 + 0.012X_1 + 0.126X_2 + 0.227X_3 + \epsilon$

The first study hypothesis was: Social-economic characteristics does not significantly affect repayment of Youth Enterprises Development Fund loan in Trans-Nzoia County.

Table 4.12 shows that social economics factors had a positive and significant effect on the repayment of youth enterprise fund ( $\beta = 0.012$ ,  $p < 0.05$ ). This implies that an increase in social economics factors will result to an increase in repayment of YEDF by 0.012 units.

The findings are consistent to those of Pusha and Negese (2014) who established that as loan repayment probabilities increases with the social economics factors of the borrower.

The findings also indicated that loan characteristics influence repayment of youth enterprise development fund ( $\beta = 0.126$ ,  $p < 0.05$ ). This infers that an increase in loan characteristics will result to an increase in repayment of YEDF by 0.126 units.

The findings are similar to those of Amare (2015) who conducted an empirical investigation of the variables influencing small-holder farmers' ability to repay loans in North Gondar, Ethiopia and found a strong and positive correlation between interest rates and loan payback.

The finding also suggested that business characteristics influenced repayment of youth enterprise development fund ( $\beta = 0.227$ ,  $p < 0.05$ ). This demonstrates that an increase in business characteristics will lead to an increase in repayment of youth enterprise fund by 0.227 units. The findings concur with those of Ochillo (2009) who conducted an analysis of the variables influencing small-business loan repayment performance and concluded that that firm performance, loan management, entrepreneur attitudes regarding loan repayment, and entrepreneur ages all have statistically significant effects on loan repayment.

#### **4.6.3 Test of Hypothesis**

The following are the results of the hypotheses tested:

**H<sub>01</sub> Social-economic characteristics does not significantly affect repayment of Youth Enterprises Development Fund loan in Trans-Nzoia County.**

H<sub>01</sub> sought to investigate the statical influence of social-economic factors on repayment of Youth Enterprises Development Fund loan in Trans-Nzoia County.

The regression results showed a slight increase of 0.012 units in the loan repayment as social economic factors increased, holding all other factors constant hence suggesting that borrowers, social economic factor statistically influence loan repayment of YEDF and therefore rejecting the hypothesis that Social-economic factors does not significantly affect repayment of Youth Enterprises Development Fund loan in Trans-Nzoia County.

**H<sub>02</sub> Loan characteristics does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.**

H<sub>02</sub> sought to find out the statistical influence of Loan characteristics on the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

The regression results showed a slight increase of 0.126 units in the loan repayment as loan characteristics increased, holding all other factors constant hence indicating that loan characteristics statistically influencing loan repayment of YEDF and therefore rejecting the hypothesis that H<sub>02</sub> Loan characteristics does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

**H<sub>03</sub> Business characteristics does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County**

H<sub>03</sub> sought to determine the influence of business performance on the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

The regression results showed a slight increase of 0.227 units in the loan repayment as business characteristics increased, holding all other factors constant hence implying that business characteristics statistically influencing loan repayment of YEDF and therefore rejecting the hypothesis that H<sub>02</sub> business characteristics does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County

**H<sub>04</sub> Follow-up measures does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County**

H<sub>04</sub> to ascertain the influence of Follow-up measures on the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

The regression results showed a slight decrease of -0.088 units in the loan repayment, holding all other factors constant hence suggesting that follow-up measures does not statistically influencing loan repayment of YEDF and therefore accepting the hypothesis that H<sub>02</sub> follow-up does not significantly affect the repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter presents a summary of findings, suggestions, and recommendations. This is done based on the objectives of the study. The chapter makes recommendations for further research.

#### **5.2 Summary of Findings**

The general objective of the study was to identify the factors that influence repayment of Youth Enterprise Development Fund in Trans-Nzoia County, Kenya. The specific objectives were: to examine the influence of borrower's social economic factors, to evaluate the effect of loan characteristics, to assess the influence of the business performance characteristics and to find out how the repayment of Youth Enterprises Development Fund in Trans-Nzoia County is affected by the follow-up methods implemented and the repayment structure.

The first objective of the study was to examine the influence of borrower's social economic factors on loan repayment of Youth Enterprises Development Fund in Trans-Nzoia County. The study findings indicated that social economics factors influenced repayment of YEDF to a moderate extent as demonstrated by an aggregate mean score of 2.7931 and a standard deviation of 0.88175 respectively. The findings also shows that borrowers' social economic factors statistically influence loan repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

The second objective of the study was to evaluate the effect of loan characteristics on repayment of Youth Enterprises Development Fund in Trans-Nzoia County. The study findings suggests that loan characteristics influenced the repayment of YEDF to a great extent. The findings also

demonstrated that loan characteristics had a statistical influence loan repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

The third objective of the study was to assess the influence of the business performance characteristic characteristics on repayment of Youth Enterprises Development Fund in Trans-Nzoia County. The findings of the study showed that business performance characteristics influenced the repayment of YEDF to a great extent. The findings also demonstrated that business performance characteristics had a statistical influence loan repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

The fourth objective of the study aimed to find out how the repayment of Youth Enterprises Development Fund in Trans-Nzoia County is affected by the follow-up methods implemented and the repayment structure. The study findings suggests that follow-up activities do not influence repayment of YEDF. The findings also indicated that borrowers' follow-up activities had no statistical influence loan repayment of Youth Enterprises Development Fund in Trans-Nzoia County.

### **5.3 Conclusions**

The study concluded that that Level of education of the group members influenced repayment of YEDF and that training of the group members influence repayment of YEDF. The findings also concluded that marital status of the group members influenced repayment of YEDF, the size of the group influenced repayment of YEDF and that age of the group members had a low influence on repayment of YEDF. The findings also concluded that gender of the group members influenced repayment of YEDF and that political mindset of the group members influenced repayment of YEDF.

The study findings also concluded that loan amount, loan purposes and interest rates influenced repayment of YEDF. The findings also came to a conclusion that sufficiency, late disbursement of loans and repayment period influenced repayment of YEDF. The study findings concluded that loan characteristics influenced the repayment of YEDF.

The study came to a conclusion that low profit, business failure and type of business influence repayment of YEDF and that size of the business, location of the business and age of business influenced repayment of YEDF. These study findings also came to a conclusion that business performance characteristics influenced repayment of YEDF.

The findings came to a conclusion that very few lenders made phone calls to the group members to make follow-up on loan repayment and that lender did not regularly visits the group members to make follow-up on loan repayment. The findings also showed that respondent disagreed with statement that lender uses debt collectors to when group fails to repay the loan and that lender writes letter to the group reminding them to repay the loan.

#### **5.4 Recommendations**

The banks should ensure that group members are trained on proper business management to avoid loan diversion. The group should be encouraged to have an appropriate number of members and also not to have political mindset in their group. Gender parity should be emphasized.

The study recommends that banks groups are provided with sufficient funds with affordable interest rates and that members use the funds for intended purposes. They should ensure that funds are disbursed on time and member given appropriate repayment period.

Before issuing funds, bank officials should assess the type of business the group is engaged in. They should also evaluate how profitable business is, location of the business, the duration the

business has been operational. They should also assess if the business is profitable or not. This will help in determining amount of fund that the group can get and if they are able to repay the loan and interest without default.

The study recommends that banks should put in place proper follow-up mechanism such as regularly visiting the groups to assess the performance of their business and reminding them on loan repayment. They should also make phone calls or even writing letters or email to remind them of the same.

### **5.5 Suggestion for Further Studies**

The study general objective was on the influence of social economic factors, loan characteristics, business performance characteristics and borrowers' follow-up activities on loan repayment by youth organizations in -Nzioa County, Kenya. As a result, the study suggests that additional research be done concentrating on factors unrelated to this one. The factors outside of this study that the coefficient of determination model identified as contributing to the loan repayment on the youth enterprise development fund could be the subject of additional research

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## **APPENDIX I: LETTER TO RESPONDENTS**

Stephen Mwangi  
Kenyatta University,  
Nyeri Center,  
P.O. Box 1085  
NYERI.

Dear Respondents

### **REF: CAUSES OF DEFAULT IN COMMERCIAL BANKS AND GOVERNMENT MICRO CREDIT PARTNERSHIP PROGRAMMES A SURVEY OF TRANS-NZOIA COUNTY**

I am a student of Kenyatta University, Nyeri Centre. I am currently undertaking a research on causes of default in commercial banks and government micro credit partnership programmes. I kindly request your assistance and cooperation in attaining the objectives of the study by filling in the attached questionnaires. You are hereby assured that the information you give will be treated with utmost confidentiality and that it will be used for this study only. Kindly ensure that you do not write your name on the questionnaire.

Yours Faithfully,

Stephen Mwangi.



- d) None [ ]
- e) Others (specify) [ ]
- 10 What are your other sources of source of income besides that in question 6?
- a) Farming [ ]
- b) Business [ ]
- c) Formal employment [ ]
- d) None [ ]
- 11 Your position in the group;
- a) Chairperson [ ]
- b) Secretary [ ]
- c) Treasurer [ ]
- d) Member [ ]
- 12 Amount lend by Youth Enterprise Development Fund/Women Fund to enable you engage in business (Ksh).
- a) Below 20,000 [ ]
- b) 20,001-30,000 [ ]
- c) 30,001-40,000 [ ]
- d) 40,001-50,000 [ ]
- e) Above 50,000 [ ]
- 13 Please indicate your monthly income in Kshs.
- a) Less than 5000 [ ]
- b) 5000-10000 [ ]
- c) 10001-15000 [ ]
- d) 15001-20000 [ ]
- e) 20001 and above [ ]

**SECTION B: Social Economics Factors**

- 14 How do the following social economics factors influence repayment of youth enterprise development fund. Use a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent

<b>Social Economic Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Gender of the group members					
Age of the group members					
Level of education of the group members					
Marital status of the group members					
Training of the group members					
Political mindset of the group members					
Size of the group					

**SEC**

**TION C: Loan Characteristics**

15 How do the following loan characteristics factors influence repayment of youth enterprise development fund. Use a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent

<b>Loan Characteristics</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Loan amount					
Interest rates					
Sufficiency					
Loan purposes					
Late disbursement of loans					
Repayment period					

**SECTION D: Business Characteristics**

16 How do the following business characteristics factors influence repayment of youth enterprise development fund. Use a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent

<b>Business Characteristics</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Business failure					
Type of business					
Low profit					
Location of the business					
Age of business					
Size of the business					

**SECTION E: Level of follow -up Activities**

17 To what extent do the following loan repayment activities influence repayment of youth enterprise development fund? Use a Likert scale of 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree and 1=Strongly Disagree

<b>Level of follow -up Activities</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The lender makes regular visits the group members to make follow-up on loan repayment					
The lender makes phone calls to the group members to make follow-up on loan repayment					
The lender uses debt collectors to when group fails to repay the loan					
The lender writes letter to the group reminding them to repay the loan					

18 To what extent does follow-up activities affect loan repayment?

- a) Very great extent ( )
- b) Great extent ( )
- c) Moderate extent ( )
- d) Small extent ( )
- e) Very small extent ( )

**SECTION F: Moderating Variables**

19 To what extent do the following environmental factors influence repayment of youth enterprise development fund? Use a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent

<b>Moderating Variables</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Regulations on lending					
Inflation					
Enterprise managerial competencies					
Kenya's economic growth					

**SECTION G: Loan Repayment**

20 Indicate your level of agreement with the following statements regarding repayment of youth enterprise development fund. Use a Likert scale of 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree and 1=Strongly Disagree

<b>Loan Repayment</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The group is repaying the loan					
The group started repaying the loan on time					
The group is repaying the loan from investments made from loan					
The group is experiencing challenges while repaying the loan					

*Thank you for your invaluable information.*



**SECTION B: Social Economics Factors**

26 How do the following social economics factors influence repayment of youth enterprise development fund. Use a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent

<b>Social Economic Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Gender of the group members					
Age of the group members					
Level of education of the group members					
Marital status of the group members					
Training of the group members					
Political mindset of the group members					
Size of the group					

**SEC**

**TION C: Loan Characteristics**

27 How do the following loan characteristics factors influence repayment of youth enterprise development fund. Use a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent

<b>Loan Characteristics</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Loan amount					
Interest rates					
Sufficiency					
Loan purposes					
Late disbursement of loans					
Repayment period					

**SECTION D: Business Characteristics**

28 How do the following business characteristics factors influence repayment of youth enterprise development fund. Use a Likert scale of 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent and 1=Very Low Extent

<b>Business Characteristics</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Business failure					
Type of business					
Low profit					
Location of the business					
Age of business					
Size of the business					

**SECTION E: Level of follow -up Activities**

29 To what extent do the following loan repayment activities influence repayment of youth enterprise development fund? Use a Likert scale of 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree and 1=Strongly Disagree

<b>Level of follow -up Activities</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The lender makes regular visits the group members to make follow-up on loan repayment					
The lender makes phone calls the group members to make follow-up on loan repayment					
The lender uses debt collectors to when group fails to repay the loan					
The lender writes letter to the group reminding them to repay the loan					



## **APPENDIX IV: RESEARCH PERMIT**

**APPENDIX V: NACOSTI PERMIT**